

Different roles, different responsibilities

There's a lot of information out there regarding the New Hampshire Retirement System, some of it fact, some of it fiction. This document, along with others in the "NHRS ... Now You Know" series, is designed to provide you with straight talk about the retirement system.

The New Hampshire Retirement System sometimes gets asked when are we going to grant a cost-of-living adjustment (COLA) to retirees, eliminate the Group I pension recalculation, or "do something about double-dipping."

The answer is the same to all of these and several other questions: NHRS is the "plan administrator" and the issues above are decisions made by the "plan sponsor," which is the NH Legislature.

The roles and responsibilities of public pension plan sponsors and plan administrators are fundamental and distinct concepts defined by the Internal Revenue Code.

A plan sponsor is typically the entity that establishes and designs the retirement plan. In our case, the Legislature enacted RSA 100-A in 1967, which created NHRS by consolidating four separate retirement plans for state employees, teachers, police

and fire – all of which were created by legislation in prior decades.

As the plan sponsor, the state is responsible for making policy decisions like who is eligible to participate, when is someone eligible to retire, how benefits are calculated, and many other specific details, such as working after retirement rules and whether or not to provide a COLA. The only limit to plan design is that it must comply with IRS regulations and other applicable state or federal laws or constitutional provisions.

A plan administrator, on the other hand, is the party tasked with the responsibility of running the plan.

NHRS staff – with oversight from and authority granted by the retirement system Board of Trustees – manages day-to-day operations, ensures benefits are being delivered promptly and correctly, monitors investments, communicates with stakeholders, and conducts other duties delegated by the plan sponsor.

Being a plan administrator requires NHRS to maintain neutrality on policy questions. Typically, Trustees would not take a position on a legislative bill except in cases when proposed legislation would not comply with the Internal Revenue Code, create an administrative problem, or conflict with their fiduciary duties in some other way.

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Rather than advocating for a specific outcome, NHRS is responsible for providing policymakers across the political spectrum with the factual data and analysis necessary to develop an informed opinion about any given retirement issue.

So, though they are very much interrelated, the plan sponsor and the plan administrator have very distinct legal authorities and responsibilities.

The simplest way to think of it is this: The Legislature, as plan sponsor, makes the rules, while NHRS, as the plan administrator, carries them out.



Sources: RSA 100-A; www.irs.gov

No. 20; Issued April 2019