

# 5 facts on employer contributions

**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.**

New Hampshire Retirement System employer contribution rates for fiscal years 2022 and 2023 were certified by the Board of Trustees in September 2020. Here are five things to know about employer rates:

**1. Employer contribution rates are determined every two years** pursuant to RSA 100-A:16, III. The contribution rates for fiscal years 2022 and 2023 are based on the actuarial valuation as of June 30, 2019. Employer contributions have increased for all member groups (Employee, Teacher, Police, and Fire).

**2. The increase in 2022-23 rates was largely the result of changes to the actuarial assumptions** used to value the pension plan that were adopted by the Board in June 2020 based on recommendations from the actuary contained in

a four-year (2015-19) actuarial experience study, along with additional input on long-term capital market expectations from multiple outside investment experts. The most significant drivers of the rate increase, in order of impact, were: 1) the reduction of the assumed rate of investment return from 7.25% to 6.75%; 2) the adoption of updated post-retirement mortality assumptions; and 3) a reduction in the payroll growth factor. The NHRS Board of Trustees has a legal and a fiduciary obligation to adopt actuarially sound assumptions. This regular review and, when appropriate, recalibration, of actuarial assumptions is necessary to ensure that the retirement system meets its long-term funding needs.

**3. The Board of Trustees has limited discretion in setting employer rates.** State law requires that the Board certify actuarially sound rates necessary to keep the retirement system on track to meet its long-term obligations; the New Hampshire Constitution (Part I, Article 36-a) requires employers to pay those rates in full.

**4. There are three components to employer contribution rates:** the normal cost, the unfunded actuarial accrued liability (UAAL), and the Medical Subsidy. The normal cost reflects the estimated actuarial cost of pension benefits as those benefits are earned each year by members. This cost is shared by the employer and the member, with members paying the majority of the normal cost. The UAAL is the estimated value of NHRS benefits that have been earned in the past, but have not yet been fully funded. The current liability, which is being paid down through 2039, is borne solely by the employers.

Overall, the unfunded liability accounts for the majority of the total employer rate in fiscal years 2022 and 2023 as detailed in the chart on the following page.

## 5 facts on employer contributions



FY 22-23 NHRS EMPLOYER CONTRIBUTION RATES					
MEMBER CATEGORY	PENSION: NORMAL COST	PENSION: UAAL	UAAL AS A % of TOTAL PENSION COST	MEDICAL SUBSIDY	TOTAL EMPLOYER RATE
Employee – State	2.58%	11.17%	81.2%	0.78%	<b>14.53%</b>
Employee – P. Sub.	2.58%	11.17%	81.2%	0.31%	<b>14.06%</b>
Teacher	2.82%	16.66%	85.5%	1.54%	<b>21.02%</b>
Police	6.72%	23.95%	78.1%	3.21%	<b>33.88%</b>
Fire	7.07%	22.71%	76.3%	3.21%	<b>32.99%</b>

Member contribution rates set by statute: Group I – 7%; Group II Police – 11.55%; Group II Fire – 11.8%

**5. Political subdivision employers have paid 100% of the employer rates for Teacher, Police and Fire members since fiscal year 2013.** When RSA 100-A:16 was enacted in 1967, the state was responsible for 40 percent of the employer contribution for Teacher members employed by political subdivisions. The statute was amended in 1977, requiring the state to pay 35 percent of the employer contributions for Teacher, Police, and Fire members employed by political subdivisions. RSA 100-A:16 was amended in 2009 to reduce the state's share to 30 percent in fiscal year 2010 and 25 percent in fiscal year 2011. The 2009 amendment also restored the state contribution to 35 percent in fiscal year 2012, however, the statute was amended again in 2011 to eliminate the state's percentage share of employer contributions altogether. The 2011 amendment also included a one-time appropriation of \$3.5 million in an effort to offset political subdivision employer contributions in fiscal year 2012. Employers sued the state over these reductions. The New Hampshire Supreme Court in 2012 upheld the state's action and ruled that the decrease in the state's contribution was not an unfunded mandate in violation of the New Hampshire Constitution (Part I, Article 28-a).

### Related Links:

Employer Contribution Rates:

<https://www.nhrs.org/employers/employer-contribution-rates>

FAQ: Employer Contribution Rates for Fiscal Years 2022 and 2023:

<https://www.nhrs.org/faqs/faq--fy-22-23-employer-contribution-rates>

FAQ: 2019 Actuarial Experience Study:

<https://www.nhrs.org/faqs/faq-2019-actuarial-experience-study>



Sources: RSA 100-A; NH Constitution;  
June 30, 2019, actuarial valuation

No. 13; Updated September 2020