

How member interest is credited

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, are designed to provide you with straight talk about the retirement system.

Many members, especially those who have lived in the world of 401(k)s, wonder how the NHRS annual member interest rate is determined.

Under state law, a calendar year interest rate on member accumulated contributions is set annually at 2 percentage points less than either the most recent NHRS Board of Trustees' approved assumed rate of investment return – currently 6.75% – or the actual rate of return for the preceding fiscal year, whichever is lower.

The law also states that the rate shall not be less than zero, meaning NHRS members – unlike participants in defined contribution plans – will never lose money because of negative investment performance.

Because the NHRS actual rate of return for the fiscal year ended June 30, 2024, exceeded the assumed rate of return, the member interest rate for calendar year 2025 is 4.75%.

The retirement system is a defined *benefit* plan, which is much different than a defined *contribution* plan like a 401(k) – or a 457, or a 403(b). Unlike defined contribution plans, which are directly tied to how well the market performs, the member interest rate for NHRS does not affect the accrual of pension benefits for active members, which is based on service time and salary. It also does not affect benefits paid to current retirees and beneficiaries.

The interest rate is applied to a member's accumulated contributions on an annual basis. Member accumulated contributions represent the total amount a member has paid into the retirement system throughout his or her career, plus credited interest. (Note: Employer contributions are not included.) Members who participate in the now-closed Additional Contributions program receive the same interest rate.

Members, or their beneficiaries, will always get their contributions and interest back through monthly pension payments, death benefits, or by choosing a lump-sum withdrawal of accumulated contributions in lieu of collecting the lifetime pension.

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Below are the historical member interest rates since 2011. Note that interest rates were applied on a fiscal year (July 1-June 30) basis until 2012, when legislation tied the member interest rate to the calendar year.

Historical Member Interest Rates CY 2011-2025

Calendar year 2025 – 4.75%
Calendar year 2024 – 4.75%
Calendar year 2023 – 0%
Calendar year 2022 – 4.75%
Calendar year 2021 – 0%
Calendar year 2020 – 3.7%
Calendar year 2019 – 5.25%
Calendar year 2018 – 5.25%
Calendar year 2017 – 0%
Calendar year 2016 – 1.5%
Calendar year 2015 – 5.75%
Calendar year 2014 – 5.75%
Calendar year 2013 – 0%
Calendar year 2012 – 5.75%
July 1, 2011-Dec. 31, 2011 – 5.75%