



The New Hampshire Retirement System (NHRS, the retirement system) has prepared this FAQ to answer some questions frequently asked by new members. The retirement system has also created a voiceover presentation addressing these questions and more. To view this presentation and many others, visit the NHRS website at: <https://www.nhrs.org/education>

### Retirement Terms

#### Membership

NHRS is made up of active members contributing to the retirement system and retirees and beneficiaries collecting a pension.

#### Group I

Employee and teacher members.

#### Group II

Police and fire members.

#### Vesting

Members become vested for retirement benefits upon the earlier of: (1) completion of 10 years of NHRS Creditable Service; or (2) on or after attainment of the NHRS normal retirement age while in service, regardless of years of Creditable Service.

#### Retirement

This is not the same as “termination” or the last day of employment. In order to begin collecting a lifetime pension, members must file a retirement application with NHRS and meet certain deadlines.

#### Accumulated Contributions

The total amount a member has paid into the retirement system plus credited interest. Employer contributions are not included.

#### In Service

Members will be considered in service if both the member and employer are actively contributing to NHRS and the member is earning Creditable Service. Members may also be considered in service for certain benefits if employment is suspended as a result of the Family Medical Leave Act, workers’ compensation, or active military duty.

#### Creditable Service

The number of months and years of service credit earned as an NHRS member. Creditable Service is one of the factors used to calculate the pension benefit.

#### Average Final Compensation (AFC)

The average of a member’s five highest years of Earnable Compensation in NHRS-covered employment. AFC may be subject to Earnable Compensation limits and other statutory provisions. AFC is one of the factors used to calculate the pension benefit. (Note: For members vested prior to January 1, 2012, the AFC is the average of their three highest years of Earnable Compensation in NHRS-covered employment.)

#### I know NHRS is a retirement plan but what else is there to know?

NHRS is a public employee defined benefit plan providing retirement, disability, and death benefits to eligible members and their beneficiaries. Eligible members can receive a lifetime pension at retirement. The benefit is calculated based on service time and average salary using formulas outlined in state law.

#### How is that different from a 401(k) plan?

A 401(k) is a defined contribution plan for private employees, where the retirement benefit is based on contributions and investment earnings over the course of a person’s career. In addition to your NHRS pension, your employer may provide you with access to a defined contribution plan for public employees such as a 403(b) or 457 plan.

#### Who is responsible for running NHRS?

- The New Hampshire Legislature is the plan sponsor and the plan is governed by the Internal Revenue Code, state statute (RSA 100-A), administrative rules and Board policies.
- NHRS is managed by a Board of Trustees, and its investments are managed by an Independent Investment Committee (“IIC”). Trustees and IIC members are fiduciaries, which means, they are required to act exclusively in the interests of the members and beneficiaries of the retirement system.
- NHRS staff administers the retirement system’s operations on a day-to-day basis.

#### How much is contributed toward my retirement?

Member contributions are set by statute and deducted from your paycheck.

- Employees (Group I): 7%
- Teachers (Group I): 7%
- Police (Group II): 11.55%
- Fire (Group II): 11.8%

Your employer also contributes to the retirement system. Employer contributions, which are reviewed every two years, are larger than member contributions for all groups. Please note that employer contributions are not credited to individual member accounts, they are used to fund pension payments for all members. If you terminate employment and opt to withdraw or roll over your accumulated contributions, you will only receive your contributions and interest.

#### What do you do with my money?

Contributions go into the NHRS trust fund and are pooled and invested. Investment earnings have historically provided the majority of trust fund assets. The trust fund can only be used to pay pension benefits and cover administrative expenses.

#### Do I pick the investments?

No, NHRS investments are professionally managed.

#### Why do I have to contribute?

It’s the law. If you work for an NHRS-participating employer in a full-time, permanent position, enrollment is mandatory and it begins when you start working.

#### Why do I have to save for retirement?

You will need a substantial portion of your pre-retirement income to maintain your standard of living. No one wants to face financial uncertainty in retirement.

#### Do my contributions earn interest?

Yes, interest is determined by statute at the beginning of each calendar year based on investment performance in the prior fiscal year and applied to your accumulated contributions. The current interest range is between 4.75% and zero. Regardless of economic conditions, you will never lose money on your member contributions.

**Can I take a loan from my contributions while I am working?**

No, loans are not allowed.

**Can I put extra monies into the pension plan?**

New NHRS members cannot contribute extra money toward their retirement.

Note: An 'Additional Contributions' provision exists for members who signed up before the program was repealed in 2004.

**What types of retirement does NHRS offer?**

NHRS offers four types of retirement: Service, Early Service, Vested Deferred, and Disability. For more information, visit the NHRS website at: <https://www.nhrs.org/members/benefits>.

**What can I expect to receive for a pension?**

Benefits are based on service and average final salary. The longer you work and the more you make, the bigger your benefit will be.

Example: Group I member retiring at 65 with an average final salary of \$50,000:

- Benefit with 10 years of service: \$8,333/year
- Benefit with 20 years of service: \$16,667/year
- Benefit with 30 years of service: \$25,000/year

Note: Benefit will be reduced approximately 10% when you reach normal Social Security retirement age (age 67 for anyone born in 1960 or after). For more information, visit the NHRS website at: <https://www.nhrs.org/faqs/group-i-benefit-recalculation>

**What happens if I die while I am still working?**

If you die while in service your designated beneficiary may be eligible to receive a death benefit. Death benefits vary depending on whether the death was job-related or not.

Regardless of whether or not your beneficiary is eligible for a death benefit, the beneficiary will receive a refund of your accumulated contributions. For more information, visit the NHRS website at:

<https://www.nhrs.org/members/benefits/pre-retirement-death-benefits>

**And what if I leave public employment?**

You can leave your contributions with NHRS. If you are vested and do not withdraw your funds, you can apply for a pension when you meet eligibility requirements. Even if you are not vested, leaving your contributions with NHRS preserves your years of service should you go to work for another NHRS-covered employer at a later date. Your contributions will continue to earn interest at the member interest rate in effect.

You can withdraw your contributions plus interest once you have left public employment. However, you will pay taxes on the withdrawn funds and you will terminate your NHRS membership and forfeit any right to lifetime pension.

Another option would be to roll over your contributions and interest into another qualified plan. With a rollover there will be no penalties or tax consequences. This option will also terminate your membership and you will forfeit any right to lifetime pension.

**What if I leave my current employer for another NHRS employer?**

Nothing changes if you go to another NHRS employer. You still make contributions and continue to add to your service. If vested, you will remain eligible for a lifetime benefit at retirement and death and disability benefits stay intact.

**So...will my pension cover my retirement?**

NHRS benefits are not intended to be your sole source of income. While almost all employees and teachers also participate in Social Security, all members should explore additional ways to save for retirement, including employer-sponsored supplemental retirement savings plans.

Note: Police officers and firefighters do not participate in Social Security. Employees and teachers working for SAU 39 or the Town of Windham also do not participate.

**I worked for a public employer in another state; can I transfer that service to NHRS?**

Service earned in another public employee pension plan, including federal employment, is not transferrable to the NH Retirement System. If you move, your NHRS service may be transferrable to another state or local plan. Check with your new employer for details.

**How can I learn more about my NHRS benefits and stay up to date on news about the retirement system?**

1. Visit our website at [www.nhrs.org](http://www.nhrs.org)
2. Receive news updates and information with NHRS Email Updates (<https://www.nhrs.org/sign-up>)
3. Attend a live member presentation (<https://www.nhrs.org/education>)
4. Sign up for *My Account*, our online member portal (<https://www.nhrs.org/my-account>)
5. Connect with us on social media (<https://www.nhrs.org/retirees/nhrs-on-social-media>)

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