

The Group I pension recalculation

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.

One of the most common questions Group I (Employee and Teacher) members have about their pension is, "Why is my benefit recalculated?"

Prior to 1988, the law governing the New Hampshire Retirement System tied Group I pension benefits to federal Social Security benefits. Because of this linkage, Group I pension recipients would see a benefit reduction of anywhere from 10 percent to as much as 50 percent.

The Legislature de-linked Group I pension benefits from Social Security in 1988 but left in the law a pension recalculation provision that reduced Group I pension benefits approximately 10% at age 65.

When NHRS benefits were de-linked from Social Security, it was considered a significant benefit enhancement for active Group I members. Over time, however, the age 65 recalculation came to be seen as inequitable by many members and retirees whose full Social Security age was greater than 65.

The full retirement age for Social Security, also called "normal retirement age," was, and remains, 65 for anyone born in 1937 or earlier. Currently, the normal retirement age is 67 for anyone born in 1960 or later. For people born between 1938 and 1959, the normal retirement age varies from 65 years, 2 months, to 66 years, 10 months.

After several unsuccessful legislative attempts to revise or eliminate the Group I benefit recalculation in recent years, the law was changed in 2023 so that all Group I members who retire on or after July 1, 2023, will experience the recalculation in their pension amount beginning the month following attainment of their full Social Security retirement age. The recalculation following attainment of age 65 remains in effect for Group I members who retired prior to July 1, 2023.

GROUP I SERVICE RETIREMENT BENEFIT CALCULATION EXAMPLE

A Group I member retires on or after July 1, 2023, with 30 years of Creditable Service and Average Final Compensation of \$60,000.

Pension calculation prior to attainment of full Social Security retirement age:

\$60,000 divided by 60 = \$1,000 multiplied by 30 years = \$30,000

Pension calculation following attainment of full Social Security retirement age:

\$60,000 divided by 66 = \$909.08 multiplied by 30 years = \$27,273

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The 2017 Decennial Retirement Commission had a specific statutory charge to, “Study the feasibility and cost of eliminating the reduction in a retiree’s retirement allowance upon reaching the age of 65.” The commission recommended to defer the reduction in benefits for Group I active employees from age 65 to age 67 for active members. According to the commission report, “There was sentiment to remove the reduction in its entirety, but the reality of budget constraints makes that option unrealistic at this time.”

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Notes: 1. The recalculation does not apply to Group II (Police and Fire) members, who do not participate in Social Security. 2. The normal age of eligibility for Medicare is 65 regardless of when one begins receiving Social Security benefits, although some people may qualify for Medicare earlier due to a disability.