

# **New Hampshire Retirement System**

## **Employer Education Session: Audit Topics for Municipalities and Counties**



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## Overview of Program



- **NHRS Overview**
- **Enrollment & Eligibility**
- **Elected & Appt. Officials**
- **Exemption of CAO**
- **De-Certifying Group II Positions**
- **Earnable Compensation**
- **Salary Continuance (LTD/STD)**
- **Workers' Compensation**
- **Service Credit/Purchases**
- **Salary Adjustment**
- **Common Audit Findings**
- **Working After Retirement**
- **Employer's Notice of Termination Form**
- **Resources for Employers**

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## Overview



- **Established in 1967**
- **Provides service, disability, early and vested deferred retirement, and survivor benefits for full-time employees, teachers, police officers, and firefighters, as well as a post-employment Medical Subsidy benefit to qualified Group I and Group II members**

- **NH Legislature: Plan Sponsor**
  - **RSA 100-A, rules and policies serve as plan documents**
- **NHRS staff implements RSA 100-A**
- **NH Constitution Art. 36-a protects funds “for the exclusive purpose” of providing benefits**
- **Subject to Internal Revenue Code provisions**
- **NHRS Board of Trustees and Independent Investment Committee members are fiduciaries**

- **465 participating employers**
  - **State of NH, counties, school districts, communities, and other political subdivisions**
- **Membership**

	<b>Employees</b>	<b>Teachers</b>	<b>Police</b>	<b>Fire</b>	<b>Total</b>
<b>Active</b>	24,654	17,730	4,216	1,688	48,288
<b>Ret./Ben.</b>	18,824	13,740	4,082	1,706	38,352

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## **Eligibility for Enrollment – Employees**



- **Occupying permanent position**
- **Regularly scheduled 35 hours/week or more**
- **Combine multiple employee positions to qualify for enrollment if within the same employer**

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## Eligibility for Enrollment – Group II



- **Police & Fire:**
  - **Mandatory enrollment for full-time police & fire in a permanent position**
  - **Employer determines hourly requirement for full time**
  - **Optional enrollment for officials appointed for a fixed term pursuant to RSA 100-A:3, I does not apply to Group II**

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## When to Remit Enrollment Form



- **New hires meeting minimum participation standards**
- **Return to work after inactive for 180 days**
- **Member in a new position that falls within a different group or job class**
- **Position has optional enrollment and person declines membership initially, but later chooses to participate**



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## **Elected & Appointed Officials**



### **Optional Membership for elected officials and officials appointed for a fixed term if:**

- **The office held is full time with same benefits as other full time employees of that employer**
- **The office held is the primary occupation of person holding the office**
- **The annual base compensation is \$15,000 or more, requires at least 1,700 hours/annually**
- **The employer uses one elected or appointed office to qualify**
- **The official concurrently holds offices of town clerk & tax collector & meets all other eligibility**



*RSA 100-A:3, 1*

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## Appointed Officials



**Optional Membership for officials appointed for a fixed term does not apply in the case of a new position created by political subdivisions after July 1, 2011**

*RSA 100-A:3, I(d)*

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## Chief Administrative Officer



- **Exemption of CAO from compulsory membership**
- **Requires action by governing body (i.e. City Council, Selectmen, etc.) at the time of initial hiring**
- **Submit meeting minutes memorializing action taken**
- **A person occupying a CAO position who actively contributes to NHRS cannot retire, get re-hired & opt out of participation for same position**

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## De-Certifying Group II Positions



- **If a part-time employee occupies a previously certified full-time Group II position, employer must de-certify the position**
  - **Submit letter of de-certification to NHRS**
  - **Copy of meeting minutes indicating action by municipality's governing body**
  - **To re-certify Group II position, submit letter and new action by governing body to NHRS**

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# Earnable Compensation



## Statutory History Prior to August 29, 2008

**Almost all compensation was Earnable Compensation because the statute included the term “other compensation paid to the member by the employer”**

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# Earnable Compensation



## HB 1645 – Effective August 29, 2008

- **Removed “other compensation” from statute**
- **Earnable compensation included “full base rate of compensation” plus the types of compensation listed in the statute**
- **If not part of base compensation & not listed in statute, then not earnable compensation**

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# Earnable Compensation



## HB 2 – Effective July 1, 2011

- **Major changes – “Earnable Compensation shall mean...the full base rate of compensation paid, as determined by the employer...”**
- **Two different definitions based on whether a Member was vested prior to January 1, 2012**
  - **Vested prior to 1/1/12 – RSA 100-A:1, XVII(a)**
  - **Not vested prior to 1/1/12 – RSA 100-A:1, XVII(b)**

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## Earnable Compensation References



- **RSA 100-A:1, XVII**
- **Interpretive Memoranda –**  
**<https://www.nhrs.org/employers/employer-resources/statutory-interpretive-guidance>**
  - **Intended to serve as a guide to employers**
  - **Responses to factual situations that have arisen**
  - **Some contain broader discussions of general areas**



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# Base Compensation General Rules

## *Interpretive Memorandum 2015-1*

- **Normal Workweek or Work Shifts; Vacation Days, Sick Days, Floating Holidays and Compensatory time used in place of regular workweek or shift**
- **Although Employers have general discretion to determine what is considered Base Compensation, NHRS has the right to make the final administrative determination**

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## Base Compensation Additional Rules



- **Stipends** – Employers may designate as Base Compensation. If not part of base & doesn't qualify otherwise, then not reportable
  - **NHRS more likely to agree if:**
    - The amount is known at the beginning of the year
    - Employer designates the stipends as base for all who receive it
    - Details are in a CBA, separate agreement/contract between the member & employer or is memorialized in a policy or handbook

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## Base Compensation Additional Rules



- **Bonuses/Merit Pay** – Discretionary bonuses and merit pay are not Base Compensation and, therefore, are not Earnable Compensation
  - Incentive bonuses and pay for performance are discretionary and not known at the beginning of the year who will receive this type of bonus
  - Typically compensation calculated and/or awarded as a percentage of base salary is not Base Compensation

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## **Comp. Over Base Def. (Not Vested Prior to 1/1/12)**



**RSA 100-A:1, XVII(b)(1), includes the following types of compensation as COB:**

- **Overtime**
- **Cost of Living Bonus**
- **Annual Longevity Pay**
- **Extra and Special Duty Pay (applies to Group II only)**
- **Military Differential Pay**
- **In-Kind Meal and Living Quarters (non-cash compensation)**
- **Workers' Compensation Supplemental Pay**
- **Additional Pay for Extracurricular & Instructional Activities (applies to SD's only)**
- **Teacher Development Pay that is not part of the contracted salary (applies to SD's only)**
- **Annual attendance bonus or stipend (effective 9/10/19)**

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## **Extra or Special Duty Pay (ESDP)**

### ***INTERPRETIVE MEMORANDUM 2013-3***

- **RSA 100-A:1, XXXII – ‘Extra or special duty’ means member work activities or details for which the employer bills or charges another entity, in whole or in part, for the work activities or details provided**
- **Group II Only**
- **Compensation for services performed during a member’s regular work shift is not ESDP merely because the Employer is compensated by a third party; it must be extra duty outside of normal work shift**
- **ESDP is not Earnable Compensation for members hired on or after July 1, 2011**

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## **Specific Exclusions From Earnable Compensation for Non-Vested Members**



**The following types of compensation are not Earnable Compensation for members not vested prior to January 1, 2012:**

- Pay for Unused Sick & Vacation Time
- Incentives to Encourage Members to Retire
- End-of-Career Longevity Pay
- Severance Pay

***RSA 100-A:1, XVII(b)(4)***

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# Severance Pay



- **Severance Pay is additional compensation paid at termination of employment for prior services rendered**
- **Severance Pay is Earnable Compensation only for Members vested prior to January 1, 2012**
- **Additional compensation paid pursuant to settlement agreements resolving employment disputes is not Earnable Compensation unless clearly identified as “back pay” attributable to a period of employment**
  - **Report compensation and provide copy of settlement agreement. Send through secure email to [heather.fritzky@nhrs.org](mailto:heather.fritzky@nhrs.org) at least one day prior to finalization**
  - **If found ineligible, NHRS will refund contributions**

### ***INTERPRETIVE MEMORANDUM 2015-3***

- **Holiday Pay is extra pay for working on a holiday and should be reported as COB**
- **A paid day off for a “holiday” recognized by the employer is reported as base salary**
- **Some employers document in CBA/policy that they pay a fixed amount for all holidays whether employee works or not – Not reportable if not considered part of base salary**
- **Floating Holidays, if not used, become pay for unused leave and are not reportable for members not vested prior to 1/1/12**



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## Compensation for 'Unused' Sick Leave



- **Member converts payment to time off & member uses the leave time** – would be reportable as base salary for all, considered vacation pay
- **Member converts payment to time off, but does not use & instead gets paid out for leave time** – considered pay for unused vacation, only report for members vested prior to 1/1/12

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## Annual Attendance Bonus/Stipend



- **Stipend or bonus paid pursuant to a collective bargaining agreement, personnel policy, or other agreement applicable to substantially all employees, the amount of which is determined by reference to the amount of sick days an employee used in the calendar or fiscal year**
  - **Effective 9/10/19 (HB 468); not retroactive**

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# Annual Attendance Bonus/Stipend



- **What is reportable?**
  - **Cash Payments: Report as base pay** report for members vested prior to 1/1/12; report as compensation over base for all other members
  - **Extra Days Awarded and Used:** Considered vacation pay; reportable as base salary for all
  - **Extra Days Awarded and Later Cashed In:** Considered pay for unused vacation; only report for members vested prior to 1/1/12

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## Salary Continuance



- **Compensation paid under a salary continuance plan is Earnable Compensation to the extent funded by the employer**
- **Employer must submit a Salary Continuance form monthly & report salary continuance wages**
- **Continue reporting until the earlier of such time as the member dies, retires, returns to work, is no longer compensated by plan or the member is no longer employed by the employer**
- **Member considered in-service & accrues service credit once both shares are paid**

*RSA 100-A:4, III-a & Interpretive Memo 2016-1*

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## Workers' Compensation



- **Contributions are not reportable on weekly Workers' Compensation benefits or lump sum settlements paid to Members**
- **Supplemental pay paid by the Employer is reported as COB to NHRS**
- **Leave time used to supplement, report as base salary**
- **Member may request up to one year of service by submitting Dept. of Labor first & last memo of payment to NHRS**

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## Service Credit



- **Eligible members may purchase additional service credit**
- **Employers play a role in some, but not all, service purchase scenarios**

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# Employer Enrollment Oversight



- **Failure to enroll the employee at time of initial eligibility through no fault of the employee**
- **Contributions are not initially reported to NHRS**
- **Member may petition for loss of service (3-year statute of limitation which may be waived)**

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## Employer Enrollment Oversight



- **Employer pays contributions based on earnable compensation during oversight period multiplied by current employer rate**
- **Member pays contributions based on earnable compensation during oversight period multiplied by member contribution rate at the time of the oversight**
  - **Member may pay in annual installments up to 6 years, but employer must pay in lump sum**
  - **Rollovers from 403(b) or 457 plan allowed**

*RSA 100-A:3, VI(d) & Ret 308*



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## Prior Service Credit



- **Probationary/Temporary Positions**
- **Minimum of 6 months must be purchased**
- **Cost = Full actuarial cost of service credit**
- **Cost paid by the member – No employer cost**
- **Rollovers from 403(b) & 457 plans allowed**

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## Modifications Service



- **Full-time service rendered by an employee prior to employer's election to participate with NHRS for its "Employees"**
- **Member has option to purchase prior full-time service if they enroll in NHRS within one year of employer's effective date of participation**
- **Employer may purchase service for employee**
- **Full or partial purchase permitted-no minimum**
- **Cost = Full actuarial cost of the service credit**
- **Rollovers from 403(b) & 457 plans allowed**



*RSA 100-A:22*

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## Other Service Credit



- **Previously Withdrawn**
- **Active Military Service**
- **Prior Military Service**
- **Peace Corps or AmeriCorps**
- **Workers' Compensation**

Refer your members to:  
[https://www.nhrs.org/members/  
plan-details/service-credit](https://www.nhrs.org/members/plan-details/service-credit)

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## Salary Adjustment



- **Member has been enrolled but employer failed to report the proper wages and contributions**
- **Cost = amount of compensation not reported x applicable contribution rates at the time it should have been reported plus interest**
- **Member & employer pay their respective share (prior to member retirement)**
- **Rollover from 403(b) or 457 plan not allowed**

*Adm. Rule Ret 304*

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## Common Audit Findings



- **Overtime Pay** – All overtime pay must be reported as COB, even overtime paid at a straight time rate.
- **On-Call Pay** – If not considered base salary by employer, not reportable to NHRS
- **Salaried Staff** – Employer must have documented salary and hours worked weekly. If no documentation exists, NHRS may require an Attestation Form.

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## Common Audit Findings



- **Additional P.T. Duties** – Must be considered part of the member’s base salary or qualify otherwise within the definition of earnable compensation
- **Workers’ Comp Wages** – 100% of wages reported in error
- **Retiree Reporting (HB 561 eff. 1/1/19)** – Only report actual hours worked, (not hours related to holiday, sick or vacation). Also report all compensation (including pay related to holiday, sick or vacation).

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# Working After Retirement



- Retiree may work for any non-NHRS employer with no restrictions
- Retiree may not occupy NHRS-covered position full time and receive pension
- Retirees working part-time for participating employers may work 1,352 hours per calendar year
  - Limit for ‘grandfathered’ retirees is 1,664 hours
  - 28-day separation from service for new retirees
  - Offset of State portion of annuity for 12 months for retirees exceeding the statutory limits on annual hours worked; no employer penalty
- If Disability Retiree – contact the Audit Team at 410-3681 for details
- FAQ: <https://www.nhrs.org/faqs/faq-part-time-employment>

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# Retiree Reporting



- **Employers have two annual tasks, both due by February 15:**
  - **Report hours/compensation**
    - **Employers with no retirees must also report**
  - **Review grandfathered list to verify a retiree remains in the same position(s) held on January 1, 2019**
- **Late penalty for annual retiree reporting (\$25/day)**
- **Instructions:**  
<https://www.nhrs.org/employers/employer-resources>



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# Employer's Notice of Termination Form



- **There are different forms depending on position classification, vested status and whether or not the form is for a deceased member**
  - **With the exception of deceased member forms, employers may obtain the forms from the NHRS website or by contacting Member Benefits at 410-3677**
- **Instructions on how to fill out forms available online: [www.nhrs.org/employers/forms](http://www.nhrs.org/employers/forms)**

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# Resources for Employers



- **Protecting against cyber-threats**
  - **Be wary of suspicious emails**
    - If you get something from NHRS that looks dubious, call to confirm it came from us
  - **Use strong passwords that are updated regularly**
    - If you have an employee with access to the DRS who leaves his or her position, let us know
  - **Encrypt emails containing personal information**
    - NHRS uses Zix email encryption to send secure emails; if you do not already use an email encryption service, contact NHRS directly to coordinate sending sensitive data using Zix

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## Resources for Employers



- **Employer Resource page:**  
<https://www.nhrs.org/employers/employer-resources>
- **Narrated presentations:**  
<https://www.nhrs.org/education>
- **FAQs:** <https://www.nhrs.org/faqs>
  - Service Retirement
  - Working After retirement
  - Many more topics for employers, members and retirees
- **New employee packet and forms:**  
<https://www.nhrs.org/employers/forms>
- **NHRS ... Now You Know:**  
<https://www.nhrs.org/about-nhrs/now-you-know>

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## Resources for Employers



- **NHRS email list**
  - Sign up from any page on [www.nhrs.org](http://www.nhrs.org)
  - Choose to receive employer information only, or all emails
- **Earnable Compensation questions**
  - Interpretive Memoranda –  
<https://www.nhrs.org/employers/statutory-interpretive-guidance>
    - Intended to serve as a guide to employers
    - Responses to factual situations that have arisen
    - Some contain broader discussions of general areas

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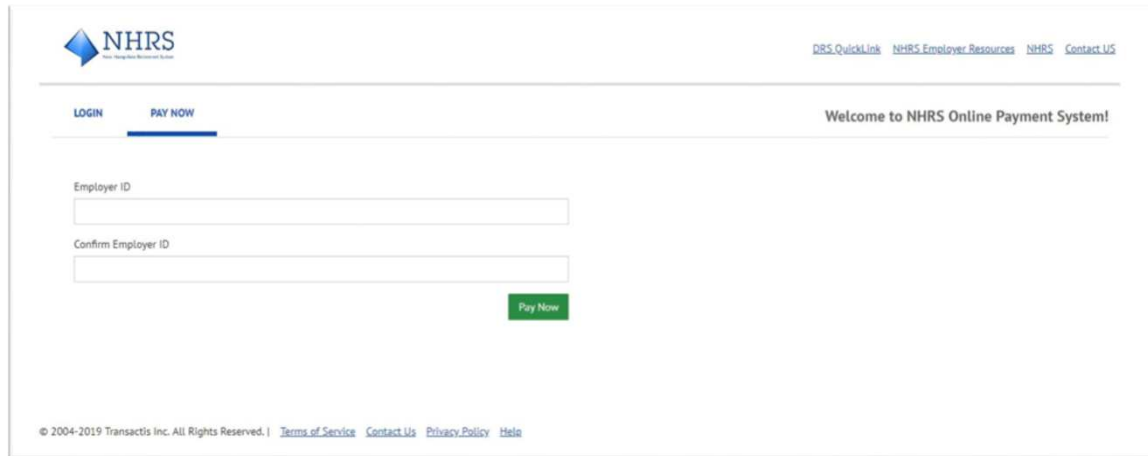
## Resources for Employers



- **Employer Compliance and Audits – 410-3681**
- **Reporting Exceptions & Retiree Reporting Errors – 410-3532; [exceptions@nhrs.org](mailto:exceptions@nhrs.org)**
- **Employer Reconciliation – 410-3676**
- **Insurance – 410-3675**
- **Member Accounts – 410-3683**
- **DRS Support – 410-3508; [drssupport@nhrs.org](mailto:drssupport@nhrs.org)**

# Resources for Employers

- **NHRS *QuickPay***



The screenshot shows the NHRS QuickPay login page. At the top left is the NHRS logo. To the right are links for 'DRS QuickLink', 'NHRS Employer Resources', 'NHRS', and 'Contact Us'. Below the logo are 'LOGIN' and 'PAY NOW' tabs, with 'PAY NOW' selected. A welcome message reads 'Welcome to NHRS Online Payment System!'. The main form contains two input fields: 'Employer ID' and 'Confirm Employer ID'. A green 'Pay Now' button is positioned below the second field. At the bottom, there is a copyright notice: '© 2004-2019 Transactis Inc. All Rights Reserved.' followed by links for 'Terms of Service', 'Contact Us', 'Privacy Policy', and 'Help'.

- **Schedule and pay monthly contributions online**
- **Safe, secure, convenient, free**

***Learn more at:***

**<https://www.nhrs.org/employers/employer-resources/nhrs-quickpay>**

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## We Are Here for You... Stay in Touch!



- Visit [www.nhrs.org](http://www.nhrs.org)
- Connect with us on social media



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