

AFT-NH
NH Retirement Update
September 29, 2006

The Latest News Regarding Purchase on Non-Service Credit and the Medical Insurance Subsidy

Dear AFT-NH Member!

At the end of every recent legislative session there appears to be a period of time in which the NH Retirement System needs to assess and analyze the impact of changes to current laws. The latest change for our members spun out of a “housekeeping” change to HB 1633.

There has been much discussion about HB 1633 (relative to membership, eligibility, and financing of the New Hampshire Retirement System.) and the intent of the legislation. When this bill was introduced in the legislature, the NH Retirement System stated it was a house keeping bill and would not affect benefits in anyway. In a last minute amendment, new language for buying non-qualified service years was introduced and passed. The amendment was silent on whether or not the purchase of this credit would count towards medical subsidy eligibility and thus the need for clarification.

Some of you have received information from your employer or even through phone conversations with retirement system counselors that you could purchase non-service credit and this purchase would count towards eligibility for the health insurance subsidy.

In order to be certain that our members were receiving the correct information, AFT-NH requested that the interpretation by NHRS of the recent amendment be reduced to writing so there is no doubt about the interpretation and that those members who choose to exercise this option can do so with some sense of security.

For your use we have provided a copy of the amendment to HB 1633 and the recent notice from the NH Retirement System that was finally issued this week that explains this new non-qualified service credit and other service credits available to members. **Please note the sections in bold.** The memo addresses the new non-qualified service credits and how to complete the cost calculations as well as the fact that it counts towards the medical insurance subsidy. The memorandum from NHRS states as follows: “**Under the current interpretation of the law, however, the purchase of non-qualified service may be applied toward medical subsidy eligibility.**”

The form that must be completed can be obtained by clicking here <http://www.nh.gov/retirement/employers/forms/nonqualifiedservicepurchase72806.pdf>

AFT-NH remains vigilant in preparing for the next legislative session in which we face serious challenges regarding the continuation of certain benefits under the NH Retirement System. We will send out updates through AFT-NH’s GET ACTIVE system as well as post information on our website www.aft-nh.org. Your support and activism is essential to this effort! Please feel free to contact me at lhainey@aft-nh.org or 603-223-0747 with any questions, suggestions or concerns you may have.

In Solidarity.

Laura Hainey
AFT-NH President

Amendment to House Bill 1633

178:8 New Paragraph; Creditable Service; Purchase of Nonqualified Service Credit. Amend RSA 100-A:4 by inserting after paragraph VI the following new paragraph:

VII. Notwithstanding any provision of this section, a member in active service in the retirement system who currently has at least 5 years of creditable service in the state, shall be entitled to receive credit for not less than one month nor more than 5 years of nonqualified service credit within the meaning of section 415(n) of the United States Internal Revenue Code of 1986, as amended, upon payment by the member of the full actuarial cost of such credit and upon approval of the board, subject to the following:

(a) Credit shall not be granted until the active member has fully paid for the nonqualified service in a lump sum or by installment payments as permitted by the board. The actuarial cost shall be the product of the member's annual rate of compensation at the time of buy-in, multiplied by the sum of the member and employer contribution rates in effect with respect to the member at the time of buy-in, multiplied by the number of years of nonqualified service credit bought. The member's payment shall be credited to the member annuity savings fund.

(b) "Nonqualified service credit" means time that is not otherwise purchasable under this chapter.

(c) Requests concerning the purchase of nonqualified service credit pursuant to this paragraph shall be limited to 2 such requests per member per calendar year.

Notice from the NH Retirement System

From: France, Kimberly [mailto:kim.france@nhrs.org] [Public Information Officer](#)

Sent: Tuesday, September 26, 2006 10:01 AM [note a second email corrected the formula; this is incorporated in this email]

To: France, Kimberly

Subject: NHRS Service Credit

Service Credit with the NH Retirement System

A Key Variable in Determining a Member's Benefit

Creditable service (also referred to as "service credit") is a key variable in determining a member's New Hampshire Retirement System (NHRS) retirement benefit. Members earn creditable service while they are contributing to NHRS through their NHRS-covered employment, or when they are contributing to NHRS on their earnings from an NHRS employer-funded disability plan. Members may also be able to purchase certain types of service credit pursuant to NHRS law, described below. Please note that the following information is general and provides only a brief summary of service credit purchases. Individuals should visit www.nhrs.org for more information or call (877) 600-0158 to speak with a benefits specialist.

Employer Enrollment Oversight refers to a period of time when an eligible employee was improperly excluded from enrollment in NHRS. Generally, to purchase employer enrollment oversight service credit, a member must file a claim for the oversight service credit within three years after the end of the period for which the service credit is being requested; however, other provisions may apply.

There are two types of *military service*. Military Service After Joining NHRS is for members who leave NHRS-covered employment to enter directly into the United States

Armed Forces and return to NHRS-covered employment within one year following the termination of active military duty. Such member may receive service credit for up to three years at no cost. If the member's active duty military service exceeds three years, the member may purchase military service credit for years in excess of three. The second type of military service is specific to Military Service Prior to Joining NHRS, where members with at least 10 years of creditable service may purchase up to three years of military service for military duty served prior to becoming a member of NHRS, subject to certain conditions.

Service credit under *modifications* is specific to employees in the employ of their employer as of the effective date of the employer's election of NHRS participation. These employees may have the option of joining NHRS and may also be eligible to purchase service credit for periods of prior employment with their employer under specific conditions.

Members who were employed by an NHRS participating employer for at least six months in a *non-permanent, temporary, unclassified, or non-classified* position prior to being enrolled in NHRS may be eligible to purchase service credit for that period of employment.

Members who have at least five years of creditable service may purchase from one month to a maximum of five years of *non-qualified service*. Non-qualified service is additional service that is not otherwise purchasable under any other provision of the NHRS. NHRS law allows members to request up to two cost calculations for non-qualified service purchases per calendar year.

With *out-of-state or federal government service*, members who were formerly members of a public employees' retirement system of another state or the United States government may be eligible to purchase service credit for service earned under that retirement system, provided the service to be purchased does not include any period for which the member remains eligible for benefits from the other retirement system. Certain conditions apply in order for an out-of-state or federal government service credit purchase to qualify as NHRS Group II service.

Members who terminate their NHRS-covered employment, withdraw their accumulated contributions (member contributions plus credited interest) and later return to NHRS-covered employment, may be entitled to *reinstate their prior service* credit of six months or more. The purchase may occur anytime prior to retirement.

Members who are receiving *Workers' Compensation* payments but who are not receiving any compensation from their employer may be eligible to receive up to one year of service credit at no cost. To receive this service credit, members must file with NHRS specific documents for each new unrelated injury.

The cost for purchasing any type of service credit, except previously withdrawn service (see below), is based on the member's base rate of pay and contribution rates, all as in effect at the time of purchase. The member contribution rates are set by statute: currently employee and teacher members contribute 5.0% of their earnings; firefighter and police officer members contribute 9.3%. As required by statute, the employer contribution rates are established by the NHRS Board of Trustees based on actuarial valuations designed to maintain a reasonable funded ratio for benefits for each member classification (employees, teachers, firefighters, police officers). Employer contribution rates may change each biennium.

Cost Calculation for Service Other Than Previously Withdrawn Service Credit:

Member's base rate of pay at time of purchase, multiplied by the sum of the member and employer contribution rates, multiplied by the amount of creditable service to be purchased.

Example – Employee member purchases five years of out-of-state service in September 2006 when base rate of pay is \$30,000:

\$30,000 x 11.81% (member contribution rate of 5.0% plus employer contribution rate of 6.81%) x 5 years = \$17,715.00

Example – Police member purchases five years of out-of-state service in September 2006 when base rate of pay is \$30,000:

\$30,000 x 24.2% (member contribution rate of 9.3% plus employer contribution rate of 14.9%) x 5 years = \$36,300.00

Cost Calculation for Previously Withdrawn Service:

The cost to purchase previously withdrawn service is equal to the total amount of funds previously withdrawn by the member adjusted for interest from the date of withdrawal to the date of purchase, based on NHRS interest rates in effect for each intervening year.

All service credit purchases must be made while the member is contributing to NHRS through NHRS-covered employment and prior to the member's retirement, except for the purchase of Employer Enrollment Oversight service credit. Service is not credited until the cost is paid in full to NHRS. Cost calculations must be computed and approved by NHRS; members may not make a service credit purchase without an approved cost calculation provided by NHRS. Forms to request cost calculations may be accessed from the NHRS web site, www.nhrs.org, or by contacting NHRS. Payment options for purchasing service credit include a payment made directly by the member with after-tax dollars and/or a trustee-to-trustee transfer from a section 403(b) tax-sheltered annuity and/or a section 457 governmental plan.

The purchase of military service for time served in the military prior to the commencement of employment in an NHRS-covered position *can not* be applied toward eligibility for Service Retirement, Early Service Retirement or the medical subsidy. NHRS law specifically states that purchases of out-of-state service and federal government service *can not* be applied toward eligibility for the medical subsidy, and NHRS law states that most service credit purchases made on or after August 11, 2003, *can not* be applied toward eligibility for the medical subsidy. **Under the current interpretation of the law, however, the purchase of non-qualified service may be applied toward medical subsidy eligibility.**

Service credit purchases are included in the creditable service component of a pension calculation. Such purchases are not included in the average final compensation component (the average of a member's three highest-paid years of membership service) of the pension calculation.

Members are encouraged to visit www.nhrs.org or speak with a benefits specialist for more information about creditable service.