

Here are answers to some frequently asked questions concerning termination of NHRS-covered employment.

Disclaimer: The information below is based on current statute in effect as of May, 2011. The information herein is intended to provide general information only, and should not be construed as a legal opinion or as legal advice. The New Hampshire Legislature is the plan sponsor and has the authority to make changes to the laws governing the retirement system. There is no guarantee that all benefits as they exist today will remain intact indefinitely or that there will be any "grandfathering" provisions if plan changes are made.

Retirement Terms

Accumulated Contributions – The sum of a member's contributions to NHRS, including mandatory contributions, any additional contributions, any contributions for service credit purchases, plus interest earnings.

Creditable Service – Service credit earned as an active member of NHRS, plus any service credit granted or purchased under the provisions of RSA 100-A.

Direct Rollover – A transfer of all or any portion of a terminated member's accumulated contributions by NHRS to an individual retirement arrangement (IRA) or to another eligible retirement plan. Generally, with a direct rollover, all amounts which have not been previously taxed will remain tax-deferred until such funds are distributed from the terminated member's IRA or other eligible retirement plan.

Refund – A member's withdrawal of accumulated contributions through a payment to the member or a trustee-to-trustee transfer ("direct rollover") to an eligible retirement plan, or a combination of a payment and direct rollover.

Learn More

There are several ways for members to learn more about NHRS and stay abreast of issues affecting their retirement.

[Email Updates](#) - Sign up for email updates to receive news releases, newsletters, and other important notices from the retirement system.

[My Account](#) - Members and retirees may access their personal account information online, including account balances, demographics (i.e. address, phone number, email), beneficiary information, and an online benefit calculator.

[Online Presentations](#) - Members can learn about various NHRS-related topics at their convenience.

[Education Sessions](#) - NHRS offers member education sessions throughout the state. During these general information programs, members of all ages and in various stages of their career will be provided with information about NHRS benefits.

Am I eligible to receive a pension benefit?

Members with at least 10 years of creditable service in an NHRS-covered, full-time position are vested and have earned a right to a future benefit. Members age 60 and older who are working in an NHRS-covered, full-time position also have earned a right to a future benefit, regardless of their years of creditable service.

Note: If you have met either of the above eligibility requirements, please refer to the "Pension-Eligible Members" section of this document for additional information on pension benefits.

In lieu of receiving a retirement benefit, members may elect a refund of accumulated contributions. A refund of accumulated contributions will result in a cancellation of service credit and forfeiture of all rights to benefits. Members are encouraged to consult a legal or tax advisor before requesting a refund.

If a member terminates employment, must the member's accumulated contributions be withdrawn immediately?

No.

A terminated member who is vested may leave accumulated contributions with NHRS indefinitely, and interest earnings will be credited at the same rate as active members. Upon eligibility, vested members may apply for a Vested Deferred Retirement benefit.

A terminated member who is not vested also may leave accumulated contributions with NHRS indefinitely, however after 180 days of the member's absence from service interest earnings will be credited at a lower interest rate than the rate applied to vested members' contributions. The interest rate for non-vested members may be as low – but no lower – than zero percent.

When may a terminated member apply for a refund of accumulated contributions?

Group I (Employee and Teacher):

No sooner than 30 days after termination of employment, and only if the member does not become a contributing Group I member again during that 30-day period.

Group II (Police and Fire):

At any time after termination of employment.

What action is required to inform NHRS of a terminated member's decision regarding accumulated contributions?

Leaving accumulated contributions with NHRS – No action is required. However, a terminated member who leaves accumulated contributions with the retirement system must inform NHRS, in writing, of any address change so that the retirement system may provide periodic account updates to the member.

Applying for a direct rollover – In order to apply for a direct rollover, the member must submit to NHRS a *Terminated Member's Application for Refund of Accumulated Contributions* form electing a direct rollover, a *Terminated Member's Request for Trustee-to-Trustee Transfer* form, and either a copy of the member's Social Security card or a completed IRS Form W-9. NHRS also requires an acceptance letter from the financial institution to where the accumulated contributions are to be transferred.

Applying for a refund – The member must submit to NHRS a *Terminated Member's Application for Refund of Accumulated Contributions* form and either a copy of the member's Social Security card or a completed IRS Form W-9. If a refund is requested within six months after the member terminated employment, the member's former employer is required to complete Section 4 of the *Application for Refund* so NHRS will know that all contributions have been reported. If a refund is requested more than six months after the member's termination of employment, completion of Section 4 is not required. Upon receipt of a properly completed *Application for Refund*, NHRS is required by law to process the application within three months.

Are accumulated contributions taxable when refunded?

After-tax contributions refunded to a member are not subject to Federal income tax. Pre-tax contributions and interest earnings are subject to Federal income taxes when received.

A terminated member may defer Federal income taxes otherwise due on pre-tax contributions and interest by electing a direct rollover. Any pre-tax contributions and interest which are not rolled over are subject to Federal income taxes in the year refunded by NHRS to the member. For Federal income tax purposes, NHRS is required by law to withhold 20 percent of currently taxable refunds. Taxable refunds received before the terminated member reaches age 59½ may also be subject to an additional 10 percent tax on premature distributions. NHRS does not withhold the 10 percent additional tax from refunds. The additional tax is reported and paid on the member's Federal income tax return for the year in which the refund was received. Members are encouraged to consult the IRS or a tax advisor and/or refer to IRS Publication 575 and IRS Form 5329 for additional information.

If a member is experiencing financial difficulties, may they withdraw part of their accumulated contributions or borrow against their accumulated contributions?

No.

Is a terminated member who elects a refund of accumulated contributions entitled to employer contributions made on the member's behalf during periods of NHRS membership?

No.

What if a member experiences a reduction in the number of hours worked such that the member is no longer eligible for active NHRS membership?

If a member's hours are reduced below the minimum required for active NHRS membership, the member's contributions to NHRS will cease. However, the member is not entitled to a refund of accumulated contributions while still employed by any employer that participates in the retirement system.

What if a terminated member receives a refund of accumulated contributions and later becomes an NHRS contributing member again?

Upon returning to NHRS-covered employment, the individual will be required to complete an NHRS enrollment form as a new member and pay mandatory contributions to NHRS. After re-enrollment, the member may reinstate prior service of six months or more by paying back to NHRS his or her previously refunded accumulated contributions plus interest since the date of the refund.

Pension-Eligible Members

Can I begin collecting my pension benefit now?*Group I (Employee and Teacher):*

Members are eligible for Service Retirement at age 60, regardless of their years of service.

Members ages 50-59 with at least 10 years of creditable service in Group I are eligible for Early Retirement at a permanently reduced pension benefit.

Members with more than 20 years of creditable service in Group I whose service time and age are equal to or greater than 70 are also eligible for Early Retirement at a permanently reduced pension benefit.

Group II (Police and Fire):

Members are eligible for Service Retirement at age 45 with

20 years of creditable service or at age 60, regardless of their years of service.

Different provisions apply to members with Split Benefits (i.e. creditable service in both Group I and Group II). Different provisions apply to Disability Retirement.

Members eligible for a pension benefit who are not in service and who do not meet the above criteria are considered to be in Vested Deferred status.

When do members eligible for Service Retirement or Early Retirement need to file their application with NHRS?

By law, members must file an application for retirement with NHRS no more than 90 days or fewer than 30 days before their effective date of retirement, which for NHRS purposes is always the first of a month following the member's termination of NHRS-covered employment. Members must file their retirement application with NHRS while they are still actively contributing members of NHRS. Members who change their decision about retirement after filing for benefits must contact NHRS in writing before their effective date of retirement to change their retirement date or to withdraw their application.

What happens if a vested member is unable to file a retirement application with NHRS before their employment is terminated?

If a vested member's active NHRS membership ends before they are able to file a retirement application, they will be considered in Vested Deferred status.

I am in Vested Deferred status. When can I begin receiving my pension benefit?*Group I (Employee and Teacher):*

With at least 10 years of creditable service, a Group I member may terminate NHRS-covered employment at any age and be entitled to receive a pension commencing at age 60, or an early reduced pension commencing between the ages of 50 and 59.

Group II (Police and Fire):

With at least 10 years of creditable service, a Group II member may terminate NHRS-covered employment and be entitled to receive a pension commencing at age 60, or at the time when the member would have completed 20 years of creditable service, but not before age 45.

Are retired members able to work once they have retired?

When members retire and receive a Service, Early, or Vested Deferred Retirement pension from NHRS, any compensation they earn from employment in a position that is not an NHRS-covered position will not affect their pension.

If retirees return to work in an NHRS-covered position, they will be restored to NHRS active service.

Most Disability Retirement benefits are subject to gainful occupation offsets regardless of where the retirees work. Generally, if a retiree works full-time for a NHRS participating employer their Disability Retirement benefits stop.

Retirees are encouraged to contact NHRS before accepting any employment with an NHRS participating employer or to learn more about gainful occupation.

The New Hampshire Retirement System (NHRS) is governed by New Hampshire RSA 100-A, the rules and regulations promulgated by the NHRS Board of Trustees, and Federal laws including the Internal Revenue Code. NHRS also implements policies adopted by the Board of Trustees. These laws, rules, regulations and policies are subject to change. Even though the goal of NHRS is to provide information that is current, correct and complete, NHRS does not make any representation or warranty as to the current applicability, accuracy or completeness of any information provided in this publication. This publication is intended to provide general information only and should not be construed as a legal opinion or as legal advice. Members are encouraged to address specific questions regarding NHRS with an NHRS representative. In the event of any conflict between this publication and the laws, rules and regulations which govern NHRS, the laws, rules and regulations shall prevail.