MASSACHUSETTS PUBLIC EMPLOYEE

Retirement Guide

for Public Employees Who Became Members

On or After April 2, 2012

Barnstable County Retirement Association

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Massachusetts Public Employee RETIREMENT GUIDE

for Public Employees Who Became Members On or After April 2, 2012

This Guide reflects the provisions of G.L. c. 32 that are applicable to individuals who became members of a Retirement System on or after April 2, 2012. If you were a member before that date and remained a member after that date, please refer to the *Massachusetts Public Employee Retirement Guide for those Who Became Members Prior to April 2, 2012*. If you were a member of a Retirement System before April 2, 2012 and withdrew your funds from the System, you will be governed by the statute in effect when you return to membership. Even if you redeposit the funds you withdrew, you will be subject to the rights, responsibilities and statutes in effect when you again become a member of a Retirement System.

Updates to This Guide

This guide reflects changes and amendments to the law through the enactment of the FY13 Budget, Chapter 139 of the Acts of 2012.

BARNSTABLE COUNTY RETIREMENT ASSOCIATION

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Director of Finance, Barnstable County

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Retired Chief, Yarmouth Fire Department

Mark Foley, Elected Member
Deputy Chief, Eastham Fire Department

Judith C. Sprague, Council Member
Treasurer, C.O.M.M. Fire District

Mary Pat Flynn, Appointed Member
Commissioner, Barnstable County

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1 The Massachusetts Retirement System Structure

Public Employee Retirement Administration Commission
All 105 retirement systems are overseen by the Public Employee Retirement Administration Commission (PERAC).

105 Contributory Retirement Systems
There are 105 contributory retirement systems for public employees in Massachusetts. A retirement board governs each system and all boards, although operating independently, are bound together under one retirement law—Chapter 32 of the Massachusetts General Laws—that establishes benefits, contribution requirements, and an accounting and funds structure for all systems.

There are several categories of retirement systems or boards:

County and Regional Boards
These boards are the retirement administrators for county employees and employees of smaller towns and units within counties that do not have their own boards. In counties that have been abolished, regional retirement boards are the retirement administrators for retirees and current employees.

Municipal Boards
These boards are the retirement administrators for individual cities and larger towns within the Commonwealth.

State Board
This is the board for all state employees. There are also some smaller non-state units that are administered by this board.

Teachers' Board
This board covers all public school teachers in Massachusetts, with the exception of Boston teachers. The Boston Retirement Board administers the benefits of the Boston teachers, although the state is responsible for the cost.

Other Boards
Six other boards are established by Chapter 32: Massachusetts Housing Finance Agency, Massachusetts Port Authority, Blue Hills Regional School Employees, Greater Lawrence Sanitary District, Minuteman Regional Vocational Technical School District, and Massachusetts Water Resources Authority.

Pension Reserves Investment Management (PRIM) Board
This board is not a retirement board, but is charged with general supervision of the investment and reinvestment of the Pension Reserves Investment Trust (PRIT) Fund for the state employees, state teachers, and other participating/purchasing retirement systems.

2 Commission and Board Makeup

Public Employee Retirement Administration Commission
The Commission consists of seven members.

The Governor appoints three members:
- one is the Governor or his designee,
- one is a representative of a public safety union, and
- one is an expert in the investment of funds.

The State Auditor appoints three members:
- one is the Auditor or her designee,
- one is the President of the Massachusetts AFL-CIO or his designee, and
- one is a representative of the Massachusetts Municipal Association.

A seventh member of the Commission is appointed by the other six members and serves as Chairman.

An executive director, selected by the Commission, plans, directs, coordinates, and executes administrative functions in conformity with the policies and directives of the Commission.

Contributory Retirement Boards
Nearly all contributory retirement boards for public employees in Massachusetts consist of five members:

City or Town Retirement Boards
- In city and town retirement systems, the city auditor, town accountant, or other official having similar duties and powers is the board member ex-officio.
- The second member is appointed by the board of selectmen, the mayor, or the city manager.
- The third and fourth members are elected by the members of the retirement system and are active or retired members of the system.
- The fifth member is chosen by the other four and cannot be an employee, retiree, or official of the governmental unit.

One of these five board members is elected by the other four to serve as chairman.

County Retirement Boards
- The county treasurer (or director of finance if there is no treasurer) is the member ex-officio and chairman of a county retirement board.
- The county commissioners appoint the second member.
- The third and fourth members are elected by the members of the retirement system and are active or retired members of the system.
- The fifth member is elected by the County Retirement Board Advisory Council and is the treasurer of one of the governmental units within the system.

Regional Retirement Boards
(replacing county retirement boards in abolished counties)
- The first member, selected by the other four, is the chairman of the Regional Retirement Board
- The second member is a member of the Regional Retirement Board Advisory Council and is elected by a majority of the Council.
- The third and fourth members are elected by the membership of the retirement system and are active or retired members of the regional retirement system or members whose retirement allowance is being reimbursed by the regional retirement system.
- The fifth member is chosen by the other four and shall not be an employee, retiree, or official of the retirement system or any of its constituent governmental units.

(Note: The Essex Regional Retirement Board is comprised in a slightly different manner. On that Board, only retirees may hold the elected positions.)

State Retirement Board
- The State Treasurer is the member ex-officio and chairman of the State Retirement Board.
- The second member is appointed by the Treasurer.
- The third and fourth members are elected by the members of the retirement system and are active or retired members of the system.
- The fifth member is chosen by the other four and cannot be an employee, a retiree, or an official of the Commonwealth.

Teachers' Retirement Board

Alone among the retirement boards, the Teachers' Retirement Board consists of seven members:

- The Commissioner of Education or his designee is the member ex-officio and chairman of the Teachers' Retirement Board.
- The second member is the State Treasurer or his designee.
- The third member is the State Auditor or her designee.
- A fourth member is a retired former public school teacher and is appointed by the governor.
- The fifth and sixth members are elected by the members of the Teachers' Retirement System and are active or retired members of the system.
- The seventh member is selected by the other six members of the Teachers' Retirement Board.

3 General Information

→ Is membership required for all employees?

Full-Time Employees

Membership in a contributory retirement system is mandatory for nearly all public employees who are regularly employed on a full-time basis.

Part-Time and Other Employees

Each retirement board exercises full jurisdiction to determine an employee's eligibility for membership in cases involving part-time, provisional, temporary provisional, seasonal, or intermittent employment or service.

Non-members

Certain part-time, seasonal, or temporary employees who are ineligible for membership may be required to participate in an alternative plan.

→ For whom is membership optional?

Membership is optional for certain individuals:

- elected officials,
- state officials appointed by the governor, and
- dentists or physicians employed as hospital interns may elect to become members within 90 days of commencement of service.

→ Who is excluded from membership?

Except in very limited circumstances, persons who are retired from one of the 105 public retirement systems in Massachusetts cannot join another Massachusetts public retirement system. You may also be excluded if you are paid through a federal grant for a position for which you are required to be a member of the Federal Civil Service Retirement System.

Please Note

You are not barred from membership if you previously worked under the Federal Civil Service Retirement System. If you receive retirement benefits from the Federal Civil Service Retirement System and also from a retirement system under Chapter 32, the latter benefit will be limited to a certain maximum.

Discretion

As noted above, a retirement board has the discretion to exclude from membership part-time, provisional, temporary, temporary provisional, seasonal or intermittent employees.

MEMBERSHIP STATUS

Membership status is defined in two ways in the retirement law: “member-in-service,” and “member-inactive.”

Member-in-Service
Any member who is regularly employed in the performance of his or her duties is considered a member-in-service. Member-in-service status will continue until death or until separation becomes effective by reason of retirement, resignation, failure of re-election or re-appointment, or removal or discharge from office or position.

Member-Inactive
Members-in-service become members-inactive when they:

- retire and receive a retirement allowance; or
- when their employment has been terminated and they are entitled to any present or potential retirement allowance or a return of accumulated deductions; or
- when they are on an authorized leave of absence without pay for a reason other than retirement board duties or mental or physical incapacity from duty which extends for more than a year; or
- upon the expiration of their term if they are elected officials who are not re-elected.

DUAL MEMBERSHIP

→ What if I am employed by more than one governmental unit?

Special rules apply if you are concurrently employed by two or more governmental units which have established contributory retirement systems subject to the provisions of Chapter 32. You may, subject to the boards’ rules, become a member of each system, with appropriate deductions being taken from each payroll. Depending on a variety of factors, you may be eligible to receive a retirement allowance from each system.

→ When may my service for two different retirement systems be combined together into one retirement allowance?

Your service will be combined only if you never had any concurrent regular compensation from two different systems on or after January 2, 2010.

→ If I am eligible to have an allowance combining the years and salary of two or more different systems, will my total benefit be twice as large as that received by someone employed by one governmental unit?

No. If you are eligible for the combined type of allowance, available, as noted above, in extremely limited circumstances, the total benefit received from such dual membership cannot exceed the amount you would have received had your total regular compensation been received from a single governmental unit. You cannot be credited with more than one year of creditable service during any one calendar year.

Example
For example, an eligible employee who has membership in two systems, with six months of service in one system and 12 months of service in another system, and the service is concurrent, will be credited with 12 months of service, not 18. The boards of the systems involved will determine how much creditable service shall be allowed by each board, subject to the approval of PERAC.

→ What if I do not meet the requirements, and cannot have dual membership service combined when I retire?

If that is the case, provided you are vested in one of the retirement systems, then you would be entitled to be retired from the two retirement systems separately, or would be entitled to retire from one of the systems and get your money returned to you from the system in which you had the lesser amount of money.

→ Can I retire from one governmental unit but continue to be employed by another governmental unit?

You may terminate your service and apply for a retirement allowance in one system and continue in a second. However, no pension or retirement allowance shall become effective on account of your service in the first system until the date that you terminate service in the second.

→ Dual Membership: Disability Retirement from One System

If you are eligible to receive a disability retirement from one system, your disability pension or retirement allowance will not become effective until you terminate your service from the second system. Until such termination, you will be required to waive the receipt of your disability benefit.

TRANSFER OF SERVICE AND DEDUCTIONS

→ What effect does transferring have on creditable service and accumulated total deductions?

Career Changes
Career changes of public employees may entail a transfer from a job presently held to a new job in a different governmental unit within a different retirement system. The accumulated total deductions and corresponding creditable service of members involved in such a change must be transferred from the former retirement system to the new retirement system, except in certain circumstances involving concurrent service on or after January 1, 2010.

Retirement After a Transfer of Service
When members who have transferred receive a retirement allowance, the entire amount will be paid by the retirement system from which they retire. The retirement system of which he or she was formerly a member will reimburse the current retirement system for the portion of the retirement allowance that is based on his or her previous service. Of note, in circumstances involving dual members who had concurrent service on or after January 1, 2010, such a transfer will not take place.

STATEMENTS OF SERVICE

→ Must I furnish my retirement board with information about any past public sector employment?

Yes. Within one year of becoming a member of a public employee retirement system, (whether you have been restored or reinstated to public service or you have transferred or re-established membership), you must file a detailed statement of all the public service that you have rendered for which you wish to claim credit.

→ Will my retirement board verify my prior service?

Yes. Within six months of receipt of your statement of service, your retirement board will review and verify all the service that you claim.

Creditable Service
If the retirement board determines that you are entitled to creditable service for which you have not yet made make-up payments, the retirement board will inform you in writing of your right to purchase all or part of such service. If you elect to purchase the service, you will be required to pay interest on the amount repaid. If you purchase the service within one year of reinstatement or re-entry into service, the interest rate will be buyback interest (one half of the assumed actuarial interest rate for the System). If the payment is not made within that time, the interest rate will be the full amount of the System's assumed actuarial interest. Your Retirement Board may allow you to enter into an installment payment plan.

NOTE: Generally, the rate of assumed actuarial interest is between 7.75% and 8.50%, depending on the funding mechanism the Retirement Boards has adopted.

Board Review at Retirement
At the time you retire, your retirement board is charged with the responsibility of again reviewing your statement of service and again informing you in writing of your right to purchase service.

4 Annual Reports

REQUIREMENTS FOR RETIREMENT BOARD FINANCIAL REPORTING

→ How can I find out about the financial condition of the system of which I am a member?

Each board is required to prepare an annual report, in an easily understood format, which shows the financial condition of the system as of December thirty-first of the previous year. This report is filed with PERAC.

Report Contents
The report must include:

- the financial transactions,
- statistical information about the membership,
- a summary of the most recent audit findings,
- a summary of the board's investment policy,
- a summary of the system's investment portfolio, and
- information pertaining to the most recent actuarial valuation.

A copy of this report or a summary of its contents is available to any member upon request.

The PERAC Annual Report
PERAC prepares an annual report about the Commission's activities as well as those of each of the 105 public employee retirement systems. Each year's report is posted on PERAC's Home Page: www.mass.gov/perac.

5 Contributions by Members

WITHHOLDING OF REGULAR COMPENSATION

→ How much do persons who become members on or after April 2, 2012 contribute?

Contributions to a retirement system are determined by the date that a person becomes a member of a Retirement System. If you were a member prior to that date but withdrew your funds from the retirement system, your contribution rate will be established based upon the date that you re-entered the system, even if you redeposit the amount withdrawn. The contribution rates for other members are contained in the *Massachusetts Public Employee Retirement Guide for those Who Became Members Prior to April 2, 2012*

The contribution rate for most members whose membership date is April 2, 2012 or thereafter, including those who re-entered membership after that date, repaying contributions withdrawn, will be 9% of regular compensation. The contribution rate will be reduced to 6% of regular compensation when at least 30 years of creditable service has been granted for members in Group 1.

The contribution rate for state police officers is 12% of regular compensation.

The contribution rate for teachers who participate in the enhanced superannuation retirement program is 11% of regular compensation. The contribution rate will be reduced to 8% of regular compensation when at least 30 years of creditable service has been granted.

REGULAR COMPENSATION IN EXCESS OF $30,000

→ Could my contributions be affected by the amount of my regular compensation?

If your annual rate of regular compensation is $30,000 or more, the treasurer of the governmental unit for which you work will withhold two percent of that portion of your rate of regular compensation which is in excess of $30,000. This two percent withholding is in addition to the percentage that is already deducted from your total regular compensation as outlined above. (Teachers participating in the "Retirement Plus" program are not subject to this additional withholding.) This additional withholding will be made each pay period from that amount of your compensation that is in excess of an annual rate of $30,000 even before your total compensation for the year exceeds $30,000.

Example
For example, if your rate of regular compensation is $40,000 and you have less than 30 years of creditable serivce:

- Deductions in the amount of 9% of $40,000 equaling $3,600 will be taken; and
- Deductions in the amount of 2% of $10,000 ($40,000 minus $30,000) equaling $200 will also be taken.
- Your annual contributions will be $3,800, which will be taken from your rate of regular compensation on a weekly, biweekly, or monthly basis (as determined by your pay period).

6 Creditable Service

GENERAL REQUIREMENTS

→ How is creditable service earned?

In general, you earn creditable service toward your retirement allowance for the period during which you make contributions to the retirement system.

→ May I buy back creditable service?

If you terminate your public service and take a refund of your accumulated total deductions and later return to public service, you may re-establish your prior creditable service by buying it back. But, you will begin as a new member, making contributions at the current contribution rate. Also, if you fail to buy back this service within one year after your re-entry or re-instatement into service, you will pay actuarial assumed interest instead of buy back interest on the purchase. Even if you repay the amount withdrawn, your contribution rate will not be reduced and will remain at the amount established when you again became a member of a retirement system.

SEASONAL EMPLOYMENT

→ How is creditable service calculated for seasonal employees?

Employees whose work is found by their retirement board to be seasonal in nature and who work full-time for at least seven months are entitled to one year of creditable service.

Retirement boards will, on a board by board basis, determine how much full-time seasonal service will constitute the equivalent of one year of service for those who work less than seven months a year.

TRANSFER OR RE-ESTABLISHMENT OF MEMBERSHIP

→ What creditable service requirements pertain to the transfer or re-establishment of membership and retirement benefit eligibility?

No member who is reinstated, re-enters, transfers, or re-establishes his membership is eligible to receive a superannuation, ordinary disability, or termination retirement allowance until the member has been in active service for at least two consecutive years following the start of the new employment.

Exceptions
The two-year requirement will not apply in the case of any member who is reinstated to active service, re-enters active service, or who transfers his membership from another retirement system, if the member has rendered service or attained an age so that he would have been eligible to retire if he had continued to be a member of the retirement system from which membership was transferred.

Is the two-year requirement waived when a transfer involves no break in service?

Yes.

WORKERS' COMPENSATION

→ How is my creditable service affected by an absence caused by a work-related injury or hazard?

Full creditable service will be awarded to any member-in-service for a period of absence that is attributable to an injury sustained or a hazard undergone during employment that results in total incapacitation and for which Workers' Compensation benefits are paid. The member receives the creditable service without having to make contributions to the retirement system. Workers' Compensation benefits received during such a period are not considered to be regular compensation and cannot be used to calculate a retirement allowance.

If a member is granted Workers' Compensation for partial incapacity and is employed on a part-time basis by the employer where the injury occurred, full-time creditable service can be granted. The member must make contributions on the regular compensation he or she receives in the part-time employment.

MILITARY SERVICE

→ Is creditable service earned during a leave of absence to serve in the Armed Forces of the United States?

Employees who leave public employment for the purpose of serving in the armed forces, and who are honorably discharged and return to public employment within two years of their discharge from military service, are entitled to have periods of service in the Armed Forces of the United States counted as creditable service.

→ Does the law limit how much credit such returning employees are eligible to receive?

For those who leave their public employment to serve in the military and return to service within two years, they will be credited for all the time served. A different provision of the law allows for the purchase of pre-membership military service, as discussed below, and the purchase of such service is limited to four years.

→ Could I receive credit for military service rendered prior to becoming a public employee?

As noted above, veterans are allowed to purchase up to four years of creditable service corresponding to their military service.

MILITARY SERVICE (cont.)

- Please see the definition of veteran under the section of this guide entitled "Retirement Allowance."
- For each year of military service sought, an eligible member is required to pay ten percent of the regular annual compensation that he or she was being paid upon entering the retirement system.

Members may not receive credit for military service for which they have already received credit under the leave of absence provision discussed above.

- Members who are veterans should be notified by their local retirement boards of their eligibility to purchase such time. Once so notified, a veteran has 180 days in which to decide whether to purchase such service. Although the retirement board will set the terms of this purchase, generally speaking, the member is not required to purchase this time within the 180 days. He or she must only enter into an agreement to purchase the time within the 180 day window.

7 Eligibility for Retirement

GENERAL REQUIREMENTS

➔ ***What is the definition of superannuation?***

"Superannuation" is the term that is used to describe the process of being retired upon reaching a certain age and meeting other requirements, including length of creditable service.

➔ ***When am I considered eligible to retire on the basis of superannuation?***

Group 1

- If your position is classified in Group 1, you have at least ten years of creditable service, and are age 60 or older you are eligible to receive a superannuation retirement allowance. If you terminate your employment prior to completing ten years of creditable service, eligibility for benefits is limited to a refund of your accumulated deductions plus regular interest established by statute. A superannuation retirement allowance would not be payable. You may choose to leave your account in the Retirement System to retain your rights in the event you again become a public employee and a member of a retirement system.

Group 2

- If your position is classified in Group 2, you have at least ten years of creditable service and are age 55 or older, you are eligible to receive a superannuation retirement allowance. Please note that you must have performed the duties of the Group 2 position for at least 12 months immediately prior to termination or retirement. If you terminate your employment prior to completing ten years of creditable service, eligibility for benefits is limited to a refund of your accumulated deductions, plus interest established by statute. You may choose to leave your account in the Retirement System to retain your rights in the event you again become a public employee and a member of a retirement system.

Group 3

- Group 3 is comprised of the Massachusetts State Police. State Police Officers should contact the State Board of Retirement for more information with regard to their retirement benefits.

Group 4

- If your position is classified in Group 4 and you are age 55 or older, you are eligible to receive a superannuation retirement allowance. Please note that you must have performed the duties of the Group 4 position for at least 12 months immediately prior to termination or retirement. You may choose to leave your account in the Retirement System to retain your rights in the event you again become a public employee and a member of a retirement system.

8 Mandatory Retirement and Service After Age 65 for Certain Group 2 and 4 Members

Group 1
There is no mandatory retirement age for Group 1 members.

Groups 2 and 4
Pursuant to Chapter 415 of the Acts of 1987, most members of Groups 2 and 4 are authorized to remain in service after age 65, but some Group 2 and Group 4 members must retire on the last day of the month in which they attain age 65, the maximum retirement age for their positions.

→ How will I know if my position is excluded from the mandatory retirement law?

Other than police officers, fire fighters, and correction officers, most Group 2 and 4 employees may continue in service beyond the mandatory retirement age of 65.

Notice from Retirement Board
Not less than four months before your sixty-fifth birthday, your retirement board must determine whether your position is excluded from the mandatory retirement law. Your retirement board will present you with written notification of its determination.

If the board determines that you are not eligible to continue working, the board will notify you of the date on which you will be required to retire.

→ Will retirement deductions be taken from my regular compensation if I work after age 65?

Yes. Deductions will continue to be taken from your regular compensation. Your retirement allowance will be based upon your age at retirement, and the amount of creditable service you have earned by your retirement date.

It will also include regular compensation earned after 65, if it represents your five highest earning years.

9 Service After Age 70

General Requirements
All Group 1 members and those members of Groups 2 and 4 who are exempt from the mandatory retirement age of 65 may continue to work after age 70.

→ What procedures are applied to those who choose to continue in service after age 70?

At least 120 days before the last day of the month in which such a member-in-service attains age 70, he or she will be contacted by his or her retirement board about retirement benefits, options, and procedures for continuing in service beyond age 70.

How will my retirement allowance be affected if I choose to remain in public service after my 70th birthday?

For service rendered after age 70, retirement deductions become optional, but the decision to continue to contribute or not to continue to contribute cannot be revoked.

Continuing Deductions
If you choose to continue having deductions taken (once made, this choice is irrevocable), regular compensation earned during this period may be used in the calculation of your retirement allowance and you will be given creditable service for whatever additional service you render. However, the age factor used in the calculation of your allowance will remain fixed at 2.5. You will retain all the rights of an active member if you continue to have deductions taken from your pay.

Discontinuing Deductions
If you elect to discontinue retirement deductions (once made, this choice is irrevocable), any regular compensation earned during this period cannot be used to calculate your retirement allowance and no additional creditable service will accrue. If you discontinue deductions, you must contribute to an alternative retirement plan.

10 Vesting

What is the definition of vesting?

"Vesting" is the term commonly used to signify the establishment of the right to a retirement allowance. Vested benefits are those benefits that do not depend upon the member remaining in service in order to be entitled to them.

When is a member considered to be vested?

Any individual (in Group 1 or Group 2):

- who becomes a member of a public employee retirement system after January 1, 1978, and
- who has at least 10 years of service, and
- whose accumulated payroll deductions are on deposit with the retirement system may request a retirement allowance upon attaining age 60 (Group 1) or age 55 (Group 2).

Are there any exceptions to the ten-year creditable service requirement?

There are no minimum vesting requirements for individuals in Group 4. However, the law requires that a member of Group 4 be at least 55 years old in order to retire pursuant to Section 5 of Chapter 32, and that he or she perform the duties of a Group 4 member for at least 12 months prior to retirement.

11 Retirement Allowance

A public employee retirement allowance consists of two parts: an annuity and a pension.

What is an annuity?

The contributions that are deducted during the course of your creditable service are deposited for you in an annuity savings fund by your retirement board. The interest that accrues on these contributions is credited to your individual account. The part of your retirement

allowance that is based on the total amount in your annuity savings account on the date of your retirement is the annuity.

What is a pension?

A pension is the difference between the total retirement allowance specified by law and the annuity as described above.

What factors affect the amount of my superannuation retirement allowance?

The amount of your retirement allowance depends on:

- your age,
- your length of creditable service,
- the amount of your average annual rate of regular compensation, and
- your group classification.

GROUP CLASSIFICATION

How are groups classified within the system?

Groups 1, 2, 3, and 4
Type of occupation, position or duties determine classification. Retirement boards assign employees to one of four specific groups based upon the classifications set out in section three of Chapter 32. If during your career you hold positions that are classified in more than one Group, your retirement calculation will be calculated based upon a formula developed by PERAC which will prorate your service by the amount of time you worked in each group.

- Group 1 members are officials and general employees including clerical, administrative and technical workers, laborers, mechanics, and all others not otherwise classified.
- Group 2 includes certain employees with hazardous occupations such as mental health hospital attendants.
- Group 3 is made up of state police officers.
- Group 4 consists of public safety officers, officials, and employees, such as police officers, firefighters, and certain correction officers.

NOTE: In order to be classified in either Group 2 or Group 4 for retirement purposes, you must have actively performed the duties of that position for not less than 12 months immediately prior to termination from service or retirement.

BASIC FORMULA

How is a superannuation retirement allowance calculated under the provisions of Chapter 32?

The basic formula for calculating a Superannuation Retirement Allowance is:

Your Benefit Rate
x Your Highest Five Year Average Annual Rate of Regular Compensation
x Your Creditable Service

= Retirement Allowance

BENEFIT RATE

What is my benefit rate?

Your age (as of your last birthday) at retirement and your group classification determine your benefit rate. The

benefit rate is a specific percentage of the amount of the average annual rate of regular compensation. The chart that follows shows the percentages used in the formulas that are specified in Chapter 32 of the Massachusetts General Laws.

NOTE: If you have more than 30 years of creditable service, a slightly different benefit chart will be utilized.

BENEFIT RATE CHART FOR MEMBERS WITH LESS THAN 30 YEARS OF CREDITABLE SERVICE

Percent	Group 1	Group 2	Group 4
2.50	**67 or older**	**62 or older**	**57 or older**
2.35	66	61	56
2.20	65	60	55
2.05	64	59	54
1.90	63	58	53
1.75	62	57	52
1.60	61	56	51
1.45	60	55	50

BENEFIT RATE CHART FOR MEMBERS WITH AT LEAST 30 YEARS OF CREDITABLE SERVICE

Percent	Group 1	Group 2	Group 4
2.50	**67 or older**	**62 or older**	**57 or older**
2.357	66	61	56
2.250	65	60	55
2.125	64	59	54
2.0	63	58	53
1.875	62	57	52
1.750	61	56	51
1.625	60	55	50

AVERAGE ANNUAL RATE OF REGULAR COMPENSATION

→ Are all forms of compensation received from my employer considered regular compensation for retirement calculation purposes?

No, not all payments are considered regular compensation. Examples of payments not considered to be regular compensation:

- overtime
- commissions
- bonuses, other than cost of living bonuses
- amounts derived from salary enhancements or salary augmentation plans
- indirect, in-kind or other payments for such items as housing or lodging, travel, clothing allowances, and annuities
- welfare benefits
- lump sum buyouts for Workers' Compensation
- job-related expense payments
- automobile usage

- insurance premiums
- dependent care assistance
- one-time lump sum payments in lieu of or for unused vacation or sick leave
- payment for termination, severance, dismissal
- any amounts payable as premiums for working holidays (certain employees excepted)
- early retirement incentives
- any other payment made as a result of the employer having knowledge of the member's retirement
- tuition
- payments in kind
- all payments other than payment received by an individual from his employing unit for services rendered to such employing unit, regardless of taxability

The amount of regular compensation that can be considered in calculating a retirement allowance will be 64% of the annual limitation imposed under federal law on the amount of compensation that may be taken into account when calculating benefits under defined benefit plans. This amount is adjusted by the federal government annually. PERAC will issue and post an annual Memorandum outlining the limits and explaining the implementation of the limits.

→ Which of my yearly amounts of compensation will be used in the calculation?

The retirement formula specifies that members must average annual rates of regular compensation earned in any five consecutive years of creditable service, or rates earned during the period or periods, whether or not consecutive, which constitute the last five years of creditable service preceding retirement. The law further provides that the benefit must be calculated upon the highest possible average obtainable given those specifications.

If you receive salary or compensation increases in excess of certain statutory limits, the years to be utilized in your calculation may be modified to as to prevent an artificially inflated benefit calculation.

CREDITABLE SERVICE RECORD

The third part of the basic formula is the creditable service that you have earned. It must be measured in full years and completed months. In some cases, part-time service will be prorated. Members are urged to check with their retirement boards with respect to regulations governing proration of part-time service. Such regulations vary from board to board.

VETERAN

→ As a veteran, am I entitled to any additional benefits?

If you are a veteran, as defined in section one of Chapter 32, you will receive $15 a year extra for every year or fraction thereof of creditable service, up to a maximum additional benefit of $300 a year.

Purchasing Creditable Service
Veterans may be entitled to purchase up to four years of creditable service for military service rendered before becoming public employees. Please see the section of this guide pertaining to Creditable Service for further details.

→ How is the term "veteran" defined in the Massachusetts General Laws?

DEFINITION OF A "VETERAN"

Pursuant to M.G.L. c. 32, §1, and c. 4, §7, cl.43, you qualify as a veteran if you meet ONE of the following three requirements:

1) You have at least **180** days of regular active duty service and you were honorably discharged or released.

2) You have at least **90** days of active duty service, at least one day of which was during wartime per the chart below, and you were honorably discharged or released.

Era of Service	Dates	Requirement for Veteran Status
WWI	6-Apr-1917 11-Nov-1918	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.
PEACETIME	12-Nov-1918 15-Sep-1940	**180** days of regular active duty service and a last discharge or release under honorable conditions.
WWII (Merchant Marine: 7-Dec-1941 through 31-Dec-1946)	16-Sep-1940 25-Jul-1947	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.
PEACETIME	26-Jul-1947 24-Jun-1950	**180** days of regular active duty service and a last discharge or release under honorable conditions.
KOREA	25-Jun-1950 31-Jan-1955	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.
Korean Defense Service Medal	28-Jul-1954 (to be determined later)	**90** days of active duty service, last discharge under honorable conditions and the Korean Defense Service Medal.
VIETNAM I	1-Feb-1955 4-Aug-1964	**180** days of regular active duty service and a last discharge or release under honorable conditions.
VIETNAM II	5-Aug-1964 7-May-1975	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.
PEACETIME	8-May-1975 1-Aug-1990	**180** days of regular active duty service and a last discharge or release under honorable conditions.
Lebanon Campaign*	25-Aug-1982 (to be determined later)	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.
Grenada Campaign*	25-Oct-1983 15-Dec-1983	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.
Panama Campaign*	20-Dec-1989 31-Jan-1990	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.
PERSIAN GULF	2-Aug-1990 (to be determined later)	**90** days of active duty service, one (1) day during "wartime" and a last discharge or release under honorable conditions.

*Naval and Marine DD214 must indicate Expeditionary Medal. All DD214s must specify campaign: Lebanon, Grenada and Panama.

Please note that, pursuant to M.G.L. c. 4, §7, cl.43, the six months of active duty for training in the Active Reserves and the National Guard does not qualify as active service toward the minimum period listed here. **If your only active duty was active duty training, you are not eligible to purchase credit for your military service.**

3) You served in wartime and were awarded a Purple Heart or service-connected disability, regardless of whether you completed the minimum length of active duty service in the chart under (2) above. A person who has died in wartime service will also qualify as a veteran even if the minimum service requirements are not met.

Exceptions to Minimum Service Requirement

It is not necessary that an applicant have completed the minimum service for wartime or peacetime campaign if he or she served some time in the campaign and was awarded the Purple Heart, or suffered a service-connected disability, or died in the service under honorable conditions.

Training Not Considered Active Service

Active service in the armed forces as used in this clause shall not include active duty for training in the Army or Air National Guard or active duty for training as a Reservist in the Armed Forces of the United States.

Creditable Service for Active Reserve and National Guard Service

Veterans who also have Active Reserve and National Guard Service may receive creditable service for such guard/reserve service on a ratio of five years of such service to equal one year of creditable service, provided they have the qualifications noted above.

12 Formula: Restrictions and Variations

RETIREMENT ALLOWANCE RESTRICTIONS

→ ***Is there a limit on the amount of a retirement allowance?***

Superannuation
The superannuation retirement allowance of any member may not exceed 80% of his or her five-year average annual rate of regular compensation.

Veteran's Benefit
If you are a veteran, you are entitled to $15 a year extra for every year or fraction thereof of creditable service, up to a maximum additional benefit of $300.00 per year. Veterans can still receive this additional veteran's benefit even if it causes their superannuation retirement allowance to exceed 80% of their average annual rate of regular compensation.

SAMPLE CASES AND CALCULATIONS

Examples
The following examples are presented to aid your understanding of the formula's usage. Please note that annual allowance figures are rounded off to be divisible by 12. Also, all benefits are calculated as though the member selected Option A. (For a discussion of options, please see the section of this guide entitled, "Options for Retirees.")

Case 1

Case Facts
- Group: 1
- Age: 60
- Non-Veteran
- Retirement Date: December 31, 2027
- Creditable Service: 15 years, 6 months
- 5-Year Average Annual Rate of Regular Compensation: $42,000.00

Benefit Rate		Average Annual Rate of Regular Compensation			Years of Creditable Service
1.45	X	2027	$44,000.00	X	
÷ 100		2026	$43,000.00		
		2025	$42,000.00		
		2024	$41,000.00		
		2023	$40,000.00		
		Subtotal	$210,000.00		
.0145		÷5	**$42,000.00**		**15.5**

Total Annual Allowance	**$9,439.56**
Monthly Benefit	**$786.63**

Case 2

Case Facts

- Group: 1
- Age: 68
- Non-Veteran
- Retirement Date: December 31, 2044
- Creditable Service: 32 years
- 5-Year Average Annual Rate of Regular Compensation: $36,000.00

Benefit Rate	X	Average Annual Rate of Regular Compensation	X	Years of Creditable Service
.025		$36,000.00		32

Total Annual Allowance	**$28,800.00**
Monthly Benefit	**$2,400.00**

Case 3

Case Facts

- Group: 1
- Age: 62
- Non-Veteran
- Retirement Date: December 31, 2044
- Creditable Service: 32 years
- 5-Year Average Annual Rate of Regular Compensation: $30,150.00

Benefit Rate	X	Average Annual Rate of Regular Compensation	X	Years of Creditable Service
.01875		$30,150.00		32

Because this member has over 30 years of service, there are different benefit rates.

Total Annual Allowance	**$18,089.88**
Monthly Benefit	**$1,507.49**

Case 4

Case Facts

- Group: 2
- Age: 55
- Veteran
- Retirement Date: December 31, 2027
- Creditable Service: 15 years
- 5-Year Average Annual Rate of Regular Compensation: $35,000.00

Benefit Rate	X	Average Annual Rate of Regular Compensation	X	Years of Creditable Service
.0145		$35,000.00		15

Because this member is a veteran, he is entitled to $15.00 a year for each of his 15 years of creditable service.

Total Annual Allowance (Initial Computation)	**$7,612.56**
+ Veteran's Benefit ($15.00 x 15 years)	**$225.00**

Total Annual Allowance	**$7,837.56**
Monthly Benefit	**$653.13**

Case 5

Case Facts

- Group: 4
- Age: 65
- Veteran
- Retirement Date: December 31, 2053
- Creditable Service: 41 years
- 3-Year Average Annual Rate of Regular Compensation: $58,833.00

Benefit Rate	X	Average Annual Rate of Regular Compensation	X	Years of Creditable Service
.025		$58,833.00		41

Statutory provisions limit the allowance to 80% of $58,833.00 = $47,066.40. However, the veteran's credit should be applied.

Total Annual Allowance (Initial Computation)	**$60,304.08**
Statutory Limit (80% of $58,833.00)	**$47,066.40**
+ Veteran's Benefit ($15.00 x 41 years, maximum $300)	**$300.00**

Total Annual Allowance	**$47,366.40**
Monthly Benefit	**$3,947.20**

Case 6

Case Facts

- Served 10 years in Group 1 and Served 10 years in Group 4
- Age 62
- Non-Veteran
- Retirement Date: December 31, 2032
- Creditable Service: 20 years
- 5-Year Average Annual Rate of Regular Compensation: $50,000.00

Because this member served in more than one job group, he will have his benefit prorated based on the time served in each job group.

Group 1

Benefit Rate	X	Average Annual Rate of Regular Compensation	X	Years of Creditable Service
.0175		$50,000.00		10

Group 4

Benefit Rate	X	Average Annual Rate of Regular Compensation	X	Years of Creditable Service
.025		$50,000.00		10

Total Annual Allowance as Group 1 member	**$8,750.04**
Total Annual Allowance as Group 4 member	**$12,500.04**
Total Annual Allowance	**$21,250.08**
Monthly Benefit	**$1,770.84**

→ Is the same basic formula applied in every case?

The formula, as outlined above, applies in most cases and gives members an approximate figure for estimation purposes. The retirement law does include particular provisions for certain employees with unique circumstances who may be entitled to different benefits.

→ How is the allowance of a Group 3 member calculated?

The annual retirement allowance of a Group 3 member (state police officers) is calculated under a different formula. State Police Officers should contact the State Retirement Board for information on the calculation of their retirement allowances.

→ Does the law guarantee retirement benefits?

The payment of superannuation retirement allowances is considered to be a contractual obligation of the Commonwealth and its governmental subdivisions to retirement system members. Superannuation retirement allowances paid to members cannot be decreased or terminated during the member's lifetime, except under extremely limited circumstances involving criminal activity or failure to follow certain post-retirement employment restrictions.

13 Superannuation Application Procedures

INTERACTION WITH YOUR RETIREMENT BOARD

→ How can I find out about the retirement benefits to which I am now entitled or to which I may be entitled in the future?

Within 30 days of receiving a written request from you or your authorized representative, your board must provide you with a written notice of the estimated benefits to which you are or may be entitled and the dates upon which you would become eligible to receive such benefits.

→ When may I file for retirement?

If you are actively employed or on a leave of absence, you can apply to your retirement board no earlier than four months before your intended date of retirement. Members of Groups 1, 2, and 4 must file a written retirement application with their respective employer, in addition to the form filed with their retirement board.

→ Will my retirement board ask me or my beneficiaries to produce additional information?

Retirement boards may request copies of particular certified records which are required by provisions of Chapter 32 or by rules and regulations of their own which are consistent with the law.

Among the documents which the board could ask you to submit are: birth certificates for you and your spouse, a marriage certificate, veteran's discharge papers, verification of student status, and proof of age for your dependent children.

→ May I apply for more than one type of retirement?

You may file simultaneous applications for superannuation, accidental, and ordinary disability, if you are eligible.

→ When can I start to collect my retirement benefits?

You should contact your board about when you can expect to receive your first payment after your retirement allowance has been calculated and approved. After the initial payment, allowance checks are due and payable on the last day of each month.

→ Am I allowed to withdraw my retirement application after I have submitted it to my retirement board?

Subject to the approval of your retirement board, you may withdraw your voluntary retirement application at any time prior to receiving your initial payment.

→ What are the provisions pertaining to the payment of small allowances?

Unless your normal yearly retirement allowance is less than $600 a year, it must be paid to you in lifetime monthly payments.

Between $360 and $600
If your normal yearly retirement allowance is computed to be between $360 and $600, you may choose between a lump sum refund of your deductions, or a monthly allowance.

Less Than $360 a Year
If your normal yearly retirement allowance is computed to be less than $360 a year, you will be paid the full amount of your accumulated total deductions in a lump sum instead of an allowance.

Dual Members Exception
Those individuals who received regular compensation concurrently while a member of two or more governmental units may receive a retirement allowance of less than $360 if they so desire.

WAIVER OF ALLOWANCE

→ May I, at any time, refuse to accept my retirement allowance?

You may waive all or any portion of a retirement allowance payable to you. In such a waiver, you may specify a certain period or you may waive until further notice.

Member-in-Service Status
You may waive your allowance and resume public employment without any limitations on your earnings. However, except in limited circumstances discussed below, the fact that you retired will make you ineligible to once again become a member-in-service. You cannot contribute to the retirement system and no additional benefits will accrue. Please see the section of this booklet pertaining to employment after superannuation retirement.

ACTION ON BEHALF OF INCOMPETENT MEMBERS

→ Will my retirement rights and benefits be protected in the event I become incompetent?

Spouse, Guardian, Conservator, Other
Any option, election, or right existing for you may be exercised or enforced for you if you have become incompetent or if, for any other reason, you are unable to act on your own behalf. Your spouse is permitted to act on your behalf if your spouse is living with you. If you have no eligible spouse, your guardian or conservator may act. The person that is found by your board to be acting in your best interest would have authority to act in the event that you have no eligible spouse, guardian, or conservator.

14 Suspension of Benefits

→ Are there any circumstances under which retirement benefits may be suspended or terminated?

Incarceration
Payments to an accidental or ordinary disability retiree who is incarcerated following conviction of a felony committed on or after July 1, 1996 must cease for the period of the retiree's incarceration.

Annual Statement of Earned Income
Disabled retirees who fail to comply with reporting requirements about earned income may also be subject to termination of benefits for the period of non-compliance. In accordance with section 91A of Chapter 32, if a disabled retiree fails to submit an *Annual Statement of Earned Income*, and the tax forms required by PERAC, and does not show good cause for this failure, the retiree's rights to a disability retirement allowance will terminate until the retiree has complied with the reporting requirement. A member whose allowance is terminated is not entitled to receive payments for the period of time that the allowance is terminated for failure to file the required documents. Prior to any termination of benefits, a disabled retiree must be given notice and an opportunity to be heard by his or her retirement board.

Disability retirees who have been retired for 20 years or more and have not reported earnings for the 10 prior years may be determined by PERAC to be eligible for a waiver and exempted from filing an Annual Statement of Earned Income.

15 Forfeiture of Benefits

→ Can I lose my rights to receive my retirement benefits due to misappropriation of funds?

You will forfeit your retirement allowance if your retirement board, after a hearing, finds that you have misappropriated funds or property of the governmental unit by which you are or were employed. Your right and your beneficiary's right to receive monthly benefits, or simply a refund of your accumulated deductions, is forfeited to the extent of the amount so misappropriated and to the extent of the costs of investigation, if any, as found by the board. You may repay the amount misappropriated, at which point the board will determine if you shall continue as a member.

→ Is there a circumstance that will result in the permanent loss of my pension and annuity?

In no event shall any member, after final conviction of an offense set forth in section two of Chapter 268A of the General Laws, pertaining to corruption in official conduct or section 25 of Chapter 265 of the General Laws pertaining to police or licensing duties, be entitled to receive a retirement allowance or a return of his or her accumulated total deductions, nor shall any beneficiary be entitled to receive any benefits under such provisions on account of such member.

→ Is there any other circumstance under which I could suffer the permanent loss of my pension?

Yes. A member, after a final conviction of a criminal offense committed on or after January 12, 1988, involving violation of the laws applicable to his or her office or position, is not entitled to receive a pension benefit, nor is any beneficiary. Unless otherwise prohibited by law, accumulated total deductions (without interest) are returned to the member or his or her beneficiary in these circumstances. If a member's final conviction of an offense results in a forfeiture of rights, and the member began receiving his or her retirement allowance after the date of the offense, the member shall forfeit, and the board shall require the member to repay, all benefits received from the date of retirement.

16 Cost-of-Living Adjustment

→ Am I automatically entitled to an annual cost-of-living increase in my retirement allowance?

No, Cost-of-Living Adjustments (COLAs) are not automatic. The procedure for granting a COLA is as follows:

1. The decision to grant a COLA is made by the state legislature and Governor for retirees from the State and Teachers' Retirement Systems.

2. Each year the PERAC Actuary advises the retirement boards of the increase in the Consumer Price Index. The retirement boards then can grant a COLA, but not over 3%. Notice must be given to the legislative body before the board grants the COLA.

3. Once the legislation has been accepted by the retirement board and the legislative body, a retirement system can vote to grant an increase for a given year.

4. Every member and beneficiary in that system who was receiving an allowance as of June 30 of the prior fiscal year would then be entitled to a COLA.

COLA Amount

- The percentage increase in an allowance will be made on the full amount of an allowance up to a base of $12,000.
- A retirement board, with the approval of the local legislative body may increase the COLA base incrementally beyond the $12,000 level.
- The cost of living percentage is based on the cost of living increase granted under the Consumer Price Index, not to exceed 3.0%.
- If the COLA granted under Consumer Price Index is less than 3% then, pursuant to another local option section, the total COLA payable may be increased up to no more than 3% of $12,000 or the locally accepted COLA Base.
- Effective July 1, 2013, the COLA base for Barnstable County retirees will be $15,000.

17 Employment After Superannuation Retirement

→ Am I limited in the amount of income I earn or receive from other sources after my retirement for superannuation?

You are limited in the amount of income you earn or receive from other sources after retirement for superannuation only if you are re-employed in the service of the Commonwealth or any of its counties, cities, towns, districts or authorities.

→ What are the restrictions pertaining to public service re-employment following superannuation retirement?

Public Service Re-employment Limitations
In accordance with Section 91 of Chapter 32 of the Massachusetts General Laws, there are two strict limitations on further public employment in the Commonwealth following your retirement from a public service position.

Earnings and Hours
Your earnings for the period of post-retirement employment in any calendar year, when added to your retirement allowance, cannot be greater than the salary currently being paid for the position from which you retired plus $15,000. The additional $15,000 is not utilized in the calculation in the first 12 months following retirement.

Your post-retirement employment is also limited to a period of up to 960 hours, in the aggregate, in any calendar year.

Your employment must cease when either limitation is reached.

A retiree can waive his or her retirement allowance and these limitations would not apply.

Section 91
It is also important to keep in mind:

- § 91 applies to both superannuation and disability retirees.
- § 91 applies to any public employment, regardless of whether or not it occurs in the same governmental unit from which the employee retired.
- It is irrelevant whether an employee-retiree chooses to classify him or herself as a “consultant” or “independent contractor”— the § 91 earnings limitations still apply if in fact the nature of the

relationship is as an employee.
- Earnings as a consultant or an independent contractor are limited.
- A retiree may not avoid the limitations in §91 by forming a company if the primary reason for the formation is to avoid the limitations.
- Earnings for "details" which are paid by city or town payroll are included in the § 91 limitations, regardless of whether the city or town ultimately bills a private entity for the work.
- The § 91 limitations apply only to retirees, not survivors or beneficiaries.

→ Is there any public sector re-employment that is not affected by these limitations?

Yes, you may:

- be paid for jury duty,
- be paid for services as an election officer,
- hold certain paid appointive positions, and
- certain emergency employment may be authorized.

In addition,you may be elected to office by a direct vote of the people following your retirement, and be paid for the same without limitation if the position from which you retired was not an elective office. If the position from which you retired was an elective office, then the earnings limitations will apply to you unless at least one year has passed from the last day you held said public office and the commencement of your post-retirement elective office.

→ Under what circumstances may I become a member-in-service once a retirement allowance has become effective for me?

Repayment of Retirement Allowance
Any individual who is receiving a superannuation or termination retirement allowance may re-enter the retirement system upon repayment (or repayment agreement) of the amount of superannuation/termination retirement allowance received to the date of reinstatement plus buyback interest (one half of actuarial assumed interest). G.L. c. 32, § 105 also provides that any such individual must work at least five years of full-time employment after reinstatement in order to benefit from this provision. The contribution rate may be higher than it was while you were an active member, depending on the timing of your reinstatement. You should carefully consider the requirements of this section before agreeing to be reinstated.

Election or Appointment
If, as a retiree, you are elected to office by popular vote or receive a particular type of appointment, you can elect to become a member-in-service if you repay into the retirement system, together with buyback interest, the total amount of the allowance you have received from your date of retirement to the date you rejoin the system. You must also fulfill all the requirements of Section 105, as outlined above.

Disability Retirees
Disability retirees who are returned to service under GL c. 32, s. 8, will become retirement system members again and will receive creditable service for the years for which they received disability retirement allowances, without cost.

18 Options for Retirees

"Option" is the term used to describe how your retirement allowance is allotted. Your allowance must be paid to you in lifetime monthly payments, but the apportionment of those payments will differ depending upon your option selection. Option choice also determines what benefits, if any, will be paid to survivors after a retiree's death.

MAKING A CHOICE

What factors should influence a member's choice of option?

Your health and age at retirement, income from other sources, financial obligations, and the need to provide for others that may survive you are some of the factors that you should consider carefully. Your decision should not be made on the basis of what options are the most popular, or the one chosen by a friend or acquaintance. It should be based on your own personal needs.

Are there any restrictions on my election of an option?

No, there are no restrictions. Any member is free to select either Option A, Option B, or Option C upon retirement.

When must I make my option selection?

You must choose an option before the date your allowance becomes effective. Retirement board staffers are available to thoroughly discuss options with you prior to that date. If you refuse or fail to select an option before the date your retirement becomes effective, the law provides that you shall be retired under Option B.

May I change my option choice?

You are not permitted under any circumstances to change your option selection after your retirement becomes effective.

SPOUSAL ACKNOWLEDGMENT

Must my spouse acknowledge my option election?

Retirement boards must provide members and their spouses with detailed information regarding benefit options to help them make informed decisions.

A married member's *Choice of Retirement Option Form at Retirement* must be signed by the member's spouse to acknowledge the spouse understands the option chosen. If a married member files a *Choice of Retirement Option Form at Retirement* that has not been acknowledged by his or her spouse, the retirement board is required to notify the member's spouse of the option selected within fifteen days by registered mail.

Thirty days after the member's spouse has been notified as provided above, the option will take effect. The effective date of the member's retirement will not be affected by the requirement that spousal acknowledgment must be requested.

OPTIONS AVAILABLE AT RETIREMENT

OPTION A

Benefits Paid to Member Only
Election of Option A means that you will receive your full retirement allowance in monthly payments as long as you live. All allowance payments will cease upon your death and no benefits will be provided for your survivors.

OPTION B

Potential Benefit for Beneficiaries
Option B provides you with a lifetime allowance which is approximately 1% to 5% less per month than Option A. The annuity portion of your allowance is reduced to allow a potential benefit for your beneficiary(ies). Upon your death, your surviving beneficiary(ies) of record, or if there is no beneficiary living, the person or persons appearing in the judgment of your retirement board to be entitled thereto will be paid the unexpended balance of your accumulated total deductions, if any, from the annuity reserve account.

→ How soon would my contributions be depleted?

Although your retirement allowance is not reduced because of the depletion of your accumulated deductions, it is generally the case that your deductions are used up within eight to twelve years of your retirement, depending upon your age at retirement. Any remaining balance is to be paid to your beneficiary (ies) in the event of your death.

→ Is my choice of beneficiary limited under Option B? Can I change beneficiaries?

No. Under Option B, you may designate any person(s) or charity or institution as your beneficiary. You may name more than one person or charity or institution as a beneficiary in differing percentages.

Although your option selection may never be changed, if you choose Option B you may change your beneficiary at any time after retirement.

OPTION C

Joint and Last Survivor Allowance
Option C is also known as the joint and last survivor allowance. Selecting this option means that the allowance payments that you would receive during your lifetime would be approximately 7 to 15% less than those you would receive under Option A. Upon your death, your designated beneficiary will be paid a monthly allowance for the remainder of his or her lifetime. That allowance will be equal to two-thirds of the allowance which was being paid to you at the time of your death.

→ What determines the monthly payments of an allowance payable under Option C?

The monthly allowance you receive under Option C depends upon life expectancy factors for both you and your designated beneficiary.

→ Who may I name as a beneficiary under Option C?

You may name only one beneficiary under Option C. The eligible beneficiaries are limited to your spouse, your former spouse (provided he or she has not remarried at the time the Option C benefit becomes payable to you), your child, your parent, or your sibling.

→ May I change my Option C beneficiary?

You may not change your Option C beneficiary after your retirement becomes effective.

→ If my spouse dies after receiving allowance payments under Option C, will benefits then be payable to our children?

Each child would be eligible to receive an equal share of the allowance his or her parent had been receiving. However, payments to children in these circumstances are of limited duration. Payments would be made to the legal guardian of each child and would cease upon the child's 18th birthday.

OPTION C "POP UP"

→ How does my allowance change under Option C if my beneficiary dies before I do?

If your Option C beneficiary dies before you die, you will thereafter be paid the full retirement allowance you would have received had you elected Option A at the time your retirement allowance became effective. You cannot select a new Option C beneficiary or a different option. (This conversion is commonly referred to as the Option C "Pop-Up".) Any cost-of-living increases that have been granted since your Option C retirement became effective will be reflected in your newly established Option A allowance. All payments will cease upon your death.

Effect of Divorce on Option C Beneficiary

→ Does divorce following retirement change the status of my former spouse as my Option C beneficiary?

He or she will continue to be your Option C beneficiary even if you are divorced after retirement.

19 Social Security

Chapter 32 Offset
The receipt of both a Social Security allowance and a Massachusetts public pension may result in the reduction of the amount received from Social Security in most circumstances. A Massachusetts retirement allowance cannot be reduced as the result of the receipt of any other benefit, with the limited exception of certain recipients of a Federal Civil Service pension. However, federal law requires the reduction of Social Security benefits received when an individual is entitled to both benefits. This reduction is mandated in a variety of circumstances.

Individuals who are eligible to receive benefits from a Massachusetts contributory retirement system and from the federal Social Security Administration, as a result of their own employment, or a combination of their own employment and benefits as a spouse or a surviving spouse, should contact their local Social Security Office for more detailed information.

20 Survivor Benefits

Factors Effecting Payable Benefits
In many instances, benefits are payable to the survivors of public employees who are active members of a Massachusetts contributory retirement system at the time of their death. The amount of benefits payable in any particular instance depends on a number of factors including:

- the length of the member's creditable service,
- the eligibility of the member's immediate family, and
- the cause of the member's death.

Guide to Survivor Benefits
Please refer to PERAC's *Guide to Survivor Benefits for Public Employees Who Became Members On or After April 2, 2012* for a more detailed explanation. Also, remember that retirement board staff members are also available to interpret the specifics of the law and to assist you.

21 Disability Retirement

UNDERSTANDING YOUR RIGHTS

Massachusetts retirement law provides for two different types of disability retirement: accidental and ordinary.

Members who are considering disability retirement should refer to PERAC's *Guide to Disability Retirement for Public Employees Regardless of the Date of Membership* to enhance their understanding of their rights, benefits, the presumptions (Heart Law, Lung Law, and Cancer Law) applied to certain public safety personnel, and the entire disability process.

ACCIDENTAL DISABILITY: ELIGIBILITY

→ Who is eligible to apply for an accidental disability retirement?

Generally, if a member's permanent incapacitation prevents him or her from performing the essential duties of his or her position because of a personal injury sustained or a hazard undergone while in the performance of his or her duties at a definite time and place and without serious and willful misconduct on his or her part, he or she will be eligible to apply.

NOTICE OF INJURY REQUIREMENT

→ Should I notify my retirement board if I am injured on the job?

It is extremely important that you file a notice of injury if you have an accident on the job, or are exposed to a health hazard. This notice should be filed with your retirement board in addition to any notice which may be filed with your employer. The notice to the retirement board should be filed within 90 days of the occurrence of the injury or exposure. This establishes the time, place, and occurrence of the accident for future reference. If you later become disabled and more than two years have passed since the accident or hazard, it is imperative that you have an official record in order to seek accidental disability benefits. This notice of injury serves as the official record.

Receipt of Workers' Compensation Benefits
Proof of receipt of Workers' Compensation benefits may fulfill the notice requirement for those members covered by Workers' Compensation. For those members not covered by Workers' Compensation, official departmental records may be utilized for members of Groups 2, 3, and 4.

ORDINARY DISABILITY: ELIGIBILITY

→ Who is eligible to receive an ordinary disability retirement allowance?

Any member–in–service is eligible, providing that they meet the service requirements listed below, who is permanently incapacitated from performing the essential duties of his or her position, and the incapacitation is not work-related.

What are the service requirements for ordinary disability retirement?

The service requirements for ordinary disability retirement differ among veterans, non-veterans and depend upon whether a system has accepted a specific local option.

Non-Veterans
Service requirements vary. Applicants who file for ordinary disability retirement on or after January 12, l988, from the State Retirement System, the Teachers' Retirement System and any other system that has accepted the provisions of G. L. c. 32 § 6(1), must have been granted at least ten years of creditable service. Most systems have accepted this provision. In the handful of systems which have not accepted the provision, a member must have at least 15 years of creditable service in order to apply for ordinary disability retirement.

Veterans
Members who are veterans must have been granted at least ten years of creditable service.

What is the benefit payable when a person is awarded an ordinary disability retirement?

For non-veterans, the benefit payable is the same as would be payable for a regular or "superannuation" retirement, utilizing a formula using age, creditable service and the average of a person's five highest years of regular compensation. For people in Group 1 under the age of 60, the age factor will be "bumped up" to 60, providing a larger benefit. For those in Groups 2 or 4 who are under the age of 55, a similar bump up will occur, this time to age 55.

For veterans, the benefit payable is the annuity plus a yearly amount of pension equal to one-half the average annual rate of regular compensation for the twelve month period immediately preceding the effective date of their retirement allowance.

Is there any benefit to a non-veteran over the age of 55 or 60 (depending upon their group classification) applying for ordinary disability retirement benefits?

This guide is only concerned with the Massachusetts public pension system. A non-veteran over the age of 55 (Groups 2 and 4) and age 60 (Group 1) would receive the exact same financial benefit as a superannuation retirement when they apply for ordinary disability retirement over the age of 55 or 60, as the case may be. They would also be subject to certain earnings limitations and subject to periodic reexamination. That being said, there may be benefits to choosing an ordinary disability retirement over a superannuation retirement. If a person retires under disability, there is always the opportunity for them to return to service pursuant to G.L. c. 32, § 8. Also, being out on a disability retirement may be beneficial for certain programs. The decision of which benefit to apply for is a personal matter, and each individual must weigh the pros and cons of their particular circumstances.

22 Involuntary Retirement

Does my department head have the right to file an application to retire me?

Yes, your department head may file an application to retire you upon the basis of disability (or superannuation). The minimum creditable service and age requirements that are applied to applications filed by members also apply to retirement applications initiated by an employer.

How is the process begun, and do I have any immediate recourse if I feel I should not be retired?

Your department head will initially file an Involuntary Retirement Application with your retirement board, which requires no information or any statement from you. A copy of this form must be sent to you simultaneously. Within 15 days of receiving your copy of the form, you may request a hearing before your retirement board if you are a member-in-service in Group 1 who has attained the age of 60 and completed 15 or more years of creditable

service; or of Group 1, Group 2, or Group 4 who has attained age 55 and who has completed 15 or more years of creditable service, or if you haven't attained age 55 but have completed 20 or more years of creditable service.

→ Will the process include a medical examination and evaluation?

If you are not entitled to an initial hearing and/or your retirement board accepts the appropriateness of the disability application, the involuntary process will continue through the same medical evaluation process that governs a voluntary application for a disability retirement.

→ Where can I appeal if I am involuntarily retired?

Any Group 1, Group 2, or Group 4 member who has been involuntarily retired and has attained age 55 and completed 15 or more years of creditable service, or any member so classified who has not attained age 55 but who has completed 20 or more years of creditable service, or any such member who is a veteran and has completed ten or more years of creditable service may seek review of such action in the district court in the district in which he or she resides within 30 days after the certification of the retirement board's decision.

23 Refunds

→ What is a refund?

A refund is a lump sum returned to you of your accumulated total deductions plus accrued interest which have been set aside in an individual account in the Annuity Savings Fund administered by your retirement board. Monies held in the Annuity Savings Fund earn interest at a rate set annually by PERAC in conjunction with the Commissioner of Banks. This interest is called "regular interest". (Please see the discussion about interest payments that follows.)

→ What are possible consequences of asking for a refund?

You should always seek counseling prior to withdrawing your funds. If you withdraw your funds, and then return to membership later, a new set of rules may apply to you.

→ When may I request a refund of my contributions?

You may request a refund following your termination from public service. Although the length of time it takes to process a refund varies among retirement boards, the law says you shall receive your refund within 60 days after filing a written request on a prescribed form with your retirement board.

→ Will I be taxed on this refund?

There may be substantial federal tax consequences if you take a direct refund of your deductions rather than directly rolling them over into another qualified retirement plan. Your retirement board will provide you with information about the potential tax consequences.

→ May any agency intercept my refund?

An individual's ability to obtain a refund may be affected by a Department of Revenue Child Support Enforcement Order.

→ Is anyone ineligible to apply for a refund?

Yes, the most notable group of people being retirees. All members who are receiving retirement allowances are ineligible to request a refund because their accumulated total deductions are being used on an ongoing basis to provide a portion of their retirement allowance.

→ Is anyone other than a retiree ineligible for a refund of his or her annuity account?

In addition to those members who are already retired, you may not request a refund if:

- you continue to be a member-in-service,
- you are on an official leave of absence,
- you have a Workers' Compensation claim pending or if you are receiving Workers' Compensation benefits for total incapacity,
- you have been charged with, or convicted of, misappropriation of funds or property of the governmental unit by which you were employed,
- you are appealing a dismissal or you have otherwise expressed your intent to continue in public employment.

INTEREST PAYABLE ON WITHDRAWALS

→ If I apply for a refund when I resign, am I entitled to receive full payment of the interest that my contributions have earned during my public service?

If you voluntarily terminate your public service with at least ten years of creditable service, or if you are involuntarily terminated, you will receive 100% of the regular interest that has accrued to your Annuity Savings Account.

If you voluntarily terminate your public service with less than ten years of service, you will receive interest on your Annuity Savings Account at the annual rate of 3%.

→ I am a dual member. May I request a refund upon termination from only one of my public service positions?

If you terminate from one position for reasons other than retirement, but continue to be employed by another governmental unit, your retirement account may be refunded to you upon your written request if your contributions to the first retirement system are less than your contributions to the retirement system of which you remain a member.

REPAYMENT OF CONTRIBUTIONS

→ If I return to public service, am I required to return contributions that I withdrew?

When you return to public service, you are not required to pay back any contributions that you withdrew.

Repayment of these monies plus interest to re-establish your earlier creditable service is optional.

→ How do I re-establish creditable service for retirement purposes?

Your prior creditable service will count toward your retirement allowance only to the extent that you buy-back the creditable service associated with the annuity savings fund deductions that were refunded to you. Buy-backs must include the amount withdrawn plus interest to the date of repayment. Buy-back payments can be made on an installment basis. Such buy-backs will be payable with buy-back interest if the repayment is made within one year of your re-entry into service, or if an installment agreement is entered into within one year. Otherwise, you will be charged actuarial assumed interest for this purchase.

What if I continue to maintain my Annuity Savings Fund Account with the retirement system even though I have resigned from public service? Will interest still continue to accrue on my account?

Your accumulated deductions will continue to earn interest after you resign. The interest that may be paid to you, if you later seek a refund, is limited to that which accrues during the first two years following your resignation. Please see the answer under "**Interest Payable On Withdrawals**" for the details.

If I return to public service without having taken a refund, will my Account earn interest?

If you maintain your account with the retirement system and later return to public service, interest will be credited to your Account for the entire period of your absence. If you again leave public service and request a refund, the limitations stated above will apply.

24 Appeals

Who has the right to appeal to the Contributory Retirement Appeal Board (CRAB) and when must an appeal be filed?

Any person who is aggrieved by a decision of a retirement board or PERAC or by the failure of a retirement board or PERAC to take action may appeal to CRAB. In some limited cases, an appeal lies with the district court. (This is discussed more fully below.)

When should appeals to CRAB be filed?

Appeals to CRAB must be filed within 15 days of the date that the board or PERAC acted or was supposed to act.

If Chapter 32 does not specify a time within which a board or PERAC is required to act, an appeal of a failure to act must be filed within 15 days after the end of one month following the date that a written request to act was filed with the board or with PERAC.

Who are the members of CRAB?

The board consists of three members,

- an Assistant Attorney General, who acts as the chairman,
- a designee of PERAC, and
- a person appointed by the Governor.

If the matter being considered by CRAB concerns a disability retirement, the Commissioner of Public Health or his designee will substitute for PERAC's designee.

How does this appeals process work?

Within a period of not less than ten days or more than 60 days after the appeal is filed, CRAB must assign the matter to an Administrative Magistrate from the Division of Administrative Law Appeals. The Administrative Magistrate will conduct a hearing and issue a written decision that shall become final and binding upon the board and all other parties unless, within 15 days, either party files a written objection to CRAB or CRAB orders in

writing that it will review the decision of the Administrative Magistrate. CRAB's final decision may be appealed to the Superior Court.

→ Is there another avenue of appeal available?

If you are a member of Group 1, Group 2, or Group 4 who has attained age 55 and who has completed 15 or more years of creditable service, or if you have not attained age 55 but have completed 20 or more years of creditable service, or if you are a veteran and have completed ten or more years of creditable service, you may petition the district court for review of certain decisions involving involuntary retirement. Any member may petition the District Court for review in cases involving dereliction of duty.

Please note that in cases where a member has fully cooperated with the processing of an involuntary retirement application, CRAB has held that such cooperation effectively transforms the application from one of an involuntary nature to a voluntary one. In such circumstances, CRAB has held that it has jurisdiction to hear the appeal, as opposed to the District Court.

→ If I am awaiting a decision about disability, may I take an allowance for which I am qualified?

You are permitted to take a superannuation retirement allowance (if otherwise eligible) pending a ruling by CRAB pertaining to your accidental or ordinary disability retirement allowance. You are permitted to take an ordinary disability retirement allowance (if otherwise eligible) pending a ruling by CRAB pertaining to your accidental disability retirement allowance. Your acceptance of an allowance will not prejudice your case for receipt of further benefits.

25 Massachusetts Taxation

CONTRIBUTIONS

→ Is a portion of my salary that is deducted for contribution to the retirement system excludable from Massachusetts income tax?

Yes. The exclusion is limited to $2,000.

REFUNDS

→ Will Massachusetts tax any refunded contributions that I may receive after my resignation from public service?

No, the amount of your refund that represents your contributions and the interest on your account is not subject to Massachusetts income tax.

RETIREMENT ALLOWANCES

→ Are retirement allowances subject to Massachusetts income tax?

Contributory retirement allowances (sections1-28 of Chapter 32) are not subject to Massachusetts taxes.

26 Federal Taxation

PERAC has no special expertise or jurisdiction with respect to issues of federal taxation. The following reflects PERAC's understanding of current federal laws relating to taxation of retirement benefits.

CONTRIBUTIONS

→ Is the portion of my salary that is deducted for contribution to the retirement system subject to federal taxation?

Mandatory retirement contributions made after January 12, 1988 are considered pre-tax. Your employer reduces your gross salary for federal income tax purposes by your required retirement contribution amount. This reduces the amount of your income subject to federal taxation and consequently decreases the amount of federal withholding.

Private Tax Deferred Plans and Tax-Sheltered Annuities
For employees who belong to private tax deferred plans or who have purchased tax-sheltered annuities, this change with respect to January 12, 1988 could affect the maximum amount that may be contributed to such plans or annuities. Such employees should consider seeking the opinion of a tax consultant about making alterations to their voluntary plans.

REFUNDS

→ Will I be taxed by the IRS on any refunded contributions that I may receive after my resignation from public service?

Contributions Made After January 12, 1988
That portion of your contributions made after January 12, 1988 is subject to federal taxation.

Interest
All interest that you receive from your account is also subject to federal taxation.

Refunds Received on or After January 1, 1993
Federal legislation may also require withholding for federal taxes on refunds received on or after January 1, 1993. When you request a refund, your retirement board will provide information on the federal requirements.

Age 59 1/2
In addition, if your withdrawal takes place prior to your reaching age 59 1/2, federal law may impose an additional penalty.

SUPERANNUATION RETIREMENT ALLOWANCES

→ Is any retirement allowance which I may receive exempt from federal taxation?

IRS Publication #17
A percentage of your superannuation retirement allowance may be excluded from taxable income. The amount of the exclusion is determined by an IRS formula related to the amount of employee contributions (for this purpose, all contributions made prior to January 12, 1988 plus any buybacks made after that date may be excluded since you have already paid federal taxes on these contributions) and life expectancy. The balance of the allowance is subject to taxation (see IRS Publication #17).

WITHHOLDING FOR PENSION OR ANNUITY PAYMENTS

→ How do I notify the federal government about my withholding preferences?

Withholding toward payment of federal income tax on your retirement allowance will be made by the retirement board in an amount to be specified by you. Retirement boards give their retirees Withholding Certificates for Pension or Annuity Payments (Form W4-P). You must complete this form and return it to your board. Your election as to whether you want withholding to apply should be made on this form. Your election will remain in effect until you revoke it. You may make any election or revoke any election as often as you wish by filing a revised form with your board.

→ How is my allowance affected if I do not file the prescribed form?

If you fail to file a Withholding Certificate, federal income tax to be withheld from your pension payments will be determined as if your pension payments were wages representing your only income and you were a married individual claiming three dependents.

27 Support Orders and Attachments of Benefits

→ Are retirement allowances and refunds subject to attachment to satisfy support orders?

Pursuant to the Act to Improve the Massachusetts Child Support Enforcement Program, if a member owes past-due child support, his or her retirement allowance (or contributions to Annuity Savings Funds if the member has requested a refund) can be attached to satisfy a child support order. Other support orders issued pursuant to Massachusetts General Laws, c. 208, c. 209, c. 209A, c. 209C or c. 273 may result in an attachment of your retirement allowance. No support order can create a benefit or entitlement to a benefit that would be inconsistent with the retirement laws.

28 Exemption from Assignment

→ Are my retirement benefits subject to assignment?

No assignment of any right to an annuity, pension, or retirement allowance will be valid except:

- assignments made pursuant to certain support orders (as discussed above),
- assignments made to provide restitution in instances of dereliction of duty,
- assignments made by a member for the purpose of payment of a health or life insurance premium, for a policy related to work and in effect on the member's retirement,
- repayments of benefits paid by the Commonwealth for those individuals who have become public charges,
- notice of levy issued by the Internal Revenue Service for the purposes of collecting unpaid federal tax.

29 Continuation of Health and Life Insurance

→ How does retirement affect my eligibility for group health and life insurance coverage?

A provision is made in the retirement law for the withholding of monthly premiums for your continued coverage in a group health and life insurance program sponsored by the governmental unit by which you are employed at the time of retirement.

While continuation of insurance coverage for retirees is an optional matter for the various governmental units in the Commonwealth, most cities and towns have accepted the necessary provisions of the law which permit them to be able to provide this service. The availability and type of such benefit varies widely from municipality to municipality, and members who are considering retirement are advised to check with their retirement board about whether the relevant governmental authorities have voted to extend this benefit.

30 Submission of Affidavit

→ Must retirees and beneficiaries attest to certain information each year?

Not less frequently than once every two years, every public pension retiree and the surviving beneficiaries of such deceased retirees, receive affidavits from their retirement board. The purpose of this affidavit is to verify that the retiree/beneficiary is living and to update other key information such as his/her current address. Confirmation of a beneficiary's dependency status is also sought where it is relevant to continued receipt of benefits. Any retiree/beneficiary who knowingly makes false responses on this affidavit will be investigated for fraud. Anyone who signs an affidavit who is other than the retiree, his or her beneficiary, or an individual with a valid power of attorney will be investigated for fraud.

31 Key Addresses and Phone Numbers

Public Employee Retirement Administration Commission
Five Middlesex Avenue
Suite 304
Somerville, MA 02145
Phone 617-666-4446
Web: www.mass.gov/perac

Pension Reserves Investment Management Board (PRIM)
84 State Street, Suite 250
Boston, MA 02109
Phone 617-946-8401
Web: www.mapension.com

The Contributory Retirement Appeal Board (CRAB)
Office of the Attorney General
Commonwealth of Massachusetts
One Ashburton Place
Boston, MA 02108
Phone 617-727-2200

The Division of Administrative Law Appeals (DALA)*
One Congress Street, 11th Floor
Boston, MA 02114
Phone (617) 626-7200
Fax (617) 626-7220

Massachusetts Department of Revenue
100 Cambridge Street
Boston, MA 02204
Attention: Taxpayer Assistance
Phone 800-392-6089
Web: www.dor.state.ma.us

Internal Revenue Service
Taxpayer Assistance
Phone 800-829-1040
Web: www.irs.gov

Social Security Administration
Phone 800-772-1213
Web: www.ssa.gov

MASSACHUSETTS PUBLIC EMPLOYEE

Retirement Guide

for Public Employees Who Became Members

On or After April 2, 2012

Barnstable County Retirement Association

750 Attucks Lane

Hyannis, MA 02601

508-775-1110 Fax:508-775-1344

1-800-553-5569