



Memorandum # 31/2004

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
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Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Update on Fiscal Year 2005 Budget Items Relating to Public Retirement

DATE: August 13, 2004

The Legislature has overridden Governor Romney's vetoes of several sections in the FY05 Budget relating to public retirement. These provisions are now law.

Attached is a copy of these sections of the Budget. This Memorandum is intended to advise the Retirement Boards of the changes in the General Laws that deal with retirement issues. It is not a substitute for a careful reading of the statutes.

SPOUSAL RETIREMENT

Section 322 of the FY05 Budget reinstated the so-called spousal retirement provision contained in G.L. c. 32, § 5(1)(e) with respect to spouses who were married to each other and members in service in the same or different systems on or before November 1, 2003. Governor Romney vetoed this section of the FY05 Budget and his veto has been overridden by the House and Senate. This provision is discussed in PERAC MEMORANDA #21/2003, #27/2003 and #37/2003.

Board action needed: This outside section of the FY05 Budget applies only to spouses who were married and members of a Retirement System on or before November 1, 2003. When one of the spouses retires, the other spouse may, upon his or her written application to the board, be retired for superannuation regardless of that member's age. The actual creditable service and average annual rate of regular compensation regular as provided for in G.L. c. 32, § 5 will be used in the calculation of the allowance, but the age factor will be that for age 55. Retirement Boards must be sure that the records retained with respect to all members are accurate, so that persons eligible for this benefit can be identified and properly counseled.

It is clear from our review of the history of this section that the Legislature intended to authorize this benefit not only going forward, but also for anyone who was impacted by

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the repeal of G.L. c. 32, § 5(1)(e) between November 1, 2003 and the effective date of the Budget. The Boards should identify anyone who retired during this period whose allowance would be increased as the result of the availability of the so-called spousal benefit provision. The allowance of these persons must be recalculated and any increases must be paid retroactively to the date of retirement.

STUDY OF THE COSTS AND ACTUARIAL LIABILITIES THAT WOULD BE ATTRIBUTABLE TO INCREASING THE \$12,000 COLA BASE

The Legislature also overrode Governor Romney's veto of a FY05 Budget provision that required PERAC to analyze, study, and evaluate the costs and actuarial liabilities attributable to increasing the base to which COLA is applied. PERAC's Actuary will analyze the cost and actuarial liability associated in increasing the base from \$12,000 to \$22,000 incrementally by \$1,000. The Actuary will also develop funding schedules to reduce any costs to \$0 on or before June 30, 2028 and alternative schedules providing the option of reducing the unfunded liabilities to \$0 by June 30, 2034 and June 30, 2038, respectively. The study, recommendations and proposed funding schedules will be filed with the House and Senate Committees on Ways and Means, and the Joint Committee on Public Service on or before December 31, 2005.

Board action needed: No action is needed at this time. When the study is completed, it will be distributed to all interested entities.

CONFIDENTIAL STATUS OF CERTAIN PRIM DOCUMENTS

The Legislature overrode Governor Romney's veto of a FY05 provision that amended G.L. c. 32, § 23 and dealt with the confidential status of PRIM records. Under this provision, documentary materials received by the PRIM board, which consist of trade secrets or commercial or financial information that relates to the investment of public trust or retirement funds, shall not be disclosed to the public if disclosure is likely to impair the government's ability to obtain such information in the future or is likely to cause substantial harm to the competitive position of the person or entity from whom the information was obtained. The provisions of the open meeting law shall not apply to the PRIM Board when it is discussing this information.

Board action needed: No action is needed. This provision applies only to the PRIM Board.

If you have questions, please feel free to contact this office.