THE MASSACHUSETTS STATE EMPLOYEES’ RETIREMENT SYSTEM

YOU SERVE THE COMMONWEALTH.
WE SERVE YOU.
THE MASSACHUSETTS STATE EMPLOYEES’ RETIREMENT SYSTEM

SECTION 60 ORP SEMINAR SCHEDULE

• April 18, 2014
  UMass Boston

• April 25, 2014
  Roxbury Community College

• May 6, 2014
  UMass Amherst
The State Board of Retirement

Governed by
Massachusetts General Law
Chapter 32

5-Member Board
Chairman -
State Treasurer Steven Grossman
DEFINED BENEFIT PLAN

(service* x age) x salary average

*The ORP is a defined contribution plan and service is not a component of it.
MSERS Membership

Mandatory until separated by the state by reason of:

- Retirement
- Failure of re-election or re-appointment
- Resignation or removal
- Discharge from position or office held
Contributions

Contributions and investments are managed by the Pension Reserves Investment Management (PRIM) Board.

PRIM Website:

www.mapension.com
Contributions
Mandatory for all Members-in-Service
Pre-tax through payroll deductions

If you joined the system:  

- Prior to January 1, 1975  
- Jan 1, 1975 to Dec 31, 1983  
- Jan 1, 1984 to June 30, 1996  
- July 1, 1996

Your rate is:

- 5%  
- 7%*  
- 8%*  
- 9%*

*If your membership began on or after January 1, 1979, an additional 2% is withheld from that portion of your salary that is over $30,000.
Creditable Service

If you are a full-time employee
1 year of creditable service for each year completed.

Employed on a less than full time basis
will earn a pro rate amount of service
(i.e. 1 year at 50% service = 6 months creditable service)
Withdrawals

- Lump Sum Withdrawal - Direct Refund/Rollover
  - Direct Refund - 20% Federal Tax and 10% IRS Penalty
  - Rollover - Pre-tax to Financial Institution, After-tax to member
Withdrawals

- Two year rule (accrual of interest)
- Involuntary Separation or 10 or more years of Creditable Service:
  - Contributions + Regular Interest
- Voluntarily Resign with less than 10 years:
  - Contributions + 3% Interest
Withdrawals

- Members hired before April 2, 2012 and who withdraw their contributions will be considered new members should they later return to state service.

- Members entering the system on or after April 2, 2012 will be affected by the Pension Reform provisions now in effect. (Chapter 176 of the Acts of 2011)
Buyback of Service not Immediately Prior to ORP

- ORP Transfers into MSERS cannot apply to purchase any other additional service until their original obligation/“bill” is paid in full.
As of 1/1/2014

the average retirement allowance for members of the SERS is approximately $29,629.00
Eligibility for Retirement

<10 years service - never eligible

10 years full-time service + age 55* or over

20 years full-time service at any age if you entered service prior to 4/2/2012

*Minimum Group 1 retirement age is 60 for members entering service on or after 4/2/2012
Types of Retirement

- Superannuation
- Accidental Disability
- Ordinary Disability
- Section 10
- Spousal (11/1/03)
Superannuation Calculations

Typical retirement based on:

- your age
- your length of creditable service,
- your highest 36 consecutive months* of regular compensation, and
- your group classification

*For members entering service before 4/2/2012
Superannuation Calculations

- Allowance may NOT exceed 80% of three-year average annual rate of regular compensation

- Veteran’s Premium - $15 per each year of state service up to 20 years (Up to an additional $300 per year)
Group Classifications

- **Group One:** Officials and general employees

- **Group Two:** provide direct care, custody, instruction and/or supervision to mentally challenged individuals. See M.G.L. c. 32 § 3 for other eligible Group Two positions.

- **Group Three:** Limited to State Police officers.

- **Group Four:** includes public safety officers, and certain correction officers.
Calculating Your Retirement Benefits - Group 1

Janet is 55 and a member of Group 1.

She has 20 years of creditable service and her salary average is $40,000. She is seeking a regular superannuation retirement.

\[(\text{service} \times \text{age factor}) \times \text{salary average}:\]

\[(20 \times .015) \times 40,000 = \$12,000\ \text{Pension}\]
Section 10 Retirement*
Reviewed by Retirement Board & PERAC

Requires either:

20 years
or more full-time creditable service;
Involuntarily separated

OR

30 years
or more full-time creditable service
regardless of age or nature of separation

*For members in service before April 2, 2012
Section 10(2) Retirement

Termination Allowance

1/3 of three year salary average plus annuity

• This provision only available to members entering service before April 2, 2012.
• Pension calculated both as a Section 10 and superannuation.
• Member is given highest amount.
• Accepting incentive payments to retire disqualifies you for a Section 10(2) Retirement.
• Reviewed by Retirement Board & PERAC
# Retirement Options

<table>
<thead>
<tr>
<th><strong>OPTION A</strong></th>
<th><strong>OPTION B</strong></th>
<th><strong>OPTION C</strong></th>
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| • Maximum benefit  
• Factors last birthday  
• All benefits cease upon death | • 1-5% reduction in benefit,  
• Protects annuity (members contribution) | • Average 7-15% reduction in benefit  
• Automatic “pop-up” to Option A if beneficiary dies.  
• Factors nearest birthday |
Retirement Application

File **120 days before** or **60 days after** your last day on payroll.

Can file more than 60 days after your last day but effective retirement date will be 15 days after filing.

Can withdraw application any time up until the day of retirement

**No changes can be made after your retirement date.**
Required Forms:

- Application
- Option* Form
- W-4P Tax Form
- Direct Deposit Form
- Copies of Required Documents:
  - Birth Certificate, Marriage Certificate, DD214, etc. (varies for each option)

*If married, spouse **MUST** witness option form
Disability Retirement

Ordinary Disability (Non-Employment Related)

- Must have 10 years full time service to be eligible
- Veteran - regardless of age: 50% of last year salary average under Option A
- Non-Veteran: Raise age to 55 and calculate under regular retirement - 3 year average
- Pension is federally taxable
Disability Retirement

Accidental Disability  (Employment Related)

- 72% of salary on date of injury
- or last 12 months working average plus annuity
- Pension is not federally taxable
Disability Retirement

Approval Process Requirements (both Accidental & Ordinary Disability):

- Examination by independent physicians
- Board approval
- PERAC approval
Cost of Living Adjustment (COLA)

Provided it is approved by the Legislature, you will be eligible for a COLA on July 1st of the second fiscal year following the year in which your retirement benefit first took effect.

- Up to 3% increase of first $13,000 of pension.
Survivor Benefits - Retired Employees

Let your survivors know what to do upon your death...

- Contact the State Board of Retirement
- Provide a death certificate
- Retirement Option you chose will be carried out
- Contact the GIC for any applicable benefits
Survivor Benefits - Active Employees

OPTION D

- Active employees can fill out a form naming a beneficiary
- An eligible Spouse has first option, Spouse can waive rights

- If there is no surviving spouse or minor child and no Option D form then:
  - Lump sum refund of account to beneficiary on record or,
  - Lump sum to estate if no beneficiary on record
Working After Retirement

PUBLIC SECTOR EMPLOYMENT

1. Limited to 960 hours and/or salary difference per calendar year - can earn an additional $15,000 after first calendar year - or,
2. Waive Pension or,
3. Reinstatement under Section 105
Working After Retirement

PRIVATE SECTOR EMPLOYMENT

1. Unlimited earnings for standard superannuation retirement
2. Restrictions apply to other types of retirement such as disability.
Forfeiture of Benefits

Instances where your retirement allowance or accumulated deductions may be forfeited:

- You have misappropriated governmental funds or property
- You have violated certain provisions of the Massachusetts conflict of interest law (M.G.L. Chapter 268A)
- You have violated laws applicable to your office or position
Taxes on your Pension

NO STATE TAXES IN MASSACHUSETTS
Federally Taxable

Reciprocal agreements with 15 states:

- Alabama
- Alaska
- Florida
- Hawaii
- Illinois
- Michigan
- Mississippi
- Nevada
- New Hampshire
- Pennsylvania
- South Dakota
- Tennessee
- Texas
- Washington
- Wyoming

Office of State Treasurer Steven Grossman

www.mass.gov/retirement
Health Insurance

- Currently 20% premium for retirees

- Premium % may change, contact GIC for increases:
  Tel: 617-727-2310, Ext. 1 (current employees) or Ext. 6 (retirees)

- GIC bills premiums until 2nd pension payment
  Premium will be deducted beginning with 2nd pension payment

- If member dies:
  Regardless of option, spouse can continue health insurance at a 10% rate provided they do not re-marry
Social Security

Eligibility:
Social Security benefits do not impact state retirement benefits, however, the opposite is not true:

Windfall Elimination Provision (WEP)
Government Pension Offset (GPO)

Exemptions:
- 30 years or better of substantial earnings under Social Security
- Eligible to retire from the state prior to **January 1, 1986** for WEP
- Eligible to retire from the state prior to **July 1, 1983** for GPO

* All Social Security Questions should be directed to: 1-800-772-1213 or www.ssa.gov/gpo-wep/
Vacation & Sick Pay

- Handled by department or Agency from where member is retiring

- Deferral available into the SMART Plan:
  Retiring employees may defer accumulated sick pay, vacation pay and back pay.
  Employees separating from service may defer accumulated vacation and/or back pay
Contact Us:

Walk-In Appointment Hours:
10:00 a.m. - 3:00 p.m.

One Winter Street, 8th Floor
Boston, MA 02108
(617) 367-7770 • Fax (617) 723-1438

436 Dwight Street, Room 109A,
Springfield, MA 01103
(413) 730-6135 • Fax (413) 730-6139

Toll Free within MA only
(800) 392-6014

e-mail: srb@tre.state.ma.us or MSRBCommunications@tre.state.ma.us

www.mass.gov/retirement
Massachusetts State Employees’ Retirement System
You Serve the Commonwealth. We Serve You.

Questions?