



## 3-YEAR AVERAGE SALARY



Scott Henderson, Deputy Chief Auditor | PERAC  
Winter 2016



## WHAT IS IT ALL ABOUT?

- Boards calculate average salary at retirement differently
- 3 most common covered here



## THIS PORRIDGE IS TOO HOT

- 1 year = 52 weeks
- 3 years = 156 weeks
- Include final payment if not a full week?

**NOTES:**

---

---

---

---

---

---

---

---



## THIS PORRIDGE IS TOO COLD

- 1 year = 12 months
- 3 years = 36 months
- Rolling 36 month total shows abnormalities
  - Date paid vs. pay period

4



## TRANSFER TO ANOTHER SYSTEM

- 1/4/2013 – 12/31/2015
  - 3 years 0 monthsOR
  - 2 years 11 months

5

### NOTES:

---

---

---

---

---

---

---

---



## THIS PORRIDGE IS JUST RIGHT

- Go back 3 years exactly
  - Last day paid 6/6/16? Start with 6/7/13.
  - Last day paid 2/29/16? Start with 3/1/13.
- Nothing really matters
  - Number of pay periods (27 bi-weekly?)
  - Leap day included
  - Pay frequency

6



## RETIREMENT DATE

- Last day worked?
- Day after last day worked?
- What does Chapter 32 say?
  - Section 13(1)(b)

7

**NOTES:**

---

---

---

---

---

---

---

---



## 13(1)(b) IN ENGLISH

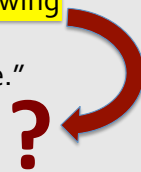
- If the effective date of retirement is the last day of the month, there is no payment.
- If the effective date of retirement is not the last day, there is a pro-rated payment.
  - Payment starts day after effective date to end of month
  - ➡ No payment for time before regular comp ended

8



## 13(1)(b) IN LEGALESE

- "... the first such full payment shall be due and payable on the last day of the month following the month in which falls the date as of which such annuity, pension or retirement allowance becomes effective. If such effective date is a day other than the last day of the month in which it falls, a pro rata payment shall be allowed for the period following such date and ending with such last day. No payment under any such annuity, pension or retirement allowance shall be made for any period prior to the day next following the date for which such member last received regular compensation for his employment in the public service."



9

### NOTES:

---



---



---



---



---



---



---



## ADDITIONAL SUPPORT FOR MY THEORY

- Sounds like last day worked is retirement date
- How do other sections work?
  - Section 12(2)(d): retirement date is “on the date of his death”
  - Section 7(2): 3 possible effective dates
    - “on the date for which he last received regular compensation for his employment in the public service”

### NOTES:

---

---

---

---

---

---

---

---



---

**COMMONWEALTH OF MASSACHUSETTS  
PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION**

Five Middlesex Avenue, Suite 304 | Somerville, MA 02145

Phone: 617-666-4446 | Fax: 617-628-4002

TTY: 617-591-8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)

