

807 CMR: TEACHERS' RETIREMENT BOARD

807 CMR 23.00: EFFECTIVE DATE OF SERVICE PURCHASE INTEREST RATE

Section

23.01: Types of Changes to Interest Rates

23.02: Effective Date

23.03: Application Date

23.01: Types of Changes to Interest Rates

807CMR 23.00 governs the date on which the interest rate applicable to service purchases is determined. Service purchase interest rates may change, for example, due to changes in the actuarial assumed interest rate determined by PERAC (which in turn determines the statutory "buyback interest" rate) or action of the Legislature. When interest rates change, a member may be uncertain whether the interest rate that governs his or her service purchase is the one prevailing on the date of application for the service purchase, the date the member is invoiced for the purchase, or the date that the member pays for the purchase. When interest rates reduce, significant administrative inefficiency and delay may result from members withdrawing their outstanding applications and re-applying in order to take advantage of the lower rate.

23.02: Effective Date

The interest rate applicable to a service purchase is the interest rate as of the date of application for the service purchase.

23.03: Application Date

For purposes of 807 CMR 23.02, the "date of application" will be presumed to be the date of invoicing in cases where the member could have withdrawn his or her service purchase application and re-applied, and where doing so before the date of invoicing would have resulted in a reduction in the applicable interest rate.

REGULATORY AUTHORITY

807 CMR 23.00: M.G.L. c. 15, § 16, and c. 32, §§ 3, 4, and 20(5)(b).