



PERAC HITS THE ROAD

2025 BOARD ADMINISTRATOR TRAINING

Calculation Basics



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Introduction

- Overview of different benefits
- Retirement Options
- Anti-Spiking
- Information needed to calculate retirement allowance
- Running benefit calculations
- Sending information to PERAC
- What PERAC reviews
- Whenever a list is shown, it is not necessarily intended to be all inclusive
- This is not intended to be a high-level discussion of benefit calculations
- No math today!!



Overview of Different Benefits

- What is an allowance?
- Superannuation
- Ordinary Disability
- Accidental Disability
- Accidental Death
- Termination Allowances
- Member Survivor Allowance



Overview of Different Benefits: What is an Allowance?

- Allowance is the total benefit paid to a retiree/survivor
 - Allowance = Annuity + Pension
- Annuity is the repayment of the member's contributions over his/her expected remaining lifetime
- Pension is the difference between the allowance and the annuity
 - Some benefits define the amount of the pension portion



Overview of Different Benefits: Superannuation

- Section 5 and Section 10(1)
- “Normal Retirement”
- Formula
 - (Average Salary) x (Creditable Service) x (Age Factor, or benefit percentage)
- Slight differences for pre- and post-4/2/12 members
- Benefit cannot exceed 80% of average salary
- Additional benefit if veteran



Overview of Different Benefits: Ordinary Disability

- Section 6
- Permanently injured/incapacitated, NOT job-related
- Different benefits for veterans/non-veterans
- Formula (veteran)
 - 50% last year's regular compensation + Annuity portion
- Formula (non-veteran)
 - Superannuation benefit at age 55 if under age 55 or actual age if older
 - Group 1 post-4/2/12, age 60
- Slight differences for pre- and post-4/2/12 members
- No additional benefit for veterans (they have the special benefit amount)



Overview of Different Benefits: Accidental Disability

- Section 7
- Permanently injured/incapacitated, job-related
- Formula
 - 72% last year's regular compensation + Annuity portion
 - If post 1988 employment or not continuously a member in service since 1988, sum of these two is limited to 75% of last year's regular compensation
- Additional benefit for veterans (by local option)
- Additional benefit for eligible dependent children



Overview of Different Benefits: Accidental Death

- Section 9
- Death from job-related injury/incident
 - Can be before or after retirement
- Formula (before retirement)
 - 72% last year's regular compensation
 - Return of Accumulated total deductions
 - Additional benefit for eligible dependent children
- Formula (if previously retired for Accidental Disability)
 - Greater of 72% of last year's regular compensation or the current pension portion of Accidental Disability benefit paid to member on date of death
 - Return of accumulated total deductions (ONLY IF RETIRED UNDER OPTION B)
 - Additional benefit for eligible dependent children



Overview of Different Benefits: Termination Allowance

- Section 10(2)
- Eligible if certain conditions are met
 - Including but not limited to: position abolished, removed from position without moral turpitude on the part of the member
- Formula
 - 1/3 of 5-year average regular compensation + Annuity portion
 - If local option made, can use 3-year average regular compensation
- Additional benefit for veterans
- Not available to post-4/2/12 members



Overview of Different Benefits: Member Survivor Allowance

- Section 12(2)(d)
- Death before retirement, NOT job-related
- Formula
 - Superannuation benefit at age 55 if under age 55 or actual age if older
 - Group 1 post-4/2/12, age 60
 - If meet certain conditions, minimum allowance available
- Slight differences for pre- and post-4/2/12 members
- Additional benefit for veterans
- Additional benefit for eligible dependent children



Retirement Options

- **Option A:** allowance commences at retirement and terminates at the retiree's death (no benefit for survivors)
- **Option B:** allowance commences at retirement and terminates upon the death of the retiree (if applicable, the unpaid ARF balance is paid to the beneficiary)
- **Option C:** allowance commences at retirement and upon the death of the retiree, the beneficiary receives 2/3 of the allowance and terminates upon the death of the beneficiary, and if the beneficiary dies first, the allowance “pops-up” to Option A



Retirement Options *(Continued)*

- At the time of retirement, benefits are determined to be actuarially equivalent
 - Member is indifferent as to the option selected
- Once an option is selected, it cannot be changed.



Anti-Spiking

- Two types of anti-spiking calculations
 - Section 14 [*G.L. c. 32, §5(2)(a)*]
 - Section 18 [*G.L. c. 32, §5(2)(f)*]
- Added to Chapter 32 by Chapter 176 of the Acts of 2011
- Designed to prevent a member from inflating retirement benefit
- Applies to any retirement after April 2, 2012



Anti-Spiking: Section 14

- If, in a member's last 5 years of creditable service, the annual rate of regular compensation more than doubles, there is a violation
- If there is a violation, the benefit must be based on the average of the last 5 years (even if there was a period in the past that would provide a greater average)
- There are no exemptions under Section 14



Anti-Spiking: Section 18

- The regular compensation in any year, cannot exceed the average regular compensation of the previous two years by more than 10%
- If there is a violation, the regular compensation used to calculate the allowance is reduced
 - The retirement contributions on the regular compensation excluded from the benefit calculation refunded to the member with interest at the assumed actuarial rate
- There are several exemptions under Section 18 if the increase in the regular compensation is due to:
 - An increase in the hours worked
 - A bona-fide change in position
 - Salary or salary schedule negotiated for bargaining units under Chapter 150E
 - Salary set by statute
 - Salary adjusted because of the Massachusetts Equal Pay Act (MEPA)
 - Salary increase due to employer's systemic wage adjustment



Information Needed to Calculate Retirement Allowance

- Payroll records
- Birth certificates
- Marriage certificate*
- Retirement application
- Option Selection Form
- Past service records*
- DRO*
- Anti-spiking information
- Dependent information*
- Death certificate*
- Veteran information
- Hand calculation of retirement allowance**

NOTES: *If applicable
**PERAC recommendation



Information Needed to Calculate Retirement Allowances: Payroll Records

- Helps to determine regular compensation
 - Ensure proper deductions taken
 - Verify that deductions not taken on non-pensionable pay
- All non-survivor benefits are based upon regular compensation
 - 3-year or 5-year average
 - One year of regular compensation



Information Needed to Calculate Retirement Allowances: Birth Certificates

- Member's birth certificate
- Beneficiary's birth certificate*
- Dependent child birth certificate(s)*
- Many benefits are determined based on age at retirement
- Annuity portion of benefit based on age
- Option C benefits
 - Option C factor based on member/beneficiary ages
 - Helps to show non-spouse eligibility as beneficiary

**If applicable*



Information Needed to Calculate Retirement Allowances: Marriage Certificate*

- Member's marriage certificate
- Option C benefits
 - Verify spouse's eligibility as Option C beneficiary
- Some benefits are payable to a widow(-er)
 - Want to ensure survivor is eligible for benefit

**If applicable*



Information Needed to Calculate Retirement Allowances: Retirement Application

- Shows which type of benefit member is seeking
- Depending upon type of benefit, has expected effective retirement date
 - Some benefits have statutorily determined effective retirement dates
 - Accidental Disability
 - Termination Allowances in limited circumstances



Information Needed to Calculate Retirement Allowances: Option Selection Form

- Shows which retirement option the member selected
- Has the spousal acknowledgement of the option selected
- Cannot change the option once selected



Information Needed to Calculate Retirement Allowances: Past Service Records*

- Notice from other retirement systems of past service
- Transfer records from one system to another
- Helps to verify the total creditable service of the member
 - Many benefit amounts are tied to service

**If applicable*



Information Needed to Calculate Retirement Allowances: Domestic Relations Orders (DRO)*

- Many members have a DRO in place
 - Pays a portion of member's allowance to an Alternate Payee
- May be best practice to ask members during counseling if there is a DRO in place

**If applicable*



Information Needed to Calculate Retirement Allowances: Anti-Spiking Information

- Two types of anti-spiking calculations
 - Section 14 [*G.L. c. 32, §5(2)(a)*]
 - Section 18 [*G.L. c. 32, §5(2)(f)*]
- Can use PERAC's anti-spiking worksheet, or can use some other analysis
 - Just need to do the analysis, doesn't matter how!
- If member's pay spikes, gives the proper regular compensation amount to use in the calculation of the allowance



Information Needed to Calculate Retirement Allowances: Dependent Information*

- Birth certificates
- Verification of enrollment at an accredited learning institution
- Verification of physical or mental incapacity from earning at the time of the member's retirement
- Some benefits include additional allowance for eligible dependent children
 - Accidental Disability
 - Accidental Death
 - Member Survivor Allowances

**If applicable*



Information Needed to Calculate Retirement Allowances: Death Certificate*

- Needed for death benefits
 - Member Survivor Benefits
 - Accidental Death
 - Section 100 benefits
 - Option C pop-ups
- Verifies the date of death
- In some cases, helps determine eligibility for death benefits
 - Accidental Death – can verify death was from same cause as the disabling injury/incident

**If applicable*



Information Needed to Calculate Retirement Allowances: Veteran Information*

- Form DD-214
- Many benefits provide an additional amount for eligible veterans
 - Superannuation
 - Accidental Disability (by Local Option)
 - Member Survivor Benefits
- Special calculation for Ordinary Disability benefits

**If applicable*



Information Needed to Calculate Retirement Allowances: Hand Calculation**

- Helps in the understanding of different retirement benefits
- Prevents over reliance on retirement software system
 - What if software is down for an extended period
 - July's Microsoft/CrowdStrike software fiasco

*******PERAC recommendation*



Running Benefit Calculations

- Retirement Board software should have benefit calculations already programmed
- Board should review the input/output generated by the software
 - Correct dates of birth?
 - Correct retirement date?
 - Correct retirement option?
 - Correct Annuity Savings Fund balance?
 - Correct allowance? Annuity? Pension?



Sending Information to PERAC

- Once benefit amount has been verified, send information to PERAC (via PROSPER) for approval
- Information required varies by retirement type and retirement option
 - Calculation sheet
 - ASF card
 - Anti-spiking information
 - Payroll records
 - Transmittals
 - ADR Checklist



Sending Information to PERAC - PROSPER

SUBMITTED

- Once all the information has been entered into PROSPER, make sure to hit the **Submit** button.
- This allows PERAC to be able to access the record.

UNDER REVIEW

- In the course of our review, if there's questions or more information required, PERAC still will put the record into **Under Review** status. In this status, the Board can access the record, but PERAC cannot.
- Important for the Board to hit the **Submit** button again.

WITHDRAWN

- Record has been withdrawn and will not show up on PERAC's side.

COMPLETE

- Benefit has been reviewed and approved.
- An approval letter has been attached to the record.



What PERAC Reviews

- PERAC reviews information for reasonableness; we do NOT audit the information!
- The PERAC review varies by retirement type and retirement option
 - Check regular compensation for reasonableness
 - Verify total service
 - Review anti-spiking information
 - Ensure ASF balance on calculation sheet matches balance from ASF card
 - Make sure the interest is correct in the year of retirement
 - Transmittal (if applicable)
 - ADR Checklist and payroll records



Conclusion

- There are several different retirement types available under Ch. 32
- Important to understand the differences between these types
- Affects most members of the system
- PERAC staff is available to help with any questions

