

MEMORANDUM #17, 2012

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission

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MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Shift Substitution, Creditable Service and Regular Compensation
(Follow up to PERAC Memorandum #30/2011)

DATE: January 25, 2012

On October 26, 2011, the Commission issued Memorandum #30/2011, dealing with the practice of shift substitution. Memorandum #30/2011 also introduced a new form entitled “Employer’s Certification of Creditable Service in Connection with Shift Substitution.” Since that Memorandum was issued, a question regarding shift substitution has been added to the application for voluntary superannuation retirement form, and a question in regard to shift substitution will soon be added to our disability application forms as well.

In Memorandum #30/2011 we wrote:

When a member applies to retire and the retirement board is aware that the member’s employer permits shift substitution, the retirement board must request and receive documentation that the member has actually worked the requisite number of shifts in a calendar year to qualify for all regular compensation and creditable service claimed. This documentation should be readily obtainable in departments with restrictions and safeguards on this practice. In other departments where safeguards are not in place yet, a member may have a difficult time establishing his entitlement to creditable service and regular compensation when attempting to calculate his or her retirement allowance.

Questions have arisen in regard to certain aspects of this policy, especially its retroactive or prospective effect. Several boards have asked how far back they should go in seeking documentation from an Employer, and whether this policy is prospective from the date of Chapter 21 of the Acts of 2009, or prospective from the date Memorandum # 30/2011 was issued on October 26, 2011.

In accord with the Commission’s clearly expressed intent that policy is to be applied prospectively only, inquiries regarding shift substitution should only be made in regard to those individuals who apply to retire on or after October 26, 2011. Inquiries about whether shifts substituted have been repaid should only be made in regard to shifts which are substituted and not repaid on October 26, 2011 and thereafter.

Going forward, employers will need to certify the repayment of shifts for the entire period of a member’s employment after October 25, 2011. As you are well aware, when an individual retires their allowance is based on an average of their three or five highest consecutive years of regular compensation¹, and on all their creditable service. Therefore, both regular compensation and creditable service are implicated.

Since shifts must be tracked only on or after October 26, 2011, we are confident that all employers and systems will develop the record keeping procedures they need to certify that shifts have been repaid. The Board may want to issue guidance to its Employers, instructing them that this practice must be tracked for shifts scheduled on or after that date. There is plenty of time and notice for Employers to develop a tracking system to meet these needs.

We trust the foregoing will be of some assistance to you.

[1](#)In accord with Section 13 of Chapter 176 of the Acts of 2011, those who become members on or after April 2, 2012 will have their retirement allowance based on the average annual rate of regular compensation for the five highest consecutive years. Those who became members prior to April 2, 2012 will have their allowance based on the three highest years, with the exception of some termination allowance calculations.