

MEMORANDUM #28, 2010

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
Five Middlesex Avenue, Suite 304, Somerville, MA 02145
Ph 617 666 4446 | Fax 617 628 4002 | TTY 617 591 8917 | www.mass.gov/perac
Domenic J. F. Russo, *Chairman* | A. Joseph DeNucci, *Vice Chairman*
Paul V. Doane | James M. Machado | Donald R. Marquis | Robert B. McCarthy | Gregory R. Mennis
Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Fiscal Year 2011 Budget Items Relating to Public Retirement, Chapter 131 of the Acts of 2010

DATE: July 15, 2010

The recently enacted FY11 State Budget (Chapter 131 of the Acts of 2010) contained several sections that impact G.L. c. 32 and public retirement systems in Massachusetts. Sections of the Budget dealing only with the State and Teachers' Systems and the Essex Regional Retirement System are not discussed. This Memorandum will deal with those sections that were signed and briefly discuss the section that was returned to the Legislature with proposed amendments. It is not a substitute for a careful reading of the statutes.

Cap on Pension Earnings

Section 23 establishes a cap on the amount that will be considered "regular compensation" for contributions and for calculation of the retirement allowances for persons who become members of a System after January 1, 2011. Each year PERAC will issue a Memorandum that will outline the limits, both under this section and under Chapter 46 of the Acts of 2002 (the federal limitations that are applicable to current members). When a post January 1, 2011 member's regular compensation exceeds the amount allowable, contributions must cease. This measurement is made on a calendar year basis, so Boards must take steps to identify impacted members and stop contributions in a timely manner. When these persons retire, their calculations will be based on a high three year average that includes regular compensation within the limits for the relevant years. As this provision becomes applicable to more members, further guidance will be issued.

Pension Funding Schedules

Section 24 amends that definition of "Retirement System Funding Schedule" and will allow the PERAC Actuary to require Boards to revise funding schedules after any actuarial valuation to reflect any increase or decrease in the projected actuarial liability that may result from a review of the actuarial, economic and demographic assumptions upon which such funding schedule is based.

Interest Rate on Returned Retirement Deductions

Section 25 provides that effective July 1, 2010, for members who became members after January 1, 1984, the annual rate of interest that will be paid when a member voluntarily withdraws his or her contributions with less than 120 months (10 years) of creditable service will be 3%. Interest payable on all other withdrawals will be set at regular interest. This provision applies only to withdrawals by members with less than 10 years of creditable service, so the amount of interest credited to members' accounts before withdrawal remains unchanged at regular interest. Likewise, the 2 year limitation on interest remains unchanged. The interest is calculated and applied only when the member

withdraws his or her funds.

Amendment to Procedural Provisions of Appeals to CRAB

Section 26 amended G.L. c. 32, § 16(4) changing the procedural requirements for appeals to the Contributory Retirement Appeal Board. The Governor returned this section to the Legislature with amendments. G.L. c. 32, § 16(4) has not been amended as of the date of this writing.

Supplemental Pension Allowance to Surviving Spouses of Disabled Employees

Sections 27 and 28 establish a local option to increase the benefit paid under G.L. c. 32, § 101. If the Board accepts this local option and the legislative body approves that action, the increased allowance will go into effect on the date of approval, but not earlier than January 1, 2011. The acceptances are effective upon filing of certifications of the votes with the Commission. Upon acceptance, the allowances of all individuals receiving an allowance pursuant to G.L. c. 32, § 101 will be increased to \$9,000. This provision can be accepted at any time. If the acceptances do not take place, the allowance remains payable at \$6,000 per year.

Proration of Health Insurance Premiums Between Employers

Although Section 29 has no direct impact on PERAC or Retirement Systems, Retirement Boards will need to provide governmental units and treasurers with information to verify the amounts of creditable service from the various governmental units for post-January 1, 2011 retirees.

Definition of Wages for Retirement - Clothing Allowance

Section 116 will allow clothing allowances upon which contributions have been made to continue to be considered regular compensation temporarily. No action will be required with respect to retirees whose allowances were calculated including amounts paid for clothing allowances. For active members, clothing allowances upon which contributions are paid will continue to be considered to be regular compensation if they are contained in a collective bargaining agreement or employment contract that was in effect on May 12, 2009. These payments will continue to be considered to be regular compensation during the term of the contract, but not after June 30, 2012.

Attachment

[Return to PERAC Home Page](#)