

MEMORANDUM #29, 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: Pro-ration of Benefits by Job Group

DATE: March 22, 2012

On November 18, 2011, Governor Patrick signed Chapter 176 of the Acts of 2011, *An Act Providing for Pension Reform and Benefit Modernization* into law. Section 14 of the Act provides for the pro-ration of benefits when a member serves in more than one job group during the course of his/her career. The pro-rated benefits will be based upon the amount of service rendered in each group. Please note that the pro-ration of benefits applies only to benefits calculated under G.L. c. 32, §5.

For anyone who becomes a member on or after April 2, 2012, this pro-ration is mandatory. For anyone who is an active member as of April 2, 2012, this pro-ration is optional. This memo will serve to provide guidance in how the allowance would be calculated. Retirement Boards should counsel any member who has performed service in multiple groups during the course of his/her career that he/she could receive a benefit calculated according to the time served in each group.

When calculating the benefit, the Board will need to do several calculations, one for each group in which the member worked. Each calculation will use the same average annual pay. Each calculation will use a different age factor depending on both the retirement age and job group of the member, and will use the service worked in each job group. These components will be added together to determine the retirement allowance.

The following example applies to any allowance that is calculated based on pro-rated service.

Example:

A member retires at age 60. He served 10 years in group 4 and later served 15 years in Group 1. His high three-year average pay is \$50,000. His retirement allowance would be calculated in the following manner:

Group 4: $2.5\% \times 10 \text{ years} \times \$50,000 = \$12,500$

Group 1: $2.0\% \times 15 \text{ years} \times \$50,000 = \$15,000$

Total Retirement Allowance: $\$12,500 + \$15,000 = \$27,500$.

We trust the foregoing is of assistance. If you have any questions concerning this matter, do not hesitate to contact

this office.