

MEMORANDUM

TO: All Retirement Boards

FROM: Bill Keefe, Executive Director

RE: Veterans' Buyback Changes

DATE: August 19, 2024

On August 8, 2024, Governor Healey signed Chapter 178 of the Acts of 2024, "An Act Honoring, Empowering, and Recognizing our Servicemembers and Veterans" ("the HERO Act"). This Act makes substantial changes to the purchase of veterans' creditable service and requires that retirement boards take action. Most urgently, as discussed in earlier communication, retirement boards must send written notice to active members by November 6, 2024, to inform them of a one-year opportunity to purchase military service if they missed their initial opportunity. This memo will discuss these changes and what actions must be taken by retirement boards.

It is important to note that while a definition of Veteran was changed in this Act, the definition for retirement purposes in General Laws, Chapter 4, Section 7, clause 43rd has not been changed. Also unchanged: a person may buy up to four years of military service; the cost for each year is 10% of their salary when they last became a member of a retirement system¹; and the retirement board sets the terms and conditions of the buyback.

For the purposes of this Memorandum, the term "vest" or "vesting" shall mean reaching 10 years of creditable service. This includes not only the service earned since joining a retirement system but also any creditable service purchased by the member.

Timeframe Change to Within a Year of Vesting

The 180-day limitation that has existed since 1996 has been repealed by Section 52 of the HERO Act. Members will now be allowed to purchase their military service time at any time prior to or up to one year after they vest in the system. A member may purchase their time on day one of their membership service or defer the purchase to the day they reach one year after their vesting date, 11 years of creditable service. Retirement boards can require a lump sum payment or allow

¹ For the vast majority of people this will be the salary when they first entered public service. In the case of someone who left and took a refund, it is the salary from the most recent re-entry into the system.



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up to a five-year installment plan. The member must either complete the purchase or begin payments under an installment plan within one year of reaching vested status, or 11 years. If the Board offers a five-year installment plan to the member in year 10 of that member's service, then the member would have more than 11 years to complete the purchase.

As in the past, members of the National Guard and Reserves are still able to purchase veterans' creditable service at a 5-to-1 ratio.

National Guard and Reservists After Vesting

National Guard and Reservists who do not qualify as a veteran, per the definition on the veteran's buyback form, within one year of vesting, or who have not reached the maximum of four years of eligible purchase time within one year of vesting, will have additional time to make the purchase. They will have five years from the date in which they qualify as a veteran, or the date that they qualify for the full four-year purchase, whichever date last occurs, to enter into a buyback agreement. The terms and process are then identical to the section above.

It will be incumbent on the veteran employee to track their military service time and earning of veteran status, not the retirement board. The retirement board would verify veteran status as it does currently and ensure the application is made timely.

One-Year Grace Period

Section 53 of the HERO Act provides a new one-year opportunity for members who have not purchased their military service for any reason. This section provides that retirement boards must provide notice of potential eligibility to all active retirement board members within 90 days of the effective date of the HERO Act, which means that notice must be sent by November 6, 2024. Active members will then have up to one year from the effective date of the HERO Act, August 8, 2025, to make the purchase of any creditable service or enter into an installment plan, if allowed by the retirement board. This new opportunity to purchase creditable service only applies to active members. Inactive and retired members cannot make a veterans' buyback.

Existing Members

- **A veteran who has already completed a military service purchase** – no action is needed.
- **A veteran who has NOT entered into an agreement, and has MORE THAN 11 YEARS of creditable service**, has a one-time grace period until August 8, 2025, to enter into an agreement with the Board, which has the discretion to require a lump sum

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payment or an installment plan. August 8, 2025 reflects one year from the effective date of the HERO Act.

- **A veteran who has NOT entered into an agreement, and has LESS THAN 11 YEARS of creditable service**, has until the later of the two following events to enter into an agreement with the Board, which has the discretion to require a lump sum payment or an installment plan: completion of the 11th year of creditable service or August 8, 2025, which reflects one year after the effective date of the HERO Act.
- **A veteran who HAS ENTERED INTO AN AGREEMENT, but HAS NOT COMPLETED THE PURCHASE**, has until the later of the two following events to come to terms with the retirement board on the purchase: complete the 11th year of creditable service or August 8, 2025, which reflects one year after the effective date of the HERO Act. Depending on the Board's terms and conditions, a lump-sum payment or the start of an installment plan will be required either by the end of the 11th year of creditable service or August 8, 2025, whichever is later.

In these cases where a retirement board has allowed an open-ended period to make the payment for a veterans' buyback, we would request that Boards strongly consider allowing for an installment plan in those cases where the statute is now creating a more imminent deadline for payment.

Veterans' Buyback Notice for New Members Going Forward

Section 18 of the HERO Act amends Chapter 32 by striking the 4th paragraph of Section 4(1)(h) and inserting a new paragraph. This new paragraph requires that notice of potential veterans' buyback eligibility must be given to every member of the retirement system when they enter service. Such notice should be given to every member when they complete their new member enrollment forms. This will ensure that every member receives the notice as some may be eligible for the buyback, some never will be, and others may be eventually.

Required Retirement Board Action:

1. Boards must send written notice, by November 6, 2024, to all active members of the system informing them that they have a new opportunity to make a veterans' buyback by August 8, 2025. Attached to this memo is a sample notice that should be used by the Board.
2. Boards should notify any member who previously completed the Veterans' Buyback Application, but who had not made arrangements for payment, that they must do so by

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the later of their 11th year of service or August 8, 2025, according to the new requirements of the HERO Act.

3. Boards must review any existing supplemental regulations regarding the purchase of military service and submit any necessary revisions to PERAC for approval.
4. PERAC has updated the Notice of Potential Veterans' Benefits forms on our website and Boards should begin utilizing the new form as it addresses the changes made by the HERO Act.
5. All Boards must begin giving notice of the military service buyback to all new members when they enroll in the retirement system. Boards should provide the updated Notice of Potential Veterans' Benefits Form available on PERAC's website.

In addition to the guidance in this memo, PERAC will be conducting a webinar on August 27, 2024, at 1:00 p.m. which will be recorded and later posted on the PERAC website for your reference. Please see our website for registration information. If you have any questions, please feel free to contact Assistant Deputy Director Patrick M. Charles at Patrick.m.charles@mass.gov or 617-591-8914.

Attachment

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The Board may wish to alter this sample notice to include the terms and conditions that it requires as part of the buyback process, specifically, whether a lump sum is required or whether an installment plan may be requested.

SAMPLE NOTICE FOR ALL RETIREMENT ACTIVE MEMBERS

To: All Active Members
Date: XXX
Re: Important information on Veterans' buybacks

If you are an active member of the retirement system, meet the Chapter 32, Section 1 definition of veteran and, for any reason, have not entered into an agreement with the retirement board to purchase your military service time, or, you have entered an agreement, but have not completed the purchase, please read this notice closely as there has been significant changes to veterans' buybacks signed into law.

Passed by the Legislature and signed by Governor Healey on August 8, 2024, Chapter 178 of the Acts of 2024, commonly referred to as The HERO Act, removes the 180-day statutory deadline for purchasing military service. It institutes a deadline of within a year of vesting in the retirement system, effectively 11 years of creditable service. It also creates a one-time, one-year grace period for anyone who has not purchased their military service, giving them the opportunity to do so.

If you are a veteran and have already completed your military service purchase, you do not need to take any action.

In each following scenario, these parameters have not changed: You may purchase up to four years of your military service. The cost is 10% of your salary when you last became a member of a retirement system for each year of military service you want to purchase. (Unless you left the system and took a refund of your contributions, this will be your first salary when you entered public service). The Board sets the terms and conditions for the purchase, which could require a lump-sum payment or up to a five-year installment plan.

If you have NOT entered into an agreement, and you have completed more than 11 years of creditable service, you have a one-time grace period to do so until August 8, 2025. This date reflects one year after Governor Healey signed the HERO Act. Contact the retirement board to take action.

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If you have NOT entered into an agreement, and you have completed less than 11 years of creditable service, you have until the later of the two following events to do so: you complete your 11th year of creditable service or August 8, 2025, which reflects one year after the effective date of the HERO Act. Contact the retirement board to take action.

If you have already entered into an agreement, but have not completed the purchase, you have until the later of the two following events to come to terms with the retirement board on the purchase: you complete your 11th year of creditable service or August 8, 2025, which reflects one year after the effective date of the HERO Act. These terms could be a payment plan or a lump sum payment. In either case, some type of payment will be required either by the end of your 11th year of creditable service or August 8, 2025, whichever is later. Contact the retirement board to take action.

If you have any questions, please contact the retirement board.