

THE MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

YOU SERVE THE COMMONWEALTH.
WE SERVE YOU.



THE MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 60 ORP SEMINAR SCHEDULE

- APRIL 18, 2014
UMASS BOSTON

- APRIL 25, 2014
ROXBURY COMMUNITY COLLEGE

- MAY 6, 2014
UMASS AMHERST

THE STATE BOARD OF RETIREMENT

Governed by
Massachusetts General Law
Chapter 32

5-Member Board
Chairman -
State Treasurer Steven Grossman

DEFINED BENEFIT PLAN

$(\text{service}^* \times \text{age}) \times \text{salary average}$

*The ORP is a defined contribution plan and service is not a component of it.

MSERS Membership

Mandatory until separated by the state by reason of:

- Retirement
- Failure of re-election or re-appointment
- Resignation or removal
- Discharge from position or office held



Contributions

Contributions and investments are managed by the Pension Reserves Investment Management (PRIM) Board.

PRIM Website:

www.mapension.com



Contributions

Mandatory for all Members-in-Service
Pre-tax through payroll deductions

If you joined the system:

- Prior to January 1, 1975
- Jan 1, 1975 to Dec 31, 1983
- Jan 1, 1984 to June 30, 1996
- July 1, 1996

Your rate is:

- 5%
- 7%*
- 8%*
- 9%*

*If your membership began on or after January 1, 1979,
an additional 2% is withheld from that portion of your
salary that is over \$30,000.



Creditable Service

If you are a full-time employee

1 year of creditable service for each year completed.

Employed on a less than full time basis

will earn a pro rate amount of service

(i.e. 1 year at 50% service = 6 months creditable service)

Withdrawals

- ▶ Lump Sum Withdrawal - Direct Refund/Rollover
 - Direct Refund - 20% Federal Tax and 10% IRS Penalty
 - Rollover - Pre-tax to Financial Institution, After-tax to member



Withdrawals

- ▶ Two year rule (accrual of interest)
- ▶ Involuntary Separation or 10 or more years of Creditable Service:
 - Contributions + Regular Interest
- ▶ Voluntarily Resign with less than 10 years:
 - Contributions + 3% Interest



Withdrawals

- ▶ Members hired before April 2, 2012 and who withdraw their contributions will be considered new members should they later return to state service.
- Members entering the system on or after April 2, 2012 will be affected by the Pension Reform provisions now in effect. (Chapter 176 of the Acts of 2011)



Buyback of Service not Immediately Prior to ORP

- ▶ **ORP Transfers into MSERS** cannot apply to purchase any other additional service until their original obligation/"bill" is paid in full.

As of 1/1/2014
the average retirement allowance
for members of the SERS is
approximately \$29,629.00

Eligibility for Retirement

<10 years service - never eligible

10 years full-time service + **age 55*** or over

20 years full-time service at any age
if you entered service prior to 4/2/2012

*Minimum Group 1 retirement age is 60
for members entering service on or after 4/2/2012

Types of Retirement

Superannuation

Accidental Disability

Ordinary Disability

Section 10

Spousal *(11/1/03)*

Superannuation Calculations

Typical retirement based on:

- ▶ your **age**
- ▶ your length of creditable **service**,
- ▶ your highest 36 consecutive months* of regular **compensation**, and
- ▶ your **group** classification

*For members entering service before 4/2/2012

Superannuation Calculations

- ▶ Allowance may NOT exceed 80% of three-year average annual rate of regular compensation
- ▶ Veteran's Premium - \$15 per each year of state service up to 20 years (Up to an additional \$300 per year)

Group Classifications

- ▶ **Group One:** Officials and general employees
- ▶ **Group Two:** provide direct care, custody, instruction and/or supervision to mentally challenged individuals. See M.G.L. c. 32 § 3 for other eligible Group Two positions.
- ▶ **Group Three:** Limited to State Police officers.
- ▶ **Group Four:** includes public safety officers, and certain correction officers.



Calculating Your Retirement Benefits - Group 1



Janet is 55 and a member of Group 1.

She has 20 years of creditable service and her salary average is \$40,000. She is seeking a regular superannuation retirement.

(service x age factor) x salary average:

$$(20 \times .015) \times \$40,000 = \mathbf{\$12,000 \text{ Pension}}$$

Section 10 Retirement*

Reviewed by Retirement Board & PERAC

Requires either:

20 years

or more full-time
creditable service;

Involuntarily separated

OR



30 years

or more full-time
creditable service
regardless of age or
nature of separation

*For members in service before April 2, 2012

Section 10(2) Retirement *Termination Allowance*

1/3 of three year salary average plus annuity

- This provision only available to members entering service before April 2, 2012.
- Pension calculated both as a Section 10 and superannuation.
- Member is given highest amount.
- Accepting incentive payments to retire disqualifies you for a Section 10(2) Retirement.
- ***Reviewed by Retirement Board & PERAC***

Retirement Options

OPTION A

- Maximum benefit
- Factors last birthday
- All benefits cease upon death

OPTION B

- 1-5% reduction in benefit,
- Protects annuity (members contribution)

OPTION C

- Average 7-15% reduction in benefit
- Automatic "pop-up" to Option A if beneficiary dies.
- Factors nearest birthday

Retirement Application

File **120 days before** or **60 days after** your last day on payroll.

Can file more than 60 days after your last day but effective retirement date will be 15 days after filing.

Can withdraw application any time up until the day of retirement
No changes can be made after your retirement date.

THE COMMONWEALTH OF MASSACHUSETTS
State Board of Retirement
ONE WINTER STREET, 8TH FLOOR, BOSTON, MA 02108

RETIREMENT INFORMATION SHEET

APPLICATION PROCESS
If you are actively employed or on a leave of absence you may file your application to retire up to 120 days before you plan to retire. If you file more than sixty (60) days after your last day on the payroll, your benefits will not be retroactive to your last day on the payroll. Your effective date of retirement will be 15 days from receipt of your application.
The State Retirement Board strongly recommends that you plan your retirement and file at least 30 to 60 days in advance of leaving your job. Once your effective date of retirement has passed you cannot change your retirement option nor can you change your date of retirement.

COUNSELING
Additional information on the retirement process is available on our website, www.mass.gov/retirement.
If you are interested in individual counseling, walk-in counseling service is available between the hours of 10:00 a.m. and 3:00 p.m. Monday through Friday at either of our offices:

Boston
One Winter Street, 8th Floor, Boston, MA 02108
7:45 a.m. to 5:00 p.m., Monday through Friday.
Phone: 617-367-7776 or 1-800-362-6014 (Mass only)
Fax: 617-723-1438

Springfield
436 Dwight Street, Room 169A, Springfield, MA 01103
8:00 a.m. to 5:00 p.m., Monday through Friday
Phone: 413-730-6135
Fax: 413-730-6139

APPLICATION PROCESS CHECKLIST
When filing to retire, please include the following documents:

- Fully completed application (pages 2-3)
- W-4P Federal Tax Withholding Form (pages 2-3)
- Completed Option Selection Form (page 4) indicating withholding amount for federal income purposes
- Authorization for Direct Deposit of Retirement Benefit (page 7)
Direct Deposit is mandatory for all retirees.
- Proof of Birth Required a copy of your birth certificate or passport is acceptable
- Copy of Veterans' Discharge Papers (DD-214), if applicable
- If you are selecting Option C, please include a copy of your beneficiary's birth certificate, and a copy of the marriage license if the beneficiary is your spouse, if the beneficiary is a former spouse, the spouse must be unmarried as of the date of retirement.
- Signature is required on each of the following pages: Page 2 (Retirement Application), Page 4 (W-4P Form), Page 5 (Option Selection Form), and Page 7 (Direct Deposit Form). Applications with missing signatures cannot be processed. A witness signature is required on Page 5 (Option Selection Form) in addition to your signature. Look for the "X" throughout the application package.

Please read the instructions on the back page.

Required Forms:

- ✓ Application
- ✓ Option* Form
- ✓ W-4P Tax Form
- ✓ Direct Deposit Form
- ✓ Copies of Required Documents:
Birth Certificate, Marriage Certificate, DD214,
etc. (varies for each option)

*If married, spouse ***MUST*** witness option form

Disability Retirement

Ordinary Disability (Non-Employment Related)

- ▶ Must have 10 years full time service to be eligible
- ▶ Veteran - regardless of age:
50 % of last year salary average under Option A
- ▶ Non-Veteran:
Raise age to 55 and calculate under regular retirement - 3 year average
- ▶ Pension is federally taxable



Disability Retirement

Accidental Disability (Employment Related)

- ▶ 72% of salary on date of injury
- ▶ or last 12 months working average plus annuity
- ▶ Pension is not federally taxable



Disability Retirement

Approval Process Requirements
(both Accidental & Ordinary Disability):

- ▶ Examination by independent physicians
- ▶ Board approval
- ▶ PERAC approval



Cost of Living Adjustment (COLA)

Provided it is approved by the Legislature, you will be eligible for a COLA on July 1st of the second fiscal year following the year in which your retirement benefit first took effect.

- ▶ Up to 3% increase of first \$13,000 of pension.

Survivor Benefits - Retired Employees

Let your survivors know what to do upon your death...

- ▶ Contact the State Board of Retirement
- ▶ Provide a death certificate
- ▶ Retirement Option you chose will be carried out
- ▶ Contact the GIC for any applicable benefits



Survivor Benefits - Active Employees

OPTION D

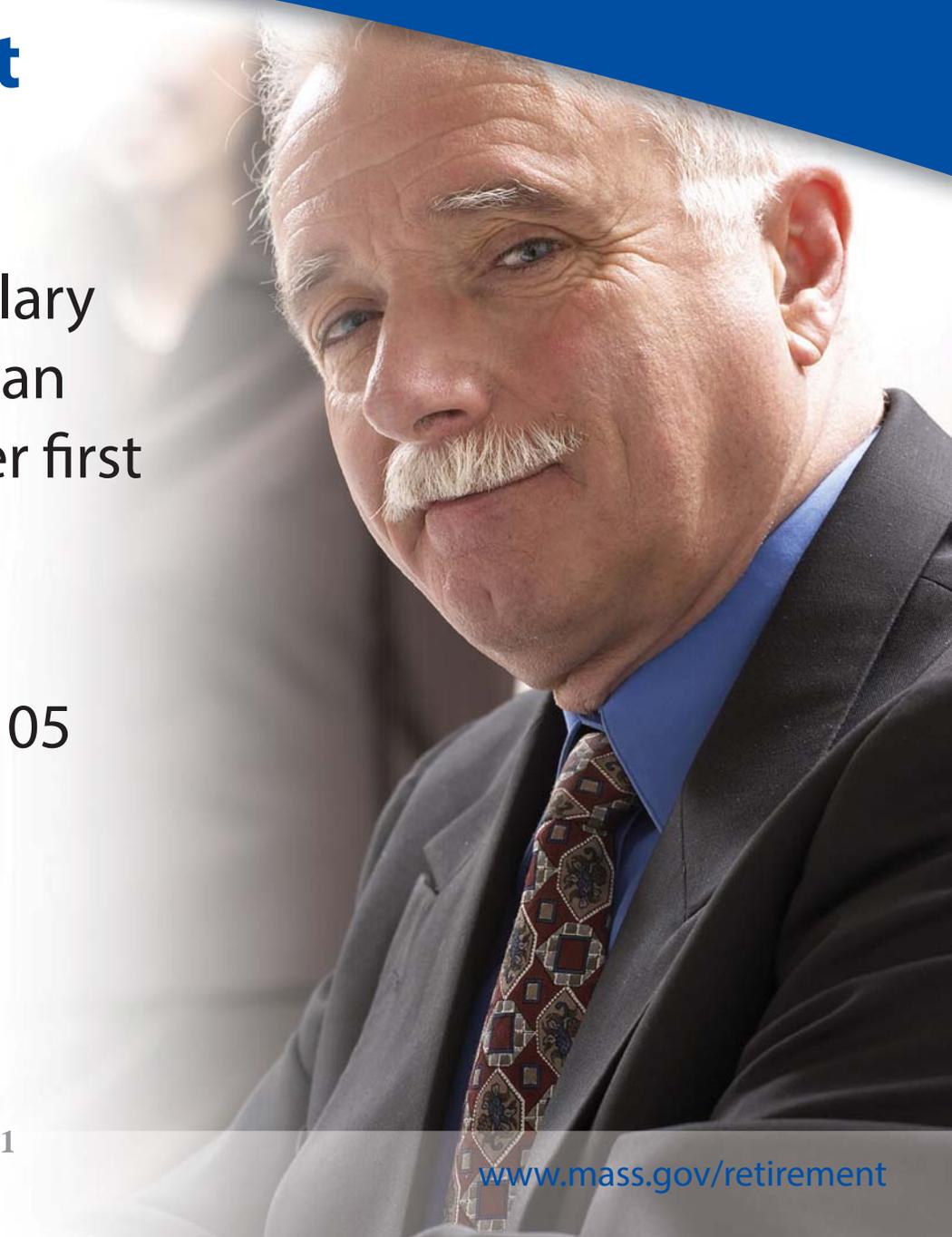
- ▶ Active employees can fill out a form naming a beneficiary
- ▶ An eligible Spouse has first option, Spouse can waive rights
- ▶ If there is no surviving spouse or minor child and no Option D form then:
 - Lump sum refund of account to beneficiary on record or,
 - Lump sum to estate if no beneficiary on record



Working After Retirement

PUBLIC SECTOR EMPLOYMENT

1. Limited to 960 hours and/or salary difference per calendar year - can earn an additional \$15,000 after first calendar year - or,
2. Waive Pension or,
3. Reinstatement under Section 105



Working After Retirement

PRIVATE SECTOR EMPLOYMENT

1. Unlimited earnings for standard superannuation retirement
2. Restrictions apply to other types of retirement such as disability.



Forfeiture of Benefits

Instances where your retirement allowance or accumulated deductions may be forfeited:

- ▶ You have misappropriated governmental funds or property
- ▶ You have violated certain provisions of the Massachusetts conflict of interest law (M.G.L. Chapter 268A)
- ▶ You have violated laws applicable to your office or position

Taxes on your Pension

NO STATE TAXES IN MASSACHUSETTS

Federally Taxable

Reciprocal agreements with 15 states:

Alabama

Michigan

South Dakota

Alaska

Mississippi

Tennessee

Florida

Nevada

Texas

Hawaii

New Hampshire

Washington

Illinois

Pennsylvania

Wyoming

Health Insurance

- ▶ Currently 20% premium for retirees
- ▶ Premium % may change, contact GIC for increases:
Tel: 617-727-2310, Ext. 1 (current employees) or Ext. 6 (retirees)
- ▶ GIC bills premiums until 2nd pension payment
Premium will be deducted beginning with
2nd pension payment
- ▶ If member dies:
Regardless of option, spouse can continue
health insurance at a 10% rate provided
they do not re-marry



Social Security

Eligibility:

Social Security benefits do not impact state retirement benefits, however, the opposite is not true:

Windfall Elimination Provision (WEP) Government Pension Offset (GPO)

Exemptions:

- ▶ **30 years or better** of substantial earnings under Social Security
 - ▶ Eligible to retire from the state prior to **January 1, 1986** for WEP
 - ▶ Eligible to retire from the state prior to **July 1, 1983** for GPO
- * All Social Security Questions should be directed to:
1-800-772-1213 or www.ssa.gov/gpo-wep/

Vacation & Sick Pay

- ▶ Handled by department or Agency from where member is retiring
- ▶ Deferral available into the SMART Plan:
Retiring employees may defer accumulated sick pay, vacation pay and back pay.
Employees separating from service may defer accumulated vacation and/or back pay



Contact Us:

Walk-In Appointment Hours:

10:00 a.m. - 3:00 p.m.

One Winter Street, 8th Floor

Boston, MA 02108

(617) 367-7770 • Fax (617) 723-1438

436 Dwight Street, Room 109A,

Springfield, MA 01103

(413) 730-6135 • Fax (413) 730-6139

Toll Free within MA only

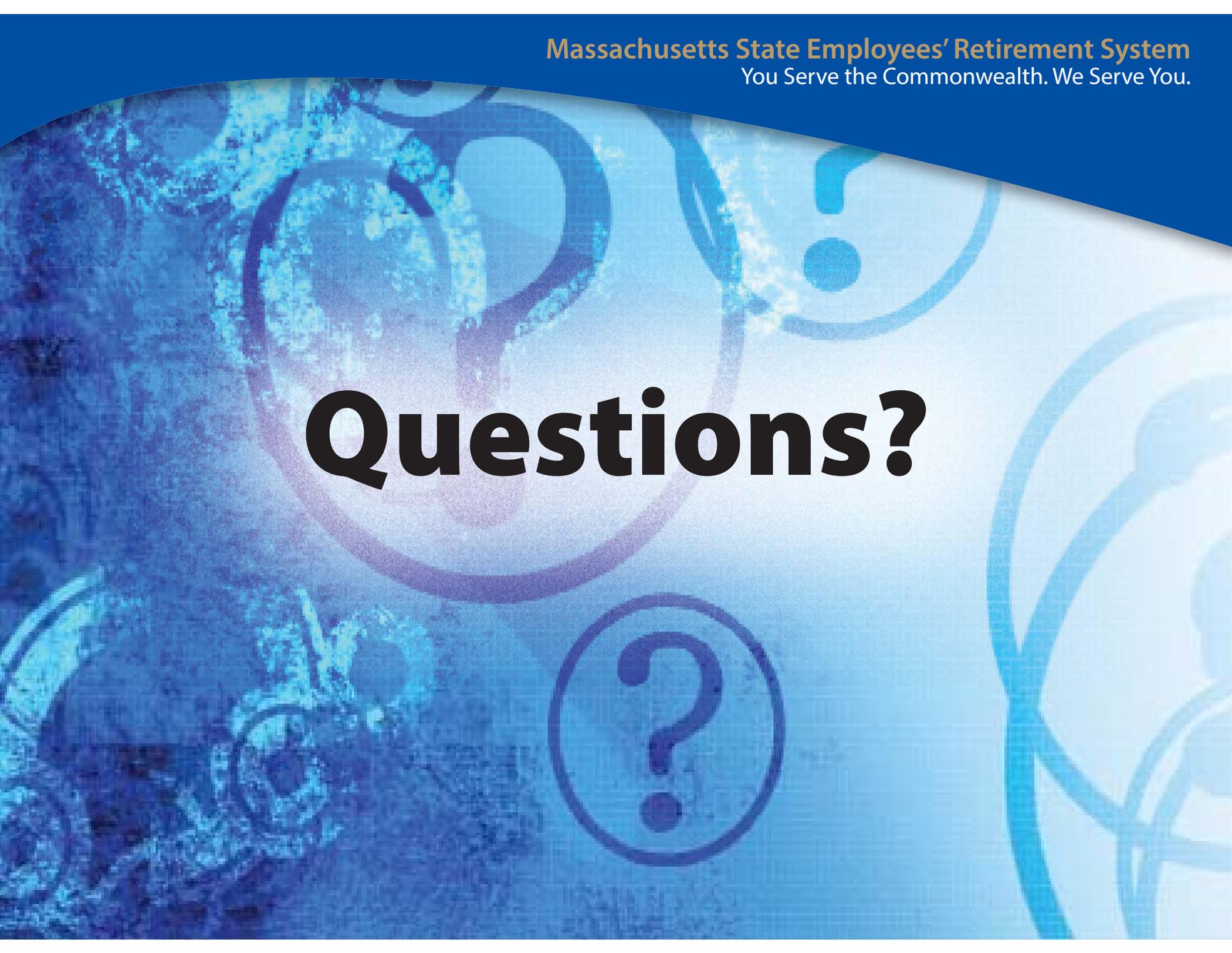
(800) 392-6014

e-mail: srb@tre.state.ma.us or

MSRBCommunications@tre.state.ma.us

www.mass.gov/retirement



The background of the slide is a light blue gradient with several large, faint question marks scattered across it. The question marks are in various shades of blue and purple, creating a subtle pattern. The overall aesthetic is clean and professional, with a focus on the central text.

Questions?

