

Massachusetts State Employees' Retirement System
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Benefits Overview

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Program Overview

- Introduction
- Eligibility & Plan Rules
- Application Process
- Post Retirement Matters

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

Statutory Authority

Governed by
Massachusetts General Law Chapter 32

5-Member Board
Chair - State Treasurer Deborah B. Goldberg

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DEFINED BENEFIT PLAN

(service x age factor) x salary average

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MSERS MEMBERSHIP

152,727

87,969 Active Members

64,758 Retiree & Beneficiaries

As of Oct. 28, 2019

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Eligibility & Plan Rules

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MSERS Membership

Mandatory until separated from the state by reason of:

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



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Contributions

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

- o PRIM Website: www.mapension.com



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Contribution Rates

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

If you joined the system: Your rate is:

- o Prior to January 1, 1975..... 5%
- o Jan. 1, 1975 to Dec. 31, 1983..... 7%
- o Jan. 1, 1984 to June 30, 1996..... 8%
- o July 1, 1996..... 9%
- o State Police / July 1,1996.....12%

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



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Contribution Withdrawals

Unlike voluntary contribution plans, you cannot access these funds while you are actively employed.

Lump Sum Withdrawal:

- **Direct Refund** - 20% Federal Tax and possibly a 10% IRS Penalty (depends upon your age)
- **Rollover** - Pre-Tax to Financial Institution, After-tax to member.




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Contribution Withdrawals

- Two-year rule (accrual of interest)
- Involuntary Separation or 10 or more years of Creditable Service:
 - Contributions + Regular Interest Rate (.01)
- Voluntarily Resign with less than 10 years:
 - Contributions + 3% Interest




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Contribution 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 systems **on or after April 2, 2012** will be affected by the Pension Reform provisions now in effect. (Chapter 176 of the Acts of 2011).




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Creditable Service

- If you are a full-time employee, you will earn 1 year of creditable service for each year completed.
- If you are employed on a less than full-time basis you will earn a pro-rated amount of service. (For example, 1 year at 50% service = 6 months creditable service.)



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Creditable Part-Time Service

Madden v. CRAB (2000):
 Part-time service on or before January 28, 1993 may be credited on a full-time basis provided you:

- Paid into the system,
- Did not take a refund, or
- Completed a buyback of such service on or before January 28, 1993.



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Creditable Service Purchases

In some instances, you may be eligible to add to your creditable service with a buyback of prior service. In order to do so you must:

- Be an active member-in-service at the time of your application, and
- You must complete and submit to the Board the appropriate service purchase application(s), along with any required documentation.

All service purchases must be paid in full prior to you receiving a retirement benefit.

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Potential Types of Service Purchases

- **Creditable service**
 - Refunded Prior Service
 - Service to another Massachusetts public retirement system
 - Out of State Teaching
- **Contract Service**
 - The maximum amount of contract service eligible to be purchased is four (4) years and member must be vested,
 - The contract service being purchased must immediately precede membership into the MSERS with **NO MORE THAN A 6 MONTH (180 DAYS) break in service**,
 - The position/job-description must have been substantially similar to the job-description the member held upon re-entry into membership in the MSERS.

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Potential Types of Service Purchases, *continued*

- **Veteran's Service**
 - The maximum amount of military service eligible to be purchased is up to four (4) years,
 - You must qualify as a veteran as defined in M.G.L. c. 32, Section 1,
 - Veterans who also have Active Reserve or MA National Guard Service *may be* eligible to receive one (1) year of creditable service for five (5) years of Reserve/Guard service

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As of August 31, 2019
the average retirement allowance for
members of the MSERS is approximately

\$37,732

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Types of Retirement

- Superannuation
- Accidental Disability
- Ordinary Disability
- Termination Allowance (Section 10*)



*Only for eligible members entering service before 4/2/2012

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Eligibility for Retirement

If hired <u>before</u> April 2, 2012:	If hired on or <u>after</u> April 2, 2012:
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- Must be *at least age 55* with a minimum of 10 years creditable service, or
- Be any age with a minimum of 20 years creditable service.
- Average of 3 highest consecutive salary years.

- Group 1 must be *at least age 60* with a minimum of 10 years creditable service. (Group 2, age 55*)
- Average 5 highest salary years.

* Must have worked the duties of the Group 2 position for at least 12 months immediately prior to termination or retirement.

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Benefit Calculations

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Superannuation Retirement

Typical retirement, calculation based on:

- o Your **age**, as of your last birthday
- o Your length of **creditable service**
- o Your **group** classification, and
- o Your highest 36 consecutive months of **regular compensation**



*Only for members entering service before 4/2/2012; for those hired on or after 4/2/2012 it's highest 60 months regular compensation. If you retire on your birthday, the higher age factor will be applied.


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Superannuation Calculations

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



*For those hired **after** 4/2/2012, the calculation is based on the member's highest 5 years regular compensation.

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Group Classifications

- o **Group 1:** Officials and general employees
- o **Group 2:** Members in this group include probation officers, court officers, certain correctional positions whose major duties require them to have the care, custody, instruction or supervision of prisoners, and certain positions who provide direct care, custody, instruction or supervision of persons with mental illness or developmental disabilities.
 - See M.G.L. c.32 §3 for other eligible Group Two positions.
- o **Group 3:** Limited to State Police Officers
- o **Group 4:** Members include certain public safety officers, officials, and employees, such as police officers, firefighters, and certain correction officers.

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Group Classifications

- Group 2 and Group 4 classification subject to Board Approval
 - Members must be in eligible position for 12 months preceding retirement.
- Group 2: adds 5 years to your age at age 55*
- Group 4: adds 10 years to your age at 45* (or, age 50 for those hired on or after 4/2/2012)



*Must already be eligible to retire to qualify:

- 10 years and age 55 or older or,
- 20 years at any age

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Group Classifications

Pro Rating Service

- Members in service *before* April 2, 2012 may elect to have their benefits pro-rated but it is not mandatory.
- Members who enter service on or *after* April 2, 2012 must have their benefits pro-rated based on their group classification during their service.



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Calculating a Typical Superannuation Retirement Benefit: Group 1



Patricia is 55 and a member of Group One.

- She has 20 years of creditable service and her salary average is \$55,000. She is seeking a regular superannuation retirement.

(service x age factor) x salary average:
 (20 yrs. x .015) = 0.3(30%) x \$55,000 = \$16,500 Annual Pension

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Calculating a Typical Superannuation Retirement Benefit: Group 2



Ava is 55, a member of Group Two, and a veteran.

- She has 20 years of creditable service and her salary average is \$55,000. She is seeking a regular superannuation retirement.


(service x age factor) x salary average + veteran's bonus:
 (20 yrs. x .020) = 0.4(40%) x \$55,000 + (\$15 x 20 yrs.) = \$22,300
 Pension

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Accidental Disability (AD) Retirement

Employment related, calculations based on:

- 72% of salary on date of injury, or
- Last 12 months working average plus annuity.
- Pension is **not** federally taxable.

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Ordinary Disability (OD) Retirement

Non-employment related, calculations based on:

- Must have 10 years full-time creditable 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 - Three year average salary*
- Pension is federally taxable

*If hired after 4/2/12, raise age to 60 and calculate based on 5 year average salary.

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Accidental or Ordinary Disability Retirement

Approval Process Requirements

- Examination by independent physicians (Joint panel or 3 individual examinations.)
- Board approval
- PERAC approval

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Termination Allowance

*(Section 10(2) Retirement)**

Requires either:

20 years
Or more full-time creditable service; involuntarily terminated at any age

OR

30 years
or more full-time creditable service regardless nature of separation. Must be under age 55.

*Only for members who entered state service prior to April 2, 2012.

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Termination Allowance

1/3 of three year salary average plus annuity (usually 42-48%)

- o This provision is only available to members who entered into service **before April 2, 2012.**
- o Members 55 or over eligible if involuntarily terminated with 20 or more years of service.
- o Members 55 or over with 30+ years are not eligible.
- o Members under 55 eligible with 30+ years.

Note: Accepting incentive payments to retire disqualifies you for a Section 10(2) Retirement.
 Reviewed and decided upon by the Retirement Board and PERAC.

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Active Employees Survivor Benefits

OPTION D


- o Member must have at least 2 years of creditable service
- o Active employees can complete a form naming **ONE** beneficiary, either spouse, unmarried former spouse, child, parent or sibling
- o An **eligible** spouse has first-right option to accept the benefit, or waive their rights to it
- o The form must be witnessed by someone other than the Option D beneficiary designated on the completed form
- o If upon the Active Members death there is no surviving spouse or minor child and no Option D form then either a:
 - Lump sum refund of account will be provided to the beneficiary on record, or a
 - Lump sum payment to estate if no beneficiary on record.
- o **The Option D designation form becomes void upon retiring**

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Taxes on your MSERS Pension

No State Taxes in Massachusetts Federally Taxable

Reciprocal agreements with 15 states:

Alabama	New Hampshire
Alaska	Pennsylvania
Florida	South Dakota
Hawaii	Tennessee
Illinois	Texas
Michigan	Washington
Mississippi	Wyoming
Nevada	

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Survivor Benefits

Retired Employees

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

- Contact the State Retirement Board immediately to stop the direct deposit of pension benefit
- Provide a copy of the death certificate
- Retirement Option you chose will be carried out
- Contact the Group Insurance Commission separately for any applicable benefits, such as Health & Life Insurance

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Working after Retirement

Public Sector Employment

- Limited to **960 hours per calendar year, and/or**
- Your total earnings per calendar year cannot exceed the difference between your retirement allowance and the current salary of the position from which you retired.
- After you have been retired one full calendar year, you may earn an additional \$15,000 per year beyond the limitations listed above

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Working after Retirement

Public Sector Employment, *continued*

- If either of the previous two conditions are met, you must cease employment, or
- If you wish to continue working, then you must request to *waive your retirement allowance under Section 91.*
- In certain circumstances, retired members may request to be *reinstated to active service under Section 105.* Certain conditions must be met by the member including the repayment of retirement benefits received and must work for 5 years after reinstatement before reapplying to retire.

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Working After Retirement

Private Sector Employment

- Unlimited earnings for standard superannuation retirement
- Restrictions apply to other types of retirement such as disability



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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

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Health Insurance



**Commonwealth of Massachusetts
 Group Insurance Commission**

Currently 20% premium for retirees

- o Premium % may change, contact GIC for increases:
 - Tel: 617-727-2310 Ext. 2
- o GIC *direct bills* premiums until 2nd pensions payment Premium will be deducted beginning with 2nd pension payment

If member dies:

- o Regardless of option, spouse can continue health insurance at a 10% rate provided they do not re-marry.

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Social Security

Eligibility

- o Social Security benefits do not impact your state retirement benefits, however, your SS benefits might be offset due to:
 - Windfall Elimination Provision (WEP)
 - Government Pension Offset (GPO)
- o Exemption:
 - 30 Years or better of substantial earnings under Social Security
- o Create your own *my Social Security* account at:
www.socialsecurity.gov/myaccount

All Social Security Questions should be directed to:
 1-800-772-1213 or www.ssa.gov/gpo-wep


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Vacation and Sick Pay

- o Handled by department or agency from where member is retiring
- o 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.



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Contact us

Walk-in Hours: Monday-Friday, 10:00 a.m. - 3:00 p.m.

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Educational Materials Disclaimer

The Massachusetts State Retirement Board (MSRB) posts educational materials on its website and social media channels for the convenience of members of the Massachusetts State Employees' Retirement System (MSERS). These educational materials include videos, electronic content, booklets, handouts, slide shows and other materials distributed in conjunction with presentations MSRB staff may have made.

Please note that these educational materials are current as of their date of publication. Anyone utilizing these educational materials subsequent to their date of publication is responsible for making sure the content is completely up to date in all respects as it may apply to their specific circumstances.

These educational materials should not be construed as, nor are they intended to be advice regarding the potential retirement benefits of any member of the MSERS. The information contained in educational materials is not intended as a substitute for the Massachusetts General Laws or the regulations and policies of the MSRB.

MSERS members are solely responsible for making their own retirement benefit decisions. Therefore the MSRB strongly recommends that if you are within 120 days to your retirement date, contact the MSRB to speak with one of our retirement counselors and start planning your retirement. The MSRB also strongly recommends that you plan your retirement and that you file at least 30 days in advance of leaving your employment. Certain retirement options will not be available to you once you stop working. To contact the State Retirement Board call 617-367-7770 (Boston Office), 413-730-6135 (Springfield Office) or 800-392-6014 (in MA only).

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