

Norfolk County
Retirement

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Public Pension Overview

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NORFOLK COUNTY RETIREMENT SYSTEM

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Membership

- Membership in a defined contributory retirement system is mandatory for all full-time permanent employees.
- Many retirement systems allow employees working at least twenty (20) hours to become members.
 - Membership exceptions – Employees over 70 years of age may opt out of membership; retirees of a Massachusetts retirement system.

no longer an option

Contributions Rates

- Contribution Rates are determined by membership date – the first date on which a retirement contribution was withheld and remains in the system; if a member has ever refunded his contributions, even if a redeposit is made, is subject to an updated membership date.

<u>Membership Date</u>	<u>Rate</u>
Prior to 1/1/75	5%
After 1/1/75, prior to 1/1/84	7%
After 1/1/84, prior to 7/1/96	8%
After 7/1/96	9%

Contribution Rates

- All members with membership dates after 1/1/79 contribute an additional 2% of regular compensation in excess of \$30,000 annually. However, anytime an employee earns an amount that would be greater than \$30,000 per year in a regular payroll cycle the additional 2% should be withheld. For example, an employee that earns more than \$576.92 per week or \$1,153.85 biweekly should have the additional 2% withheld even if the employee's annual salary is not suppose to be more than \$30,000.
- All new members should be enrolled at the current percentage rate (9% plus 2%), unless the retirement system approves a reduced rated.

Beneficiaries of Active Members

- Every non-retired member of the Retirement System must have a beneficiary on file. Beneficiary information should be periodically reviewed and updated as necessary.
- Upon the death of an active member, the beneficiary is entitled to receive the accumulated retirement deductions in lump sum. A member can have multiple beneficiaries at one time and beneficiary changes can be made during membership.
- A non-retired member may nominate an Option D beneficiary. Upon the death of an active member, the Option D beneficiary would receive a monthly retirement allowance that the member would have received if he retired on his date of death and elected to receive his retirement under Option C.
 - An Option D beneficiary can only be one immediate family member (mother, father, brother, sister, child, spouse, or former spouse)
 - State law provides the spouse of a member to be the Option D beneficiary automatically if the member and spouse have been married for at least one (1) year and are living together at date of death and the member has at least two (2) years in the retirement system.
- Beneficiaries of active members are void upon retirement.

Regular Compensation

- Pensionable earnings are defined as wages, salary or other base compensation.
- Typically regular compensation is payment for regular and recurring wages received for services rendered.
- Other base compensation is presently defined as:
 - Pre-determined, non-discretionary, guaranteed payments paid by the employer to similarly situated employees for services rendered.
 - Payments made by the employer to the employee because of:
 - The character of work
 - The employee's length of service
 - The time at which the work takes place
 - Educational incentives
- Examples included, but are not limited to, hazardous duty pay, longevity, night differential, Quinn bill, defibrillator stipend and EMT.

Examples of Excluded Wages

- Some wages are excluded from pensionable earnings and, as such, retirement deductions cannot be withheld.
- These wages are payments that are NOT regular and recurring payments for services rendered and may be payment or reimbursement for a tool needed to complete one's work. Examples include, but are not limited to:
 - Overtime
 - Bonuses
 - Housing
 - Clothing allowance
 - Car allowance
 - Unused vacation and sick pay
 - Severance
 - Other payments due at employee's retirement

Buybacks

- Members often seek to buyback prior municipal employment towards retirement.
- Buybacks occur when:
 - An active member has prior municipal employment but did not make retirement contributions;
 - The retirement system accepts liability for the employee's prior time;
- * ○ The retirement system needs:
 - The payroll records;
 - Number of hours worked;
 - Rate of pay and employees overall earnings
- Buybacks add time to overall creditable service; it does not change the membership date.
 - Exception – erroneous exclusion. If an employee was erroneously excluded they can buyback proper membership date and their buyback is charged without interest.

* contact the HR department

Separation of Employment

- Upon separation of service:

- Members may leave their retirement funds on account with the retirement system until age 70 ½ ; or
- Seek a refund of their retirement contributions, terminating their membership; or
- Apply for retirement, if eligible.

Types of Retirement

- There are 3 types of retirement:
 - Superannuation
 - This is regular retirement
 - Accidental Disability
 - A work related disability; and
 - Ordinary Disability
 - A Non-work related disability

Superannuation Retirement

For members prior to April 2, 2012:

- Retirement calculation is based on three factors; age, creditable service and highest three year consecutive regular compensation
- Age is the strongest factor
- Minimum requirements: age 55 with at least 10 years of service, or have 20 years of service or more regardless of age
- The retirement allowance cannot exceed 80% of the employee's highest three-year rate of regular compensation
- In Group 1, the maximum benefit of 80% of regular compensation is reached at age 65 with 32 years of service
- In Group 4, the maximum benefit of 80% of regular compensation is reached at age 55 with 32 years of service
- Retirement allowance is exempt from Mass state tax

Superannuation Retirement

For members after April 2, 2012:

- Retirement calculation is based on three factors; age, creditable service and highest five year consecutive regular compensation
- Age is the strongest factor
- Minimum requirements: age 60 with at least 10 years of service for Group 1 (non public safety) employees, or age 55 for Group 2 or 4.
- The retirement allowance cannot exceed 80% of the employee's highest five-year rate of regular compensation
- In Group 1, the maximum benefit of 80% of regular compensation is reached at age 67 with 32 years of service
- In Group 4, the maximum benefit of 80% of regular compensation is reached at age 57 with 32 years of service
- Retirement allowance is exempt from Mass state tax

Superannuation Process

- It should go without saying....but to retire you must apply with the retirement system. Applications for superannuation retirement can be received within four (4) months of the intended retirement date but no later than the actual date of retirement.
- All retirements are voted on by the Retirement Board.
- Member selects their retirement date, which can be any day of the week provided that their retirement application has been filed and they are no longer receiving regular compensation for employment.
- A request will be made for the member's earnings, including validation of the regular and non-regular compensation for retirement purposes. Typically, the retirement system is seeking the last 36 months of earnings, unless the 3 high consecutive salary years fall during another time frame or the member is retiring on a disability. In those instances, specific time periods will be requested.
- Insurance coverage during retirement is administered through the former employer. However, insurance premiums can be withheld from pension payments as requested by the employer.

Superannuation Payment

- Typically, the first retirement check will be issued 2 full months after the last time regular compensation is issued.
- Payments are issued once a month.
- Payments are made for new retirees through direct deposit
- Members retired for 1 fiscal year are eligible for a cost of living adjustment
- The COLA amount differs among retirement systems and must be voted on each year.

Lexi Becchetti

Retirement Date:	06/30/2017	80.00%	Total Accumulated Deductions:	\$ 72,495.82
Total Creditable Service:	32.0000		Member/Beneficiary Age:	65 Yrs 0 Mths / 71 Yrs 6 Mths
High Average Salary:	\$ 75,000.00		Beneficiary Name:	Levy Becchetti

Option A

Monthly Pension:	\$4,390.31
Monthly Annuity:	\$609.69
Monthly Retirement Allowance:	\$5,000.00
Annual Retirement Allowance:	\$60,000.00

Benefits Paid to Member Only

Election of Option A means that you will receive your full retirement allowance in monthly payments as long as you live. All allowance payments will cease upon your death and no benefits will be provided for your survivors.

Option B

Monthly Pension:	\$4,390.31
Monthly Annuity:	\$577.07
Monthly Retirement Allowance:	\$4,967.38
Annual Retirement Allowance:	\$59,608.56

Potential Benefit for Beneficiaries

Option B provides you with a lifetime allowance which is approximately 0.7% less per month than Option A. The annuity portion of your allowance is reduced to allow a potential benefit for your beneficiary(ies). Upon your death, your surviving beneficiary(ies) of record, or if there is no beneficiary living, the person or persons appearing in the judgment of your retirement board to be entitled thereto will be paid the unexpended balance of your accumulated total deductions, if any, from the annuity reserve account.

Depletion of Your Accumulated Deductions: Although your retirement allowance is not reduced because of the depletion of your accumulated deductions, it is generally the case that your deductions are used up within eight to twelve years of your retirement, depending upon your age at retirement. Any remaining balance is to be paid to your beneficiary(ies) in the event of your death.

Under Option B, you may designate any person(s) or charity or institution as your beneficiary. You may, at any time after retirement, change your Option B beneficiary (but not your option selection).

Option C

Monthly Pension (Member):	\$4,030.29	Monthly Pension (Survivor):	\$2,686.86
Monthly Annuity (Member):	\$559.71	Monthly Annuity (Survivor):	\$373.14
Monthly Ret Allowance (Member):	\$4,590.00	Monthly Ret Allowance (Survivor):	\$3,060.00
Annual Ret Allowance (Member):	\$55,080.00	Annual Ret Allowance (Survivor):	\$36,720.00

Joint and Last Survivor Allowance

Option C is also known as the joint and last survivor allowance. Selecting this option means that the allowance payments that you would receive during your lifetime would be approximately 8.2% less than those you would receive under Option A. Upon your death, your designated beneficiary will be paid a monthly allowance for the remainder of his or her lifetime. That allowance will be equal to two-thirds of the allowance which was being paid to you at the time of your death. If your beneficiary pre-deceases you, your monthly pension will revert to the higher Option (A) allowance and all benefits will terminate upon your death.

Life Expectancy Factors: The monthly allowance you receive under Option C depends upon life expectancy factors for you and your designated beneficiary.

Eligible Beneficiaries: You may name only one beneficiary under Option C. The eligible beneficiaries are limited to your spouse, your former spouse (provided he or she has not remarried at the time the Option C benefit becomes payable to you), your child, your parent, or your sibling. You may not change your Option C beneficiary after retirement.

Accidental Disability Retirement

- Available for members who are totally and permanently incapacitated from the performance of their duties as a result of an injury sustained in the actual performance of the member's duties
- Amount of retirement allowance is 72% of the member's regular compensation, plus an annuity based on the member's contributions to the system
- Allowance is exempt from state tax, and all but the annuity portion is exempt from federal tax
- Accidental disability retirement is a 6 – 9 month process
- Post retirement earnings are restricted

Disability Presumptions for Public Safety

- Certain conditions resulting in total disability or death shall be presumed to have been suffered in the line of duty, unless a preponderance of the evidence proves otherwise.
 - Cancer – Skin; central nervous system, lymphatic, digestive, hematological, urinary, skeletal, oral, prostate, lung or respiratory tract
 - Heart
 - Lung
 - 5-year look back

The presumptive law remains in effect for 5 years after retirement.

Ordinary Disability Retirement

- Available for persons who are totally and permanently incapacitated from the performance of their duties as a result of illness or injury that is **not** job related
- Must have 10 years creditable service
- Amount of retirement allowance is equal to the amount the member would have received at age 55, with different provisions for veterans and for members after April 2, 2012
- Allowance is exempt from state taxation
- Ordinary disability retirement is a 6 – 9 month process
- Post retirement earnings are restricted

Divorce & Retirement

- Retirement income is a marital asset
- Members that have been divorced during their membership must provide a copy of their divorce agreement upon retirement
- The divorce agreement is needed to verify whether the probate court ordered a split of the retirement income
- Any order to split a retirement allowance must be documented in a Domestic Relations Order, often referred to as a QDRO
- Any member in the process of a divorce can have the terms of a pending order reviewed prior to court execution

The Working Retiree

- Municipal retirees can work in the private or public sector.
- If you are collecting your retirement allowance and working in the public sector in Massachusetts you will be subject to earning and work hour restrictions
 - Earnings – cannot earn more than the amount the position in which you retired from is currently paying, minus your annual retirement allowance. After one (1) year of retirement, they can add \$15,000 to the amount they can earn.
 - Example: Position retired from currently pays: \$50,000
 - Gross annual retirement allowance: \$25,000
 - Allowable post retirement earnings: \$25,000
 - After year 1, \$15,000 can be added to the total earnings
 - Hours Worked – they cannot exceed 960 hours of work in any calendar year.
- Retirees that exceed the monetary limit or the 960 hours must provide reimbursement
- Retirees that waive receipt of their retirement allowance are not subject to the restrictions.
- No retiree is permitted to make contributions to the retirement system.
 - Exceptions include retirees that seek reinstatement

The Working Disabled Retiree

- Disabled retirees can work after retirement in any position except the position from which they have been retired.
- Disabled retirees are subject to work hour restrictions (960 per year) and earning restrictions whether they work in the private or public sector.
 - Earnings – cannot earn more than the amount the position in which they retired is currently paying, minus the annual retirement allowance, plus \$15,000.
 - Example: Position retired from currently pays: \$65,000
 - Gross annual retirement allowance: \$45,000
 - Difference: \$20,000
 - Plus: \$ 15,000
 - Allowable post retirement earnings: \$35,000
- Disabled retirees must file tax statements annually with PERAC.
- Disabled retirees are not permitted to make contributions to the retirement system.
 - Exceptions include retirees that are restored to service.

Conclusion

- Municipal retirement laws are constantly changing
- Best sources of updated retirement information is from the retirement system staff, our website (www.norfolkcrs.com) or the PERAC website (www.mass.gov/perac)