

# Hampshire County Retirement System

## Memo to Advisory Council Members

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To: Advisory Council Members

From: Mary Baronas, Administrator

**RE: CHAPTER 176 OF THE ACTS OF 2011, AN ACT PROVIDING FOR PENSION REFORM AND BENEFIT MODERNIZATION – CHANGES AFFECTING EXISTING MEMBERS (PRIOR TO APRIL 2, 2012) AS WELL AS NEW MEMBERS**

### **Group Classification**

Section 8 provides a clarification to Chapter 32, that in order for a member to be classified in Group 2 or 4 at retirement, a member must have actively performed the duties of that position for not less than 12 months immediately preceding termination from service or retirement. This section is effective on April 2, 2012 and applies only to individuals who entered service prior to that date.

### **Purchase of Creditable Service**

Section 9 provides that members who are reinstated to membership or re-enter membership or are otherwise entitled to purchase creditable service under G.L. c. 32, § 3 must make a make-up payment into the system within 1 year of reinstatement or re-entry, plus buyback interest (on-half assumed actuarial interest). If the member enters into an installment repayment plan, the buyback must be completed within one year of reinstatement or re-entry, or within 1 year of April 2, 2012, whichever is later. If the member does not make the make-up payment within the time period described, the interest on the make-up payment will be the full assumed actuarial interest. This section is effective on April 2, 2012.

### **Anti-Spiking Rules**

Section 18 also deals with anti-spiking and provides that the average rate of regular compensation in any year is not to include amounts that are in excess of 10% of the rate in the 2 preceding years. This prohibition will not apply to modifications in the salary schedule negotiated in a collective bargaining agreement. This section applies to any member retiring on or after April 2, 2012. Further guidance will be issued at a later date.

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### **Pro-rating benefits for service in more than 1 group classification**

Section 14 also mandates pro-rating benefits in cases where a member entered service on or after April 2, 2012 and has creditable service in more than one Group Classification. This provision becomes effective on April 2, 2012. Any active member as of April 2, 2012 may elect to receive a retirement allowance based on the pro-ration which is mandatory for those entering service on or after April 2, 2012. As the time of actual implementation nears, PERAC will issue specific guidance for these provisions.

### **Repayment of Allowances Received by Members Convicted of Crimes Connected with Their Position**

Section 31 provides that any member who retires on or after April 2, 2012 who was convicted of an offense that mandates forfeiture of their allowance must repay to the Retirement System any retirement allowance received after the date that the offense was committed that resulted in the conviction.

### **Creditable Service for Representatives of Employee Organizations on a Leave of Absence**

Section 45 amends G.L. c. 32, § 28K making it clear that creditable service is granted to a member on a full-time or part-time leave of absence without pay to act as a representative of an employee organization. The requirement that the member make contributions to the Retirement System in order to receive creditable service remains. This section becomes effective on February 16, 2012.

### **Retirees Elected to Public Office**

Section 49 eliminates the provision of G.L. c. 32, § 91(a) that allowed an elected official to retire shortly before re-election and to receive both his or her allowance and the salary paid for the elected office. This new provision prohibits an elected official from receiving both payments unless elected to a position at least one year after retiring from the public elected office. This limitation does not apply to members who retired from a position other than an elected position and are subsequently elected to a public office. This section becomes effective and applies to all members who retire on or after April 2, 2012.

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### **Increase on Limit on Post-Retirement Earnings in the Public Sector**

Section 50 increases the amount that a retiree can earn in the public sector. The limitation on the hours that a retiree can be employed remains 960, but pursuant to this amendment, the earnings from that employment when added to the member's retirement allowance cannot exceed the salary being paid to the position from which the member retired or in which the member's employment was terminated, plus \$15,000. If the retiree reaches the 960 hour limitation prior to reaching the new excess earnings limitation, such retiree must cease working even though the excess earnings limitation has not been exceeded. It must be noted that the retiree can only earn the maximum amount with the new \$15,000 increase, if the retiree does not exceed the maximum amount allowed within the 960 hour limitation. Section 51 further provides that in the first year after the date of retirement, however, the earnings from that employment when added to the member's retirement allowance cannot exceed the salary being paid to the position from which the member retired or in which the member's employment was terminated. This section becomes effective on April 2, 2012. The earnings limitations for disability retirees contained in G.L. c. 32, § 91A have not changed.

**Important Note:** Current or former members who take or have taken a withdrawal of contributions permanently forfeit all membership rights. Should they later re-enter public service and again become a member of a Retirement System, they do so as a brand new member subject to the rules in effect upon re-entry (new membership date). They are eligible to purchase prior creditable service, but cannot purchase prior membership rights such as deduction rates, minimum age, calculation factors etc.