

Pension Reform Changes - Current Members

Chapter 176 of the Acts of 2011 made several changes to M.G.L. Chapter 32 that impact **Current Members** of the Worcester Retirement System. These changes for current members (**member prior to 4/2/2012**) are summarized below.

1. Purchase of Creditable Service

Members as of April 2, 2012

Member must complete entire buyback of service time by **April 2, 2013** or enter into an installment agreement to purchase such service by April 2, 2013 in order to continue to be charged the **buyback interest rate** (defined as half the actuarial rate). The installment agreement cannot exceed a five year term. If the member cannot complete the purchase by April 2, 2013 or defaults on the installment agreement, the calculation must prospectively charge the member **full actuarial assumed interest** on the outstanding balance as of April 2, 2013 or on the outstanding balance as of the default date.

2. Group Classification

For a member to be classified in Group 2 or 4, 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 applies only to individuals who entered service prior to April 2, 2012.

3. Amended definition of “Regular Compensation”.

“Regular Compensation” is to exclude any wages from the federal government that were not reported to any employing authority.

4. Anti-Spiking Provisions.

New Anti Spiking provisions prohibit the three year average rate of regular compensation used to calculate a members Retirement Allowance from including **amounts 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.

5. Prorating for Group Classification Provisions.

Mandates pro-rating benefit calculation 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 member prior to April 2, 2012 may elect to receive a retirement allowance based on the pro-ration method mandatory for new members on or after April 2, 2012. PERAC is expected to issue additional guidance for these provisions.

6. Repayment of Allowances Received by Members Convicted of Crimes Connected with Their Position

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

7. Retirees Elected to Public Office or Appointed to Certain Positions After Retirement

This section is effective on **April 2, 2012** and applies to all retirees who are elected to office after retirement or appointed to a position by a Mayor, a City Council, or a Board of Selectmen and who choose to become active members after that date. The change impacts retirees who are elected to office after retirement or are appointed to a position by a Mayor, or a City Council, or a Board of Selectmen and choose to again become active members of a Retirement System. The amendment requires those making this choice **to repay the entire amount of any retirement allowance received, plus buyback interest** and to meet all of the requirements of reinstatement under G.L. c. 32, § 105.

8. Retirees Elected to Public Office

The provision 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 has been eliminated. The 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 change applies to all members who retire on or after April 2, 2012.

9. Increases the Post-Retirement Earnings Limit for Public Sector Employment.

The limitation on the hours that a retiree can be employed in the Public Sector remains at 960 hours, but pursuant to this amendment, the earnings from employment when added to the member's retirement allowance cannot exceed the current salary of the position from which the member retired plus \$15,000. If the retiree reaches the 960 hour limitation prior to reaching the new excess earnings limitation, such retiree must cease working in the Public Sector even though the excess earnings limitation has not been exceeded. The changes 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. The earnings limitations for **disability retirees** contained in G.L. c. 32, § 91A **have not changed**.