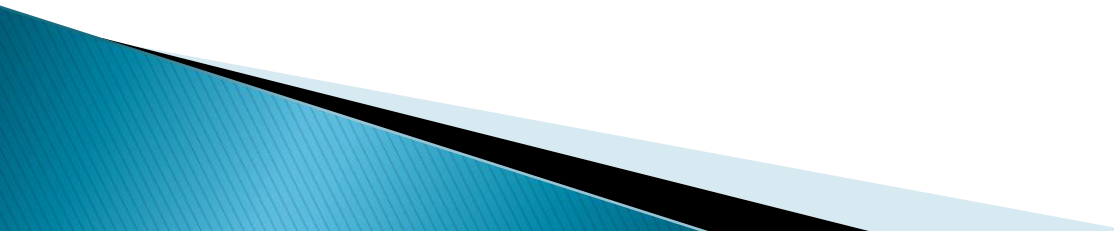


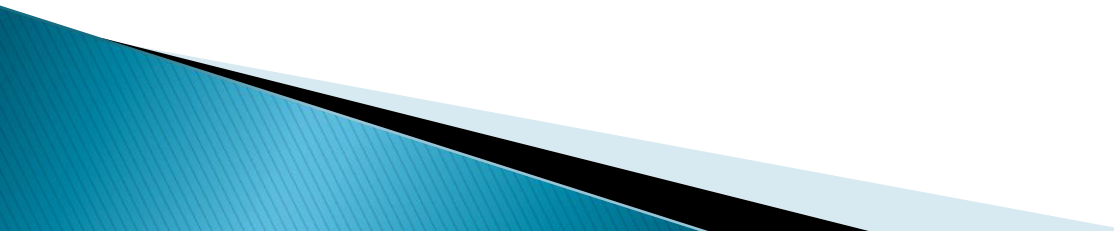
Franklin Regional Retirement System

Understanding your benefits

Overview

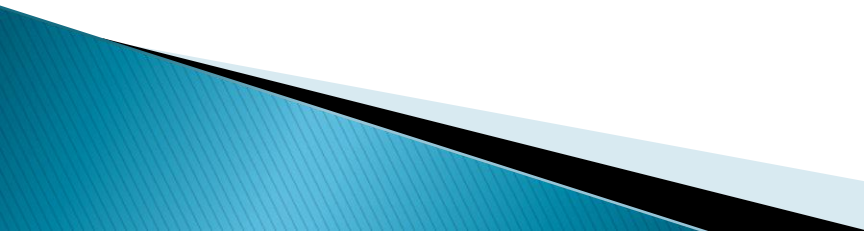
- ▶ An introduction to the Massachusetts municipal pension system, who we are, what we do and resources for our members.
 - ▶ About your contributions, annuity savings account and your FRRS benefits
 - ▶ Retirement basics – the eligibility criteria, creditable service, the three options, the retirement formula, and issues to consider both before and after you retire
- 

An important note about the FRRS plan and your benefits

- Your retirement benefits are a contractual obligation of the commonwealth. (M.G.L. c 32§25(5))
 - Your benefit is determined according to a set formula and paid monthly for life (M.G.L. c 32§5(2))
 - Fluctuations in the financial markets do **not** affect the formula or the amount of your benefits.
- 

What is the Franklin Regional Retirement System?


- The Plan

- Formed under M.G.L. Chapter 32
 - Operates as a defined benefit plan under section 401(a) of the Internal Revenue Code
 - Benefits based on age, service and salary
 - Retirement benefit guaranteed for life
 - Governed by a 5 member Board
 - 2 elected by members and retirees
 - 1 elected by the treasurers of the participating government units
 - 2 appointed by the other Board members
- 

■ Membership

- Employees of 25 towns, 5 school districts (primarily non-teaching employees), 2 housing authorities, 4 fire and water districts and 3 departments of Franklin County
- All eligible employees are required to enroll with the FRRS and contributions are mandatory
- Currently there are (12/10/2010)
 - Active members 1,070
 - Inactive members 525
 - Retirees 463

What we do for you....

- ▶ We work with your unit treasurer to insure all eligible members are enrolled and that deductions from regular earnings are accurate.
 - ▶ We safeguard your contributions and retirement benefits by keeping accurate books, our expenses low, managing the investments with expert help, and being informed of M.G.L. c 32 and the legislative changes.
 - ▶
 - ▶ We keep track of your service history.
 - ▶ We will provide a benefit to your survivor should something happen to you.
 - ▶ We will provide a monthly retirement to you and, if you choose, to your survivor.
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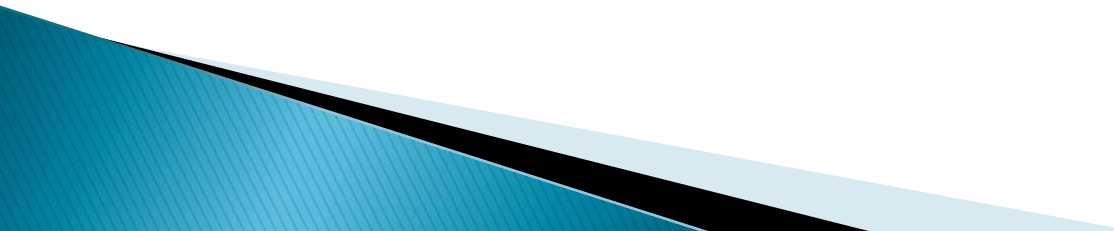
Part 2

- ▶ Your membership and benefits

Membership eligibility

- ▶ The Board voted to update the Membership eligibility several times between 1965 and 2009 to accommodate a changing workplace, changing legislation, and fiscal responsibility for the retirement system.

Membership Prior to 1 / 1 / 2009

- ▶ 1965– 1988 – 130 days per year and earning a minimum of \$720 annually
 - ▶ 1988–1991 – Anyone earning a minimum of \$2000
 - ▶ 1991–1993 – Any employee earning compensation must become a member
 - ▶ 1993–2008 – All employees working 20 or more hours per week on a regular schedule must become members of the system.
- 

Membership

▶ As of 1 / 1 / 2009

- Any individual who is permanently employed 20 or more hours per week with any member unit or units of FRRS, shall become a member.
- If employment is reduced to less than 20 hours per week, member becomes inactive.

Membership prior to 1 / 1 / 2009

- ▶ If you were an active member prior to 1 / 1 / 2009, you will continue to be an active member as long as you maintain the same position, even if your regular weekly hours are reduced to less than 20 hours.

All members contribute a percentage of earnings...

- ▶ Your rate is determined by the date on which you established membership rights in the public retirement system

<u>MA retirement system start date</u>	<u>Rate</u>
Prior to 1975	5%
Between 1975 and 12/31/1983	7%
Between 1984 and 6/30/1996	8%
Between 7/1/1996 to the present	9%

An additional 2% on all earnings over \$30,000 applies to all members enrolled after 12/31/1978

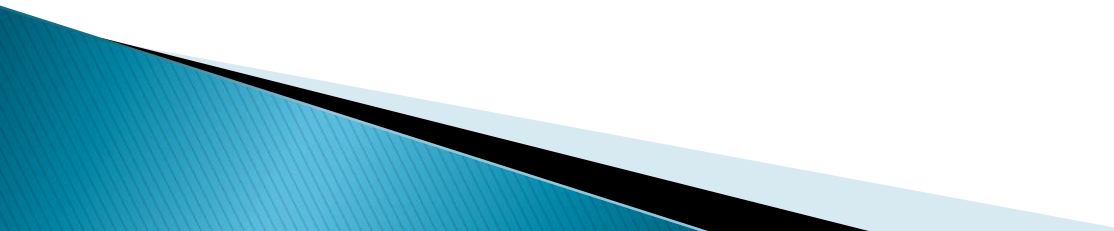
You contribute on your regular compensation...

▶ Includes:

- Annual salary
- Longevity
- Shift differential
- Educational incentives
- Any amounts of salary derived from federal grants

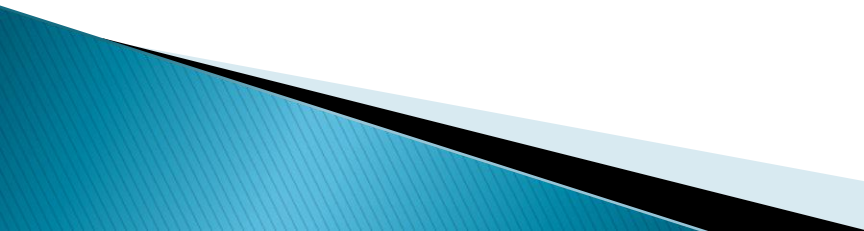
You contribute on your regular compensation...

▶ Excludes:

- Retirement incentives
 - Sick leave buy-back
 - Overtime
 - Premiums paid for working holidays
 - Amounts paid for unused vacation, sick leave, or severance pay
 - bonuses
- 

QUESTIONS ?

What is Creditable Service?

- ▶ All members active as of December 31, 2008 shall receive full creditable service for hours worked until retirement or withdrawal.
 - With some exceptions, this means that one year of actively contributing equals one year of creditable service.
 - ▶ Any new members or inactive members returning to service on or after January 1, 2009 shall receive pro-rated service.
- 

Pro-Rated Creditable Service

If you became a member after 1 / 1 / 2009, creditable service is determined by the number of hours worked weekly according to your job description or contract.

Weekly hours worked		Creditable Service Given
not less than	not greater than	percentage given
20	22.99	50%
23	25.99	60%
26	28.99	70%
29	31.99	80%
32	34.99	90%
35	40	100%

More on Creditable service

- ▶ Any member whose earnings are less than \$5000 will not accrue creditable service.
(Chapter 21 of the Acts of 2009 effective July 1, 2009)
- ▶ Any individual who is already a member prior to 1/1/2009, and on 1/1/2009 is an “active” member, shall receive full creditable service regardless of the number of hours worked, for any and all positions they continue working in, except those that meet the above \$5000 rule and members with an occasional and sporadic working schedule.

Creditable service for purchase

- ▶ In addition to the creditable service that accrues as an active member, you may have additional purchasable service:
 - Buyback of a Refund taken from a Massachusetts pension system
 - Active duty military service
 - Non-membership state or municipal service
- ▶ The cost typically includes the principal (past earnings x contribution rate) and interest (4% compounded monthly through date of payment)

QUESTIONS
on
Creditable Service ?



Your benefits

- ▶ Retirement benefits
 - Superannuation
 - Disability (ordinary and accidental)
- ▶ In-service death benefit
 - If you die while you are an active member, your survivor may receive a benefit

Superannuation Retirement

- ▶ Eligibility criteria:
 - Any age, with 20 years of creditable service
 - Or
 - Age 55 with 10 years of creditable service

The Three Benefit Options

A

Maximum
Allowance

No survivor
benefits

The Three Benefit Options

B

Approximately 1% less
than A

One time lump sum payment of balance of account, if any, remaining in retiree's account. No restrictions on beneficiary

The Three Benefit Options

C

Approximately 9–11%
less than Option A amount

Monthly benefit, equal to $2/3$ of retiree's
benefit, to one named beneficiary
(restrictions apply); with pop-up provision

The retirement formula

$$\begin{aligned} & \text{Age factor} \\ \times & \text{ Your creditable service } \\ & \text{Percentage of salary average (80\% max)} \\ \\ \times & \text{ Salary Average } \\ & \text{Your Option A Annual benefit} \\ \\ + & \text{ **Veteran's benefit** if applicable } \\ & \text{(\$15 per year of creditable service, up to \$300)} \end{aligned}$$

Your total Option A annual allowance

The Age Factor

GROUP 1		GROUP 4	
<u>AGE</u>	<u>FACTOR</u>	<u>AGE</u>	<u>FACTOR</u>
55	1.5%	45	1.5%
56	1.6%	46	1.6%
57	1.7%	47	1.7%
58	1.8%	48	1.8%
59	1.9%	49	1.9%
60	2.0%	50	2.0%
61	2.1%	51	2.1%
62	2.2%	52	2.2%
63	2.3%	53	2.3%
64	2.4%	54	2.4%
65	2.5%	55	2.5%

Calculation Example Option A:

Employee: Joe, age 60 (spouse age 60)

Employed: Town of Deerfield

Full-time: March 15, 1985–June 30, 2010

Years of Service = 25 years 3 months

Average Salary of 3 highest consecutive years = \$35,000

Annuity Savings Balance = \$55,350

Age factor	2.00%
Creditable Service	<u>25.25 years</u>
Percentage of Salary Average	50.50%

Salary Average	<u>\$35,000.00</u>
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<u>Option A Annual Retirement Allowance</u>	\$17,675.00
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Pension = \$12,633.68 Annuity = \$5,041.32

<u>Monthly Benefit</u>	\$ 1,472.91
------------------------	-------------

Calculation Example Option B:

Approximately 1% less than Option A and allows for a lump sum payment of any remaining annuity upon the death of the retiree.

Same employee data

Option A Annual Retirement Allowance \$17,675.00

Annuity Savings Balance =	\$55,350.00
X the Annuity Factor (.00733)	405.72
X 12 months	
= Annual Annuity	\$ 4,868.64
= Annual Pension	<u>\$12,633.68</u>

Option B Annual Retirement Allowance \$17,502.32

\$55,350 divided by \$4,868.64 = 11 years, 3 months before ASB is depleted. Retiree's allowance is not effected by the declining annuity savings balance.

Calculation Example Option C:

Approximately 9–11% less than Option A and allows a lifetime benefit for a named beneficiary. *

Same employee data

Option A Annual Retirement Allowance	\$17,675.00
X Option C Factor =	<u>.9133</u>
= OPTION C Retiree Benefit	\$16,142.58
X 2/3rds of the retiree benefit	<u>.66667</u>
= OPTION C Spousal Benefit	\$10,761.77

*The Option C benefit in this scenario is 8.67% less than the Option A benefit

In-service death benefit

A one-time lump-sum
distribution of your annuity
savings account

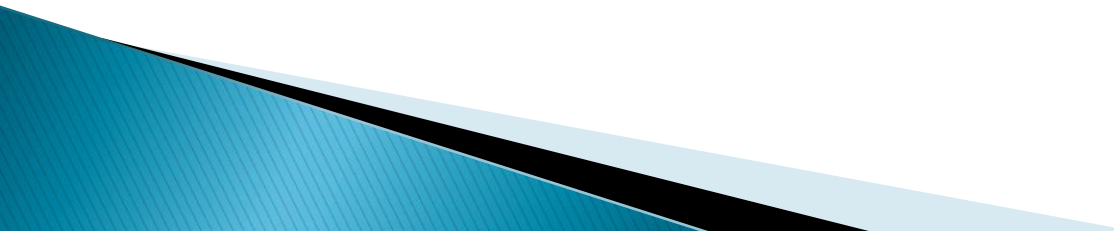
Or



In-service death benefit

A monthly benefit to your
survivor.

Equal to the Option C allowance with additional
benefits available for dependent children

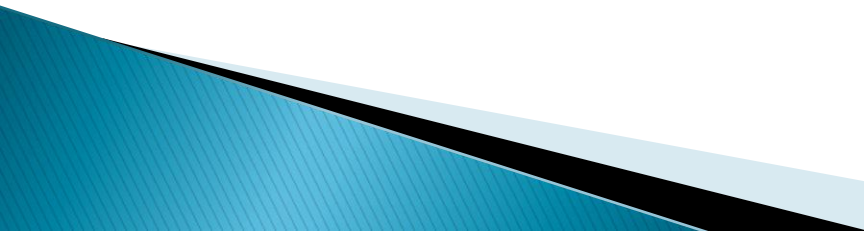


In-service death benefit



Always best to keep
your beneficiary
designation current!

A word on beneficiaries...

- ▶ There are no restrictions on your choice of beneficiary for a lump sum distribution of your annuity savings account. You may change your beneficiary at any time during your membership.
 - ▶ If you designate an 'Option D' beneficiary, you are choosing one person, a spouse, child, parent or sibling, to receive a life time benefit and not a distribution of your account.
 - ▶ No matter who you name, your spouse may be eligible to 'trump' your designation for a life time benefit.
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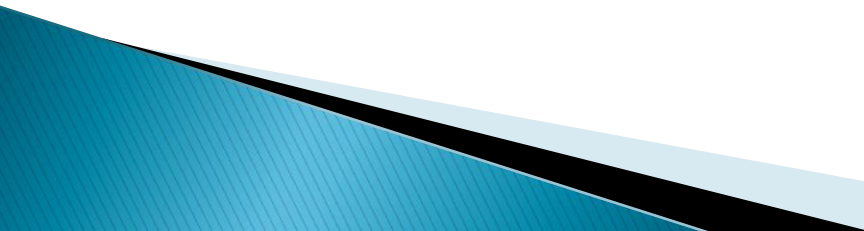
Disability Retirement

- ▶ Ordinary disability retirement pays a benefit if you become disabled due to a personal injury or illness.
 - 10 year service requirement
 - Benefit formula
 - Superannuation retirement formula with age factor increase to age 55
 - Veteran = 50% of last annual salary, plus annuity

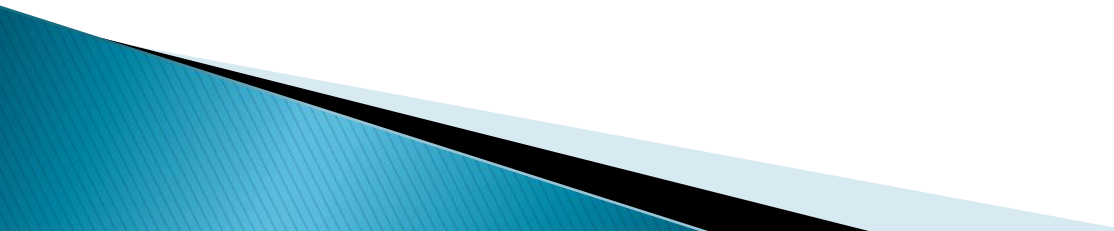
Disability Retirement

- ▶ Accidental disability retirement
 - No service or age requirements
 - Disability must be due to injury or hazard sustained while performing job duties
 - Benefit formula: 72% of last annual salary plus the annuity not to exceed 75% of the annual salary.
 - *the annuity = member's account balance x actuarial factor

More on Disability Retirement

- ▶ A disability retirement benefit requires that the individual be examined by a medical panel set up by the Public Employee Retirement Administration Commission as well as a statement from the member's personal physician, submission of complete medical records, an employer's statement and the member statement.
 - ▶ If approved for retirement, medical exams are conducted on a regular basis to determine continued disability.
 - ▶ Post retirement earnings are restricted in both the public and private markets.
- 

Important issues

- ▶ Working after retirement
 - ▶ For a Superannuation Retiree, there are no limits on the following:
 - Employment in the private sector
 - Employment in another state
 - Volunteering
- 

Working after retirement

- ▶ General earnings and service limitations on re-employment in the **Massachusetts Public Sector**
 - **TIME** – Cannot exceed 960 hours in a calendar year
 - **EARNINGS** : Post-retirement earnings cannot exceed the difference between the current salary of the position from which you retired and the amount of your annual pension

Working after retirement

▶ Example:

▶ Calendar year 2009

- 2009 Salary for your Pre-retirement position \$35,000
 - Annual gross retirement Allowance \$17,645
-
- 2009 earning limit \$17,355

Working after retirement

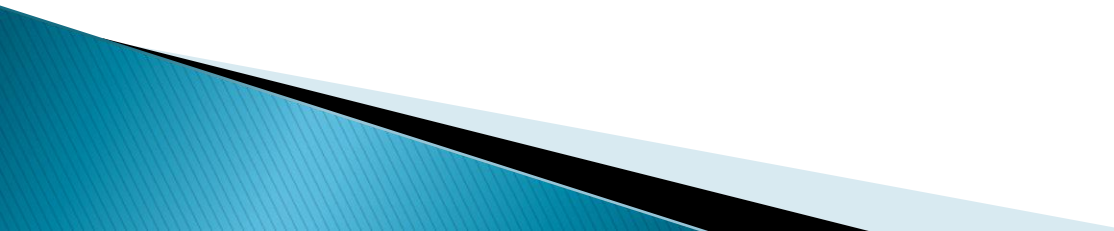
If you work in the public sector after retirement,

you DO NOT contribute

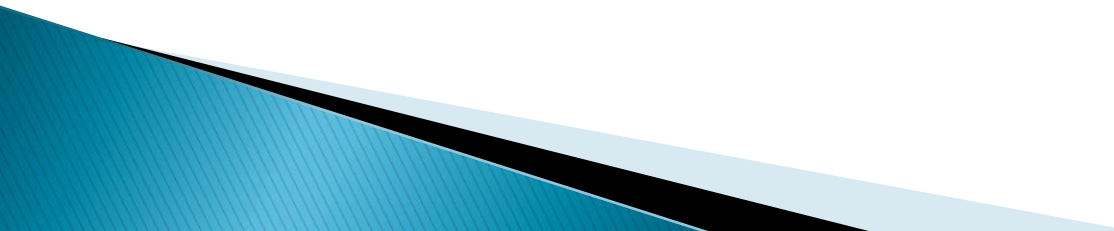
to the retirement system.



Taxation of your benefit

- ▶ Your retirement allowance is not subject to Massachusetts state income tax
 - ▶ Your retirement allowance is federally taxable
 - ▶ If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax
- 

Taxation of your benefit

- ▶ By January 31st of each year, we will mail you a 1099-R tax form.
 - ▶ Gross earnings and taxable earnings will be detailed on the 1099-R
 - ▶ You are also required to provide proof that you remain eligible (i.e. alive) to receive your retirement allowance.
- 

Important Issues

Social Security

Two 'double dipping' laws

If you are eligible for social security benefits based on your...

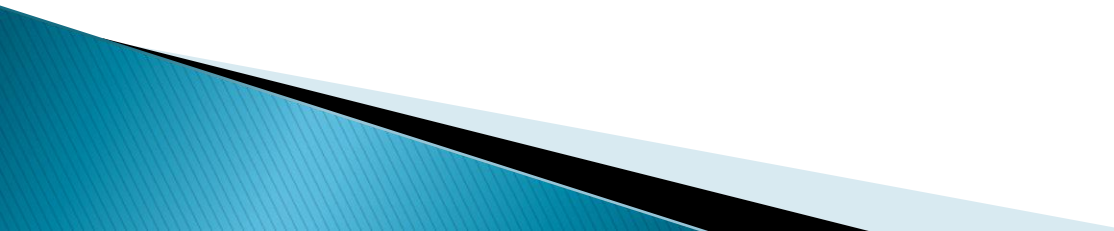
- **Own employment earnings:**
Windfall Elimination Provision (WEP).
- **Spouses employment earnings:**
Government Pension Offset (GPO)

For more information go to www.socialsecurity.gov

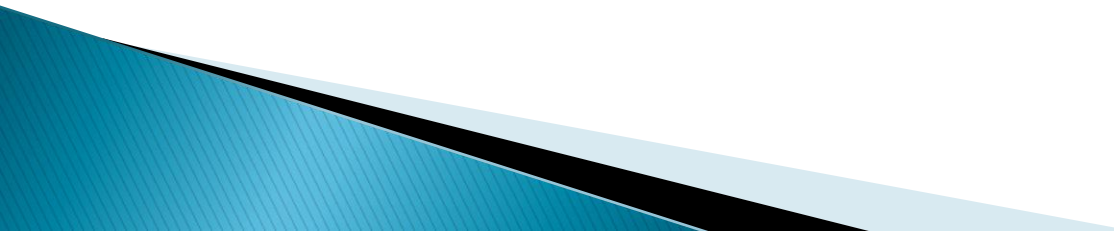


Important Issues

Cost of Living Adjustments

- ▶ **Eligibility** – MA public retirees are eligible for COLAs after one full fiscal year of retirement
 - ▶ **Granted by the Board**
 - ▶ **Amount** – 3% of the first \$13,000 of your retirement allowance for a maximum of \$390 per year
- 

Important Issues

- ▶ It may take up to 60 days after your retirement date to process your retirement application
 - ▶ Retirement allowances are paid at the end of each month and represent payment for that month. I.E. January 30th check is for the month of January
- 

QUESTIONS ?

Resources for member and retirees

- ▶ Your FRRS office – located at 278 Main Street, Greenfield, Suite 311
 - Phone number 413 774-4837
- ▶ Your unit treasurer
- ▶ Online at www.frrsma.com

www.mass.gov/perac

- Public Employee Retirement Administration Commission