

## HINGHAM RETIREMENT BOARD

### **1) Current ACTIVE members with effective membership dates *before April 2, 2012* (including inactive members with funds on account as of April 2, 2012)**

- **Retirement salary average “anti-spiking” limitation** (Ch. 176, section 18)  
This provision applies to members who retire on or after 4/2/2012. This provision limits the annual increase in pensionable earnings of each of the three years used to determine your final salary average to no more than 10% of the average of the previous two years' salaries. However, the 10% limit does not apply if, during the three years used to determine your final salary average, you had a bona fide job change, or received payments for additional services that are otherwise eligible for inclusion or other payments that are exempted.
- **Increase in interest charged on certain service purchases** (Ch. 176, section 9)  
This provision requires that the interest charged on refund buybacks and other service purchases under M.G.L. c. 32, section 3, be increased from “buyback” interest (which is, by definition, one half of the actuarially assumed interest rate, or 4.0% at this time) to “actuarial” interest (which is the actuarially assumed rate of return on our system’s investment fund, and is currently 8.0%), if the service purchase is not made within a specified time period.

The service purchases subject to this provision are those for:

- refund buybacks (which are the repayment, with interest, of funds withdrawn by members from their former Massachusetts public retirement systems),
- and other Massachusetts non-membership public employment.

The interest charged on the above-noted service purchases will now be *either* buyback interest *or* actuarial interest, depending on your membership history and the date you apply to purchase your prior service. Specifically, if you are a:

- **CURRENT member whose effective membership date is before April 2, 2013** (one year from the effective date of Chapter 176): You will be charged buyback interest if your service purchase application is received before April 2, 2013 and you *either* pay for the purchase in full *or* commit to an installment agreement before April 2, 2013, or the invoice due date, whichever is later. On and after April 2, 2013, you will be charged actuarial interest.  
**Current installment plan participants:** If you are currently paying for a service purchase by way of our five-year installment plan with an interest rate of 4.0%, your installment plan interest rate will remain at 4.0% for the term of your agreement, or, if you should miss a payment, when you default, whichever comes first.
- **FORMER member of a Massachusetts public retirement system who re-entered membership anytime on or after April 2, 2012:** You will be charged buyback interest if your service purchase application is received within one year of your date of re-entry to membership and you *either* pay for the purchase in full *or*

commit to an installment agreement by the first anniversary of your date of re-entry, or the invoice due date, whichever is later. If you apply to purchase or pay for this service *after* your first year of re-entry to membership, you will be charged actuarial interest.

- **NEW member who establishes membership on or after April 2, 2013:** You will be charged actuarial interest.

**What does this mean, dollar-wise?**

For affected members, this change results in a **significant increase in the interest charged** on refund buybacks and the most frequently purchased service types if their completed service purchase applications are not received within the timeframes noted above.

**2) Current and future RETIRED members**

These provisions will be implemented by Hingham and do not require action by eligible retirees.

- **Increase in the post-retirement earnings limit, for retirees who return to Massachusetts public service, of \$15,000/calendar year** (Ch. 176, section 50)  
Pursuant to M.G.L. c. 32, section 91, there are limits on the amount of money that a rehired retiree may earn from post-retirement employment by a Massachusetts public entity. This post-retirement earnings limit is equal to the difference between the salary being paid for the member's former position and the amount of his or her retirement benefit. Chapter 176 increased this limit by \$15,000 per calendar year *after* the member has been retired for 12 months, and allowed members who have been retired for at least 12 months as of April 2, 2012 (the effective date of the law), to earn an additional \$15,000 for the remainder of calendar year 2012 from Massachusetts public employers as of April 2, 2012.

The Public Employee Retirement Administration Commission has instructed all Massachusetts contributory retirement boards to implement the new limit as follows: **Retirees may earn an additional \$15,000 per calendar year beginning with their second full calendar year of retirement.**

<b>Date of retirement</b>	<b>Date eligible to earn additional \$15,000</b>
Before or on 4/1/2011	4/2/2012
4/2/2011 – 12/31/2011	1/1/2013
1/1/2012 – 12/31/2012	1/1/2014
1/1/2013 – 12/31/2013	1/1/2015
1/1/2014 – 12/31/2014	1/1/2016

For example:

- Alan retired on June 30, 2011. He will become eligible to earn the additional \$15,000 beginning on January 1, 2013.
- Mary retires on June 30, 2012. For the rest of 2012 and all of 2013, she is subject to the regular earnings limitation; on January 1, 2014, she may earn an additional \$15,000 during calendar year 2014, and during each subsequent calendar year.

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**3) NEW members who enter into a Massachusetts public retirement system, or re-enter after taking a refund, on or after April 2, 2012**

- The minimum retirement age is raised from 55 to 60 (Ch. 176, sections 11, 16).
- The age factors in the retirement formula are reduced (Ch. 176, section 16).
- The salary average period used in the retirement benefit calculation formula is lengthened from 3 years to 5 years (Ch. 176, section 13).
- The contribution rate is reduced by 3% (e.g., from 9% to 6%) once a member has 30 years of creditable service (Ch. 176, sections 20, 39).
- For ordinary disability retirement, the minimum age factor is increased from 55 to 60 (Ch. 176, section 23).
- For active member spousal survivor benefits, the minimum age factor is increased from 55 to 60 (Ch. 176, section 28).
- The termination retirement formula and benefits are eliminated (Ch. 176, section 25).
- Eligibility for retirement at any age with 20 years of creditable service is eliminated (Ch. 176, section 24).
- **The interest charged on certain service purchases is increased** (Ch. 176, section 9)  
This provision requires that the interest charged on refund buybacks and other service purchases under M.G.L. c. 32, section 3, be increased from “buyback” interest (which is, by definition, one half of the actuarially assumed interest rate, or 4.0% at this time) to “actuarial” interest (which is the actuarially assumed rate of return on our system's investment fund, and is currently 8.0%), if the service purchase is not made within a specified time period.

The service purchases subject to this provision are those for:

- refund buybacks (which are the repayment, with interest, of funds withdrawn by members from their former Massachusetts public retirement systems),
- and other Massachusetts non-membership public employment.

The interest charged on the above-noted service purchases will now be *either* buyback interest *or* actuarial interest, depending on your membership history and the date you apply to purchase your prior service. Specifically, if you are a:

- **NEW member who establishes membership...**
  - **before April 2, 2013** (one year from the effective date of Chapter 176): You will be charged buyback interest **if** your service purchase application is received before April 2, 2013 and you *either* pay for the purchase in full *or* commit to an installment agreement before April 2, 2013, or the invoice due date, whichever is later. If your application is received on or after April 2, 2013, you will be charged actuarial interest.
  - **on or after April 2, 2013**: You will be charged actuarial interest.
- **FORMER member of a Massachusetts public retirement system who re-enters membership anytime on or after April 2, 2012**: You will be charged buyback interest if your service purchase application is received within one year of your date of re-entry to membership and you *either* pay for the purchase in full or commit to an installment agreement by the first anniversary of your date of re-entry, or the invoice due date, whichever is later. If you apply to purchase or pay for this service *after* your first year of re-entry to membership, you will be charged actuarial interest.