MMA Pension Reform Summary (April 2012)

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Note: Employees hired on or after April 2, 2012 will receive a total compensation package different from that of their peers hired before the enactment of this pension reform. It's important for hiring and retention purposes to explain to potential municipal employees their full range of benefits. This document summarizes the key aspects of the reform and what the changes mean for new employees. Municipal human resources professionals are encouraged to look for the new retirement guides to be published by PERAC and to consult their local retirement boards and legal counsel for additional information.

Chapter 176 of the Acts of 2011: An Act Providing for Pension Reform and Benefits Modernization

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On November 18, 2011, Governor Patrick signed into law his third round of pension reform, Chapter 176 of the Acts of 2011: An Act Providing for Pension Reform and Benefits Modernization. This Act builds on the reforms in the Governor's first two rounds of pension reform, and focuses on systemic changes to ensure the long-term viability of the pension system. Together with the earlier reforms, these changes, mostly impacting employees hired on or after April 2, 2012, are expected to save the state and municipalities $5 billion over the next 30 years.

Highlights of changes for employees hired on or after April 2, 2012:

- **Increases minimum retirement age:** increases the minimum retirement age for most state and municipal employees from 55 to 60.

- **Eligibility age to collect a full pension:** "normal" retirement age for all groups increases by two (2) years. For example, the eligibility age for a full pension increases from 65 to 67.

- **Group classification:** pro-rates benefits for employees who worked in several classification groups, and ensures that in order to retire in Group 2 or Group 4 a member must have worked in a position in that group for no less than 12 consecutive months immediately prior to termination or retirement.

- **High five instead of high three:** calculates an employee's pension benefit by averaging the employee's earnings in their 5 highest consecutive earning years, rather than the current 3 highest consecutive earning years.

- **Retirees elected or appointed to public office:** Limits the ability to receive a pension while receiving compensation as an elected official and requires elected/appointed officials to repay the full amount of any retirement allowance received, plus buyback interest in order to rejoin the system.

- **Eliminates termination benefit:** Employees (hired after April 2, 2012) who are terminated after 20 years of service, through no fault of their own, are no longer eligible for the §10 termination benefit.

- **Anti-spiking:** Except in cases of bona fide promotions or job changes, an employee's regular rate of compensation cannot exceed 10% of the average pensionable earnings for the previous two years.

- **Repayment of allowances received by members convicted of crimes:** If a retiree's final conviction of an offense results in a forfeiture of their retirement benefit, the retiree shall forfeit such benefit and can be required to repay all benefits received after the date of the offense of which the retiree was convicted.

- **Contribution Rates:** Reduces the contribution rate by 3% once an employee has 30 years of creditable service.

- **Increase on limits to private sector earnings while receiving a pension:** retirees retired for at least one year may earn an additional $15,000/year in post-retirement earnings from Massachusetts public employers. The new limit equals the difference between the salary being paid for the member's former position and the amount of his/her retirement benefit, plus $15,000.

Changes relative to retirement boards:

- **Local option increases to retirement board member compensation:** By local option, retirement board member compensation can be increased to a $4,500 stipend.

- **Records of collecting bargaining agreements:** requires that the retirement board receive a copy of all collective bargaining agreements, check for consistency with Chapter 32, and maintain copies.

- **Statement of financial interest:** all members of a retirement board must file a Retirement Board Member Statement of Financial Interest with PERAC within 30 days of becoming a retirement board member. These statements are exempt from disclosure under the Public Records Law.

- **Training and Education:** The law requires that during each term a retirement board member must complete 18 hours of training.