

Worcester Regional Retirement System





About Us

- Provide benefits to the public employees and retirees of 100 governmental units throughout Worcester County.
- As one of 104 public employee retirement systems within the Commonwealth of Massachusetts, the Worcester Regional Retirement System operates under and administers the provisions of the contributory defined benefit plan established by Chapter 32 of the Massachusetts General Laws.
- Governed by a 5-member Board of Trustees, the plan has approximately 10,000 members and over 1 billion dollar in assets.



Discussion

General Membership Information
& Changes to Membership
Regulation Effective 8/28/2023

Regular Compensation

Creditable Service Purchases

The Retirement Process – It's
easier than you think!

Board Policy – Post Retirement
MA Public Sector Earnings



Membership

All full-time employees of member units are eligible for membership.

Employees must work at least 1040 in a calendar to establish membership in the WRRS.

Any person holding a position for which annual compensation is at least \$5,000.00.



Ineligible for Membership

Employees
working
under 1040
hours per
year

Temporary
Employees

Substitute
Teachers
paid on a per
diem basis

Any
employee
earning
under \$5,000
per year

Changes to Membership Regulation



- Eligible part-time employees no more waiting 15 months to become a member.
- Regulations apply to membership service, service purchases, transfers, etc.
- Part-time service for non-certified school employees in working in continuous non-teaching capacities.
 - Service = hours worked per year / 1170 hours per school year
 - 6.5 hours (average day) x 180 days in school year = 1170
 - 50% capacity = 585 hours per year
- Part-time – Full-time or vice versa = part-time service is prorated based on FTE of member unit
 - 40 hours per week: FTE = 173.333 hours per month, hours worked per month / 173.333.
Ex. 86.6665 hours per month / 173.333 = 50%
 - 37.5 hours per week: FTE = 162.5 hours per month, hours worked per month / 162.5.
Ex. 81.25 hours per month / 162.5 = 50%



Contribution Rate

Members make pre-tax deductions to the Board through payroll. The rate of contribution depends upon when membership was first established in one of the 104 Boards in the Commonwealth.

- Prior to: 01-01-1975.....5%
- On or After: 01-01-1975.....7%
- On or After: 01-01-1984.....8%
- On or After: 07-01-1996.....9%

- Members who entered service after: 01/01/1979 contribute an additional 2% of regular compensation in excess of \$30,000





Correct 2% Calculation

- annual salary: \$45,000
- service in a contributory retirement board began on 6/1/2023
- contribution rate: 9%+2%
- 26 pay periods per year
- \$45,000/26 pay periods: \$1,730.77
- ✓ \$4,050.00 x 9% = \$155.77 (flat 9% deduction)
- ✓ $\$30,000.00 / 26 = \$1,153.84$
- ✓ $\$1,730.77 - \$1,153.84 = \$576.92$
 $\$576.92 \times 2\% = \11.54
- ✓ total bi-weekly deduction: \$167.31



Incorrect 2% Calculation

- $\$1,730.77 \times 11\% = \190.38
- This is equivalent to an overpayment of \$23.07 (bi-weekly) and \$599.82 annually.





Unchanged

- School employees working only during the school year = 1 year of service
- School employees working a 12-month year: 12 mo. = 1 year
- Maximum amount of service for 1 year is 1 year.
- Members employed in a part-time capacity receive full-time service credit unless they switch to a part-time capacity.
- Board accepts liability for otherwise membership eligible CETA funded service.
- Position must pay at least \$5,000.00 to be eligible for membership.



Q.) An employee with 10 years of service moves to a part-time position in a town with a full-time work week of 37.5 hours. Their hours will be reduced to 22.5 hours per week. What percent of full-time do they work? How much creditable service will they receive in this position each year?

A.) $22.5/\text{hours per week} \times 52 \text{ weeks}/12 \text{ months} = 97.5 \text{ monthly}$
 $97.5/162.5 = 60\%$
 $12 \text{ months} \times 60\% = 7 \text{ months, 4 days per year}$



Q.) An employee of a town works 70% of part-time from 1/1/1990-12/31/2003. As of 1/1/2004, they are working full-time. How is this member's creditable service determined?

A.) $13.0 \text{ years} \times 70\% = 9 \text{ years, } 1 \text{ month}$
 $1/1/04-9/30/2023 \text{ (full-time)} = 19 \text{ years, } 9 \text{ months}$
Total Service as of 9/30/23: 28 years, 10 months



Regular Compensation - How Is It Determined?

- Must meet the definition of “wages” pursuant to M.G.L. C. 32, S. 1.
- The Public Employees Retirement Administration Commission (PERAC) Regulation CMR 15.03 provides a guide of amounts determined to be, and not to be, regular compensation.



Regular Compensation – Pensionable

PERAC Regulation CMR 15.03 indicates amounts determined to be regular compensation must meet the definition of “wages” pursuant to M.G.L. C. 32, S.1:

- Base Salary
- Pre-determined, non-discretionary, guaranteed to employees who are “similarly situated.” Ex. A longevity payment of \$1,000.00 annually to all employees with 25 years of service.
- Payments made due to the time the work takes place as a condition of employment. Ex. certain positions receive shift differentials.
- Payments for expertise that an employee holds relevant to their position. For example, employer approved educational incentives.
- Wages derived from federal grants.
- Lump-sum retroactive payments the employee receives as their base salary, due to settled contracts.

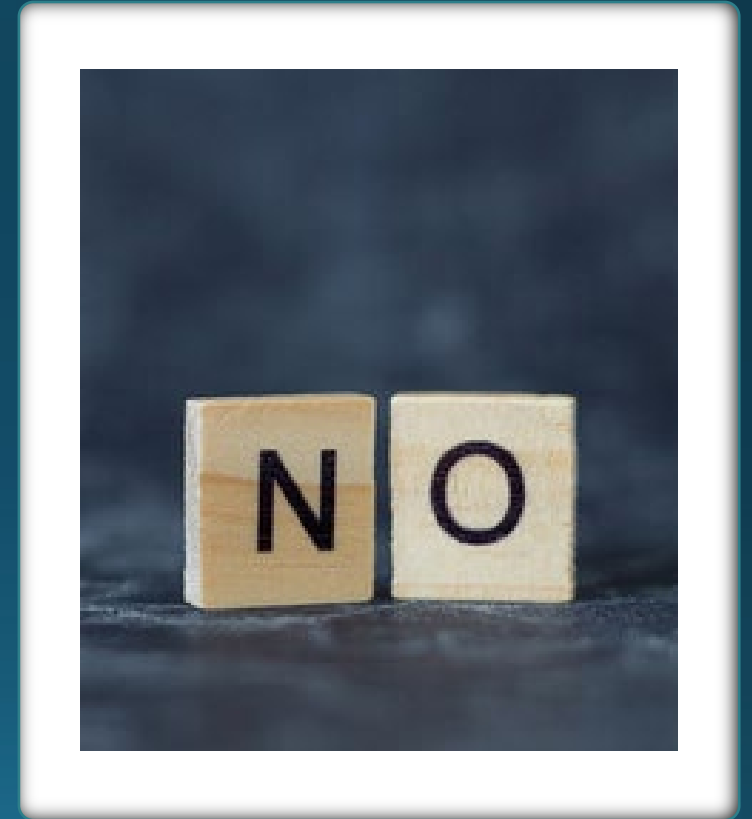


Regular Compensation – Not Pensionable



Amounts not included in the definition of wages are as follows but not limited to:

- Overtime
- Commissions
- Bonuses other than Cost of Living increases
- In-kind or other payments for items such as housing, lodging, travel, automobile usage, insurance premiums, dependent care assistance and employee tuition.
- Salary Enhancements or Augmentations which will only recur for a limited or definite term
- Amounts received for sick leave or vacation leave buyback.
- Payment for termination, severance or dismissal from service.
- Any amounts paid as premiums for working on holidays, **except police, firefighters, fire alarm signal operators, or signal maintenance repairment.**
- Amounts paid due to the employer's knowledge of the employee's retirement. For example, early retirement cash incentives.





Regular Compensation Questions

- Chapter 32 is not always 100% clear.
- If you have questions, please contact us. We will review the language and provide an opinion.
- Board staff cannot assist in rewriting or revising contract language.



Creditable Service Purchases

- Refund of previous service: 1 year from 4/2/12 or establishing membership in a MA contributory retirement board, whichever is later, buyback interest ($1/2$ actuarial interest rate). If no payment is made during this period, the buyback is recalculated with full actuarial interest (currently 7.25%).
 - 2-year return to service rule: Members returning to service must work for 2 consecutive years prior to retirement.
- Makeup of eligible non-membership service: $\text{Hours of service} / 2080$ (hours per year) = amount of service credited
- Payment must be received in one lump-sum. May use pre-tax funds rolled over from qualifying plans.
- Employees paid from federal Comprehensive Employment Training Funds (CETA funds), who otherwise would have been eligible for membership.



Service Purchase Documentation

- Sole responsibility of member to obtain and provide to the Board verification of this past service rendered.
- Documentation includes, but is not limited to:
 - ✓ payroll records verified by the payroll coordinator for the employer or any other employee who has the similar duties of the payroll coordinator
 - ✓ amount of compensation received for each calendar year
 - ✓ number of hours worked for each calendar year in which service is sought to be purchases





WRR Board - Application to purchase Prior Non-Membership Service Directions

Step 1.) Complete Part 1 of the application.

Step 2.) Send Part 2 to your employers. Please be advised that Part 2 is required to be completed by all member units where you were employed. All employers should send their completed Part 2 back to you to submit to the Board.

Step 3.) Submit the full, completed application to the Board by mail or drop it off at our office. Below, please find our contact information:

Worcester Regional Retirement System
25 Midstate Drive, Suite 106
Auburn, MA 01501
Phone: (508) 832-6314

WRRS Prior Non-Membership Service Purchase Form



Part 1.) To be completed by member.

Last 4 Digits of SSN:

First Name: Last Name:

Address:

City: State: Zip Code:

Current Units:

Email:

Phone:

Unit(s) where service was rendered:

Calendar Years of Service:

Signature

Date

Part 2.) To be completed by employee Payroll Coordinator or Comparable Position.

Calendar Year	Position	Hourly Rate	Total Hours	Total Earnings

☞ If additional rows are required, please print additional copies of the table and attach them to the completed form.

I attest that the above documentation is accurate to the best of my knowledge, and subject to the pains and penalties of perjury.

Name: Title:

Unit:

Address:

City: State: Zip Code:

Signature

Date

Non-Membership Service Purchase Form
www.wrrboard.org under Forms



Directions To Member

- Complete Part 1 of the Application: Includes general information (name, address, email etc.), units where the service was rendered, the calendar years of the service, and requires a signature and date.
- Next, the member is directed to send Part 2 of the application to their former employer.



Planning Ahead

Is your record of creditable service complete?

Check with your retirement office to make sure that your record is complete. Make sure that we have a record of all your Massachusetts public service and military service.

Did you have other public service credits?

If you have retirement funds in another Massachusetts public system, tell your retirement office. The funds and service credits can be transferred to your current account. If you have withdrawn funds, you can arrange to buy back the service credits.

Do you have social security credits?

Check with the Social Security Office to determine what benefits you will receive. In many cases, public pension income causes a reduction in Social Security benefits. Make sure you determine how the Windfall Elimination Provision (The WEP) and the Government Pension Offset (The GPO) affect you.

Can you buy military service or previous public service?

Check with your retirement office to see if you qualify to purchase military service or service in a former job in the public sector. The Worcester Regional Retirement System requires a one-time lump sum payment for the purchase of service, so plan ahead.



Types of Retirement

- Superannuation (regular retirement)
- Accidental Disability: permanent incapacitation due to a work-related injury or condition.
- Ordinary Disability: permanent incapacitation due to an injury or condition that is not work related.
- Termination Retirement:
 - No moral turpitude
 - 20 years of creditable service required
 - Only available to members who began contributing prior to 4/2/2012
 - Benefit based on $1/3$ of salary average + portion of annuity savings account
 - Approximately 45% of salary average
 - **Members who accept cash incentives to retire are providing their employers with advanced notice of retirement and will not qualify.**



Retirement Eligibility

Membership Began Prior To 4/2/2012

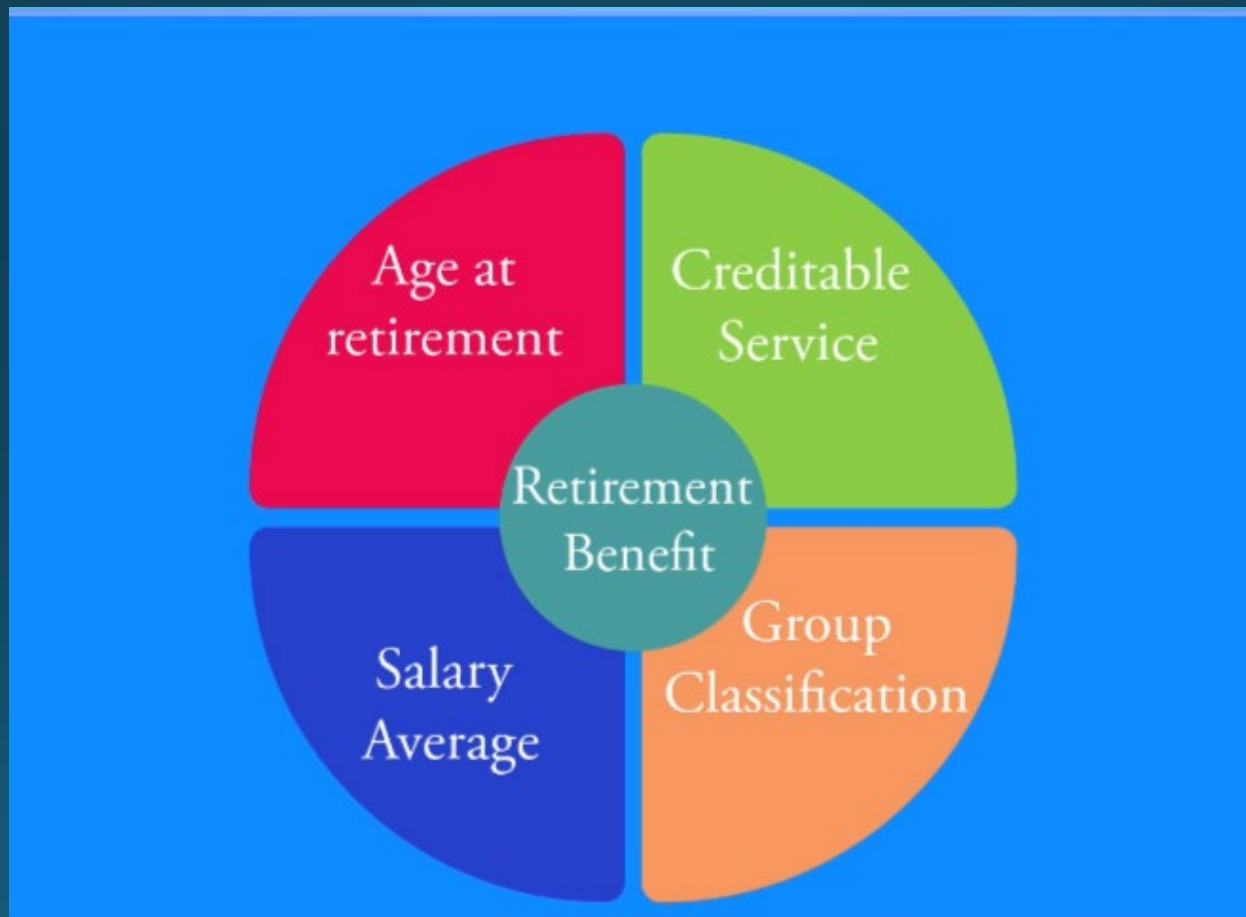
- Age 55 with at least 10 years of service, or 20 years of service regardless of age.
- 80% maximum of highest consecutive 36 months of regular compensation.
- Age factor capped at 65 (2.5%)
- Exempt from MA state tax

Membership Began On or After 4/2/2012

- Age 60 with at least 10 years of service
- 80% maximum of highest consecutive 60 months of regular compensation
- Age factor capped at 67 (2.5%)
- Exempt from MA state tax



Benefit Components





Superannuation Retirement Formula

Age x creditable service x salary average

- *Capped at 80% of salary average*





Retirement Options

Option A: Provides the maximum benefit to the retiree. There is no beneficiary when the retiree passes away.

Option B: Provides the retiree a benefit amount that is approximately 1-2% less than Option A. The retiree designates beneficiaries (not to exceed 100%) on the application. If there are funds remaining in the retiree's Annuity Savings Account (contributions + interest) the amount will be distributed in lump sums according to the retiree's Option B Beneficiary Designation Form. Once the retiree's Annuity Savings Account depletes (approximately 10-12 years), there is no longer a benefit to their designated beneficiaries. However, the retiree's benefit amount does not change. It is paid entirely from the pension fund

Option C: Provides the retiree a benefit amount that is approximately 8-12% less than Option A. The retiree names a beneficiary (parent, spouse, child, sibling or former spouse who has not yet remarried). If the retiree predeceases their beneficiary, they will receive 2/3 of the retiree's gross monthly benefit for the remainder of their life. If the beneficiary predeceases the retiree, the retiree's benefit automatically "pops up" to Option A. Another Option C beneficiary cannot be designated.



Group Classification

- Group 2: 5 years added to age (certain positions that involve physically demanding or hazardous conditions)
- Group 4: 10 added to age (certain public safety officers)
- Contributing Prior to 4/2/12: Members may elect to pro-rate service.
- Contributing On or After 4/2/12: All service is pro-rated.



Steps To Retirement

Request an estimate of your benefit by phone or email us on our website by clicking on Contact Us .

Schedule an appointment for retirement counseling with your spouse or a trusted friend Bring your estimate, birth certificate, marriage certificate & spouse's birth record, if applicable.

Complete your retirement application and mail it in or drop it off at our office.

Required Forms On Our Website



www.wrrboard.org



Click on Forms in the Action Center Box

Action Center

-  About WRRS
-  **Forms**
-  Links of Interest
-  Benefit Calculator
-  Contact Us
-  Upcoming Meetings



Print Forms in Retiree Section

- ✓ Retirement Application (includes Option Form)
- ✓ W-4P withholding for federal taxes
- ✓ Direct Deposit



Superannuation (regular retirement) Retirement Application

- Complete application in its entirety
- Divorced and subject to the terms of a Qualified Domestic Relations Order (QDRO), which entitles your ex-spouse to a portion of your benefit, make sure you check “Divorced” box in marital status, unless you have remarried, and the “Yes” box next to question regarding the QDRO.
- Include a copy of the DRO signed by a Judge if it has not already been sent to the Board.

Member's Present Contact Information:

<input type="text"/>	<input type="text"/>	<input type="text"/>
Member's Last Name	Member's First Name	Social Security # (last four)
Street Address: <input type="text"/>		
City/Town: <input type="text"/>	State: <input type="text"/>	Zip Code: <input type="text"/>
Email: <input type="text"/>		
Phone: <input type="text"/>		
Marital Status: <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Widowed <input type="checkbox"/> Divorced		
If Divorced, do you have a Qualified Domestic Relations Order (QDRO) in place? <input type="checkbox"/> YES <input type="checkbox"/> NO		

Choice Of Option

- **Only** complete sections pertaining to the Option you select.
- If you are married at the time of retirement your Spousal Acknowledgement section **must** be completed.



Required Documentation

- All options: A copy of your birth certificate
- Option C: A copy of your marriage certificate and spouse's birth certificate
- Veteran's: A copy of your DD 214



Direct Deposit Form



Remember to include a voided check or photocopy of a blank check.



W-4P Form for Federal Taxes

- Complete Step 1. a-c & Step. 5
- Please read Sections 2-4 and complete if applicable.
- Can be changed at any time
- WRR Board Staff cannot provide tax advice





Wrapping It Up

1

Send your completed Application, Choice of Option, Direct Deposit & W-4P to the Board by mail or drop it off at our office.

2

You will receive your first payment approximately 8-12 weeks after your date of retirement.

3

Your first check will be retroactive to your retirement date.



Health Insurance

- Health coverage is administered by your former employer.
- Health insurance premiums can be deducted from your retirement allowance
- Retirees should contact their employer for information on coverage and determination of premium costs.



Cost of Living Adjustments (COLA)

- The Board votes on COLA payments each fiscal year (July-June).
- The Board has been supportive and consistent in approving annual COLA payments. The most recent being 3% of the first \$16,000 of each retiree's annual benefit payment.
- You are eligible for COLA increases after being retired for a full fiscal year (July-June).



Working After Retirement

- Private sector: Unlimited hours and earnings
- MA Public Employment
 - ✓ 1200 hours per calendar year (January-December)
 - ✓ Earn difference between the current salary paid in the position you retired from – your annual WRRS benefit.
 - ✓ If the position you left now pays less, and your salary was not bargained collectively, apply consumer price index.
 - ✓ One full calendar year into retirement (January-December) you can earn an additional \$15,000.
 - ✓ The limits are reached when either earnings or hours are met, not both.
 - ✓ If you will exceed limits, you may waive pension or return to service under S. 105. Under S. 105, you may re-retire after working full-time for at least 5 years and paying back all benefit payments with interest.





Post Retirement Earnings

Less than 1 calendar year after retirement

Q.) A 6/30/2023 retiree accepts a public sector position as of 1/1/2024. Their salary was paid according to their step on the Collective Bargaining Agreement. If they had not retired, they would now earn \$65,000 annually. They receive an annual retirement allowance of \$45,000.00. How much can they earn in calendar year 2024.

A.) They may earn \$20,000.00 in calendar year 2024.

$$\$65,000.00 - \$45,000.00 = \$20,000.00$$



Post Retirement Earnings

Retired 1 Full Calendar Year

Q.) The retiree from the previous example decides to continue working in the same position in calendar year 2025. The step they received on the salary schedule now pays \$67,500.00 annually. They also received a 3% COLA increase as of 7/1/2024 on the first \$16,000.00 of their benefit. How much can they earn?

A.) This retiree may earn \$37,020.00 in calendar year 2025.

$$\$45,000.00 + \$480.00 = \$45,480.00 \text{ (annual benefit)}$$

$$\$67,500.00 - \$45,480.00 = \$22,020.00$$

$$\$22,020.00 + \$15,000.00 = \$37,020.00$$



Post Retirement Earnings – No CBA

Q.) A 8/1/2022 retiree accepts a public position as of 7/1/2023. They were not paid pursuant to a CBA and receive an annual benefit payment of \$78,000.00 at retirement. Prior to retirement, this member's salary was \$85,000.00 annually. After the member retired, the unit hired a candidate that did not have as much experience, so the salary for the position became \$80,000.00. How much can this retiree earn in calendar year 2023?

A.) This retiree may earn \$24,701.11.

$$\$85,000.00 \times 3.1778\% \text{ (CPI)} = \$2,701.11$$

$$\$85,000.00 + \$2,701.11 = \$87,701.11$$

$$\$87,701.11 - \$78,000.00 = \$9,701.11$$

$$\$9,701.11 + \$15,000.00 = \$24,701.11$$



Bureau of Labor Statistics CPI Inflation Calculator

[CPI Inflation Calculator \(bls.gov\)](https://data.bls.gov/cgi-bin/cpicalc.pl)

CPI Inflation Calculator

\$

in 2022

has the same buying power as

in 2023



Questions?

www.wrrboard.org

Hours: Monday-Friday 8:00 a.m.-4:30 p.m.

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