

Massachusetts Housing
Finance Agency Employees'
Retirement System

Retirement Overview
June 29, 2023

● Why Have a Plan?

- Federal law requires that individuals contribute to a “qualified plan”
- Employees of the Commonwealth of Massachusetts and its political subdivisions who are eligible for membership in the applicable retirement system do not contribute to the federal Social Security system
- Governed by M.G.L. Chapter 32
- Membership is Mandatory
- Defined Benefit Plan

MHFA Employees' Retirement Board

- One of 104 Boards in Massachusetts
- Board is established under M.G.L. Chapter 32
- Separate from the MassHousing Board
- System is 93% funded. A fully funded pension is one with a 100 percent funding status, which means there is enough money to cover liabilities.

Board Members and Employees

- Michael Fitzmaurice - Chair
- Tom Flynn - Appointed
- Antonio Torres - Elected
- Paul Hynes - Fifth Member
- Joseph Petty – Executive Secretary
- Michelle Shinnick – Senior Retirement Analyst

- A Defined Benefit Plan

- Benefit provided by plan/law (formula)
- Employer has the risk
- Employee and employer share cost
- Future liability on employer
- Once started, difficult to end
- Benefits long-term employees
- Portability limited

- A Defined Contribution Plan

- Not Chapter 32
- Final account balance is the benefit
- Employee owns the risk
- No future liability for employer, could cancel at any time
- Employee is in the driver's seat
- Portability

- A Qualified Plan § Each of the 104 retirement systems in Massachusetts is a defined benefit plan.
- All are bound together under one law — Chapter 32 of the Massachusetts General Laws, our “plan document.”
- Each is also a “qualified plan” operating under Section 401(a) of the Internal Revenue Code.

Membership Status

● Member-in-Service

- A member who is regularly employed in the performance of his/her duties
- Membership continues until:
 - Death
 - Retirement
 - Failure of re-election or re-appointment
 - Discharge from office or position

- Regular Compensation:

Compensation received exclusively as **wages** by an employee for services performed in the course of employment for their employer.

- Wages:

The base salary or other base compensation of an employee.

- **“other base compensation”:**

Pre-determined, non-discretionary, guaranteed payments paid by the employer to similarly situated employees.

- **Some payment types have never been regular compensation:**

Overtime, bonuses, unused vacation and sick pay, severance, etc.

The limit on regular compensation under G.L. 32 for persons who became members after January 1, 2011, is \$211,200 (2023).

Membership Status

- **Member-Inactive**
 - Retire and receive a retirement allowance
 - Separated Voluntary or Involuntary
 - Elected officials who are not reelected

Membership Status

- Dual Membership
- Transfer of Service
- Statement of Service
 - Within one year of service, you must notify the System of past government service you wish to claim credit

Contribution by Members

Pre-Tax Dollars

- Prior to January 1, 1975 5%
- Jan 1, 1975 to Dec 31, 1983 7%
- Jan 1, 1984 to June 30, 1996 8%
- July 1, 1996 9%
- State Police/ July 1, 1996 12%
- Salary in Excess of \$30,000-1/79 2%

Creditable Service

- Present employment: Generally, it is 1 year of creditable service for each year completed-special rules apply for part-time service
- Re-establish credit of refunded or prior public service
- Veterans' Service
 - Eligible to buyback up to 4 years of military service
 - National Guard: 1 year for every 5 years may be credited
- Transfers of time from one retirement system to another
- Buyback Options
 - Lump sum payment
 - Extra make-up deductions

Transfers

- If you go directly from employment in one retirement system to employment in another, your retirement account should transfer with you to the second system.
- There are special rules for someone who has been a dual member of two different retirement systems on or after January 1, 2010.

Two Plans

- The rights of people who become members as of April 2, 2012, and thereafter are different than the rights of people in a retirement system on or before April 1, 2012.
- The following slides explain the differences in calculating a superannuation retirement allowance for those who were members on or before April 1, 2012, and those who joined a system as of April 2, 2012, and thereafter.

– On or before April 1, 2012:

- May retire at age 55 or older with at least 10 years of service, or
- May retire at any age with 20 years of service or more
- § Age 55 factor: 1.5

- As of April 2, 2012:

- May retire at age 60 or older with at least 10 years of service
- Age 60 factor: 1.4

Massachusetts Housing Finance Agency Employees' Retirement System

- **Table for New members after April 2, 2012, and with less than 30 years service at retirement**

PERCENT	AGE/GROUP 1
2.50	67 or older
2.35	66
2.20	65
2.05	64
1.90	63
1.75	62
1.60	61
1.45	60

Massachusetts Housing Finance Agency Employees' Retirement System

- **Table for New members after April 2, 2012, and with 30 or more years service at retirement**

PERCENT	AGE/GROUP 1
2.50	67 or older
2.375	66
2.250	65
2.125	64
2.0	63
1.875	62
1.750	61
1.625	60

From a 3-Year Average to a 5-Year Average

MEMBERS On or BEFORE April 1, 2012:

- Average of three highest years used in calculation

MEMBERS On or AFTER April 2, 2012:

- Average of five highest years used in calculation

- **OTHER CHANGES for Members hired on or after April 2, 2012:**

- 1. Option D Benefit Reflect New Minimum Age**

- If a member dies prior to attaining age 60, the Option D benefit will be calculated as if the member was age 60 on the date of death.

- 2. Contribution Rate**

- For Member's contribution rate is reduced from **9% to 6%** after **30** years service.

Types of Retirement

- Superannuation
- Accidental Disability
- Ordinary Disability
- Section 10

Vesting Requirements

It signifies the right to a retirement allowance

- Member of a public employee retirement system
- 10 years of service
- Did not withdraw payments into the System

Retirement Allowance is based on:

- Age
- Length of creditable service
- Highest 36 consecutive months of regular compensation
- May not exceed 80% of your three-year or five-year average annual rate of regular compensation
- Veteran's Premium - \$15 per each year of state service up to 20 years (Maximum of \$300/yr.)

Example of a Retirement Benefit

- Age/Age Factor 68/.025
- Years of Creditable service 32
- Status Non-Veteran
- Average 3yr. Salary \$36,000

$$(.025 \times 32 = .80) \times \$36,000$$

Total Annual Allowance = \$28,800

Retirement Options

● Option A

- Benefit paid to member only – Maximum benefit
- All benefits cease on death. There is no beneficiary.

● Option B

- 1 – 5% reduction in benefit
- Beneficiary would receive remaining unexpended balance of your accumulated total deductions, IF ANY

● Option C

- Joint and Last Survivor Allowance
- 7 – 15% reduction in benefit
- Beneficiary will receive a monthly allowance for the remainder of his or her lifetime equal to $\frac{2}{3}$ ^{rd's} of your allowance
- POP-UP if beneficiary predeceases retiree

Option D for Active Employees

- Active employees can fill out a form naming a beneficiary. Form is available on masshousingretirement.com
- If beneficiary is other than spouse, the spouse has first option or waive rights
- If no Option D is chosen the beneficiary or estate would receive a lump sum refund

Considering Retirement

- Contact Joe Petty, jpetty@masshousing.com, x1871; or Michelle Shinnick, mshinnick@masshousing.com, x1123.
- Review Information on MassHousing's Intranet MassHousingretirement.com
- Application can be filed 120 days in advance
- You can withdraw up until the day of retirement
- No changes can be made after retirement date
- Required Paperwork

Other Considerations

- Employment in the Public Sector limited to 1200 hours/yr. and/or salary difference within a calendar year
- Waive pension if working full time
- Un-retire but must repay benefits and must work 5 years before retiring
- Private sector employment has no impact
- Forfeiture of Benefits
- No State taxes in Massachusetts on pension, however, beware of State tax implications if you move into another State
- Pension benefit is paid out once a month.

Withdrawal/Refund Options:

- Direct Rollover.
- Paid directly to member. 20% will be withheld for federal taxes and remitted to the Internal Revenue Service.
- Partial Direct Rollover with the balance paid directly to member, less 20% federal tax withholding, which will be remitted to the Internal Revenue Service.

Anti-Spiking Provision

- Members retiring on or after April 2, 2012, the retirement calculation shall not include regular compensation that exceeds the average of the two preceding years' regular compensation by more than 10%. There are exceptions for salary modifications-promotions. If a member has had deductions withheld which are excluded from regular compensation under this provision, the money shall be returned to the member with interest at the assumed actuarial rate.

Questions??