

THE RETIREMENT PROCESS

Essex Regional Retirement System

March 12, 2020
Town of North Andover

Disclaimer: *This presentation is intended as a guide for informational purposes only. Regardless of any statement contained herein, the benefits due to members of the retirement system shall be governed by statute and/or regulation. This presentation is not intended to confer any right or benefit that is not authorized by statute and/or regulation.*

Planning for your retirement

- How does the retirement system work?
- Who do I speak with about my retirement?
- When do I become eligible for a retirement benefit?
- How is my retirement benefit calculated?
- How can I plan for my retirement?
- How do I apply for a retirement benefit?
- How do my years of service affect my benefit?
- Can I work in the public sector after I retire?
- *When can I retire?*

RETIREMENT TERMS

- **Member** = A public employee eligible to be enrolled in the retirement system.
- **Regular Compensation** = Retirement eligible earnings.
- **Creditable Service** = Time as an employee that is used to calculate your retirement benefit.
- **Superannuation** = Standard retirement benefit.
- **Vested** = The point at which you have earned the right to a superannuation retirement benefit.
- **Benefit Calculation** = *Age at time of retirement + Creditable **Service** + **Group** Classification + 3 or 5 highest consecutive years of **Earnings**.*

ESSEX REGIONAL RETIREMENT SYSTEM

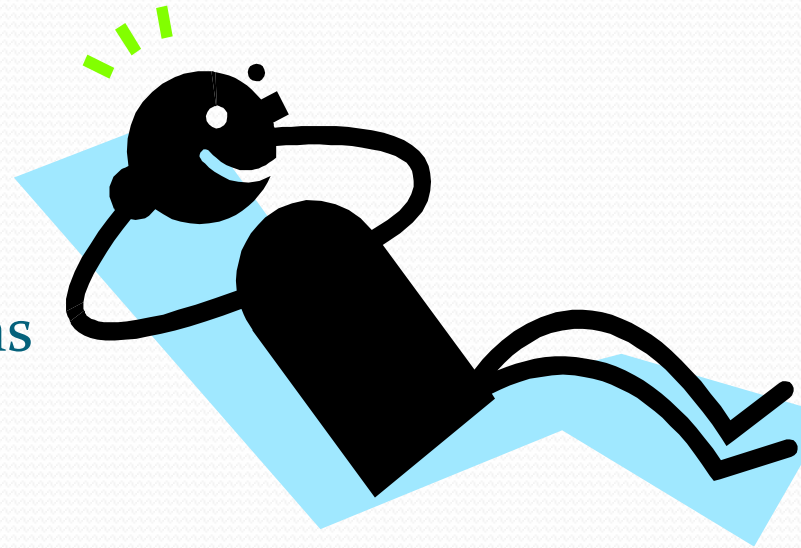
- **As a Member/Employee:**
 - Establishes Membership
 - Enrolls You
 - Assigns Group
 - Receives Withholdings
 - Manages Contributions
 - Calculates Service Time
 - Pay Beneficiaries



ESSEX REGIONAL RETIREMENT SYSTEM

- **As a Retiree:**

- Approves Application
- Calculates Benefit
- Pays Monthly Benefit
- Withholds Insurance Premiums
- Recoup Over-earnings
- Distribute 1099R's
- Verify Benefit Payee Bi-Annually
- Pays Beneficiaries



MEMBERSHIP

You are a member of the retirement system if:

- You are a full-time public employee – Required by statute.
- You are a part-time employee on a “permanent” schedule of 20 or more hours per week for a “single” employer unit.
- And, you earn in excess of \$5,000 per year.

A public employee not in ERRS must be enrolled in another qualified plan, such as OBRA

RETIREMENT DEDUCTIONS

- If you became a member **before 1975** your contribution rate is **5%**.
- If you became a member between **1975 - 1983** your contribution rate is **7%**.
- If you became a member **between 1984 - June 30, 1996** your contribution rate is **8%**.
- If you became a member **after July 1, 1996 to present** your contribution rate is **9%**.
- Employed after January 1, 1979, any earnings over \$30,000 have an additional **2%** withheld.

REGULAR COMPENSATION

- Regular compensation is wages that are subject to retirement withholdings.
- Regular compensation must be “Base compensation or other base compensation.”
- Examples of what regular compensation **is not**:
 - Overtime, bonus pay, severance pay, payments for unused sick time, vehicle or clothing allowances, etc.
 - Any pay that is not “base compensation or other base compensation.”

Which Group do I belong to?

GROUP 1

Officials and general employees including clerical, administrative and technical workers, laborers, mechanics, and all others not otherwise classified.

GROUP 2

Includes certain employees with hazardous occupations, such as ambulance attendants, and mental health hospital attendants.

GROUP 3

State police officers.

GROUP 4

Public safety officers, officials, and employees, such as police officers, firefighters, and certain correction officers.

If you became a member of Group 1 or 2 **before April 2, 2012**

- And you became a member **before** January 1, 1978, you may retire upon reaching age 55. There are no minimum service (vesting) requirements.
- And you became a member **after** January 1, 1978, you must have at least 10 years of creditable service and be age 55 or older to retire or
- And you have **at least 20 years of service**, you may retire at any age.

If you became a member of Group 4 before April 2, 2012

- You are eligible to retire at age 55. There are no minimum service (vesting) requirements.
- You are eligible to retire after completion of 20 years of service at any age.

If you became a member of Group 1 on or after April 2, 2012

You are eligible to retire if you have at least 10 years of service and are at least 60 years old.

If you became a member of Group 2 on or after April 2, 2012

You are eligible to retire if you have at least 10 years of service and are at least 55 years old.

If you became a member of Group 4 on or after April 2, 2012

- You are eligible to retire if you are at least 55 years old.
- If you are age 55 and have less than 10 years of service, you must file your retirement application while still an active member.

What if I leave my job and I'm not vested yet?

- You can leave your funds in your account and achieve the needed years to retire in this or another system.
- You can roll your funds over into another qualified plan (i.e., 457, 401K, IRA, etc.) This transfer is not subject to tax.
- You can take a refund of your accumulated deductions. A refund will be subject to tax. (Unless you rollover the funds into a qualified plan within 60 days.)
- If you return to public service, you must work at least 2 consecutive years to be eligible to retire *even if* you reach 10 years of service prior to completing the 2 consecutive years of service.

What if I leave my job and I'm already vested?

- If you have at least 10 years of service (but less than 20) when you leave your job, you must wait until age 55 to retire. Waiting to retire until after you're 55, even without any additional service, will increase your benefit each year up until age 65.

AGE AT RETIREMENT

| GROUP 1 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 |
|---------|----|----|----|----|----|------|------|------|------|------|------|------|------|------|------|------|
| 10 | | | | | | 15.0 | 16.0 | 17.0 | 18.0 | 19.0 | 20.0 | 21.0 | 22.0 | 23.0 | 24.0 | 25.0 |

When can I file for retirement?

- Contact us for a review of your account and eligibility before you notify your employer of your plans – 6 months or more in advance is best. Why?
- You need to send the date on which you wish to retire in writing to ERRS. We ask that you notify us at least 30 days in advance.
- You may file simultaneous retirement applications for superannuation, accidental, and ordinary disability, if you are eligible.

What is a Superannuation Retirement?

- Superannuation is the term that is used to describe the process of being retired upon reaching a certain age and meeting other requirements, including length of creditable service.

What is an Ordinary Disability Retirement?

- A member may file for an ordinary disability retirement when they have a medical condition which is unrelated to their job. A medical panel of three physicians must determine (1) that the member is unable to perform the essential duties of the job and (2) that the disability is permanent.

What is an Accidental Disability Retirement?

- A member may file for an accidental disability retirement when they have a medical condition which is caused by their job. A medical panel of three physicians must determine (1) that the member is unable to perform the essential duties of the job, (2) that the disability is permanent, and (3) that the medical condition is a direct result of an incident, a series of incidents or a hazard undergone on the job.
- Injury Reports – Form available on ERRS website.

RETIREMENT OPTIONS: Making a Choice

- Your decision of which retirement option to choose may be based on your health and age at retirement, your planned income from other sources, financial obligations you may have or the need to provide for others that may survive you.
- Anyone may choose from all three Options ~ A, B and C. There is no right or wrong option.
- You must choose an option before the date your allowance becomes effective.

RETIREMENT OPTIONS

- **Option A** - Provides the highest payment to the retiree for their lifetime, with no payments made to a beneficiary after the retiree's death.
- **Option B** - Provides a reduced lifetime allowance (approx. 1-3% less than Option A), terminating at the death of the retiree, with the balance of the amount contributed to the system by the retiree paid to the retiree's beneficiary or beneficiaries of record in a one-time lump sum payment. The balance in a retiree's account will be exhausted after approximately 8 to 12 years after retirement.

RETIREMENT OPTIONS

- **Option C** - Provides a reduced payment (approximately 8% - 13% less than Option A) during the retiree's lifetime. A survivor benefit of $\frac{2}{3}$ of the that allowance would be paid upon the retirees passing. The beneficiary must be an immediate family member, spouse, child, mother, father, sister, brother, or un-married ex-spouse. Should the beneficiary pre-decease the member, then the retiree's allowance would "pop up" to an Option A benefit.
- You may not change your choice of an Option after retirement.

How is my retirement allowance calculated?

- A member's monthly retirement benefit is calculated by a formula which includes the member's age at retirement, years of creditable service and an average of their highest three consecutive years of regular compensation.
- The maximum benefit allowable cannot exceed 80% of the average of regular compensation.
- The monthly benefit consists of annuity and pension. The annuity portion of your benefit is drawn from the funds in your retirement account.

What happens after I send you my written notice of retirement?

- You'll receive a packet of information which includes your retirement paperwork for you to review.
- You will need to contact us to set up an appointment to execute your retirement documents.
- Your spouse will need to accompany you and sign some documents.

What else do I need to know about my pension payment?

- There may be a delay of up to 60 days after your retirement date before your first pension payment.
- Pension payments are paid monthly via direct deposit to the account of your choosing.
- Your public pension is not subject to Mass. State tax but is subject to Federal Tax.
- You may elect to have any insurance provided by your last employer deducted from your monthly pension.

During my career I also paid into Social Security. How does that affect my public pension?

- If you are entitled to Social Security benefits, you will receive the public pension to which you are entitled, but your Social Security benefits will be reduced *in most* circumstances. This is because of the Windfall Elimination Provision (WEP). Your benefits as a spouse, widow or widower can also be affected due to the Government Pension Offset law (GPO). It's always best to contact your local Social Security office for information about **your** specific benefits.

POST-RETIREMENT EARNINGS

- I retired from the Commonwealth of MA; can I take employment with any city, town or other MA governmental employer?
 - **Yes, but** there are limitations on the hours you may work and the earnings from that work in any calendar year.
 - This will be reviewed with you at retirement but if you would like more details before then, please contact us.

RESOURCES FOR MORE INFORMATION

- Retirement Counselors Kathy Carleton is available by phone or email Monday-Friday, 8:30 a.m. to 4:30 p.m. (*You don't need to be retiring to speak or meet with us!*)
- Visit our website at www.essexregional.com for forms, reports, newsletters, upcoming Board meetings, etc.
- The Employee/Retiree Portal on our website is a great resource ~ it enables you to run retirement estimates, review your account information, etc.

Essex Regional Website

https://www.essexregional.com/

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Employment Opportunity »
The Essex Regional Retirement System is seeking a Retirement Analyst to support the provision of end-to-end retirement...

Essex Regional Retirement Board Meeting Posting & Agenda »
The posting and agenda for the meeting of the Essex Regional Retirement Board scheduled for Monday, February 24, 2020...

2020 COLA Hearing Notice »
A notice on the hearing regarding whether to grant a COLA of up to 3% to eligible members of the retirement system has...
31 Maple Street, Suite 202
(978) 739-9151
Toll Free (800) 224-4804
Fax (978) 750-0745

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