

HIC RETIREMENT NEWS

News from the Hampshire County Retirement System

May 2005

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New Interest Rates for Purchasing Creditable Service

Effective July 1, 2005. New legislation changes the annual interest rate that will be charged when purchasing creditable service. The new rate will be 4% (one half of the actuarial rate of expected investment return – 8%). Although prior to 1993, interest rates exceeded 4%, since then the interest rates have been significantly lower than 4%. The current rate is 0.6%. If you have prior non-membership service or took a refund of contributions from prior membership service, you should consider purchasing your creditable service (at the old interest rates) before July 1, 2005. This is especially true if your prior service was after 1980.

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Significant Benefit Change:

New Factors for Option B and Option C survivor benefits

New legislation (signed as part of the FY2005 State Budget) allowed the PERAC Actuary to adopt new mortality tables and interest rate to be used in the calculations of retirement options. New Option A & B factors were adopted in November 2004 and new Option C factors were adopted in late December 2004.

The net result of the new option factors provides significant benefit increases for those choosing Option B or Option C, making the choice of providing survivor benefits more financially palatable. The greatest change is to the Option C lifetime member-survivor benefits.

Upon retirement many of our members chose Option A, which provides the maximum benefit allowance to members during their lifetime, but does not provide for any survivor benefit upon the retiree's death. Prior to the change in actuarial factors the difference between the maximum Option A benefit and the lower Option C benefit providing for a survivor benefit was generally 20-30%, depending on the ages of the member and his/her designated survivor. The difference in benefits was a financial deterrent to choosing Option C. With the new mortality tables, the difference in benefits has been reduced such that

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Things you need to know about Social Security and your Hampshire County Retirement Pension

Massachusetts is a “non-Social Security” state. That means that your Massachusetts public employment is not covered by Social Security. Neither you nor your employer pays into Social Security. Instead as a member of the Hampshire County Retirement System you and your employer pay into our system, which is one of 106 Massachusetts Public Employee Retirement Systems governed by MGL Chapter 32 - a Government Pension Plan under IRS code 401(a).

Since you and your employer do not pay into Social Security, you do not earn Social Security “credits” or “quarters” for your Massachusetts public employment. However, you may still qualify for Social Security benefits through other employment or through your

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Did you know?**Social Security Delivers Most Popular Baby Names**

The most popular baby names in the United States for 2003 remain Jacob and Emily. The couple is becoming quite comfortable as leaders of the pack – Emily has been the most popular girl's name each year since 1996; Jacob has been the most popular boy's name since 1999. New to the top ten lists this year are Anthony and Elizabeth.

"Each year, Social Security produces the most popular baby names list based on all Social Security card applications for children born the previous year," said Jo Anne Barnhart, Commissioner of Social Security.

A list of the 1,000 most popular baby names for 2003, and lists categorized by state, can be found on the Social Security website: www.socialsecurity.gov

Medicare coverage is not affected by WEP or GPO offsets

Social Security continued from page 1

spouse's employment. If you are eligible for Social Security benefits you may also be subject to provisions that "offset" or reduce your social security benefits due to your receipt of a government pension. There are two provisions that may affect your receipt of social security benefits: 1) the Windfall Elimination Provision (WEP) and 2) the Government Pension Offset (GPO).

In Summary:

If you are eligible for Social Security benefits (you have 40 credits or quarters) from other employment of your own, then Social Security, under the "Windfall Elimination Provision (WEP)", may use a "modified formula" to calculate your social security benefit. Under this provision, your social security benefit may be reduced, but you will still be eligible to receive a benefit from social security.

If you are eligible for spousal or widow's benefits under Social Security, these benefits may be reduced under the "Government Pension Offset" provision. The reduction in spousal or widow's benefits is 2/3rds of the amount of your Massachusetts pension. Under this provision, your social security benefit may be reduced or may be totally offset (reduced to zero).

There are exemptions to these provisions. –

You are exempt from the WEP provisions if 1) you have at least 30 years of "substantial earnings" under the Social Security system or 2) you were eligible to retire before January 1, 1986 (20 years of service or age 55 with 10 years of service).

You are exempt from the GPO provisions if 1) you were eligible to retire before December 1, 1982 or 2) you were eligible to retire before July 1, 1983 and you received half support from your spouse.

If you believe that you are exempt due to your date of retirement eligibility, Social Security will require you to submit a letter from us stating the date you were first eligible to retire.

Additional information on SSA:

Although you do not have to report your receipt of Social Security benefits to us, you are required to report your Massachusetts pension and any subsequent COLA's to Social Security if and when you receive benefits from Social Security.

To learn more about how the WEP or GPO provisions of the Social Security law will affect you, contact the Social Security Administration at 800-772-1213 or contact the local Social Security Office in Holyoke at (413) 536-3649 or visit their website at www.socialsecurity.gov. You may also request publications on this subject from Social Security. The following publications may be helpful to you: "Government Pension Offset" (Pub. #05-10007); "Windfall Elimination Provision" (Pub. #05-10045)

To learn more about the status of legislative efforts to repeal WEP and GPO provisions, contact the Retired State, County and Municipal Employees Association at 617-723-7283 or visit their website: <http://www.massretirees.com>

Benefit Change: continued from page 1

Option C is only about 9-11% less than the maximum Option A.

In addition to the increase in Option C benefits, Option B benefits have also increased with the use of new mortality tables. The Option B benefit is now about 1 % less than the Option A, as opposed to the 3-5% difference with the old mortality tables.

The Option A benefit is unaffected by the mortality tables. It remains the same – maximum allowance.

Although the change in actuarial tables was originally to be effective beginning December 27, 2004 (prospectively), PERAC announced in late December that the new tables would apply to those members retiring on or after July 1, 2004.

Although members may not change the option chosen at retirement, those who chose Option B or Option C have been recalculated and paid retroactive to July 1 2004

Summary of difference in Retirement Options

<i>Option</i>	<i>Member Benefit before 7/1/2004</i>	<i>Member Benefit After 7/1/2004</i>	<i>Survivor Benefit</i>	<i>Survivor Restrictions</i>
A	<i>Maximum Allowance</i>	Maximum Allowance	None	None
B	<i>~3-5% less than Option A</i>	~1% less than Option A	One-time lump sum payment of balance, if any, remaining in member's annuity savings account	No restriction on who or how many individuals may be named as beneficiary.
C	<i>~20-30% less than A</i>	~9-11% less than A	Lifetime monthly benefits paid to eligible survivor in amount equal to 2/3rds member's benefit	Eligible beneficiary restricted to member's parent, child, sibling, spouse or former spouse who has not remarried

What is Prior Service?

There are two types of prior service that may be eligible for purchase.

- 1) Non-member Service, which is service you may have had with any Massachusetts Public Employer for which you were not a contributing member of a public employee retirement system. (If you started as a temporary, part-time, or CETA employee or had delayed membership for some reason, you may have non-membership service that you are eligible to purchase.)
- 2) Former membership service, which you previously terminated by withdrawing your retirement contributions from a Massachusetts Public Retirement System.

Interest Rate Change: continued from page 1

If your prior service was before 1980, it may be “cheaper” to wait until after July 1, 2005 to make your purchase of creditable service. However, the staff at the retirement office will do a comparison for you and advise you as to when it will be most cost-effective to make your purchase.

Purchases of creditable service made by June 30, 2005, will be calculated using the old passbook savings rates of interest. Those made on or after July 1, 2005 will be calculated at the new 4% interest rate.

Since locating old payroll records is often time-consuming and sometimes difficult, you should contact the Hampshire County Retirement System as soon as possible if you have prior service that you may wish to purchase.

New Interest rate does not affect the purchase of Veterans' Military Service.

Protect and Maximize Your Benefits

Help Us to Help You - Keep Us Informed!!

To protect and ensure that you and/or your beneficiaries receive the maximum retirement benefit promised by the Massachusetts Retirement Law, it is important that you keep the Hampshire County Retirement Office informed about changes in your life circumstances and career. In the event of your retirement, disability or death, we need accurate and current information regarding your name, home address, marital status, dependent children, employment status and named beneficiary(ies).

As life happens, there always seems to be plenty of time to worry about retirement, disability or death until some later date. It is so easy to forget to tell us you moved, married, divorced, had a beneficiary die, a new baby born or changed your job or employer. Nothing really happens unless--oops! You die and forgot to change your beneficiary(ies). Or you terminated your employment, moved and oops! We still have money in your account, but we can't locate you or your beneficiaries. Or there are changes in the law that might affect your benefits and oops! We don't have a current address to notify you of the change. We have no reliable way of knowing about your life or career changes unless you tell us. You may not be planning to retire, terminate your employment, become disabled, or die in the near future, but you need to be prepared for when oops! life (or death) just happens.

Please help us to help you to maximize and protect your retirement benefits – Keep us informed about changes in your lives and careers.

**VISIT OUR WEB SITE:
WWW.HAMPSHIRERETIREMENTMA.ORG**

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ADDRESS CORRECTION REQUESTED