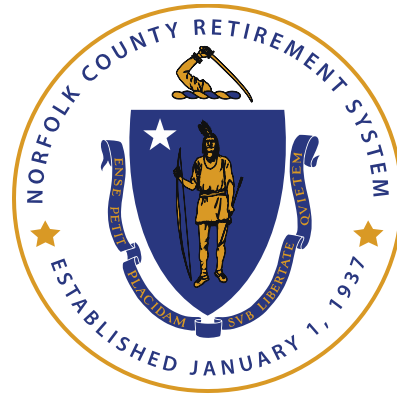


EMPLOYER UNIT MEETING



Kathleen Kiely-Becchetti, *Esquire*

Executive Director, Norfolk County Retirement System

February 15, 2019

Regular Compensation

- Pensionable earnings are defined as *regular and recurring wages received for services rendered*.
- Wages are an employee's base salary and/or other base compensation.
- Other base compensation is presently defined as:
 - Pre-determined, non-discretionary, guaranteed payments paid by the employer to similarly situated employees for services rendered.
 - Payments made by the employer to the employee because of:
 - The character of work
 - The employee's length of service
 - The time at which the work takes place
 - Educational incentives
 - Payments for training and licensing
- Examples included, but are not limited to, hazardous duty pay, longevity, night differential, Quinn bill, defibrillator stipend and EMT.



Military Pay & Workers' Compensation

- If you are paying an employee who has been granted a military leave of absence and is on active duty in the military, the difference between his or her base salary and his or her military pay, such payment is considered regular compensation and is subject to retirement deductions.
- If an employee is receiving partial pay because they are receiving workers' compensation, the partial pay is subject to retirement; workers' compensation itself is not pensionable.
- The retirement system should be notified of either instance.



Examples of Excluded Wages

- Some wages are excluded from pensionable earnings and, as such, retirement deductions cannot be withheld.
- These wages are payments that are NOT regular and recurring payments for services rendered and may be payment or reimbursement for a tool needed to complete one's work. Examples include, but are not limited to:
 - Overtime
 - Bonuses
 - Housing
 - Clothing allowance
 - Car allowance
 - Unused vacation and sick pay
 - Severance
 - Other payments due at employee's retirement

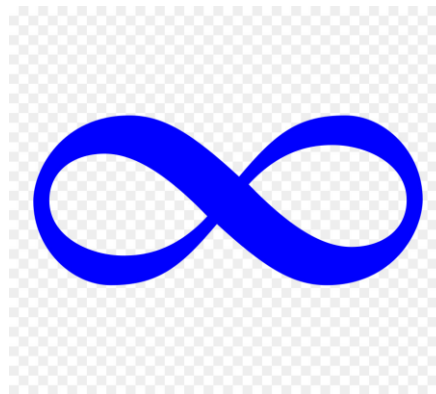
Be Mindful

- Regular compensation may not be included in an employee's base pay.
 - Example: Longevity payment made in December
- Non-pensionable earnings can be included in an employee's base pay.
 - Example: Clothing Allowance
- To keep the retirement system aware of all payroll codes.
 - Also, point out when the retroactive payments are issued to avoid the appearance of anti-spiking.
- When in doubt about regular compensation contact the retirement system for guidance.
- Incorrect deductions are possible. Whether too much or too little is withheld the sooner the error is found and corrective action is taken the better.



Once A Member, Always A Member

- In December 2016, the Supreme Judicial Court of Massachusetts decided that once a member is granted initial membership in a retirement system, he or she will retain that membership status so long as he or she remains employed.
- This means that a member, whose hours are reduced below 20 hours, may not have their membership in NCRS revoked.



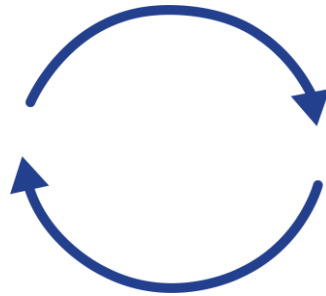
Recent Cases of Interest

- Vernava - The SJC found that vacation and sick time taken in conjunction with Workers' Compensation benefits should not be considered regular compensation if the employee retires from the injury for which they were receiving workers' compensation. Since we do not if an employee will ultimately retire due to a work related injury we must consider the supplemental pay as regular compensation. The employer must continue to take a retirement deduction from the supplemental pay. If the employee retires, NCRS will make the necessary adjustments to the employees' creditable service and issue a refund.
- O'Leary - Vacation leave buyback is not regular compensation. *O'Leary v. Lexington Retirement Board and PERAC*. CRAB found that this sort of payment can never be regular compensation because in its view such payments are not base compensation, are not payments for a service to the employer, are not "pre-determined and non-discretionary," and are in the nature of a salary augmentation plan and overtime.



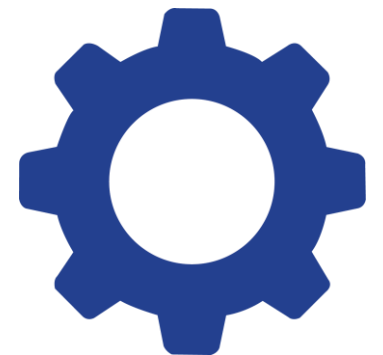
Deduction Processing

- Retirement deductions should be processed electronically.
 - Ideally, deduction files should be processed in line with the payroll cycle
 - Manual processing of retirement deductions is becoming a past practice and will be unsupported
- Currently, deduction files can be transmitted by email or on a USB stick.
- Future deduction files will be transmitted through an employer portal, which will be launch this year.
- Payment for deductions can be submitted electronically through ACH, rather than by paper check.



The Working Retiree

- Municipal retirees can work in the private or public sector
- If you are collecting your retirement allowance and working in the public sector in Massachusetts you will be subject to earning and work hour restrictions
 - Earnings- cannot earn more than the amount the position in which you retired from is currently paying, minus your annual retirement allowance. After one (1) year of retirement, they can add \$15,000 to the amount they can earn.
 - Example: Position retired from currently pays: \$50,000
Gross annual retirement allowance: \$25,000
Allowable retirement earnings: \$25,000
After year 1, \$15,000 can be added to the total earnings.
 - Hours Worked- they cannot exceed 960 hours of work in any calendar year.
- Retirees that exceed the monetary limit or the 960 hours must provide reimbursement.
- Retirees that waive receipt of their retirement allowance are not subject to the restrictions.
- No retiree is permitted to make contributions to the retirement system.
 - Exceptions include retirees that seek reinstatement



The Working Disabled Retiree

- Disabled retirees can work after retirement in any position except the position from which they have been retired.
- Disabled retirees are subject to work hour restrictions (960 per year) and earning restrictions whether they work in the private or public sector.
 - Earnings- cannot earn more than the amount the position in which they retired is currently paying, minus the annual retirement allowance, plus \$15,000.
 - Example: Position retired from currently pays: \$65,000
Gross annual retirement allowance: \$45,000
Difference: \$20,000
Plus: \$15,000
Allowable post retirement earnings: \$35,000
- Disabled retirees must file tax statements annually with PERAC.
- Disabled retirees are not permitted to make contributions to the retirement system.
 - Exceptions include retirees that are restored to service.



Conclusion

- Municipal retirement laws are constantly changing
- The best sources of updated retirement information is from the retirement system staff, our website (www.norfolkcountyretirement.org) or the PERAC website (www.mass.gov/perac)

