



MIDDLESEX COUNTY RETIREMENT SYSTEM NEWS

Celebrating Over 100 Years of Public Service

Spring 2021

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System Valuations and Investment Returns



*By Thomas Gibson,
Chairman*

Every two years, in conjunction with the System's actuary and the Public Employee Retirement Administration Commission (PERAC), the Board conducts a valuation of the System's assets and liabilities. The valuation provides a snapshot comparison of the liabilities for current and future retirement payments with the System's assets, including active employee and employer contributions and investment earnings.

The System's valuation is comprised of separate mini-valuations for each of our 72 units, which is dependent upon their specific liabilities and assets. Each unit's experience data, including their new hires, salary increases, retirees and deaths, are analyzed by the actuary. That analysis results in the employer contribution.

While contributions from government employers are crucial to the sustainability of the Massachusetts public pension system, it is the earnings on investments and employee contributions which historically represent the bulk of pension fund receipts.

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*By John Brown,
Elected Member*

The Security of Naming an Option D Beneficiary

Just as the crocuses burst forth every spring, we again remind all of our active members of the importance of designating a family member to receive a life-long monthly retirement benefit in the case you pass away prior to retiring. Option D, or the "Member-Survivor Allowance," is a valuable estate planning tool that can provide your named beneficiary with the monthly retirement allowance that you would have received under Option C had you retired on your date of death.

You can name only one Option D beneficiary and it must be your spouse, child, former spouse who has not remarried, parent or sibling. Your nominated

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www.middlesexretirement.org

Social Security: What Our Members Want to Know Now

By Francine Kollias, MCRS Social Security Specialist



I hope this finds everyone well and enjoying happier and safer days in 2021. We have been unusually busy during the pandemic, with so many members rethinking retirement options and how their Social Security benefits would be impacted by retirement benefits

received from the Middlesex County Retirement System. I am thrilled so many of you have reached out to me, and I hope that the information provided has been helpful. No matter how many members come my way, I will get to your issue, with your patience and understanding, and do my best to give you all the information you need.

The most frequently asked questions of late pertain to the Social Security cost of living adjustment (COLA), substantial earnings as they relate to the Windfall Elimination Provision, and when you can collect your full Social Security benefits.

Cost of Living Adjustment

In January 2021, Social Security beneficiaries received a 1.3% COLA. Keep in mind that Medicare deducts your Part B premiums from your monthly Social Security benefits. The 2021 monthly Medicare premium for most individuals is \$148.50. Some individuals and couples whose income is above a certain level may pay an additional Medicare Income-Related Monthly Adjustment Amount (IRMAA) surcharge. While all Social Security beneficiaries will receive the 1.3% COLA, if your Medicare premium deduction is greater than the 1.3% COLA adjustment, you may not see an increase in your Social Security benefits.

Substantial Earnings

Some of our members have worked in the private sector and contributed to Social Security. When you start receiving your retirement allowance from

Middlesex County Retirement System, your Social Security benefits may be reduced due to the Windfall Elimination Provision (WEP), a provision enacted to prevent individuals from “double dipping”. You may be exempt from the WEP if you have 30 or more years of “substantial earnings” and paid Social Security taxes on those earnings.

Every year, as far back as 1951, the Social Security Administration has set the minimum dollar amount to be considered substantial earnings—which is defined as your gross W2 wages or net profit from self-employment. This amount usually increases every year. For 2021, the substantial earnings threshold is \$26,550.

To determine how many years of substantial earnings you have, or to learn more about the WEP, you can find the Windfall Elimination Provision Fact Sheet at www.ssa.gov/pubs/EN-05-10045.pdf.

Full Retirement Age

An important issue that has arisen recently is that many members do not realize that once you reach full retirement age there is no limit on what you can earn while collecting Social Security benefits.

Year Born	Full Retirement Age (FRA) 100% Benefit
1937	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 to 1954	66
1955	66 and 2 months
1966	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Social Security's "full retirement age" is the age at which you are entitled to 100% of your Social Security benefits. For everyone born in 1960 or later, the full retirement age is 67.

You may work while collecting Social Security benefits. However, those younger than their full retirement age will be subject to earnings limitations. If you exceed those limitations, your Social Security benefits will be temporarily adjusted. Once you reach your full retirement age, your benefit is

recalculated. You can continue working beyond full retirement age and earn as much as you would like and your Social Security benefits will not be affected. You may also defer receipt of your Social Security after you reach full retirement age, in which case your benefit will increase 8% per year until age 70.

Stay well and remember I am only an email away at socsec@middlesexretirement.org.

The Favorable Economic Impact of Your Pension

According to a 2021 study by the National Institute on Retirement Security, the retirement benefits paid by Massachusetts public pension plans to public workers and their families continue to generate a significant amount of economic activity in the Commonwealth of Massachusetts.

The pension benefits received by our retirees are largely spent in their local communities. This in turn generates a ripple effect throughout the Massachusetts economy by providing income and wages to others, by favorably impacting tax revenues, by helping to reduce unemployment, and by delivering other beneficial economic enhancements.

More than 230,000 residents of Massachusetts received a total of \$7.1 billion in pension benefits from state and local pension plans in 2018, the latest year that data was analyzed. For each dollar retirees earned in pension benefits, \$1.60 in total economic activity in Massachusetts was supported. Each \$1 of taxpayer contributions invested in the

Massachusetts' state and local pension plans supported \$5.13 in total economic output in the state.

The economic impact of state and local pension benefits was felt across various industry sectors in Massachusetts, including hospitals, restaurants, and nursing and community care facilities, among others.

The Middlesex County Retirement System contributes extensively to Massachusetts' economic production. In 2020, our retired public employees and their families received over \$168 million in retirement benefits. Each and every month, the System provides in excess of \$12 million in retirement benefits to our members, providing a steady economic contribution to Massachusetts communities and to the state economy.

For further information on the favorable economic impact of public pensions in Massachusetts, and across the United States, go to <https://www.nirsonline.org/wp-content/uploads/2020/12/Pensionomics-2021-Report-Final-V6.pdf>

The economic impact of state and local pension benefits was felt across various industry sectors in Massachusetts, including hospitals, restaurants, and nursing and community care facilities, among others.

System Valuations and Investment Returns, continued from Cover

With every System valuation, there is an assumed rate of percentage return on the System’s investments, projecting what the System’s investments will earn over the following two years. As shown below, over the past twenty years, and despite actual investment returns received, the assumed rate of investment return has been gradually lowered from 8.5% to 7.3%.

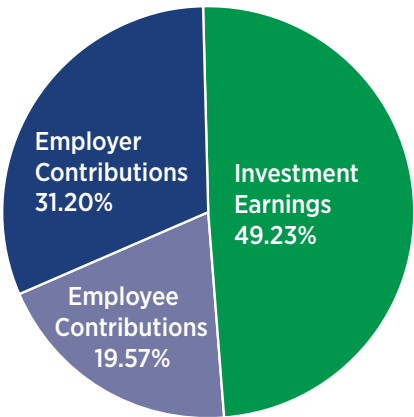
It is important to note that lowering the assumed rate of investment return, as has been recommended by PERAC and industry professionals, increases the unfunded liability of the System. That is one reason why the System’s funding ratio—the value of the System’s assets measured against its liabilities—has been generally consistent at around 50%,

notwithstanding actual returns received on investments. The System expects to be fully funded in 2037.

While investment performance alone is not indicative of the fiscal sustainability of the System, the investments in the Commonwealth’s Pension Reserves Investment Trust (PRIT), are defensively positioned, and continue to perform well in both up and down markets. Over the trailing 3, 5, and 10 year periods, investments have returned 8.82%, 10.38%, and 8.94%, respectively. Since inception (1985) PRIT has returned 9.30%.

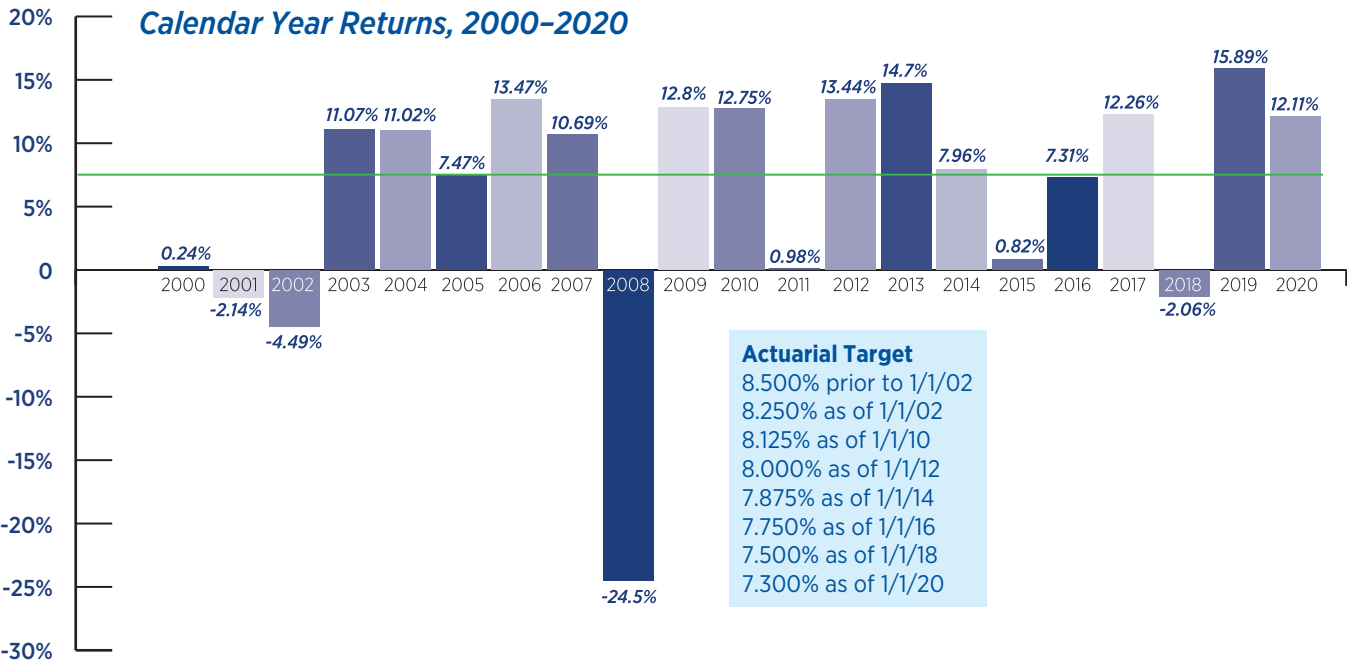
For the year ending 2020, the System’s investments returned a net 12.11%, exceeding the System’s actuarially assumed investment return of 7.30%. In view of the significant losses sustained due to the pandemic related market volatility through much of the first half of 2020, these year-end returns were indeed welcomed. After disbursement of over \$168 million in benefits in 2020 to over 6,000 members, the year-end market value of the System’s assets stood at \$1.7 billion, an all-time high.

The System’s next valuation will be as of January 1, 2022, at which time the actuarial assumptions and funding schedule will again be reviewed.



Source: Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures, National Institute on Retirement Security, Washington, DC, www.nirsonline.org. *Totals may not add up due to rounding.

Middlesex County Retirement System
Calendar Year Returns, 2000–2020



The Security of Naming an Option D Beneficiary, continued from Cover

Option D beneficiary must receive the monthly allowance. If you are married and you do not make an Option D designation, your spouse can still elect to receive the Option D benefit if:

- you had completed at least two years of creditable service;
- you and your spouse had been married for at least one year; and
- you and your spouse had been living together at the time of your death.

If you and your spouse were not living together, the Board must find that it was for justifiable cause. The rights of an eligible surviving spouse will always supersede any other person nominated. Therefore, you may name a young child as the Option D beneficiary, knowing that your surviving

spouse can always elect to receive the allowance instead of the child.

To nominate an Option D beneficiary to receive a monthly survivor allowance, you must complete the Beneficiary Selection Form for Active Member—Option D Monthly Benefit. You can download this form from our website. Completed forms should be mailed to the retirement office with your “wet” signature. The selection of an Option D beneficiary is vital to the security of your dependents. The Middlesex County Retirement Board strongly recommends that every active member exercise the right to name an Option D beneficiary.

For more information, please visit our website at www.middlesexretirement.org.



Board Hosts First Remote Member Education Program



In 2020, our MCRS Pension Education Series, Your Public Pension and Social Security—What You and Your Family Need to Know, was postponed due to COVID-19. Now, as the Commonwealth is in Phase 4 of its reopening plan, the Board is committed to continue providing a forum for up-to-date information about your public retirement benefits.

On May 4, 2021, our first virtual member education program was held at the offices of the Middlesex County Retirement System under proper safety

protocols. Board Chairman Tom Gibson, Chief Administrative Officer Lisa Maloney, and the System’s Social Security Advisor Francine Kollias discussed the retirement application process, retirement benefit calculations and payment options, and how our members’ benefits interact with Social Security.

A successful 90-minute training program was presented to more than 200 remote participants. A second program is planned for the fall.



Chief Administrative Officer Lisa Maloney Serves as PERAC Panelist

As part of its Board Member Education series, the Public Employee Retirement Administration Commission (PERAC) sponsored an Administrator Roundtable webinar on March 11, 2021, which was attended by over 150 participants. The System's Chief Administrative Officer, Lisa Maloney, Esq., joined fellow administrators Sheila LaBarbera, from the Berkshire County Retirement System, and Tim Smyth, from the Boston Retirement System, in a two-hour presentation and discussion of the many ways the pandemic impacted retirement board operations, focusing on how the administrators were able to meet the challenge, and maintain the flow of uninterrupted benefits to retirees and beneficiaries.

BOARD APPOINTMENTS



Board Reappoints Thomas F. Gibson as Chairman-Treasurer

At its October 14, 2020 Board meeting, Thomas Gibson, Chairman-Treasurer of the Middlesex County Retirement Board, was unanimously reappointed as the Board's First Member, for a six-year term. Tom has served as Chairman-Treasurer of the Board since 2004. He also serves as the System's legal counsel on select matters.



John Brown Declared Fourth Elected Member to the Board

In November 2020, the MCRS Advisory Council declared retired Wilmington Fire Lieutenant John Brown as the elected Fourth Member of the Board, for a three-year term. John was the sole candidate nominated for the position. John was first elected to the Middlesex County Retirement Board in 2007 and this will be John's fifth term on the Board.



Board Reappoints Robert W. Healy as its Fifth Member

At the November 10, 2020 Board meeting, following a public application process, former Cambridge City Manager Robert W. Healy was unanimously appointed as the Board's Fifth Member, for a five-year term. Bob was initially appointed to the Board in 2013. Bob's vast government experience and expertise in public administration were cited by the Board members as compelling reasons for his reappointment.



Board Votes Maximum COLA Increase to Retirees

The Middlesex County Retirement Board voted unanimously on March 17th to grant retirees the maximum allowable Cost of Living Adjustment (COLA). The maximum annual COLA allowed by law for retirees of the Middlesex County Retirement System is 3% of the first \$16,000 of retirement benefits, or \$480.00. This increase will take effect on July 1st.

Post-Retirement Work Waiver Extended to 2021

As we reported in our Spring 2020 newsletter, due to the increased demand for public services during the COVID-19 pandemic, the hours and earning restrictions for non-disability retirees working in the Massachusetts public sector were suspended.

With the signing of the Commonwealth's FY 2021 budget, the waiver on earnings and hours restrictions for non-disability retirees working in the public sector was extended to calendar year 2021. The waiver is in place for the duration of the Governor's State of Emergency, or the end of calendar year 2021, whichever occurs first. It is not required that the post-retirement public services be related to COVID-19.

Disability retirees working in the public sector are still subject to the hours and earnings limitations. They are restricted to working 960 hours in a calendar year. They may earn no more than the difference between the salary paid in their former position minus their retirement allowance, plus an additional \$15,000.

If you have questions regarding your post-retirement earnings, please write to mrs@middlesexretirement.org.

Board Acknowledges Retirement of Paul Todisco, PRIM's Senior Client Services Officer

After a distinguished career of public service as the Pension Reserves Investment Management Board's key liaison with the public retirement systems of Massachusetts, Paul Todisco retired this past March. The Board issued a formal letter of appreciation acknowledging Paul's exceptional service over the past decades. As noted by Board Chair Tom Gibson, "Paul's exemplary client service was a tremendous benefit to the member units and the System's beneficiaries. He provided timely and thorough investment reports to the Board and the Advisory Council which bolstered confidence and trust in PRIM's management of the System's investments. Paul always went the extra mile for us, and for all of PRIM's clients. His professionalism and affability

will be missed. We wish him the best in his well-deserved retirement." PRIM has managed the investment of the System's assets, at a current market value of \$1.7 Billion, since February of 2007. For the year 2020, the System's investments returned 12.53%. For more information on PRIM's asset management, visit www.mapension.com



2021 MCRS Pension Payment Schedule

Direct Deposit of your monthly benefit occurs on the last business day of the month.

Month

June
July
August
September
October
November
December

2021 Direct Deposit Dates

Wednesday, 6/30
Friday, 7/30
Tuesday, 8/31
Thursday, 9/30
Friday, 10/29
Tuesday, 11/30
Thursday, 12/30

Planning to retire soon?

Keep this checklist in mind as your retirement date approaches.

One year
*before
retirement*

- » Generate an estimate using one of our available resources:
 - Group percentage charts
 - Online calculator
 - Completing and returning to our office an Estimate Request Form

Contact your employer to confirm the health insurance coverage for which you will qualify as a retiree. Be sure to ask about coverage for your spouse or other dependents while you are retired and in the event of your death.

9 months
*before
retirement*

- » Apply for and purchase service credit enhancements, if applicable, for which you have not yet established credit:
 - refund buybacks/redeposits

- military service
- service as a call firefighter or permanent intermittent/reserve police officer
- other prior non-contributing service

4 months
*before
retirement*

- » Download an Application for Superannuation Retirement with Option Selection Form from our website and submit it to the retirement office.

Be sure to gather and submit all necessary documents listed on the application cover sheet.

3 months
before retirement

- » Submit your application and option selection form to the retirement office. Complete any necessary insurance paperwork provided by your employer.

» Visit www.middlesexretirement.org to download the appropriate forms and applications.

MIDDLESEX COUNTY
RETIREMENT BOARD

Thomas F. Gibson, Chairman
Brian P. Curtin, Vice Chair
John Brown, Elected Member

Joseph W. Kearns, Elected Member
Robert W. Healy, Appointed Member
Lisa M. Maloney, Chief Administrative Officer

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