



# MIDDLESEX COUNTY RETIREMENT SYSTEM NEWS

*Celebrating Over 100 Years of Public Service*

Fall 2021

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## Middlesex County Retirement System

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Monday to Friday  
9:00AM – 5:00PM

## The Importance of Your Pension Contributions



*By Thomas Gibson,  
Chairman*

Where MCERS is now a decade into a second century of providing retirement security to public workers, it is an appropriate time to remind our members of the importance of their financial contributions to their retirement. As we are aware, the pension plan for public workers in Massachusetts is a statutory defined benefit plan as set forth in General Laws Chapter 32, which relies on contributions from employees, public employers and the return on the investment of those contributions.

Although our members make contributions every pay period to their retirement plan, the retirement plan is not what is known as a defined contribution plan, and it is important that our members understand the difference between a defined benefit plan and a defined contribution plan.

A defined benefit plan is a retirement plan based on a formula which guarantees a pension to the retiree for the lifetime of the retiree. Contributions to the plan are made over the course of the employee's working career by both the employee and the employer. The contribution rate for the employee is a fixed

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## System's Assets Break \$2 Billion Benchmark

The Pension Reserves Investment Management Board (PRIM) has reported that as of August 31, 2021, the net asset value of the Middlesex County Retirement System's investments in PRIM exceeded \$2 Billion. From January through August of 2021, the System's investments have returned 13.79% gross of fees. And as we reported last Spring, for the year ending 2020, the System's investments returned a net of 12.11%.

The Board is pleased with the strong investment performance over this period, which is good news for all stakeholders in the public pension system. The System's total investable assets were transferred to PRIM in February of 2007. Although double-digit investment returns cannot be expected every year, it should be of comfort to our members and member units that through both strong and weak market periods, PRIM's

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[www.middlesexretirement.org](http://www.middlesexretirement.org)

# Working and Collecting Social Security

By Francine Kollias, MCRS Social Security Specialist



Have you ever wondered why some of your colleagues and friends are still working full time in the public sector and collecting their social security benefits and you are not? There’s a simple reason why and it’s based on the Social Security Administration’s regulations.

## Full Retirement Age and Older

Social Security rules allow individuals to collect their social security benefits while working in the public sector regardless of how much they earn when they reach their full retirement age. (See chart.) Middlesex County Retirement System members who meet the age requirement have no earnings limitations. Earnings for social security purposes are your gross wages or your net profit from self-employment.

In addition, those who collect social security while working will not be affected by the Windfall Elimination Provision and Government Pension Offset until they retire and receive their retirement allowance from the Middlesex County Retirement System.

## How It Works—The Year Full Retirement Age is Reached

In the year you reach your full retirement age, earnings limits are in place from January up to the month you achieve full retirement age. In 2021 the annual earnings limit for these months is \$50,520. If your annual earnings exceed the \$50,520, you will lose \$1.00 in social security benefits for every \$3.00 you earn over the limit.

Assume 2021 is the year you reach full retirement age and your birthday is in November. You are limited to earning \$50,520 from January through October. If you expect your earnings for those

months to be less than the \$50,520 limit, you should apply to start collecting your social security in January 2021.

If you wait until the month you reach full retirement age to start collecting social security and realize you could have begun your benefits in January 2021 without exceeding the earnings limitations, you may not be receiving all that you are entitled to! The best advice is to begin researching your options and social security benefits as you get close to Social Security’s full retirement age.

## How it Works—Under Full Retirement Age Year

If you have not reached your full retirement year and are still working, the rules are very different. You must earn under the social security earnings limit to collect all of your social security benefits while working.

In 2021 the limit is \$18,960. If you earn over the earnings limit in a calendar year, Social Security

***Your Security Statement will reflect your full (100%) social security benefit and your Full Retirement Age.***

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

reduces the benefits you would receive \$1.00 for every \$2.00 earned over the limit.

For example, the 2021 earnings limit is \$18,960. You earn \$48,960 in gross wages. You are \$30,000 over the limit. Before you are paid any benefits, Social Security will take away \$15,000 in social security benefits payable (\$15,000 = ½ of the \$30,000).

The higher your earnings the more you lose in social security benefits. Often full-time employment results in you receiving no social

security payments because the earnings limitation is so low when you have not yet reached full retirement age.

For more information go to SSA publication EN-15-10069, “How Work Affects Your Benefits” or [ssa.gov/benefits/retirement/planner/whileworking.html](https://ssa.gov/benefits/retirement/planner/whileworking.html).

Stay safe, stay well, and thank you for the opportunity to help you in any way I can!

— Francine

## Post-Retirement Public Work Hours Increased to 1,200 Annually



*By Brian P. Curtin  
Advisory Council  
Member*

This past October, the House and Senate unanimously overrode Governor Baker’s veto to the increase in post-retirement work hours, which had been included as an outside section of the FY 2022 State Budget Act. As of July 1, 2021, the annual limit on post-retirement hours of employment in a Massachusetts public entity has been increased from 960 to 1,200 for all retirees.

Non-disability and disability retirees working for a Massachusetts public entity remain subject to the earnings limitations, which provide that a retiree may earn no more than the difference between the salary paid in their former position minus their retirement allowance, plus an additional \$15,000. For non-disability retirees, the additional \$15,000 is not available until January 1st following one full year of retirement. Payments received over that amount are subject to mandatory recoupment by the employer or the retirement board.

The law applies to services rendered as an employee or independent contractor, or public

service provided under a contract with a private entity. When determining whether post-retirement services are subject to the earnings restrictions, the test is not who pays the retiree, but who receives the services.

The 1,200 hours is based upon hours paid, not necessarily the hours worked, e.g., where a retired police officer who works a detail for 2 hours but is paid for a minimum of 4 hours, it is the 4 hours that counts toward the 1,200.

If you have any questions regarding post retirement employment, please contact our offices at [mrs@middlesexretirement.org](mailto:mrs@middlesexretirement.org).



Current Salary 2021	\$60,000
- Retirement Allowance	-\$40,000
<hr/>	
<b>Allowable Public Sector Earnings</b>	<b>\$20,000</b>

**Add \$15,000 following  
one full calendar year  
of retirement**

**\$35,000**

## ***The Importance of Your Pension Contributions***, continued from Cover

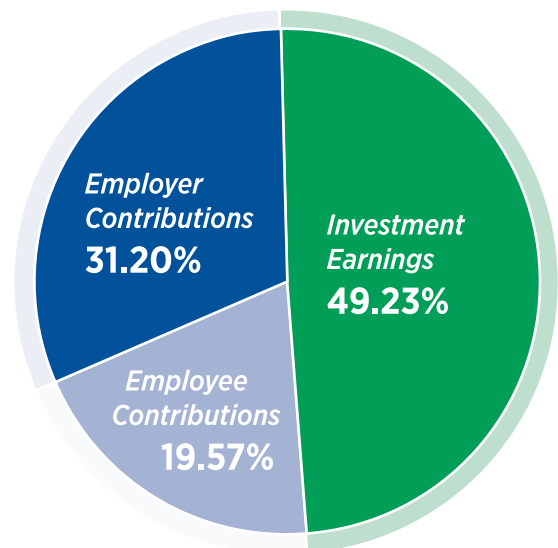
percentage of pay for the length of his or her employment. The employer's contribution is based on a number of factors that ultimately funds the retiree's pension. The formula for a pension is years of service times an age factor times average pay.

A defined contribution plan, by contrast, does not guarantee a pension but is simply a vehicle for saving towards retirement. The employer and/or employee are allowed to contribute a specified amount to the plan. The amount available upon retirement is dependent upon performance.

Defined benefit pension plans have all but disappeared in the private sector. Fortunately, in Massachusetts, where public workers do not participate in Social Security, our public employees, public employers, taxpayers and elected officials have a strong history of working collaboratively to ensure the viability of our public employee retirement system. By employing fiscal discipline along with reasonable benefit reforms, many of the highly publicized problems which exist in other states have far less significance here. The Massachusetts public retirement system fares well as a result of the shared contributions and sacrifices from both public workers and taxpayers.

As we have reported in the past, Massachusetts public employee retirement contribution rates are among the highest in the country. For the past 25 years, members entering the system have contributed 9% of their regular compensation, plus an additional 2% of earnings over \$30,000, towards their retirement benefits. That means, for example, that if your gross annual wages are \$60,000, the sum of \$6,000 per year is withheld from your wages, a portion of which is sent to MCRS every pay period. Your employer also makes an annual contribution to MCRS to fund your retirement.

What happens to your contributions? The amounts received are recorded and set aside in your annuity savings fund. Your contributions accumulate during your years of public service and earn a small amount of interest at a statutory rate set every year by the Public Employee Retirement Administration Commission. Every year you receive a statement from MCRS of the amount of your contributions as of year end. Your contributions are invested in a diverse allocation of investment vehicles managed by the Pension Reserves Investment Management Board.



**Source:** *Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures*, National Institute on Retirement Security, Washington, DC, [www.nirsonline.org](http://www.nirsonline.org).

*\*Totals may not add up due to rounding.*

Your retirement contributions help to finance your guaranteed monthly retirement allowance, which consists of a pension and an annuity, which is based on those contributions. For more information regarding your contributions and the MCRS pension plan, please visit our website.

***... in Massachusetts ... our public employees, public employers, taxpayers and elected officials have a strong history of working collaboratively to ensure the viability of our public employee retirement system.***



### System's Assets Break \$2 Billion Benchmark, continued from Cover

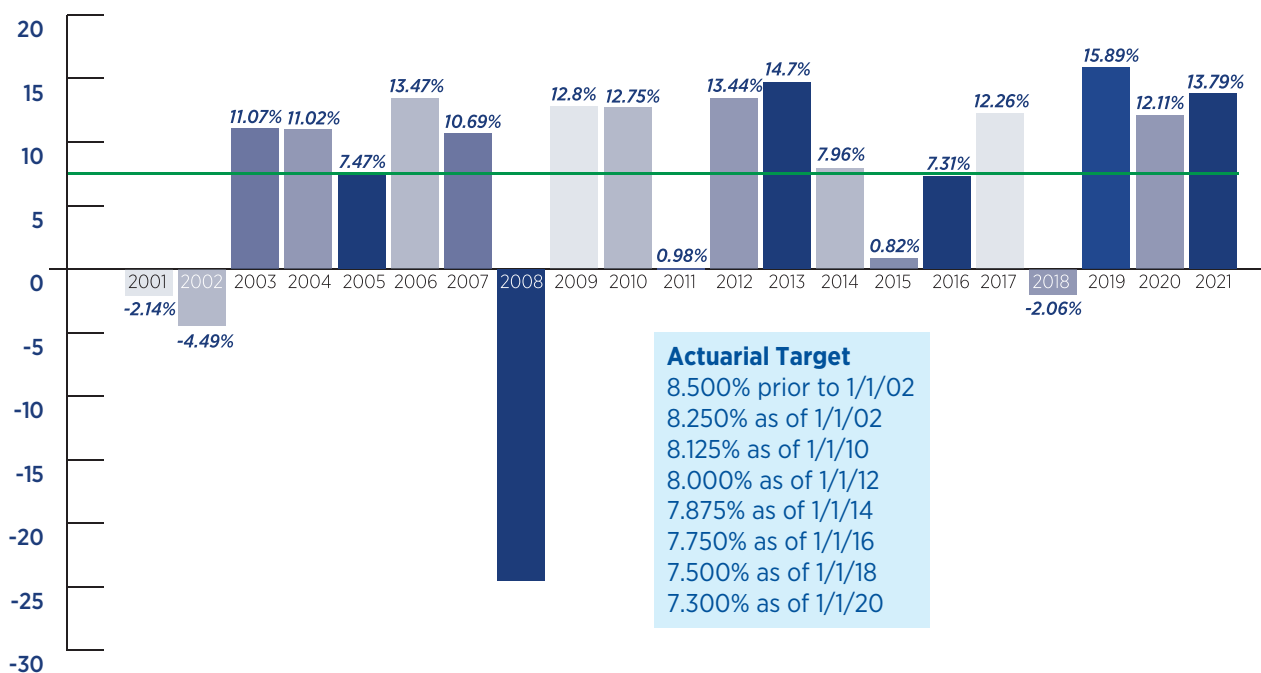
management of the System's assets has proven to be high-performing, resilient, and cost-effective, with trailing 3-, 5-, and 10-year returns remaining strong and consistently above benchmarks.

Importantly, these returns are also well above the current required actuarial rate of return of 7.3%, upon which the funding schedule is based.

PRIM evaluates its investment programs on three areas of equal importance: return, risk, and cost.

While the Board is appreciative of PRIM's investment returns, it is just as pleased that risk is well controlled, and that PRIM's investment costs remain low.

If you have any questions regarding the System's investments, please contact our offices at [mrs@middlesexretirement.org](mailto:mrs@middlesexretirement.org).



## 2022 MCRS Pension Payment Schedule

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

### Month

January  
February  
March  
April  
May  
June  
July  
August  
September  
October  
November  
December

### 2022 Direct Deposit Dates

Monday, 1/31  
Monday, 2/28  
Thursday, 3/31  
Friday, 4/29  
Tuesday, 5/31  
Thursday, 6/30  
Friday, 7/29  
Wednesday, 8/31  
Friday, 9/30  
Monday, 10/31  
Wednesday, 11/30  
Friday, 12/30

## Health Insurance and Your MCRS Retirement Allowance

Health insurance for our retirees and their beneficiaries is provided through the retiree's former employer. The role of the Middlesex County Retirement System is simply to deduct from your monthly retirement allowance the required premium contribution as directed by your former employer.

You should be aware of the various health insurance options available to you and your survivors. It is possible that an employer may charge a higher insurance contribution rate for retirees than for active employees.

You should also be aware that some employer policies may preclude participation in the employer's health insurance plan if the retiree was not enrolled in the health plan prior to or at the time of retirement. If you are preparing to retire, and you do not currently participate in your employer's health insurance plan, but may wish to do so in the future, you should learn your employer's policy regarding post-retirement health plan enrollment. You may not have that option in the future.

To learn more about your health insurance options, we encourage you to talk to your employer.

### **Reminder: Health Insurance Premium Exclusion for Public Safety Retirees**

If you are a retired police officer or firefighter, the federal Pension Protection Act of 2006 allows you to exclude up to \$3,000 of your health, accident, or long-term care insurance premiums from your

gross taxable income each year, as long as the premiums are deducted from your retirement allowance. The premiums can be for coverage for you, your spouse or dependents.

If you are filing a federal tax return, please read carefully the IRS tax instructions in order to take full advantage of this benefit. Premium contributions will be reflected on your 2021 Form 1099R.

The following tips may be helpful when you prepare your federal return:

- You must be a public safety retiree who retired for disability or after attaining "normal retirement age" (i.e., age 55 for Group 4 for those entering service prior to April 2, 2012, age 57 for Group 4 for those entering service on or after that date).
- You need to file a federal income tax return in order to take advantage of the exclusion. If you do not file a federal return, then the exclusion will not benefit you.
- Your insurance premiums must be deducted from your pension check and paid directly to the health insurance carrier. Medicare Part B premiums do not qualify.

Please be aware that the retirement office is not able to render tax advice. If you have your federal tax return prepared by someone, please make sure the tax preparer knows that you are entitled to the exclusion. For additional assistance, retirees should contact a tax consultant.

## Social Security Cost of Living Increase

**Good news!** Social security recipients will receive a 5.9% cost of living increase for 2022. This is the largest increase since 1982, and is the result of the spike in inflation during the pandemic.

Effective January 2022, the cost of living adjustment will increase the average social security benefit approximately \$92 per month for more than 64 million social security benefit recipients.



## Service Purchase Update – Reserve Police Officers and Call Fire Fighters

After years of confusing and conflicting directives, the creditable service purchase requirements for reserve and permanent intermittent police officers, and reserve and call fire fighters, were clarified by the Supreme Judicial Court in *Plymouth Retirement Board v. CRAB and PERAC*, 483 Mass. 600 (2019).

Massachusetts General Laws Chapter 32, Section 4(2)(b) allows up to five years of pre-membership retirement credit to such members of retirement systems. The Court determined that these members are required to pay retirement contributions in order purchase this service, based on earnings. However, in order to obtain a full year of creditable service subsequent to July 1, 2009, such members have to receive compensation in excess of \$5,000 per year.

All retirement boards have been ordered to review the creditable service previously granted to reserve and call fire fighters and reserve police officers under the specified provisions of Section 4(2)(b), and to make creditable service adjustments where required. This may result in a reduction in service previously granted. However, if a member is ineligible for Section 4(2)(b) service, he or she may still be eligible to purchase prior service credit on a prorated, or day for day basis.

The Court's decision will not impact other service purchases, as long as the annualized salary for the position for which service credit is sought was \$5,000 or greater. If you have any questions regarding the purchase of prior non-membership service, please contact our offices at [mrs@middlesexretirement.org](mailto:mrs@middlesexretirement.org).

## Benefit Verifications Are Coming!

Every two years the Middlesex County Retirement System is required to confirm the eligibility of our retirees and beneficiaries to continue receiving benefits. This is done to ensure that the System is paying benefits to the intended recipients and to prevent the fraudulent collection of benefits by others.

In accordance with regulations established by the Public Employee Retirement Administration Commission, the System will be mailing the 2022 Affidavits for Retired Members and Beneficiaries in February. Each member or beneficiary who receives a pension, retirement allowance, or survivor's allowance from the System will need to review and confirm the following information:

You must complete, sign and mail to our office the affidavit certifying that you are currently living and eligible to receive benefits from the Retirement System. We do require the original document with your signature to ensure secure and efficient processing.

If the affidavit is not returned by the established deadline, the Retirement Board must suspend your benefits until such time as you return the affidavit. If you or a loved one is not physically or mentally able to complete the affidavit, please contact our offices promptly. In such cases, a power of attorney or guardianship appointment should be filed.

Now is the time to ensure we have your current address on file. If you have a temporary winter address, make sure you notify us of that as well.



- » name,
- » address,
- » phone number and email address, and
- » marital status



## Calling All Members: Do You Have A Change of Address?

Please notify the Middlesex County Retirement System **in writing** of any change of address. Be it a permanent address change or a temporary winter mailing address, the retirement staff wants to ensure you receive your 1099R and other important notices.

Please visit our website at [www.middlesexretirement.org](http://www.middlesexretirement.org) to download a Change of Address Form. Then **mail or fax** the form to our office. For security purposes, we require the original document with your signature.

*Wishing you  
and your family  
a Happy and Safe  
Holiday and  
New Year*



### MIDDLESEX COUNTY RETIREMENT BOARD

Thomas F. Gibson, Chairman  
Brian P. Curtin, Advisory Council Member  
John Brown, Elected Member

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

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