Retirement Newsletter

City of Taunton Contributory Retirement System

Taunton Board of Retirement
104 Dean Street
Suite 203
Taunton, MA 02780
phone 508.821.1052
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www.tauntonretirement.com

FYI...

Taunton Retirement Board Office Has Relocated

The Retirement Board offices have moved to our new location at 104 Dean Street, Suite 203 (2nd floor), Taunton, MA 02780 (above the Social Security Office). This was effective on Monday, March 2 2015.

How a change in regular work hours can affect your retirement creditable service

by Paul J. Slivinski, Executive Director

Any member who is working full-time and then decides to change to a part-time position should be aware that this change can have an effect on your retirement creditable service. The reverse is true also – part-time to a full-time position.

The Retirement Board has a supplementary regulation to address this matter as follows: "All full-time employees will receive full credit except in an instance in which full-time employees also had part-time service. Part-time service shall be pro-rated as it relates to the full-time position. Part-time employees will receive full credit provided that they have not been a full-time/part-time employee as stated in the preceding sentence."

For example, if a member works 20 hours/week part-time for their entire career they will receive full creditable service. If the member starts out at 20 hours/week and then changes to 40 hours/week, the period for which the member worked 20 hours will be adjusted to reflect only 50% credit. Therefore this time period would only accrue 6 months for working a 12-month period.

The rationale behind the proration of service between mixing part-time and full-time is due to the fact that Massachusetts General Laws mandates that members be allowed to retire using their highest consecutive three-year average rate of regular compensation. (Members after 4/2/2012 use five-year average)

Please note that the retirement board is not always aware that an employee has changed their regular hours. In this case, any retirement estimate requested may have to be adjusted in the future. If you decide to request an estimate, please inform the retirement board if you have changed your regular hours during your career. At your actual retirement, a thorough analysis of your employment is conducted to ensure that proper creditable service is granted.

Cost-of-Living Adjustments (COLA's) – a summary of how Taunton compares to other communities

by Dennis M. Smith, Elected Board Member

First off, I would like to thank all retirees and active members who voted for me to serve as one of two "elected" members to the retirement board. I am both honored and humbled for the trust you have placed in me and I pledge to do my best to ensure that your benefits protected and preserved.

We believe our retirees and beneficiaries deserve an annual Cost-of-Living increase. It is crucial that our pensioners keep up with the ever increasing impact of higher prices for food, energy, clothing, and especially health care. Pursuant to Chapter 17 of the Acts of 1997, the Taunton Municipal Council voted in 1998 to grant the Taunton Retirement Board the ability to vote Cost-of-Living increases to eligible retirees and survivors. Obviously this must be done in a responsible manner. On an annual basis, the board members must analyze the financial condition of the retirement system to determine if granting a COLA is feasible. The COLA's are set in Massachusetts General Laws and have certain limitations. If economic conditions in any particular year prohibit the approval of a COLA, the Retirement Board may have to defer approval until the following year. Each year, the Commonwealth of Massachusetts Public Employee Retirement Administration Commission (PERAC) notifies all retirement systems of the increase in the United States Consumer Price Index (CPI) in the previous year by the Commissioner of Social Security. This index is used annually to adjust benefits paid to Social Security retirees and beneficiaries.

Cap on COLA benefits

The Retirement Board may adjust the CPI amount up to a maximum cap of 3% to be applied to the first $15,000 of the retirement allowance. The $15,000 is referred to as the COLA Base. A continual review is performed every two (2) years to decide if the COLA Base can be increased. The Retirement Board examines the actuarial experience of the retirement system (i.e. investment performance, new members & retirees, deaths, etc.) to explore the possibility of increasing the COLA Base further. Any such increase must be done in $1,000 increments and are subject to approval by the Retirement Board with concurrent action required by the Taunton Municipal Council.

The following is a summary of COLA's granted since the 1997 COLA Law was enacted.

Year	Annual Maximum COLA	Percentage and COLA Base
1997	$ .00	No COLA granted
1998	$252.00	2.1% up to first $12,000
1999	$360.00	3% up to first $12,000
2000	$360.00	3% up to first $12,000
2001	$360.00	3% up to first $12,000
2002	$360.00	3% up to first $12,000
2003	$360.00	3% up to first $12,000
2004	$360.00	3% up to first $12,000
2005	$360.00	3% up to first $12,000
2006	$360.00	3% up to first $12,000

Year	Annual Maximum COLA	Percentage and COLA Base
2007	$360.00	3% up to first $12,000
2008	$360.00	3% up to first $12,000
2009	$360.00	3% up to first $12,000
2010	$360.00	3% up to first $12,000
2011	$420.00	3% up to first $14,000
2012	$420.00	3% up to first $14,000
2013	$420.00	3% up to first $14,000
2014	$420.00	3% up to first $14,000
2015	$450.00	3% up to first $15,000
Total	$6,702.00	Cumulative Annual Increases

The COLA Base was recently increased to $15,000 effective July 1, 2015. Taunton actually compares well versus other Massachusetts communities. The following is a chart that displays this comparison. Based on the chart below, there are only 6 other communities ahead of Taunton which makes our COLA base competitive.

...continued on next page

Retirement System	COLA Base
Adams	$14K
Amesbury	$12K
Andover	$12K
Arlington	$15K
Barnstable County	$16K
Blue Hills	$16K
Bristol County	$18K
Braintree	$12K
Cambridge	$14K
Chicopee	$15K
Clinton	$14K
Dukes County	$14K
Easthampton	$14K
Essex County	$13K
Fall River	$12K
Fitchburg	$12K
Franklin County	$15K
Gardner	$13K
Greenfield	$14K
Haverhill	$12K
Hull	$12K
Lawrence	$12K
Lexington	$13K
Lowell	$15K

Retirement System	COLA Base
Maynard	$15K
Methuen	$15K
MHFA	$13K
Middlesex County	$14K
Montague	$18K
MWRA	$12K
Newton	$12K
Northampton	$13K
Plymouth	$13K
Salem	$12K
Shrewsbury	$12K
Somerville	$12K
Southbridge	$12K
Springfield	$13K
Stoneham	$13K
Swampscott	$13K
Taunton	$15K
Watertown	$12K
Webster	$16K
Westfield	$13K
Weymouth	$12K
Winthrop	$12K
Worcester County	$16K

New Post-Retirement Limits on Employment for Disability Retirees

by Peter H. Corr, Elected Member

The law has recently changed regarding the limits that a disability retiree can earn after retirement. With the passage of Chapter 492 of the Acts of 2014, the state legislature amended MGL Chapter 32, §91A which allows public employees receiving a disability pension to earn an additional $15,000 during a calendar year. This calculation will be based on total earnings without regard to the source of the earnings, public or private.

The additional earnings will be allowable for the calendar year that began on January 1, 2015 and will be reported on the member's Annual Statement of Earned Income for 2015 (to be filed in the Spring of 2016). Therefore, beginning in calendar year 2015, a disabled retiree will be allowed earnings of up to $15,000 above the difference in the salary currently being paid for the position from which he/she retired and the member's retirement allowance.

It is important to note that this new law did not increase the number of hours that public retirees are allowed to work in the "public" sector. The annual limit remains at 960 hours. The private sector has no hourly limits.

Designating a Beneficiary – What Choice is Right for You?

by Attorney Michael Sacco, Attorney to the Retirement Board

When you joined the Taunton Retirement System ("TRS"), you likely were asked to designate a beneficiary. The reason for this is because as a member of the TRS, if you pass away before you retire you have the right to designate a beneficiary to receive either a lump-sum distribution of your annuity savings account or a monthly lifetime benefit for your beneficiary. This article discusses both options available and provides some issues to consider and you decide which benefit is right for you and your family.

The Lump-Sum Designation

M.G.L. c. 32, § 11(2)(c) allows a member of a retirement system to designate a beneficiary or beneficiaries to receive a lump-sum distribution of your accumulated total deductions on deposit in your TRS account. This account, known as the "annuity savings account" is established for each member of the TRS at the time of membership, and you probably have noticed in each paycheck there is a deduction that is labeled "City Retirement", which is forwarded to the Board for deposit in your account. In January of each year, the Board's oversight authority, the Public Employee Retirement Administration Commission ("PERAC") in consultation with the Commissioner of Banks, obtains the average rates paid on individual savings accounts by a representative sample of no less than 10 financial institutions and determines the interest rate to be applied to the balance of your annuity savings account as of December 31st of the preceding year. Thus, your annuity savings account, comprised of your contributions and accrued interest, can be paid in a one-time lump sum distribution to the beneficiary or beneficiaries of your choice, who can be an individual or charitable institution.

The Member-Survivor Designation

M.G.L. c. 32, § 12(2)(d) allows a member of a retirement system to designate a beneficiary, who must be the parent, child, sibling, spouse or ex-spouse who has not remarried, as a member-survivor beneficiary. Under this designation, at the time of your death (again this is only prior to your retirement), your member-survivor beneficiary will receive a monthly benefit for life, calculated as if you were 55 years old on your date of death (or age 60 if you became a member on or after April 2, 2012), and as if you had retired that date and selected Option C. Your retirement allowance is calculated based on your age (given an age factor), your creditable service and your salary average for your three highest consecutive years of creditable service. There is also a statutory minimum of $500.00 per month that will be paid to the member-survivor if the beneficiary is the spouse of the deceased member, and that minimum will only be paid if the member was a member-in-service (generally employed and/or on an approved leave of absence) at the time of death, the member had no less than 2 years of service and had been married to the spouse for at least 1 year. If your member-survivor beneficiary is not your spouse, then the beneficiary will receive the amount based on the calculation described above. As noted, this benefit is a monthly benefit for life to your member-survivor beneficiary, and will only terminate upon the death of your beneficiary.

It is also important to note that spouses who receive the member-survivor benefit will also receive the so-called "dependent allowance" for any child under age eighteen or over said age and physically or mentally incapacitated from earning on the date of death of the member, or under age twenty-two if a full-time student in an accredited educational institution offering full-time courses of study equivalent to or higher than secondary school study. The words "accredited educational institution" shall mean any school, college or university that is licensed, approved or accredited, as the case may be, in the state in which it is located.

Special Spousal Election

The Legislature also inserted a provision in M.G.L. c. 32, § 12(2)(d) that allows a spouse who has not been designated as the member-survivor beneficiary to elect to receive the member-survivor benefit. To qualify for this elective right, the spouse must have been married to the member for at least 1 year, the member must have accrued at least 2 years of creditable service, and the member and the spouse had to have been married and living together, or separated for justifiable cause, on the date of death. If the spouse qualifies for the spousal election, it will not matter who you have designated as your member-survivor beneficiary - if the spouse elects to receive the benefit, then the spousal election takes precedent over your beneficiary designation.

How Do I Decide Which Beneficiary Option to Choose?

There are no hard and fast rules as to which beneficiary option to choose – the beneficiary option and the designation of your beneficiary is a personal choice that you will make dependent upon your circumstances and needs. It is also important to note that your beneficiary election can be changed at any time, and as many times, prior to your retirement. There are, however, a few issues to consider. For example, if you are married when you first become a member, the only way your spouse will receive the member-survivor benefit for life is if you designate your spouse, as no spousal election can be made during your first 2 years of employment (remember – one of the requirements for the spousal election is that you have 2 years of service). So, whether you want to designate your spouse as your member-survivor beneficiary upon entry into membership is certainly a consideration.

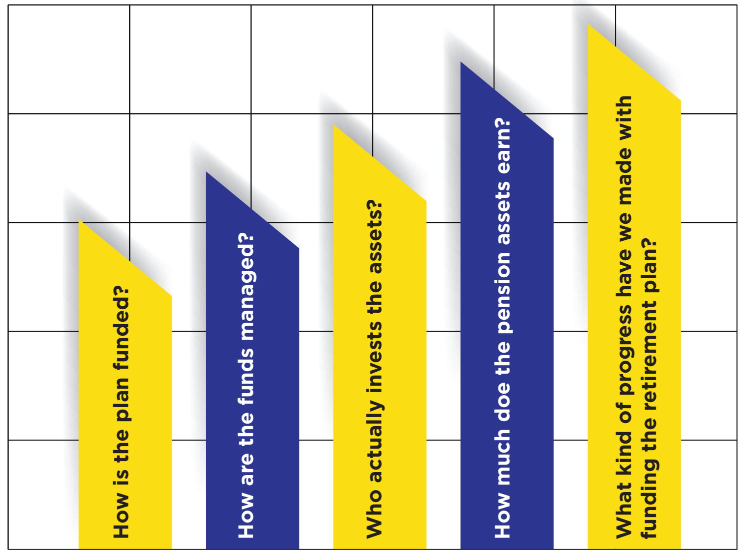
If something tragic were to happen in the first 2 years of your employment, it is likely the life-time benefit provided under the member-survivor option will be more advantageous, but once again this is an issue you should discuss with your spouse, and perhaps your financial consultant or tax accountant, to consider the best option for you. After the first 2 years of service, if you designate your spouse as the lump-sum beneficiary, then your spouse will have the choice of whether to receive the lump-sum distribution as you designated, or to elect the member-survivor benefit.

One of the other important issues is that many members upon entry into the TRS are not married and designate another individual as beneficiary. It is important to remember that if there is a change in circumstances – marriage, birth of a child, death of the designated beneficiary – that you update your beneficiary form to reflect your particular circumstances so that your wishes are respected in the event of your demise prior to your retirement.
Finally, while the staff is available to counsel you regarding your options and to provide you information, the decision whether to designate a beneficiary, and which option to choose, is your decision to make. If at the time of your death you have not designated a beneficiary, or your beneficiary has predeceased you, and if there is no spouse eligible to make the election, then the balance of your annuity savings account will be paid to your estate in a lump-sum distribution.

... if you pass away before you retire you have the right to designate a beneficiary to receive either a lump-sum distribution of your annuity savings account or a monthly lifetime benefit for your beneficiary. This article discusses both options available and provides some issues to consider and you decide which benefit is right for you and your family.

Financial Profile of the Retirement System

by Ann Marie Hebert, Chairperson/City Auditor and Gill E. Enos, Mayoral Board Appointee



The pension assets of the City of Taunton Taunton Retirement System have grown to over $260 million as of 12/31/2014. Many members often have questions about how these funds are managed and what they are composed of. In the following Q&A, we attempt to answer these very important questions.

How are the funds managed?

The pension assets are managed by the five-member Retirement Board in conjunction with the Executive Director and an investment consultant. All policies are consistent with Massachusetts General Laws and the regulations of the Public Employee Retirement Administration Commission (PERAC). It is the Retirement Board's responsibility for oversight of the pension assets. The Board delegates some of this responsibility to the Executive Director who performs all accounting and financial reporting to the Board and PERAC. This team approach continually monitors the assets to ensure all investment managers are meeting their benchmarks and are compliant with the Board's policies and objectives.

Who actually invests the assets?

The Board employs professional money managers and allocates the assets amongst many categories including but not limited to domestic stocks & bonds, foreign stocks & bonds, real estate, timber, private equity & venture capital, and agriculture to name a few.

How much do the pension assets earn?

The assets have earned an annualized return of over 9% during the last 29 years ranking Taunton as one of the best performing retirement systems in Massachusetts.

How is the plan funded?

Pursuant to Massachusetts General Laws Chapter 32, our plan is structured as a Defined Benefit (DB) Plan. Generally speaking, your DB plan is funded by 1) employee contributions; 2) employer contributions; and 3) Investment Income and appreciation in the value of the pension assets.

Employee contributions are deposited into your annuity savings account and earn a nominal passbook savings rate of interest.

Employer contributions are deposited into the Pension Fund to fund pension payments to retirees and beneficiaries.

Investment Income and gain on investments are deposited to the Pension Reserve Fund after crediting employee accounts with passbook savings interest. The Pension Reserve Fund is for the funding of future pension payments.

What kind of progress have we made with funding the retirement plan?

The Retirement Board has made significant progress in funding the plan. The plan was first created in 1937 and was funded on a "pay-as-you-go" basis. This meant that the City of Taunton would only appropriate enough funds to simply meet the payroll for retirees. No additional funds were set aside for active employees for future pensions. In 1991, the City of Taunton adopted a funding schedule to eliminate all past pension liabilities and the begin pre-funding all current and new employees' pension benefits. Also the State Legislature amended the law to allow investments in the stock market and other alternative asset classes. The combination of these two events fundamentally changed the financing of your retirement plan and put in place a mechanism for eventual full funding. The retirement system's current funding schedule calls for full funding within the next 15 years or by the year 2030. Other communities are not scheduled to be fully funded until the year 2040. Taunton is ahead of the curve so far. Obviously a lot of this is subject to the performance of investments which can have down periods. In these instances, sometimes the funding schedule must be adjusted to reflect a longer amortization period.

I was recently appointed to the retirement board as it's appointee to the board. I have always been interested in learning about our public employee retirement benefits and hope to join the other trustees to continue the successful stewardship of the plan. I was recently asked a question from a few members about the retirement options and how they impact you upon retirement. Therefore the following is a discussion about the three options you will have to choose from when you decide to retire – Options (A), (B) & (C). The option choice made at retirement has a lasting effect and cannot be changed. Therefore it is very important that you make your choice after careful consideration of many factors such as your current state of health, family history, financial well-being, and the needs of your beneficiary(ies).

Option Choice at Retirement

by Barry J. Amaral, Board's Appointee

Option A No Payment to Beneficiary

Your retirement allowance will cease upon your death and no benefits will be provided for any survivors.

Option B Lump Sum Payment to Beneficiary

Your retirement allowance under Option (B) is smaller than under Option (A) by approximately one percent. The annuity portion of your allowance is reduced to allow a lump sum benefit for your named beneficiary(ies). Upon your death, your named beneficiary(ies), or if there is no beneficiary living, the person or persons appearing in the judgement of the retirement board to be entitled thereto will be paid the unexpended balance of your annuity account. Please note that the contributions comprising your annuity account will be depleted within approximately 12-15 years depending upon your age at retirement. The longer you live, the less will be paid to your beneficiary(ies) upon your death. If your account has been fully depleted, nothing will be paid. You may designate and change at any time, one or more beneficiaries to receive in designated proportions, the lump sum Option (B) benefit. This Option takes effect upon your retirement and supersedes any prior beneficiary selections.

Option C Payment of Allowance to Beneficiary

Election of Option (C) provides for a monthly retirement allowance during your lifetime that is less than you would receive under either Option (A) or Option (B). Upon your death, your designated beneficiary will be paid a monthly allowance for the remainder of his or her lifetime. That allowance will be equal to two-thirds of the allowance that you were receiving at the time of your death. The monthly allowance you receive under Option (C) is based upon life expectancy factors for you and your designated beneficiary. Only your spouse, former spouse who has not remarried, mother, father, sister, brother or child may be designated as your Option (C) beneficiary. The younger your beneficiary, the lesser the amount of your retirement allowance. If, after you retire, your Option (C) beneficiary predeceases you, you will thereafter be paid the full retirement allowance you would have received had you elected Option (A) at the time your retirement allowance became effective. This conversion is commonly referred to as the Option (C) "pop-up". Please note that after the Option (C) "pop-up" takes place you may not name another Option (C) beneficiary or choose another Option.

Taunton Board of Retirement
104 Dean Street, Suite 203
Taunton, MA 02780

PRESORTED STANDARD
US POSTAGE PAID
TAUNTON, MA
PERMIT NO. 91

Upcoming Meetings ...

AUGUST 26
SEPTEMBER 23
OCTOBER 28

ALL MEETINGS HELD AT
104 Dean St., Suite 203,
Taunton, MA
starting at 8:30 am

TAUNTON RETIREMENT BOARD – Back Row (l-r): Dennis M. Smith, Peter H. Corr, Barry J. Amaral, Gill E. Enos, Paul J. Silvinski. Front Row (l-r): Kathy A. Maki, Ann Marie Hebert, Karen Medeiros

DICK AVILA honored for 28 years of service on the Retirement Board. A proclamation from Mayor Thomas C. Hoye, Jr. and a plaque from the members and staff of the Board were presented December 16, 2014 to Mr. Avila for his dedication and service to the Board.

DIRECT DEPOSIT

Required for all retirees.

Our goal is to have all retirees and survivors on direct deposit. The electronic wire is faster and more efficient and assures a timely posting to your bank account. For more information, please contact the Retirement Office at 508.821.1052. Dates accounts will be credited: August 31, September 30, October 30, November 30 and December 31.

VOLUNTARY DENTAL PROGRAM

The City of Taunton is happy to announce that it is offering a voluntary dental program to all retirees over the age of 65. This is a RETIREE PAY ALL PLAN, with the City making NO contribution for any portion of this voluntary dental program. For more information, please contact the Human Resources Officer at 508.821.1060.