

MEMORANDUM #47, 2009

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
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Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Amendment to Chapter 21 of the Acts of 2009
Accidental Disability Retirement Allowance Calculation

DATE: December 8, 2009

As you know, Chapter 21 of the Acts of 2009 changed the amount of regular compensation for purposes of calculating an accidental disability retirement allowance. Section 19 of Chapter 166 of the Acts of 2009 has again changed the regular compensation to be used in the calculation. Section 45 of Chapter 166 of the Acts of 2009 has made this change effective on July 1, 2009. All accidental disability retirement allowances with an effective date on or after July 1, 2009 that were calculated under the now-repealed language on G.L. c. 32, § 7(2)(a)(ii) will need to be recalculated and submitted for review.

After the recent legislative action, G.L. c. 32, § 7(2)(a)(ii) reads as follows:

1. A yearly amount of pension equal to 72 per cent of the annual rate of his regular compensation on the date such injury was sustained or such hazard was undergone, or equal to 72 per cent of the average annual rate of his regular compensation for the 12-month period for which he last received regular compensation immediately preceding the date his retirement allowance becomes effective, whichever is greater; provided, however, that if an individual was in a temporary or acting position on the date such injury was sustained or hazard undergone, the amount to be provided under this paragraph shall be based on the annual rate of regular compensation in his permanent position on the date such injury was sustained or such hazard was undergone, or the average annual rate of his regular compensation in his permanent position for the 12-month period for which he last received regular compensation immediately preceding the date his retirement allowance becomes effective, whichever is greater; provided, however, that for any employee who was not a member in service on or before January 1, 1988 or who has not been continuously a member in service since that date, the total yearly amount of the sum of such pension and the annuity as determined in accordance with clause (i) shall not exceed 75 per cent of the annual rate of regular compensation as determined in this paragraph; and provided further, that no individual who was a member in service on January 1, 1988, whose allowance is limited by the 75 per cent limitation as established in this paragraph, shall receive an amount of pension that is less than 72 per cent of such individual's regular compensation on January 1, 1988;

Attached is a form that must accompany all calculations for accidental disability retirement that are

submitted for review. In addition, all calculations for members who retired with an effective date on or after July 1, 2009 until the date of this Memorandum must be recalculated and resubmitted. Also attached are examples of calculations pursuant to G.L. c. 32, § 7(2)(a)(ii) as amended by Chapter 166 of the Acts of 2009.

If you have questions, please contact this office.

Attachments

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Pursuant to Sections 19 and 45 of Chapter 166 of the Acts of 2009, the following information will need to be provided to PERAC for any Accidental Disability retirement allowance that becomes effective on or after July 1, 2009.

Please note that PERAC will not approve any Accidental Disability allowance unless this sheet and the appropriate payroll records are included with the retirement calculation paperwork.

MEMBER'S NAME: _____

BOARD NAME: _____

For members who were not working in a temporary or acting position on the date of injury:

1. DATE OF INJURY: _____
(Please note that for a member who was injured and returned to work and whose initial injury was exacerbated by a later on-the-job injury, the most recent injury date should be used.)
2. ANNUAL RATE OF REGULAR COMPENSATION ON THE DATE OF INJURY:
\$ _____ (Please provide a copy of the payroll record for the member on date of injury.)
3. AVERAGE ANNUAL RATE OF REGULAR COMPENSATION DURING THE PREVIOUS 12-MONTH PERIOD FOR WHICH THE MEMBER LAST RECEIVED REGULAR COMPENSATION IMMEDIATELY PRECEDING THE DATE THE RETIREMENT ALLOWANCE BECOMES EFFECTIVE:
\$ _____ (Please provide a copy of the payroll record for the member for the 12 month period preceding the date of retirement.)

Note:

For members retiring under one of the presumptions (G.L. c. 32, §§94, 94A or 94B), the date of injury is to be the date the member last received regular compensation.

For members who were working in a temporary or acting position on the date of injury:

4. DATE OF INJURY: _____
(Please note that for a member who was injured and returned to work and whose initial injury was exacerbated by a later on-the-job injury, the most recent injury date should be used.)
5. ANNUAL RATE OF REGULAR COMPENSATION ON THE DATE OF INJURY FOR THE MEMBER'S PERMANENT POSITION:
\$ _____ (Please provide verification of the compensation for the member's permanent position on the date of injury.)
6. AVERAGE ANNUAL RATE OF REGULAR COMPENSATION FOR THE MEMBER'S PERMANENT POSITION DURING THE PREVIOUS 12-MONTH PERIOD FOR WHICH THE MEMBER LAST RECEIVED REGULAR COMPENSATION IMMEDIATELY PRECEDING THE DATE THE RETIREMENT ALLOWANCE BECOMES EFFECTIVE:
\$ _____ (Please provide verification of the compensation for the member's permanent position for the 12 month period preceding the date of retirement.)

Examples of calculations pursuant to Chapter 166 of the Acts of 2009:

Member not working out of grade:

Member is a 55-year old, non-veteran, group 1 employee. His average annual rate of regular compensation for the 12 month period for which he last received regular compensation is \$50,000. His membership date is January 1, 1985. His Annuity Savings Fund balance on his date of retirement is \$75,000.

Calculation of Option A retirement allowance:

Pension: $\$50,000 \times 72\% = \$36,000$

Annuity: $\$75,000 \times 0.00701 = 525.75 \times 12 = \$6,309$

Allowance; $\$36,000 + \$6,309 = \$42,309$

Member working out of grade:

Member is a 60-year old, non-veteran, group 4 employee. His annual rate of regular compensation on the date of his injury (based on the acting position) is \$75,000. The annual rate of regular compensation on the date of his injury for his permanent position \$50,000. His membership date is January 1, 1985. His Annuity Savings Fund balance on his date of retirement is \$80,000.

Calculation of Option A retirement allowance:

Pension: $\$50,000 \times 72\% = \$36,000$

Annuity: $\$80,000 \times 0.00759 = \$607.20 \times 12 = \$7,286.40$

Allowance; $\$36,000 + \$7,286.40 = \$43,286.40$

Note: The pension portion is based on the greater of the average annual rate of regular compensation for the 12 month period for which the member last received regular compensation immediately preceding the date of retirement or the annual rate of regular compensation on the date of the injury for the *permanent* position, **NOT** the acting position.

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