

MEMORANDUM #28, 2008

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

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph I. Martin, Deputy Executive Director

RE: Chapter 302 of the Acts of 2008, Amending Interest on Certain Buybacks

DATE: September 10, 2008

The Governor recently signed into law, Chapter 302 of the Acts of 2008, *An Act Making Appropriations for the Fiscal Year 2008 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects*. Sections 7, 8 and 9 of this Act amend Chapter 32 in regard to the application of interest on certain buybacks and repayments contained in Sections 4 and 105 of Chapter 32.

The following is a section by section summary of the changes:

Section 7 – Provides that all buybacks/make-ups made pursuant to §§ 4(1)(g^{1/2}), 4(1)(l), 4(1)(l^{1/2}), 4(1)(l^{3/4}), 4(1)(n), 4(1)(n^{1/2}), 4(1)(o), 4(1)(o^{1/2}), 4(1)(p) and 4(2)(c) shall be calculated with buyback interest instead of regular interest.

Section 8 – Provides that buybacks/make-ups made pursuant to § 4(1)(r) should now be calculated to include buyback interest.

Section 9 – Provides that repayments made to Retirement Boards pursuant to § 105 shall now be calculated with buyback interest instead of actuarial assumed interest.

Section 70 – Provides that the above sections shall become effective on July 1, 2008.

As a result of these changes, some PERAC forms are no longer valid. From this point forward, the forms included with PERAC Memos #10/2008, #11/2008 and #23/2008 are not to be used. Attached are the updated forms that reflect the changes provided by this law.

Any buyback and/or make up that would have been calculated with the forms found in PERAC Memos #10/2008 and/or #11/2008 should now be calculated using the attached updated buyback/make up repayment worksheets. If your system calculated any buybacks/make-ups under any of the above affected sections between July 1, 2008 and the receipt of this memo where repayment, whether in full or as part of a payment plan, was started prior to the receipt of this Memo, you should recalculate the repayment amount using buyback interest. If the calculated repayment amount using buyback interest is less than the amount calculated using regular interest, then the member should be notified that the amount to be repaid has been reduced. If the calculated repayment amount using buyback interest is greater than the amount calculated using regular interest, then the member should continue to repay the amount calculated using regular interest. Any and all buybacks/make-ups started after receipt of this memo should be calculated with buyback interest.

Also, for members who wish to be reinstated to service under the provisions of § 105, where the amount to be repaid

to the system would have been calculated using the forms found in PERAC Memo #23/2008, the amount to be repaid should now be calculated using the updated § 105 Reinstatement to Service form. Any payment that was calculated using the form from PERAC Memo #23/2008 should be recalculated using the new forms. If a member had a repayment amount calculated between July 1, 2008 and the date of receipt of this memo, and had repaid that amount to the Board, the Board should recalculate the repayment amount using buyback interest and return to the member any overpayment made by the member to the Board.

Thank you for your assistance in this regard.

If you have any questions concerning this matter, please do not hesitate to contact this office.

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Attachments

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