



MWRA

EMPLOYEES' RETIREMENT SYSTEM

Since July 1, 1985

Congratulations on your recent hiring by the Massachusetts Water Resources Authority (MWRA). Enclosed you will find the enrollment forms to join the MWRA Employees' Retirement System (MWRAERS). Below you will find some of the most frequently asked questions about our retirement plan, followed by our contact information and resources for additional information.

What is the MWRA Employees' Retirement System?

The MWRA Employees' Retirement System (MWRAERS) is a contributory defined benefit plan established as a separate and independent legal entity in accordance with Massachusetts General Laws C. 32 and further regulated by 840 CMR (Code of MA Regulations) to provide retirement and survivor benefits to MWRA employees and their families. MWRAERS is established under the same rules as are the similar, but separate, retirement systems established for other public employees within Massachusetts. The MWRA Employees' Retirement System is administered by a five-member Retirement Board with its day-to-day operations managed by Retirement Board Staff. The MWRA Employees' Retirement Board currently oversees \$646 million in Retirement System assets, consisting of employee contributions, employer contributions, and investment income earned on them.

What is a contributory defined benefit plan?

In a contributory defined benefit plan, employees contribute a portion of their pay in order to accrue potential retirement benefits, and retirement benefits are based upon a set formula using age, service and salary, rather than on the amount of the employee's contributions.

How does MWRAERS differ from a 401k plan?

Under 401(k)-type plans, an employee's potential retirement benefits rely predominantly upon an employee's ability to save, and to manage the invested savings to earn income. A retiree with a 401(k) could be left with no income after retirement in the event of a serious downturn in the markets, or if they simply outlive their savings. Under the MWRA defined benefit plan, total employee contributions, market fluctuations and similar economic factors do not affect the amount of an employee's potential retirement benefits. More importantly, the MWRA retirement benefits are payable over the retiree's lifetime, in a guaranteed amount.

How does the benefit offered by MWRAERS compare to that offered by Social Security?

Although both are defined benefit plans and provide lifetime benefits, there are noteworthy differences. The maximum Social Security benefit payable at or after age 70 for 2023 is \$4,555 per month, for those collecting at or after "Full Retirement Age," currently defined by Social Security as age 67, the maximum is \$3,627, and for those collecting at age 62 the maximum is \$2,572.

For MA public employees hired on or after April 2, 2012, retirement benefits may not exceed 80% of the employee's highest five-year average salary. The average monthly benefit for MWRAERS retirees is \$3,888 as of January 1, 2022. The only dollar amount cap on benefits currently in place on MA public employee retirement systems impacts only highly compensated employees, again under State Law as well as Internal Revenue Code. The federal cap on salary used for the determination of retirement benefits is \$330,000 for 2023, and the State retirement compensation limit imposed on employees hired on or after 1/1/11 is \$211,200.

In addition, several high-profile financial publications have released articles recently questioning whether Social Security is sufficiently funded to sustain payment of future benefits at their current level, predicting insolvency in about ten years. In a report published on its official site, Social Security itself projects that without intervention, based upon 2022 data, its reserves for OASI, which provides most Social Security benefits, will be depleted by 2033, and that by 2033, incoming Social Security taxes will fund only 77% of scheduled benefits. Please see <https://www.ssa.gov/oact/trsum/>

In contrast, with a funded ratio of nearly 90%, the MWRAERS is one of the best-funded Retirement Systems in the Commonwealth, and the MWRA Employees' Retirement Board is committed to its established, long-term, disciplined, and well-diversified approach to investing MWRA employees' funds to ensure future benefit payments for all of its current and future retirees.

Is membership in the Retirement System mandatory?

Yes, Retirement System enrollment is mandatory for full-time permanent employees under state law, but this requirement is further enforced within the provisions of Internal Revenue Code. Because public employees within MA are not required (and in most cases not permitted) to contribute to Social Security through their public employment, the Federal Government requires that MA public employees contribute to a plan which provides a retirement benefit which is equivalent to or better than that provided by Social Security.

How is my contribution rate determined?

Your contribution rate is determined by State law based upon your date of membership in the Retirement System. All employees hired on or after July 1, 1996 are required to contribute 9% of regular compensation, plus an additional 2% of salary in excess of \$30,000 per year, or the portion of pay which is over \$576.92 per week.

Can I contribute more or less than the statutory rate to the Retirement System?

No, the law does not grant Retirement Boards flexibility in regard to contribution rates. They are determined solely by date of membership.

May I borrow against my retirement contributions?

No. The law allows disbursements from an individual's account only upon termination of employment at the request of the employee, or upon retirement. There are also legal provisions protecting employees from attachments of retirement funds by creditors, except by the IRS or the Department of Revenue, or in the instance of unpaid child support.

What is vesting, and when am I considered vested?

Vesting refers to the attainment of a level of age and service which, when combined, entitle the employee to a future retirement benefit. For MWRA employees hired on or after April 2, 2012, the general requirement for employees to be entitled to a future retirement benefit from MWRAERS is at least ten years of service at or above age sixty. Retiring later or accruing additional creditable service increases potential benefits.

What happens if I leave MWRA for employment in the private sector prior to becoming vested in the MWRAERS?

You may request a refund of your Retirement System contributions upon the termination of your employment, but the withdrawal will be subject to Federal Tax, and may be subject to penalties depending on whether it is determined to be an "early distribution" in accordance with Internal Revenue Code. In the alternative, you are also eligible to rollover the funds directly to an established IRA or similar vehicle without tax implications, within certain Internal Revenue restrictions.

What happens if I leave MWRA for employment in the private sector after becoming vested in the MWRAERS?

You would have the option of withdrawing your funds, rolling over the funds, leaving them on deposit with MWRAERS, or taking a retirement benefit immediately, depending on your circumstances. If you have attained ten years of service but have not yet attained age sixty, you may leave funds on deposit and apply for a retirement benefit on or after your sixtieth birthday. If you are over age sixty and leave for employment in the private sector, you may apply for and collect a retirement benefit immediately.

What happens if I leave MWRA for employment with another Massachusetts public entity?

If you leave MWRA Employment to take a job with another public entity in Massachusetts, your new public employer will request the transfer of your funds in the MWRAERS to their System. MWRAERS will send your funds, as well as a statement of creditable service to the new

Retirement System, and the service you accrued while employed with MWRA will be counted toward your retirement benefits.

What if I previously contributed to another MA Retirement System and did not withdraw the funds?

Please make sure that you provide the information about the prior service on your enrollment form. MWRAERS Staff will use the information you provide to request a transfer of funds from the prior system, along with a statement of service credit, and the prior credit will be counted toward your retirement benefits.

What if I had prior MA public service for which I did not contribute to a Retirement System or for which I have already withdrawn my funds?

Please provide the information on your enrollment form. MWRAERS Staff will use the information provided to calculate the amount of the repayment of any refund, or the buyback payment for past non-membership service. Both repayments of refunds and buybacks are optional, but you will not be credited with prior service unless the appropriate payments are made.

May I purchase prior active duty military service?

Honorably discharged veterans who served active duty in the Army, Navy, Air Force, Marines, or Coast Guard may be eligible to purchase military service credit toward their retirement. You will be asked to submit a DD-214. MWRAERS Staff will assist you in filing a request for this service, and will determine if you qualify.

What happens if I die prior to retirement?

Survivor benefits are available for spouses of active members of the Retirement System who die prior to retirement after only two years of service completed by the employee, subject to a minimum of \$500 per month, provided the member is actively employed and married to the spouse for at least a year as of the employee's date of death, with possible additional dependent benefits.

Does my retirement benefit entitle me to any other post-employment benefits?

Eligibility for and collection of an MWRA Employees' Retirement System retirement benefit entitles MWRA retirees and their spouses to continuation of health insurance coverage through the State Group Insurance Commission (GIC) prior to age 65, and to purchase through GIC after age 65, Medicare supplements, as well as Dental coverage, all with a significant contribution to premiums made by the employer. It also provides for the continuation of basic life insurance, and optional life, although the cost of any optional life is paid in full by the retiree.

Where can I find more information about MWRA Employees' Retirement System?

Employee education is central to the MWRA Employees' Retirement System's core mission. **We are on-site in the Chelsea Administration Building every day, and encourage any employee who has questions regarding retirement to contact Retirement Office Staff directly via phone at (617) 305-5595, or by email to:**

Carolyn Russo, Executive Director at carolyn.russo@mwra.com

Julie McManus, Retirement Coordinator at julie.mcmanus@mwra.com

Danielle DiRuzza, Member Services Coordinator at Danielle.diruzza@mwra.com

The MWRAERS website, located at mwraretirement.com, displays additional information as well as allows employees access to the member portal where account balances, service credit, retirement estimates, etc. may be obtained. The site also provides extensive information regarding our Retirement System's financial reporting, meetings, investments, etc. Please contact MWRAERS Staff if you require assistance setting up portal access.

The above is a synopsis and is not intended to provide a comprehensive description of retirement benefits available to MWRA employees. A more complete guide to Massachusetts public employees' retirement benefits may be found here:

<https://www.mass.gov/handbook/massachusetts-public-employee-retirement-guide-members-on-or-after-422012>

Thank you, and best of luck in your new position with MWRA.

MWRA Employees' Retirement Board

James M. Fleming, Esq., Chair/Elected Member

Matthew Horan, Appointed Member

Brian Peña, Ex-Officio Member

Kevin McKenna, Elected member

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