

# For Your Benefit



A Newsletter of the Connecticut Municipal Employee Retirement System

Fall 2009

Volume 1, Issue 1

Office of the State Comptroller

MERS Unit  
3<sup>rd</sup> Floor  
55 Elm Street  
Hartford, CT 06106 1776

Phone:  
(860) 702-3500

Fax:  
(860) 702-3571

E-mail:  
[osc.muniinfocmers@po.state.ct.us](mailto:osc.muniinfocmers@po.state.ct.us)



[www.osc.state.ct.us](http://www.osc.state.ct.us)

## Special Interest Articles

MERS & Age 62	2
MERS "Pay" Issue	2
New Forms!	3
Direct Deposit	3
Military Credit	3

## Welcome to the First Edition of "For Your Benefit"

I am pleased to introduce the inaugural edition of "For Your Benefit" - the Municipal Employees Retirement System (MERS) quarterly E-Newsletter.

This newsletter is designed for MERS' human resource specialists, benefit officers, union representatives and personnel directors to provide members with important information on MERS provisions and administration.

In this first issue, you will find timely articles regarding the definition of pay for purposes of MERS contributions and retirement benefits, as well as the impact of a Social Security disability award on a MERS retirement benefit. We are also working to provide you and members of the MERS system with additional services, such as the "fillable" retirement forms noted in this newsletter and now located on my website at [www.osc.state.ct.us](http://www.osc.state.ct.us)

Our long-range goals include creating an on-line benefit estimate calculator and holding employee group sessions to provide pre-retirement counseling and education. Watch for announcement of these additional services in future editions. I trust you will find this newsletter both interesting and informative. If you have any suggestions or comments for future articles, please email MERS at the email address in this newsletter.

Nancy Wyman, State Comptroller

## GASB 25 Reports

No – the reports are **not** ready but as this is the time of year that MERS begins to receive inquiries about them, we thought we would let employers know of the status of the report.

"Notes to Financial Statements (GASB #25)" are done by the MERS actuaries only after MERS receives all the necessary information from all the MERS towns and employers. Traditionally, GASB 25 reports are not available until December 15th: however, if the information from the towns is delayed, then the report is also delayed.

MERS receives many requests for this report from employers and their auditors. Please be advised that this year MERS will not distribute or mail out hard copies of the GASB 25: rather the GASB 25 will *only* be available "on line" on the MERS website.

The MERS website is located at [www.osc.state.ct.us/rbsd/cmers](http://www.osc.state.ct.us/rbsd/cmers). Once you are on the website, click on the "site map" link and once on the site map, click on "Plan Documents and Information."

The GASB 25 reports are listed by fiscal year.

Please inform your auditor(s) where the report is located so that they can download any information they may need.



## The MERS Retirement Benefit and Social Security Reduction

There has been some confusion with regard to a MERS retirement benefit and the effect of social security payments on this benefit for MERS members.

About one-fourth of all public employees do not pay Social Security taxes on the earnings from their government jobs. Historically, Social Security did not require coverage of government employment because some government employers had their own retirement systems.

There are many MERS employees who are not covered by Social Security because their town or employer did not choose social security coverage for its employees. If a member's employment *is not* covered by Social Security, the member contributes 5% of their pay to MERS retirement while if the employment

*is* covered by Social Security the member contributes only 2¼% of the portion of pay on which Social Security taxes are withheld.

MERS members who are covered by Social Security are subject to what has been erroneously called the "social security" reduction when they reach age 62: however, it is not a reduction. While it may be difficult to understand, CGS Sec. 7-437 actually provides for an *additional*, temporary benefit if the member is covered by social security and the member retires before age 62. Since a social security benefit is not payable until age 62, the member receives a total benefit (regular benefit *plus* a temporary benefit) from his or her retirement date to age 62 which is equal to the benefit the member would have received

under MERS if they were not covered by Social Security.

There are two points at which this additional, temporary benefit terminates and is removed from the retirement benefit. The first is when the member is *eligible* for social security which is at age 62 – not at the age of the "full" social security benefit. Second, the additional benefit ends when the member receives a social security disability benefit if the award is received earlier than the age of 62. Members are required to inform MERS if they receive a social security disability award prior to age of 62.

In sum, if the member is retired and is covered by Social Security he or she will receive a temporary benefit until they reach the age of 62 or receive a social security disability

award whichever comes first. At that time, the temporary benefit will be removed from the total benefit and the retiree will be returned to the "regular" benefit. If the member retires after the age of 62, they will receive their "regular" benefit and no further reduction will occur. This reduction will not occur for members who have contributed 5% of their pay into MERS and therefore are not covered by Social Security.



**"Remember: The social Security reduction occurs at the age of 62, not when the retiree actually receives it."**

## Definition of Pay for MERS Employees

"Pay" is an integral part of a retirement benefit under MERS: it is the primary gauge with regard to the amount of contributions by members, employers and in the determination of the final monthly benefit. The term "pay" has been statutorily defined for MERS as "the salary, wages or earnings of an employee, including any payments received pursuant to chapter 568 [workers compensation payment] ...."

This narrow definition of "pay" (rather than the broader term of "compensation") was used in part to prevent

members from converting ancillary benefits considered part of their compensation into "pay" so that their rate of pay would not be artificially inflated allowing them to take a disproportionate retirement benefit.

Therefore, for purposes of a MERS retirement benefit, "pay" does not include any lump sum reimbursements for accrued or unused sick or vacation time, settlement awards, severance pay or monies contributed by the employer to an employee's defined contribution or deferred

compensation retirement account (either given directly to the employee or placed in a Fund or annuity on behalf of the employee) in the employer's calculation of "pay."

"Pay" does not include any employer financial incentive to an employee for declining employer-based health insurance coverage or income received by an employee under a third party disability insurance policy. These awards and monies do not meet MERS definition of pay – they are not salary or wages - and thus are not to be included in the

computation of a member's retirement benefit.

"Pay" however does include overtime, most workers compensation benefits received by an employee and retroactive payments (salary increases or annual increments) pursuant to a collective bargaining agreement as the result of an arbitration award. Therefore contributions should be taken out on these monies.

The MERS unit has developed new retirement application, option factor and spousal waiver forms to be used by MERS employers. These new forms were developed to correspond with statutory changes that have occurred since the old forms were first printed and to provide additional information to MERS retirees. These new, revised retirement forms are available on the Office of the State Comptroller website at the following link: <http://www.osc.state.ct.us/agencies/forms>.

To date, MERS has revised the following forms:

CO-1200 -MERS (Part B) Retirement Application Form (2 pages)

CO-1201 -MERS Income Payment Election Form - Option A

CO-1202 -MERS Income Payment Election Form - Option B

CO-1203 - MERS Income

Payment Election Form - Option C

CO-1204 - MERS Income Payment Election Form - Option D

CO-1205 - Spousal Waiver of Monthly Survivor Benefits (MERS)

CO-1206 - Certification of Marital Status (MERS)

CO-1207 -MERS (Part A) Retirement Application Form (2 pages)

A summary of some of the changes are given below:

#### Retirement Application:

The revisions simplify the form and also provide additional information to the retiree about the retirement process.

#### Option Factor Forms:

These forms were revised to provide additional information about that particular option as well as to advise members who are covered by social

security about the Age 62 reduction. One of the biggest changes was with Option B (50-100% Annuitant). If a married person picks Option B – 50% or 100% and the annuitant is the spouse – there is no need to have the married member execute a spousal waiver.

#### Spouse Waiver Form:

This form has been changed because of certain experiences – for example – MERS has had cases where the spouse claimed that s/he did not sign the form or did not know who the contingent annuitant was stating s/he would not have agreed to the waiver if they knew. To avoid these problems and to provide a more knowing waiver - MERS changed the spousal waiver.

#### Certification of Marital Status Form (New)

To avoid confusion with the spouse waiver form, single members and members who have been

married for less than one year at the time of retirement and do not choose an option that gives their spouse a lifetime benefit must fill out this form.

All of these forms are “fillable” on the system and **must be** used in connection with all retirement applications effective January 1, 2010.

Until December 31, 2009 employers may use the older forms but as of January 1, 2010 only the new forms will be accepted with regard to a retirement application.

The “new” forms are not being printed in “hard copies” – if an employer needs a hard copy it will need to print the form off from the website.

## Electronic “Direct” Deposit

Remember that Electronic Fund Transfer (EFT) Direct Deposit is the fastest and easiest way for retirees to receive their retirement checks. Their check will be deposited on the last business day of the month. A direct deposit form can be handed out with the retirement application so that the retiree can receive their very first check into their account.

Please encourage your retiring employees to sign up for direct deposit. If a check is lost or stolen it takes at least 10 business days to issue a replacement check and MERS may charge a fee for a replacement check in the amount of the bank charges incurred by MERS. In the event MERS has already issued a replacement check to the recipient in the previous twelve months, an administrative fee of \$25.00 will be charged in addition to the amount of the bank charges.

With Direct Deposit a retiring employee will eliminate the delays caused by postal delivery and also protect against checks that can be lost through undelivered or stolen mail.

## Military Service Credit

All newly hired employees must be notified of their eligibility to purchase Active Military Service within the first year of employment. The employee will pay the full cost of the added retirement benefit received which usually includes interest. No credit is allowed for this purchase unless and until all the required contributions and interest have been paid. An employee who requests such a purchase after the first year of employment must provide a letter from the employer which clearly states that the employee was never notified of this one year requirement. MERS reserves the right to decline such requests made after the one year period of time.

### Form SSA-1945

If your town or agency is not covered by social security you need to submit an executed Form SSA 1945 to MERS with the employee’s CO-931 for **all** new employees hired after January 1, 2005.

Copies of the SSA-1945 are available online at the Social Security website, [www.socialsecurity.gov/form1945](http://www.socialsecurity.gov/form1945).