

**Taxability of Public Employee Retirement Benefits in Massachusetts**

A superannuation retirement allowance received from the North Attleboro Retirement System is not subject to Massachusetts state income taxes. However, the allowance is subject to federal taxes. We recommend you consult with an appropriate tax authority for guidance.

When you retire, you will be required to complete a W-4P Form to begin a monthly federal tax withholding. Your tax liability will be determined by using the Internal Revenue Guidelines. You may contact the Board at any time to change your tax withholding status.

There are 15 other states where Massachusetts has reciprocal agreements with or there are no state taxes. Benefit recipients would not have to pay state taxes on their retirement benefits if you live in the following states:

Alabama	Alaska	Florida	Hawaii
Illinois	Michigan	Mississippi	Nevada
New Hampshire	Pennsylvania	South Dakota	Tennessee
Texas	Washington	Wyoming	

Since January 12, 1988, all contributions to the retirement system have been made on a pre-tax basis. Consequently, only contributions made prior to January 12, 1988 will be tax-free. Pre-tax contributions and all of the interest which your account has earned will be taxable.

The balance in your annuity savings account (the total of your contributions and interest), may be treated differently, according to the nontaxable and taxable portions.

*Nontaxable portion:*

The nontaxable portion of your balance is equal to your contributions, if any, made prior to January 12, 1988, plus any payments you made to purchase previous creditable service. This is also known as your “after-tax” portion because these contributions were deducted from your paycheck after taxes had already been taken out of the entire amount of your paycheck. Because you have already paid taxes on this portion (as well as any payments you made to purchase creditable service) you will not have to pay taxes on this amount again.

*Taxable portion:*

The taxable portion of your balance is equal to your contributions made on or after January 12, 1988, plus any interest you receive on your account.

After January 12, 1988 all contributions were deducted from your paycheck before taxes were taken out. Since you have not yet paid taxes on this portion, it is taxable when you receive it in the form of a lump-sum payment or, if you rollover this portion to an IRA or another qualified employer retirement plan, when you eventually receive these funds.

Each year you receive a benefit from the Board we will send you a 1099-R form containing the following information:

- Gross Amount Received
- Taxable Amount
- Federal Tax Withheld (if any)
- Health Insurance Deduction

## North Attleboro Retirement Board New Retiree Information

### **Cost of Living Adjustment (COLA)**

The North Attleboro Retirement Board may grant a Cost of Living Adjustment (COLA) for retirees which is paid in July of each year.

Annually, the PERAC Actuary advises the Retirement Board of the increase in the Consumer Price Index. The Retirement Board then may grant a COLA. The maximum amount that the Board can approve is 3% on the first \$14,000 of a retirement allowance. On average, an eligible retiree can receive up to \$420.00 per year or \$35.00 per month.

In order to be eligible for a COLA, a retiree must be retired for one full fiscal year.

For example, if you retire on:

- June 30, 2020, you would be eligible to receive a COLA in your July, 2021 monthly allowance
- August 31, 2020, you would be eligible to receive a COLA in your July, 2022 monthly allowance

### **Social Security**

Anyone retiring from public service and receiving a governmental pension, who also is eligible for Social Security benefits, may have his Social Security benefits offset in a variety of circumstances. Social Security may contact the Board and request the date the individual was first eligible to retire. A person eligible to retire prior to January 1, 1986, will not have their Social Security benefit reduced. Retirees attempting to collect Social Security on a spouse's earnings can do so if they were eligible to retire prior to December 1, 1982.

More detailed information on the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) are provided separately.

We recommend that any potential retiree eligible for Social Security contact the Social Security Administration directly prior to retiring.

### **Benefit Verification**

As mandated, at least every two years all benefit recipients must demonstrate that they remain eligible to continue receiving benefits. The North Attleboro Retirement Board conducts a benefit verification process. Benefit Verification forms are mailed to our benefit recipients and retirees. These forms must be returned to the Board signed and notarized by the date indicated to avoid any interruption or cancellation of benefits.

## **Working After Retirement**

### *Post-Retirement Employment in the Public Sector*

Many retirees look forward to continuing their service after retirement. Our retirees should know that there are time and earnings restrictions on re-employment with a Massachusetts public employer. The retirement law limits the employment of all retired public employees who work in the public sector after retirement to *960 hours* of employment within a calendar year. The “public sector” is defined as the Commonwealth of Massachusetts and its political subdivisions, including municipalities, authorities and districts that provide retirement benefits for employees under Massachusetts General Laws Chapter 32. Employees classified as “consultants” or “independent contractors” are also subject to these limitations if they are receiving pension benefits & working in a governmental position.

The restriction does not apply to federal employment or public service rendered in another state.

In addition to the hours limitation, there is an earnings limitation. The law prohibits a retiree from receiving post-retirement wages from public employment which, when combined with the retiree’s allowance, is in excess of what the retiree would have earned in the position from which he or she retired. Excess payments must be refunded to the employer or to the retirement system.

Commencing the next January 1st following twelve months of retirement, the retiree is allowed to earn the difference between the salary paid in the retiree’s former position minus the retiree’s allowance, plus an additional \$15,000. If a retiree reaches the 960 hour limitation prior to reaching the new excess earnings limitation, the retiree must stop working.

The hours and earnings limitations apply to all retirees. They do not apply to survivors or beneficiaries.

### *Post-Retirement Employment in the Private Sector*

If you are a non-disability retiree, you can earn unlimited salary in the private sector with no impact upon your retirement allowance. If you are a disability retiree, however, you are still limited to earning the difference between the current salary for your former position and your retirement allowance, plus \$15,000.

### *Disability Retirees*

In addition to the time and earnings limitations, all disability retirees are required to submit a statement of their earnings each year (GL c. 32, §91A). PERAC mails disability retirees an Annual Statement of Earned Income every January which must be completed and returned on or before April 15th of each year. Failure to do so will jeopardize the continued receipt of retirement benefits.

Additional information on Post Retirement Employment can be found on the web at:

<https://www.mass.gov/guides/working-receiving-a-public-retirement-benefit>