

# Brookline Contributory Retirement System

## *INTEREST CHARGES ON SERVICE PURCHASES WILL DOUBLE APRIL 2, 2013*

On April 2, 2012, Chapter 176 of the Acts of 2011, “An Act Providing for Pension Reform and Benefit Modernization,” or what is commonly known as “Pension Reform III,” went into effect. The most significant provision of this new legislation for our active members is the doubling of the interest rate charged on service purchases-- from “buyback” interest (currently 3.875%) to “actuarial” interest (currently 7.75%)—if you don’t apply and pay for the service within specified timeframes.

- **Current member** whose effective membership date is before April 2, 2013 (one year from the effective date of chapter 176): You will be charged buyback interest if your service purchase application is received by the BCRS before April 2, 2013, and you either pay for the purchase in full or commit to an installment agreement before April 2, 2013, or the invoice due date, whichever is later. On and after April 2, 2013, you will be charged actuarial interest.
- **Former member** of a Massachusetts public retirement system who re-entered membership anytime on or after April 2, 2012: You will be charged buyback interest if your service purchase application is received by the BCRS within one year of your date of re-entry to membership and you either pay for the purchase in full or commit to an installment agreement by the first anniversary of your date of re-entry, or the invoice due date, whichever is later. If you apply to purchase or pay for this service after your first year of re-entry to membership, you will be charged actuarial interest.

### ***Buyback vs. actuarial interest:***

The cost to purchase past service is generally based on what you would have paid in contributions during that period (plus interest to date) or what you actually paid and withdrew (plus interest to date). Depending on when your service was rendered and how much you earned, the difference between buyback and actuarial interest could be several thousand dollars.

### ***Does the interest increase also affect service purchases that I...***

- **Have already paid for?** No—completed service purchases are not affected by this provision.
- **Am currently paying for by way of an installment plan?** If you are currently paying for a service purchase by way of our five year installment plan with an interest rate of 3.875%, your installment plan interest rate will remain at 3.875% for the term of your agreement, or, if you should miss a payment, when you default, whichever comes first.
- **Have been invoiced for, but not yet paid for?** Yes—in order to qualify for buyback interest, ***you must request an updated*** invoice prior to April 2, 2013, and either pay for your service or commit to an installment agreement by April 2, 2013, or the invoice due date, whichever is later.

### ***Service Purchases subject to this provision***

- Refund Buybacks (the repayment, with interest, of funds withdrawn by members from their former Massachusetts public retirement systems)
- Other Massachusetts nonmembership public employment, such as temporary or seasonal employment with a municipality or state agency.

If you have any further questions, please contact the BCRS @617-730-2028.