

## **Important Notice to Retirement Fund Members Regarding Changes to the Pension Agreement**

On August 26, 2022, the arbitrator issued an award (the “Arbitration Award”) changing certain terms of the Pension Agreement, including changes that impact retirement eligibility and retirement benefits. The Arbitration Award is [available here](#).

Shortly after the Arbitration Award was issued, the MBTA and the Union entered into a memorandum of interpretation (the “Memorandum”) to establish their mutual understanding and interpretation of certain provisions of the Arbitration Award. The Memorandum is [available here](#).

Below is a summary of the changes to the Pension Agreement pursuant to the Arbitration Award as interpreted in accordance with the Memorandum:

1. New Article IV, Section (1)(e). The Arbitration Award added the following text as a new subparagraph (e) to Article IV, Section (1):

*Every Member that receives a pension before age 65 will have that pension reduced for their entire retirement by 6% per year, or one half percent for each month, of retirement before age 65. This change is to be applied prospectively for all Active Members under 60 years of age and more than five years of service from retirement as of August 26, 2022.*

- a. Impact on Early Normal and Early Reduced Retirement Allowances. The Memorandum interprets this text to mean that Members who are (i) 60 years of age or older as of August 26, 2022, or (ii) who are five years of service or less from retirement eligibility under Article IV, Section 1(c) (early normal) or Section 1(d) (early reduced) as of August 26, 2022 are not affected by the addition of new Article IV, Section (1)(e).

***Stated another way, if a Member has 18 years of creditable service or is at least 60 years old as of August 26, 2022, then such Member will not be impacted by new subparagraph (e) to Article IV, Section (1).***

- b. Impact on Disability Retirement Allowances. Article IV, Section 2(b) of the Pension Agreement requires that disability retirement allowances be calculated in the same manner as normal retirements. ***The Memorandum provides and confirms that disability retirements will not be impacted by Article IV, Section (1)(e).***

2. Increase in Retirement Allowances. Per the Arbitration Award, retirement benefits (normal, early and disability, vested, and survivor) that were in effect on June 30, 2018, will be increased retroactively, effective the next day (July 1, 2018) by three percent (3%).
3. Change to Salary Cap. Per the Arbitration Award, the maximum annual amount of a Member’s wages taken into account when calculating pension benefits may not exceed \$150,000 per year, subject to adjustments to the salary cap in accord with IRC Section 401(a)(17)(B)(Par.5).

For more information, please see the MBTA's GM's Update on the MBTA Pension Arbitration Ruling ([available here](#)) and the Union's announcement ([available here](#)).