Enrolling in the Optional Retirement Program (ORP)

As an employee of the Commonwealth of Massachusetts, you must enroll in either the **State Employees' Retirement System (SERS)** or the **Optional Retirement Program (ORP)** before you can be entered in the Payroll system. If you choose to take advantage of the 180-day ORP enrollment period, you must temporarily enroll in the State Employees' Retirement System and you may transfer your contributions to your ORP account upon enrollment in the ORP.

IF/WHEN YOU CHOOSE TO ENROLL IN THE ORP, YOU MUST COMPLETE THE FOLLOWING FOUR STEPS:

1. **Choose an ORP provider.** Information on the available providers is available at www.mass.edu/orpenrollment.
2. **Establish your provider account online** by going to the ORP Enrollment Center at www.mass.edu/orpenrollment and, upon completion of that process, **print the confirmation page** *that shows you have enrolled on a **Massachusetts ORP**.* (Please note that you must open a new provider account specific to the ORP *even if you already have an account with that provider*.)
3. **Complete the Department of Higher Education enrollment forms** (ORP Enrollment/Change Form, Standard Insurance Form, and Form SSA-1945) which are included in your Enrollment Guide or may be downloaded from the ORP website.
4. **Return the Enrollment Forms with a copy of the confirmation page** from step 2 to Human Resources, 325 Whitmore Administration Building before the end of your enrollment period.

Notes:

- If you are establishing an ORP account with TIAA you can do so online from www.tiaa.org/mass403b (this is not a typographical error)
- If you are establishing your account prior to your hire date and encounter an error, you may use the current date. This will not impact the effective date of your contributions.

An overview of the Optional Retirement Program and complete instructions for enrollment are included in the Enrollment Guide that has been provided to you. If you have any questions, you may contact your Benefits Administrator at 413-545-6113/413-545-1478 or the Massachusetts Department of Higher Education at 617-994-6976.

Massachusetts Department of Higher Education

ORP Enrollment/Change Form

EMPLOYEE SECTION. Please read and complete this section and return the form to your Human Resources office.

First Name	MI	Last Name		Social Security #	Employee ID #
Home Address		**City**	**State**	**ZIP Code**	**Date of Birth**
Institution/Campus	**E-mail Address**			**Daytime Telephone**	
University of Massachusetts Amherst					

I. ELECTION

To enroll in the Massachusetts Optional Retirement Program (ORP), you must certify that the following statements are true: *(please initial on both lines)*

Initials required

____ I was provided with sufficient information regarding the State Employees' Retirement System (SERS) and the Optional Retirement Program with which to make an informed decision about my retirement plan, and **I further understand that my election is irrevocable**, and;

____ I am not vested in any retirement plan operating under Chapter 32 of the Massachusetts General Laws (typically the SERS, Massachusetts Teachers' Retirement, and county/municipal plans).

II. OPTIONAL RETIREMENT PROGRAM PROVIDER

I elect to have my ORP contributions invested, and have established my ORP account online, with: *(check one)*

☐ Fidelity ☐ TIAA-CREF

Printed proof of established account with provider must be included when returning this form.

III. PRIOR PARTICIPATION

I have participated in the ORP previously through prior employment within the Commonwealth of Massachusetts:

☐ Yes ☐ No

IV. SIGNATURE

Date: ______________ Employee's Signature: ____

ADMINISTRATOR SECTION. To be completed by Human Resources office.

Employee's Job Title		Date of Hire	Type of Enrollment (Check one)
			__ New __ Change in Provider __ Rehire
Effective Date of ORP Eligibility	**End Date of 180-day Election Period**	**Date of Payroll System Update**	**Plan Entry Date**

Forms Required by DHE	Date Provided to Employee	Date Received from Employee
Notice of Eligibility		
ORP Enrollment/Change Form		
Insurance Enrollment		
Proof of Enrollment with a Provider		
SSA-1945		
SERS Withdrawal (not required at initial enrollment. Can be submitted at a later date)		

Date: ______________ Administrator Signature: ________________________________

Standard Insurance Company

Enrollment and Change Form

Mark all boxes and complete all sections that apply. Return completed form to your Human Resources Department.

APPLICANT

Your Name (Last, First, Middle)	Group Name	Group Number(s)
	Massachusetts Board of Higher Education	**137863**

Your Address	City	State	ZIP

Your Soc. Sec. No.	Date of Birth		Job Title/Occupation
		☐ Male ☐ Female	

LIFE

Life Insurance

☒ Life Employer Paid

DISABILITY

Long Term Disability

☒ Employer Paid LTD

BENEFICIARY

This designation applies to Life Insurance available through your Employer. Designations are not valid unless signed, dated, and delivered to the Employer during your lifetime. See page 2 for further information.

Primary - Full Name	Address	Soc. Sec. No.	Relationship	% of Benefit

Contingent - Full Name	Address	Soc. Sec. No.	Relationship	% of Benefit

CHANGE

Use this section only when you wish to make a change after insurance becomes effective. Complete all boxes and sections that apply.

☐ Name Change ☐ Beneficiary Change

Former name ____________ ☐ Other ____________

SIGNATURE

I wish to make the choices indicated on this form.

Member/Employee Signature Required	Date (Mo/Day/Yr)

Human Resources Department – Complete this section. Retain form for your records.

Campus ID	Date of Hire or Rehire	
UMass Amherst		Annual Salary $__________

Campus Administrator Signature	Date (Mo/Day/Yr)

Beneficiary Information

Your designation revokes all prior designations.

Benefits are only payable to a contingent Beneficiary if you are not survived by one or more primary Beneficiary(ies).

If you name two or more Beneficiaries in a class:

1. Two or more surviving Beneficiaries will share equally, unless you provide for unequal shares.

2. If you provide for unequal shares in a class, and two or more Beneficiaries in that class survive, we will pay each surviving Beneficiary his or her designated share. Unless you provide otherwise, we will then pay the share(s) otherwise due to any deceased Beneficiary(ies) to the surviving Beneficiaries pro rata based on the relationship that the designated percentage or fractional share of each surviving Beneficiary bears to the total shares of all surviving Beneficiaries.

3. If only one Beneficiary in a class survives, we will pay the total death benefits to that Beneficiary.

If a minor (a person not of legal age), or your estate, is the Beneficiary, it may be necessary to have a guardian or a legal representative appointed by the court before any death benefit can be paid. If the Beneficiary is a trust or trustee, the written trust must be identified in the Beneficiary designation. For example, "Dorothy Q. Smith, Trustee under the trust agreement dated ______________________________ ."

A power of attorney must grant specific authority, by the terms of the document or applicable law, to make or change a Beneficiary designation. If you have any questions, consult your legal advisor.

Dependents Insurance, if any, is payable to you, if living, or as provided under your Employer's coverage under the Group Policy.

Statement Concerning Your Employment in a Job Not Covered by Social Security

Employee Name ____________________ **Social Security#** xxx-xx-______

Employer Name University of Massachusetts Amherst **Employer ID#** 04-6002284

Your earnings from this job are not covered under Social Security. When you retire, or if you become disabled, you may receive a pension based on earnings from this job. If you do, and you are also entitled to a benefit from Social Security based on either your own work or the work of your husband or wife, or former husband or wife, your pension may affect the amount of the Social Security benefit you receive. Your Medicare benefits, however, will not be affected. Under the Social Security law, there are two ways your Social Security benefit amount may be affected.

Windfall Elimination Provision

Under the Windfall Elimination Provision, your Social Security retirement or disability benefit is figured using a modified formula when you are also entitled to a pension from a job where you did not pay Social Security tax. As a result, you will receive a lower Social Security benefit than if you were not entitled to a pension from this job. For example, if you are age 62 in 2013, the maximum monthly reduction in your Social Security benefit as a result of this provision is $395.50. This amount is updated annually. This provision reduces, but does not totally eliminate, your Social Security benefit. For additional information, please refer to Social Security Publication, "Windfall Elimination Provision."

Government Pension Offset Provision

Under the Government Pension Offset Provision, any Social Security spouse or widow(er) benefit to which you become entitled will be offset if you also receive a Federal, State or local government pension based on work where you did not pay Social Security tax. The offset reduces the amount of your Social Security spouse or widow(er) benefit by two-thirds of the amount of your pension.

For example, if you get a monthly pension of $600 based on earnings that are not covered under Social Security, two-thirds of that amount, $400, is used to offset your Social Security spouse or widow(er) benefit. If you are eligible for a $500 widow(er) benefit, you will receive $100 per month from Social Security ($500 - $400=$100). Even if your pension is high enough to totally offset your spouse or widow(er) Social Security benefit, you are still eligible for Medicare at age 65. For additional information, please refer to Social Security Publication, "Government Pension Offset."

For More Information

Social Security publications and additional information, including information about exceptions to each provision, are available at www.socialsecurity.gov. You may also call toll free 1-800-772-1213, or for the deaf or hard of hearing call the TTY number 1-800-325-0778, or contact your local Social Security office.

I certify that I have received Form SSA-1945 that contains information about the possible effects of the Windfall Elimination Provision and the Government Pension Offset Provision on my potential future Social Security Benefits.

Signature of Employee ______________________________ **Date** ______________

Information about Social Security Form SSA-1945 Statement Concerning Your Employment in a Job Not Covered by Social Security

New legislation [Section 419(c) of Public Law 108-203, the Social Security Protection Act of 2004] requires State and local government employers to provide a statement to employees hired January 1, 2005 or later in a job not covered under Social Security. The statement explains how a pension from that job could affect future Social Security benefits to which they may become entitled.

Form SSA-1945, **Statement Concerning Your Employment in a Job Not Covered by Social Security,** is the document that employers should use to meet the requirements of the law. The SSA-1945 explains the potential effects of two provisions in the Social Security law for workers who also receive a pension based on their work in a job not covered by Social Security. The Windfall Elimination Provision can affect the amount of a worker's Social Security retirement or disability benefit. The Government Pension Offset Provision can affect a Social Security benefit received as a spouse, surviving spouse, or an ex-spouse.

Employers must:

- Give the statement to the employee prior to the start of employment;
- Get the employee's signature on the form; and
- Submit a copy of the signed form to the pension paying agency.

Social Security will not be setting any additional guidelines for the use of this form.

Copies of the SSA-1945 are available online at the Social Security website, www.socialsecurity.gov/online/ssa-1945.pdf. Paper copies can be requested by email at ofsm.oswm.rqct.orders@ssa.gov or by fax at 410-965-2037. The request must include the name, complete address and telephone number of the employer. Forms will not be sent to a post office box. Also, if appropriate, include the name of the person to whom the forms are to be delivered. The forms are available in packages of 25. Please refer to Inventory Control Number (ICN) 276950 when ordering.

Additional Information for Individuals Employed by the University of Massachusetts Amherst

Optional Retirement Program
Social Security Administration Windfall Elimination Provision and Government Pension Offset calculations for Commonwealth Optional Retirement Program (ORP) members account are based on the balance of the ORP account at the time Commonwealth employment ends. We recommend that ORP members obtain an account balance statement from their vendor at the time Commonwealth employment ends and retain this document for Social Security purposes.

Exemption from Windfall Elimination Provision
Individuals with 30+ years of significant earnings under Social Security, or who were first eligible to retire from the Massachusetts' State Employees Retirement System prior to January 1, 1986, are currently exempt from the Windfall Elimination Provision. Social Security's definition of "significant earnings" changes yearly (e.g. significant earnings is defined as $5,100 in 1980, $16,725 in 2005.) Please contact Social Security directly to confirm your years of significant earnings. http://www.ssa.gov/pubs/10045.html#exceptions.

Contact Information for Local Social Security Offices:

Social Security Administration
200 High Street, 2nd Floor
Holyoke, MA 01040
Telephone: (413) 536-3649 TTY: (413) 534-0901

Please only complete this form if you are currently a member of MSERS and wish to roll your contributions to the ORP.

THE COMMONWEALTH OF MASSACHUSETTS
State Retirement Board
ONE WINTER STREET, 8TH FLOOR, BOSTON, MA 02108

APPLICATION TO WITHDRAW ACCUMULATED PENSION DEDUCTIONS (REFUND/ROLLOVER REQUEST FORM)

IMPORTANT:

A return of the member's accumulated deductions **terminates membership** in the State Employees' Retirement System and the rights associated with membership. For more information call (617) 367-7770 or 1-800-392-6014 (within MA).

I HEREBY CERTIFY THAT: (please check every option) ☑

- ☑ I am not on a paid or unpaid leave of absence.
- ☑ I am not presently receiving worker's compensation benefits under General Laws, c. 152 or injured on duty payments c. 41, §111F.
- ☑ I do not have a claim for worker's compensation or an application for ordinary or accidental disability pending.
- ☑ I am not currently appealing my termination or planning to appeal my termination.
- ☑ I have not been charged with an offense or convicted of any crime relating to my position while in State Service.
- ☑ I understand that by withdrawing my accumulated deductions, I lose all the rights associated with membership in the State Employees' Retirement System.
- ☑ I understand that by withdrawing my accumulated deductions, if I have 10 years of creditable service I am waiving my right to monthly pension benefits upon reaching the age of 55 if I became a member before 4/2/2012, or age 60 if I became a member on or after 4/2/2012.
- ☑ I understand that if I have 20 or more years of creditable service and I became a member before 4/2/2012, I am eligible for a monthly pension benefit and by withdrawing my accumulated deductions I am waiving my right to monthly pension benefits.
- ☑ I am not accepting a position which would make me eligible for membership in another General Laws, c. 32 Public Retirement System, such as for a County, City, or Town, political subdivision or similar retirement system.
- ☑ I do not have funds on account with any other General Laws, c. 32 Public Retirement System, such as for a County, City, or Town, political subdivision or similar retirement system.

IF DIVORCED: Are you a party to a Domestic Relations order? ☐ Yes ☐ No
(If YES, please include a copy of your Domestic Relations Order with this application.)

____
Print Member Name

______________________________ ______________
Member's Signature Date

THIS SECTION BOARD USE ONLY

Please only complete this form if you are currently a member of MSERS and wish to roll your contributions to the ORP.

SECTION A To be read and completed by Member:

I, the undersigned, having left the service of the Commonwealth of Massachusetts, request payment to me of the accumulated total deductions now standing to my credit in the annuity savings fund of the State Employees' Retirement System. In consideration of such payment, all other rights and privileges to which I was entitled as a member of the Retirement System are surrendered and I understand that upon such payment, my membership in the Retirement System will terminate. I understand that if I completed 20 or more years of creditable service and I became a member before 4/2/2012, in lieu of receiving my lump sum refund I could elect to receive a retirement pension. I understand a member in service subsequent to 1-01-78 and before 4/2/2012, who has completed 10 or more years of creditable service, who resigns or voluntary terminates service and leaves accumulated total deductions in the annuity savings fund, shall have the right upon attaining age 55 to apply for a retirement allowance. I further understand that if I return to active service, I do so with the status of a new employee subject to plan rules in effect at that time and not entitled to credit for my previous service, unless, before the date any retirement allowance becomes effective for me, I pay into the annuity savings fund deductions withdrawn by me, together with regular interest.

MEMBER INFORMATION:

Print Member Name:	Social Security #:
Address:	
City, State, Zip:	
Telephone:	Email:

SELECT ONE OF THE FOLLOWING: ☑

☐ REFUND REQUEST: Check will be mailed to the address above.

■ ROLLOVER REQUEST: Please complete Section B.

IMPORTANT: Participants who do not select the direct rollover option will be subject to a 20% Federal Withholding Tax on the taxable portion of the distribution even if funds are deposited into an eligible plan within the 60-day grace period. Participants who choose the direct rollover option to the Commonwealth's Deferred Compensation SMART Plan must have an account open with the administrator of that Plan.

Complete the following statement:

I Rollover to ORP from my position as ____________________
(Resigned/Was Dismissed) (Position/Title)

in University of Massachusetts Amherst ____________________
(Name of Agency) (**Signature - DO NOT PRINT YOUR NAME)**

REFUND REQUEST FORM EMPLOYEE INSTRUCTIONS:

1. Please read **Eligibility for a Refund** on page 5 and the **Special Tax Notice Regarding Lump Sum Distributions** on pages 5-8 prior to completing this form.
2. Complete page 1 and Section A of the Refund Request Form. *Print all information*, except your signature. IF REQUESTING A REFUND skip Section B and go to Step 4.
3. If REQUESTING A ROLLOVER: **Complete Section B**. If your Plan Administrator has a preprinted form, please attach and check off the box advising us that the form is attached. You do not need to complete Section B if a form/letter from your Plan Administrator is attached. You *must have an account open* with a qualified plan in order for the rollover to be processed.
4. Send your Refund Request form to your Payroll/Personnel department where you were last employed to complete Section C. ***Your Payroll/ Personnel department will forward your Refund Request Form directly to the State Retirement Board.***

Effective January 1, 1993 federal law requires the State Board of Retirement to implement a withholding provision on the taxable portion of a member's contributions and interest. The withholding rate is 20% of the taxable portion of the refund.

The withholding provisions can be avoided by "rolling over" these taxable funds to a qualified plan. The name of the institution where the money will be transferred must be identified on the Withdrawal Notice. The Commonwealth of Massachusetts' retirement system is "qualified" under Sections 401 and 405 of the Internal Revenue Code. Withdrawals not rolled over may also be subject to a 10% penalty under certain conditions. Please consult the IRS or a tax advisor for further information. Your check stub will show a breakdown of your refund/rollover. Next year you will receive a 1099R Form from this office.

Please only complete this form if you are currently a member of MSERS and wish to roll your contributions to the ORP.

SECTION B Please complete if requesting a rollover:

YOU MUST HAVE AN ACCOUNT OPEN WITH A QUALIFIED RETIREMENT PLAN IN ORDER FOR US TO PROCESS YOUR ROLLOVER REQUEST
Please complete all of the information below. If you do not have an account already open with a qualified plan, you must open one BEFORE submitting this form to your payroll/personnel department. If your plan has its own standard form or letter containing the necessary information needed to process your rollover, please attach your plan's own original document to this form.

☐ Check if company form attached.

Type of Plan: ☐ Traditional IRA ☐ Section 401(a) ☐ Section 403(a) ☐ Section 403(b) ☐ Section 457(b) governmental plan
☐ Roth IRA

Company Name: Please choose one:	Contact Person:
Mailing Address:	
City, State, Zip:	Telephone No.:
Account No. (if available):	
Make Check Payable To:	

SECTION C To be completed by your Payroll/Personnel Department:

This is to notify you that:

PRINT Full Name *(maiden, if appl.)*:	
Social Security Number:	Employed by *(State Agency)*: University of Massachusetts Amherst
Employee: ☐ Resigned ☐ Was Dismissed N/A Rollover to ORP m Service was: ☐ Voluntary ☐ Involuntary	
If Terminated, is employee appealing his/her termination? ☐ Yes ☐ No	
Start Date:	Membership Date:
Last Date on Payroll:	Last Day Worked:

Has employee accepted any retirement or termination incentive payments as part of his/her separation from service?
☐ Yes ☐ No **N/A**
If yes, please provide documentation.

Is Workman's Compensation being paid/pending on this employee? ☐ Yes ☐ No

If yes, please give date of injury: ______________________ (Month/Day/Year)

Was there a Lump Sum settlement? ☐ Yes ☐ No

Has this employee been officially investigated for or charged with misappropriation of funds or property from his employer or convicted of any crime related to his/her office or position? ☐ Yes ☐ No

Does the employee owe any money to the employer under an employee benefit plan, including a cafeteria plan established pursuant to 26 U.S.C. section 125? ☐ Yes ☐ No

IMPORTANT: If employee was less than full time, please attach list with dates and ratio(s).

IMPORTANT: Attach list with all dates of **unpaid** leaves of absences.

List below monthly retirement deductions for the last 2 (two) months on which employee appeared:

______________________ $______________________ ______________________ $______________________
(Month/Year) (Amount) (Month/Year) (Amount)

____ ______________________
Payroll/Personnel Administrator (Please Print) Telephone Number

____ ______________________
(Authorized Signature) (Date)

IMPORTANT NOTICE REGARDING ELIGIBILITY FOR WITHDRAWAL OF ACCUMULATED TOTAL DEDUCTIONS (REFUND) TO MEMBERS

1 If you leave the service of the Commonwealth of Massachusetts and do not intend to take a position in the Commonwealth of Massachusetts subject to the provisions of section I to 28 of Chapter 32 of the General Laws.

2 If your retirement allowance is less than $360.00 a year you must receive a refund instead of the allowance.

IF YOU ENTERED SERVICE AFTER JANUARY 1, 1984, YOU ARE ELIGIBLE FOR A REFUND OF THE INTEREST CREDITED TO YOUR ACCOUNT ACCORDING TO THE FOLLOWING SCHEDULE:

1. If you have less than ten (10) years of creditable service and you VOLUNTARILY terminated service, you will be credited with 3% interest on your total deductions.
2. If you have more than ten (10) years of creditable service or you INVOLUNTARILY withdraw from state service your total deductions will be credited with regular interest. Also, if you have ten (10) or more years of creditable service, call the State Retirement Board – you may be vested and eligible for retirement at age 55.

No interest will accrue to your account after two years from the date of your separation from employment.

TWO-YEAR RULE

If you are withdrawing your retirement deductions or rolling over your funds to another retirement plan, you may be required to satisfy certain service requirements in the future if you return to employment with the Commonwealth and before you can be eligible for particular retirement benefits. Should you return to public service and if the above applies to you, you would not be eligible to receive a retirement allowance until you have been in active membership service for at least two consecutive years following the start of your new employment with the Commonwealth unless you meet one of the applicable exceptions. We recommend you contact the Board to determine if this applies to you and to review the applicable exceptions.

IMPORTANT NOTICE TO REFUND APPLICANTS WHO ENTERED SERVICE BEFORE APRIL 2, 2012

If you entered service prior to April 2, 2012 and you take a refund or a rollover of your contributions you are terminating your membership. If you later return to state service, your membership date will be the date you reenter service, even if you buy back any refunded contributions. You will also be subject to the retirement law changes which went into effect on April 2, 2012 (Chapter 176 of the Acts of 2011). These changes include, but are not limited to:

· New age factor table for your retirement benefit calculation
· An increase in the salary average period used to calculate most benefits from 3 years to 5 years
· An increase in the minimum retirement age

You have the option of leaving your funds in the system to retain your current level of benefits. The State Retirement Board recommends you consult with a Retirement Counselor prior to making your final refund decision. You can reach a counselor by calling 617-367-7770.

FEDERAL REQUIREMENTS

Effective January 1, 1993, employers are required to offer plan participants trustee-to-trustee transfer. Participants who DO NOT choose the direct transfer are subject to a 20 percent federal withholding on the taxable portion of the distribution even if they deposit the rollover into another eligible plan within the existing 60 day grace period.

You may be entitled to income averaging. The State Retirement Board recommends you consult with a qualified tax preparer.

ADDITIONAL ROLLOVER INFORMATION

For State Retirement System Participants Requesting Return of Accumulated Pension Deductions

Option to roll over Accumulated Deductions into the Commonwealth's Deferred Compensation SMART Plan

You have the option to roll over your accumulated pension deductions into your account with the Commonwealth's Deferred Compensation SMART Plan upon your separation from service. To qualify for this option, **you must have established an account with the Deferred Compensation SMART Plan prior to your separation from service.** It is a simple **three-step process** to roll your pension deductions into your Plan account:

1. **First**, complete Section A of this form, and have your Deferred Compensation representative fill out Section B of the attached Refund Request Form. Your representative will assist in completing the form and answer any questions you may have about making a rollover contribution into the Commonwealth's Deferred Compensation SMART Plan.
2. **Second**, forward this completed form to your payroll administrator for completion of Section C.
3. **Third**, your payroll/personnel department will return the form to the State Retirement Board for processing.

QUALIFIED PUBLIC SAFETY EMPLOYEES

On and after August 18, 2006, if you are a "qualified public safety employee" who terminates employment in the calendar year in which you are age 50 or older, and receive an eligible distribution, you will not have to pay the additional 10% tax on the distribution PAID TO YOU. You are a "qualified public safety employee" if you are an employee of a State or political subdivision of a State (such as a county or city) whose principal duties include services requiring specialized training in the area of police protection, fire fighting services, or emergency medical services for an area within the jurisdiction of the State or political subdivision.

SPECIAL TAX NOTICE REGARDING

LUMP SUM DISTRIBUTIONS For Distributions Made After January 1, 2002

For Distributions made prior to January 1, 2002, refer to earlier notice which can be obtained from the Retirement System

This notice contains important information needed before you decide how to receive your lump sum distribution payment. In accordance with the requirements of Internal Revenue Code Section 402 (f), this notice is being provided to you by the Retirement System because you may be eligible to roll over all or part of the payment that you will soon receive from the Retirement System.

The Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") has significantly changed the rules which apply to your ability to roll over all or part of the payment that you will soon receive from the Retirement System. These changes include an increase in the type of retirement plans to which you may roll over your lump sum distribution payment. This notice will explain the operation of theses new rules and your options.

If you have additional questions after reading this notice, please contact the Retirement System.

SUMMARY

There are two ways you may be able to receive a lump sum distribution payment that is eligible for rollover:

1. Certain payments can be made directly to an ELIGIBLE RETIREMENT PLAN that will accept it **(Direct Rollover)**, or
2. The payment can be **Paid To You**

The definition of an ELIGIBLE RETIREMENT PLAN, as used in this notice, depends on the payment date of the lump sum distribution payment.

An **ELIGIBLE RETIREMENT PLAN** is:

- ► **A traditional IRA**. A traditional IRA does not include a Roth IRA, Simple IRA or education IRA
- ► **Another qualified employer plan** under Code Section 401 (a) or an annuity plan under Code Section 403 (a) that accepts your rollover.
- ► **An annuity contract** described in Code Section 403 (b) that accepts your rollover.
- ► **An eligible deferred compensation plan** under Code Section 457 (b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or local governmental entity so long as it agrees to accept your rollover, separately accounting for amounts transferred in such plan from the Retirement System's plan.

If you choose a **Direct Rollover**:

- ► Your payment will not be taxed in the current year and no income tax will be withheld.
- ► Your payment will be made directly to an ELIGIBLE RETIREMENT PLAN.
- ► The taxable portion of your payment will be taxed later when you take it out of the ELIGIBLE RETIREMENT PLAN.

If you choose to have a lump sum distribution payment that is eligible for rollover **Paid To You**

- ► **You will receive only 80% of the taxable portion of the distribution.** The Retirement System is required to withhold the remaining 20% of the taxable portion of the payment to send it to the IRS as income tax withholding which will be credited against your taxes.
- ► Unless rolled over, the taxable portion of your payment will be taxed in the current year. Under limited circumstances, you may be able to use special tax rules that could reduce your tax liability. However, if you receive the payment before age 59-1/2, you may also have to pay an additional 10% tax penalty.
- ► You can roll over the payment by paying it to an ELIGIBLE RETIREMENT PLAN within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the ELIGIBLE RETIREMENT PLAN.

If after you receive the lump sum distribution by check, you want to roll over 100% of the taxable portion of the distribution to an ELIGIBLE RETIREMENT PLAN, you must add an amount equal to the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the remaining 20% that was withheld and that is not rolled over.

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payment from the Retirement System may be "eligible rollover distributions," meaning that they can be rolled over to an ELIGIBLE RETIREMENT PLAN. The Retirement System will be able to tell you what portion of your payment is an eligible rollover distribution. The definition of an eligible rollover distribution has been changed by EGTRRA

The following types of payments cannot be rolled over

The non-taxable portion of a lump sum distribution payment which is paid on or after January 1, 2002 may be rolled over to (1) a traditional IRA, or (2) a qualified defined contribution plan, if it is made by a Direct Rollover and if the defined contribution plan agrees to separately account for amounts so transferred, including separately accounting for the non-taxable portion of the payment and the taxable portion of the payment if the after-tax contributions are paid to you first, you cannot roll them over later to a qualified defined contribution plan. However, they could be indirectly rolled over to a traditional IRA (see Section III, "Payment Paid to You").

Payments Spread over Long Periods You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- ► your lifetime (or your life expectancy):
- ► your lifetime and your beneficiary's lifetime (or life expectancies): or
- ► a period of ten years or more

Required Minimum Payments Upon reaching age 70-1/2 or retirement, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you.

II. DIRECT ROLLOVER

A **Direct Rollover** is a direct payment of the amount of your lump sum distribution payment to an ELIGIBLE RETIREMENT PLAN. You can choose a Direct Rollover of all or any portion of your payment that is an eligible rollover distribution as described in Section I. You are not taxed on any portion of your payment for which you choose a Direct Rollover until you later take it out of the ELIGIBLE RETIREMENT PLAN. In addition, no income tax withholding is required for any portion of your lump sum distribution payment for which you choose a **Direct Rollover.**

Direct Rollover to a Traditional IRA You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at the institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

Direct Rollover to a Plan If you are employed by a new employer that has an ELIGIBLE RETIREMENT PLAN and you want a direct rollover to that plan, ask the Plan Administrator of that plan whether it will accept your rollover. An ELIGIBLE RETIREMENT PLAN that is not a traditional IRA is not legally required to accept a rollover and may choose to accept only certain types of funds as rollovers. If your new employer's plan does not accept a rollover, you can choose a **Direct Rollover to a Traditional IRA**. If the employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount, or may require spousal consent to any subsequent distribution. You should check with the Plan Administrator before making your decision.

III. PAYMENT PAID TO YOU

If your payment can be rolled over under Section I and the payment is made directly to you by check it is subject to 20% federal income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an ELIGIBLE RETIREMENT PLAN. If you do not roll it over, special tax rules may apply. For lump sum distribution payments made ON or AFTER January 1, 2002 the IRS may waive the 60-day requirement in certain circumstances, as explained below.

Income Tax Withholding

Mandatory Withholding If any portion of your payment can be rolled over under Section I and you do not elect to make a Direct Rollover, the Retirement System is required by law to withhold 20% of that amount. The amount is sent to the IRS as income tax withholding. For example, if you can roll over a payment of $10,000 only $8,000 will be paid to you because the Retirement System must withhold $2,000 as income tax. However, when you prepare your income tax you must report the full $10,000 as a payment from the Retirement System. You must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

Voluntary Withholding If any portion of your payment is taxable but cannot be rolled over under Section I, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. To elect out of withholding, ask the Retirement System for the election form and related information.

Sixty-Day Rollover Option If you receive a payment that can be rolled over under Section I, you can still decide to roll over all or part of it to an ELIGIBLE RETIREMENT PLAN. If you decide to roll over, you must contribute the amount of the payment you received to an ELIGIBLE RETIREMENT PLAN within 60 day after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the ELIGIBLE RETIREMENT PLAN.

You can roll over up to 100% of your payment that can be rolled over under Section I , including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the ELIGIBLE RETIREMENT PLAN, to replace the 20% that was withheld. On the other hand, if you roll over only 80% that you received, you will be taxed on the 20% that was withheld.

Example: The portion of your payment that can be rolled over under Section I is $10,000, and you choose to have it paid to you. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to an ELIGIBLE RETIREMENT PLAN. To do this, you roll over the $8,000 you received from the Retirement System and you will have to find $2,000 from other sources (your savings, a loan, etc). In this case , the entire $10,000 is not taxed until you take it out of the ELIGIBLE RETIREMENT PLAN. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return you may get a refund of part of the $2,000 withheld.

(However, any refund is likely to be larger if you roll over the entire $10,000.)

The IRS is permitted to waive the 60-day requirement if the failure to do so would be against equity or good conscience. Examples of such waivers may include cases of casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement (examples include, but may not be limited to, death, disability, hospitalization, incarceration, restrictions imposed by a foreign country, or postal error). You must apply to the IRS for this waiver.

Additional 10% Tax If You Are under Age 59-1/2 If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax, generally does not apply to:

- Payments that are paid after you separate from service with your employer during or after the year you reach age 55.
- Payments that are paid because you retire due to disability.
- Payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies).
- Payments that are paid directly to the government to satisfy a federal tax levy.
- Payments that are paid to an alternate payee under a qualified domestic relations order, or
- Payments that do not exceed the amount of your deductible medical expenses.
  See IRS Form 5329 for more information on the additional 10% tax penalty.

Special Tax Treatment If You Were Born Before January 1, 1936 If you receive a payment that can be rolled over under Section I and is not rolled over to an ELIGIBLE RETIREMENT PLAN, the payment will be taxed in the year you receive it. Special tax treatment for lump sum, distributions that may be available to you is described below.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution and you were born before January 1, 1936 and if you were a participant in the Retirement System before 1974, you may elect to have the part of your payment that is attributable to your pre-1974, participation in the Retirement System taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If you have previously rolled over a distribution from the Retirement System (or certain other similar plans of the employer), you cannot use the special averaging treatment for later payments from the Retirement System. If you roll over your payment to a traditional IRA, you will not be able to use special tax treatment for later payments from the traditional IRA. Also, if you roll over only a portion of your payment to a traditional IRA, this special tax treatment is not available for the rest of the payment, See IRS Form 4972 for additional information on lump sum distributions and how to elect the special tax treatment.

Important notice for distributions ON or AFTER January 1, 2002. As explained in this notice, EGTRRA creates new rollover options. However, a distribution from a qualified plan, like your lump sum distribution payment, is not eligible for capital gains or averaging treatment if there was a rollover to the plan that would not have been permitted under the law in effect before January 1, 2002. Thus, in order to preserve capital gains and averaging treatment (if available) for a lump sum distribution payment that is rolled over, the rollover would have to be made to a "conduit IRA" (i.e. a traditional IRA which only includes the lump sum distribution payment), and then rolled back into a qualified plan.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Retirement System results from a domestic relations order, which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned:

If you are a surviving spouse, an alternate payee, or another beneficiary, you have the same choices as the employee described in Parts II and III. Thus, you may choose to have an eligible rollover distribution, as described in Section I, paid in a Direct Rollover to an ELIGIBLE RETIREMENT PLAN or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an ELIGIBLE RETIREMENT PLAN in the same manner as the employee. If you are an alternate payee, you continue to have the same choices as the employee.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax penalty described in Section III, even if you are younger than age 59-1/2.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions, as described in Section III. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Retirement System.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from the Retirement System. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at **www.irs.gov** or by calling **1-800-TAX-FORMS.**

THE COMMONWEALTH OF MASSACHUSETTS
State Retirement Board

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