

Frequently Asked Questions

Am I eligible to become a member of the Methuen Contributory Retirement System?

If you are employed by the City of Methuen on a permanent basis holding a position which requires you to work a minimum of 30 hours per week, you are eligible to become a member. Elected Officials earning more than \$5,000.00 per year have 90 days from the date of assuming office to become members.

Am I required to become a member of the Methuen Contributory Retirement System?

According to the Massachusetts Retirement Law (Chapter 32 of the Massachusetts General Laws), you must become a member of the system if you meet the eligibility requirements.

What are the different group classifications of membership in the retirement system

Group 1 = General employees, including clerical administrative, technical and all other employees not otherwise classified.

Group 2 = Certain specified hazardous duty positions

Group 4 = Police officers, firefighters, and other specified hazardous positions.

How much am I required to contribute?

You are required to contribute a set percentage of your regular compensation and if applicable, an additional 2% on any regular compensation over \$30,000.00 per year through regular payroll deductions. Your contribution rate is established by retirement law and is determined by the date on which you first became eligible for membership in a Massachusetts contributory retirement system and from which you continuously maintained your funds on account:

Date on which you became a member	Your contribution rate is:
• Before January 1, 1975.....	5%
• January 1, 1975 through December 31, 1983.....	7%
• January 1, 1979 through December 31, 1983.....	7% & 2%
• January 1, 1984 through June 30, 1996.....	8% & 2%
• July 1, 1996 or after.....	9% & 2%

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

What happens to my contributions?

The retirement office established and maintains an individual annuity savings account in your name for your retirement. Each year you will receive a statement showing the balance of your contributions and accumulated interest. When you retire, the total in your account is transferred to the Annuity Reserve Fund. You then receive a portion each month. Your retirement allowance is made up of two parts, the Annuity and the Pension. The Annuity is funded from your deductions and interest.

What type of retirement plan is this?

Your pension plan is considered a defined benefit plan that operates as a qualified employer plan under section 401(a) of the Internal Revenue Code. As a defined benefit plan, your retirement allowance is calculated using the following formula: (Creditable service x age at retirement x highest 3 year average salary). Your retirement allowance is not based solely on your contributions to the system.

When will I be eligible to receive a retirement allowance?

You will be eligible to receive a retirement allowance when you:

- Have at least 10 years of creditable service AND have reached age 55
OR
- Have 20 years of creditable service regardless of your age.

How are changes made to the retirement plan?

The Methuen Contributory Retirement System is governed by the provisions of M.G.L., Chapter 32, as are most Massachusetts public retirement plans. Any changes in the plan must be made through the legislative process.

Does my participation in the 457 deferred compensation plan affect my retirement benefit in any way?

No. Your retirement benefit is separate from and not related to participation in the deferred compensation plan. The 457 plan is an optional savings vehicle, which allows you to supplement your retirement savings on a tax-deferred basis. It is strongly recommended that this plan be considered as an option by members.

Portability issues...What happens upon departure?

If I leave my job in Methuen, what happens to my contributions?

If you leave your job at the City of Methuen and are not going to work for another governmental agency under the provisions of Chapter 32, you may be eligible to receive a refund of your contributions. If you are leaving to accept a position with a Massachusetts political subdivision subject to Chapter 32, you must transfer your retirement contributions directly to your new retirement system.

If I leave my job and decide to withdraw my contributions, will I receive all my interest?

It depends on your length of service. If you voluntarily leave with less than ten years of creditable service, you will receive 3% interest on your deductions. If you withdraw your funds with at least 10 years of creditable service, you will receive 100 percent of the regular interest that has accrued. You will receive 100% interest if you were involuntarily terminated from service.

Is there any time limit after your termination for requesting a refund of your contributions?

No. You may request a refund of your funds at any time after termination. If you leave your funds on deposit, however, and later seek a refund, your deductions will only earn interest for two years after termination.

Can a member who is vested and who terminates employment with the City still be eligible for a refund?

Any member who terminates employment may be eligible to withdraw retirement funds. If the member is vested (has earned the right to a retirement allowance at a later date), careful consideration should be given to the value of the retirement benefit he or she may be forfeiting in exchange for a refund. Additionally, you would be considered a new member if you should return to service and your benefits would be those of a member after April 2, 2012 which significantly differ from those whose membership began prior to April 2, 2012. For example, you cannot retire before age 60.

If I terminate my employment and leave my money in the retirement system, can I retire at a later date?

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Group 4 employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70 ½.

Can a member withdraw or borrow money from his or her account in the retirement system without resigning or retiring?

No. There is no loan provision in this plan. An active member cannot withdraw or borrow any contributions from the fund under any circumstances.

What are the tax consequences if I take a refund of my retirement contributions prior to age 59?

Your contributions and all of the interest you receive from your account are subject to federal income tax (with the exception of any contributions made prior to January 12, 1988). When processing a refund of retirement contributions, the Retirement Office is required to withhold 20 percent of the taxable portion of your refund for federal tax. The 20 percent tax payment is required only if the refund is made directly to the member. To defer tax payments, you must make a direct rollover of your retirement funds to an Individual Retirement Account (IRA) or another type of retirement account with a financial institution. With a direct rollover no tax is withheld and the entire taxable portion of your refund is transferred. If you have both taxable and nontaxable contributions, you may accept receipt of the nontaxable portion of your refund with no tax consequence and the taxable portion may be rolled over. **All members considering a refund should consult a tax professional with respect to any issues involving the Massachusetts Department of Revenue or the Internal Revenue Code.**

If I die before retirement, what happens to my money?

If you are married and die before you retire, your surviving spouse will have the option of collecting a monthly benefit or receiving a lump sum payment of your contributions. If you are single, you may want to consider choosing an "Option D" beneficiary that would allow you to provide a pension for a child, parent, sibling, or former spouse in the event of your death prior to retirement. Contact the Retirement Office for more information.

For a copy of the employee guide go to the PERAC website @ <http://www.mass.gov/perac/pubdir/mainguide.htm>