

Enrollment Guide to the Commonwealth of Massachusetts Optional Retirement Program



- Learn the major differences between the Optional Retirement Program (ORP) and the Massachusetts State Employees' Retirement System (MSERS)
- Make an informed decision about your retirement plan
- Get started with enrollment



MASSACHUSETTS
Department of
Higher Education

A blue-toned background image of a calculator, showing its numeric keypad and some mathematical calculations on the display.

If you have any additional questions about the ORP,
please check the website at www.mass.edu/orp, or
feel free to contact the Massachusetts Department of
Higher Education at (617) 994-6960.

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What is the ORP?

The **Optional Retirement Program (ORP)** is a defined contribution plan, administered by the Massachusetts Department of Higher Education. The ORP is offered to eligible higher education employees as an alternative to the Massachusetts State Employees' Retirement System (MSERS). In a defined contribution plan, benefits are determined by the total balance of your ORP account when you draw benefits from the plan.

The ORP operates under Internal Revenue Code Section 401(a) and is governed by Chapter 15A, Section 40, of the Massachusetts General Laws as Amended (MGLA). The enabling legislation was signed into law by then Governor William Weld on January 4, 1994, and became effective on October 30, 1995.

What is the purpose of this publication?

The information in this booklet is designed to provide a summary of eligibility and the enrollment process for the ORP. This document replaces any prior program materials that have been distributed. A comprehensive description can be found online at www.mass.edu/orp.

ORP or MSERS?

You have 180 days from the first pay period in which you are in your ORP-eligible position to make a decision between the ORP and the MSERS. **Your decision is irrevocable,** so please consider your options carefully.



Getting Started

Learn about the major features of the Optional Retirement Program and how it differs from the State Employees' Retirement System.

Who is eligible for the Optional Retirement Program?

The Optional Retirement Program (ORP) is open to all employees in faculty, librarian and administrator positions within higher education.

What are the criteria to join the ORP?

To be an ORP participant, one must:

1. be in an eligible position,
2. carry a minimum 50% benefited work schedule, and
3. not be vested in the MSERS or any other retirement plan governed by Chapter 32 of Massachusetts General Laws (*e.g.*, a county or municipal retirement system, Massachusetts Teachers' Retirement System, etc.).

Why do I need to know the difference between the ORP and the MSERS?

You need to decide in which retirement plan you want to participate within your election period, which is a span of 180 calendar days, beginning with the first pay period in which you are in an ORP-eligible position. All employees are placed in the Massachusetts State Employees' Retirement System (MSERS) when first hired. If no choice is made during the election period, you will remain in the MSERS.

If you are uncertain about how each of the plans may meet your career, financial and retirement objectives, you should consult with an experienced financial advisor who is familiar with different types of retirement plans.

Can I change my mind later and switch retirement plans?

Your decision between the ORP and the MSERS—including allowing the default choice of the MSERS to take effect—is permanently irrevocable.

How does the investment risk differ between the two plans?

One of the major differences between the two options is investment risk:

- When choosing the ORP, you are selecting your own investments from the choices that providers offer. Strong investment performance can help your account grow. Poor investment performance can lose money. The amount of retirement income you receive will depend on your personal account balance at the time of your retirement.
- The MSERS involves no investment risk for the participant. Benefits received at retirement are determined by a formula that reflects your five highest years of pay, your age, your years of service and your group classification. Retirement income is not influenced by investment returns. See the State Board of Retirement website at www.mass.gov/retirement for more details.

See a snapshot of these and other differences between the ORP and the MSERS in the table on next page.

Basic Features of ORP and MSERS

	ORP	MSERS
Plan Type	Defined Contribution	Defined Benefit
Internal Revenue Code Section	401(a)	401(a)
Contribution Rate	9% of salary up to \$30,000, plus 11% of salary above \$30,000	9% of salary up to \$30,000, plus 11% of salary above \$30,000
Ability to Purchase Years of Service	Not applicable	Yes, military service and possibly state contract work
Vesting	Immediate 100%	After 10 years of creditable service
Contribution from Commonwealth	5% employer match	Commonwealth ensures full funding for promised benefits
In-service Withdrawals & Loans	Not Available	Not Available
Plan Investments	Participants select and manage their own investments	Commonwealth manages all investments
Retiree Health Care	Eligible after 10 years of service at age 60, or 20 years at any age	Eligible after 10 years of service at age 60, or 20 years at any age
Exempt from Massachusetts Tax	Yes	Yes

For more information about the two plans, please visit www.mass.edu/orp and select “Choosing a Retirement Plan.”

What does “vesting” mean in the ORP?

In the ORP, the term “vesting” means that all monies in your ORP account belong to you immediately.

What is my contribution rate?

Nine percent of salary up to \$30,000, plus 11 percent of salary above \$30,000. All employee contributions are tax deferred under the “Employer Pick-Up,” which operates under Internal Revenue Code Section 414(h). Your contribution deduction is sent to your provider at the end of each pay period.

What is the amount of the employer match?

The Commonwealth’s matching contribution is five percent of regular compensation, minus the cost of insurances (*see page 4*) and the administrative overhead expense of operating the program. See the Contribution Rate insert in the front pocket of this booklet for details. The employer matching funds are sent to your provider separate from your employee contribution, after you receive your paycheck.

ORP Insurance Benefits

As an active participant, what insurance benefits do I receive?

Your insurance benefits are long-term disability and life insurance:

- The ORP Long-Term Disability Insurance pays 60 percent of your monthly wage and a retirement plan contribution equal to 10 percent of your monthly wage. (Please see the Long-Term Disability insert in the front pocket for a description of benefits.)
- Life Insurance benefits are equal to a multiple of your annual earnings, ranging from 0.45 to 3.0, based on your age. (Please see the Life Insurance insert in the front pocket for a description of benefits.)

Is retiree health insurance available with the ORP?

Retiree health insurance is available if you meet the age and service requirements* for retiree insurance benefits, as follows:

- You have 10 years of creditable service and are at least 60 years old; or
- You have 20 years of creditable service and are of any age.

You are required to draw monthly income from your ORP account to cover the cost of your insurance premiums. Your ORP provider will deduct the monthly premiums for your retiree insurance from your income.



Which plan is best for you? The decisions you make today regarding your retirement plan can have a significant impact on your future. Consider the options carefully. (Photo courtesy of Salem State University)

Enrolling in the ORP and Choosing Providers

What do I have to do to enroll?

There are four steps to enroll:

1. Choose a provider.
2. Establish your provider account online and, upon completion of that process, print the confirmation page. This can be done by going to the ORP Enrollment Center at www.mass.edu/orpenrollment. (You must open a new provider account *even if you already have an account* with that provider.)
3. Complete the Department of Higher Education enrollment forms, which will be given to you by your Benefits Administrator or can be downloaded from the ORP website.
4. Return the enrollment forms and a copy of the confirmation page from step 2 to your Benefits Administrator in your campus Human Resources office.

What are my choices for providers?

The ORP has three choices of providers:

- Fidelity Investments
- TIAA-CREF
- VALIC

Visit the
ORP Enrollment Center at
www.mass.edu/orpenrollment
to find all you need to enroll
and set up a provider account.

Please go to the ORP Enrollment Center at www.mass.edu/orpenrollment for information on each provider. See the contact information insert in the front pocket of this booklet for your campus representative. Each company has a variety of investment choices.

If I choose one provider initially, can I change to another in the future?

After initial selection of an ORP provider, you must wait at least 12 months before you can direct future contributions to another provider. After any change in providers, you must also wait 12 months before changing again. You can only contribute to one provider at a time, but you can have assets with more than one provider.

What happens if I change positions within the college or the Commonwealth?

If you change from one ORP-eligible position to another, you will remain in the ORP. If you change to a non-eligible position within higher education or elsewhere in the Commonwealth, you must enroll in the MSERS. Your money will stay in your ORP account, and you will not be able to take it out until you no longer work for the Commonwealth.

Managing Your ORP Funds

When are my contributions posted to my account?

Your employee contribution is posted each Friday on which you receive a paycheck or payroll direct deposit. The employer contribution is sent the following Friday or as soon as administratively possible.

How do I check the balance in my ORP account?

You will receive a regular statement from your provider. You may also go to your provider's website to check your account.

Can I roll in money from a former employer's plan?

Yes, the ORP does accept rollovers from such plans as 401(a), 403(b), 457(b), 408(a) and 408(b). However, once you roll these funds into the ORP, they are subject to the ORP's rules.

What happens if I leave my position before retirement?

You can leave your ORP funds in the program without penalty. Your money will have the opportunity to continue to grow until you choose to withdraw the funds.

How do I draw funds from my retirement account?

When you are no longer employed by the Commonwealth, you can be eligible to draw funds as:

- A full or partial lump sum
- A lifetime income under an annuity
- Systematic payments
- Payments over a fixed period (e.g., 10 years, 20 years)
- An option that provides lifetime payments to your beneficiary/ies
- Any combination of the above

How are taxes handled?

All plan contributions are made pre-tax; therefore any withdrawal is subject to income tax. Some payments may also be subject to mandatory 20% tax withholding, and an additional 10% withdrawal penalty.

Check with a tax professional before taking any distribution to learn what tax will apply to you.

Other Frequently Asked Questions

What happens if I am subject to a Domestic Relations Order?

If your ORP account must be divided by a Domestic Relations Order, please submit a copy of the order to the Plan Administrator at the Massachusetts Department of Higher Education for review before it is submitted to a court. You can find a sample Domestic Relations Order on the ORP website.

What happens to my retirement contributions if I am called to active military service?

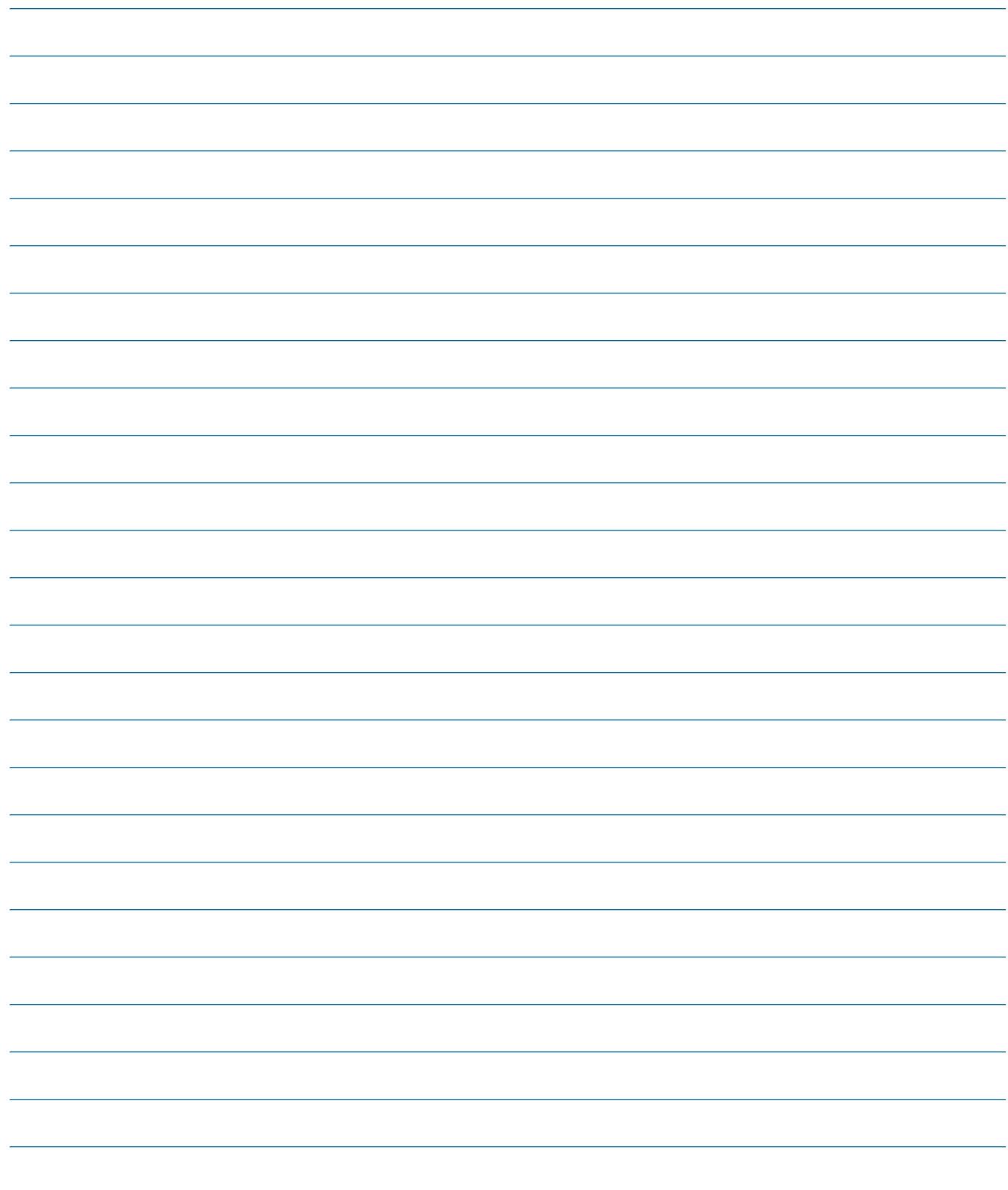
Under the Uniformed Services Employment and Reemployment Rights Act (USERRA), you may be entitled to the same contributions as if you had not been away on qualified military duty. Refer to the ORP website under Current Military Service for more information.

How will participating in ORP affect my ability to collect Social Security?

All state employees, whether they choose the ORP or the MSERS, may be affected by either the Windfall Elimination Provision or the Government Pension Offset. The effect of the offsets depends on your work history. See the ORP web pages about Social Security Offsets at www.mass.edu/orp, or visit the Social Security Administration website at www.ssa.org.

If you have any additional questions about the ORP, please check the website at www.mass.edu/orp, or feel free to contact the Massachusetts Department of Higher Education at (617) 994-6960.

Notes





MASSACHUSETTS
Department of
Higher Education

Commonwealth of Massachusetts
Optional Retirement Program Plan Administrator
One Ashburton Place, Room 1401 Boston, MA 02108
www.mass.edu/orp (617) 994-6960

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