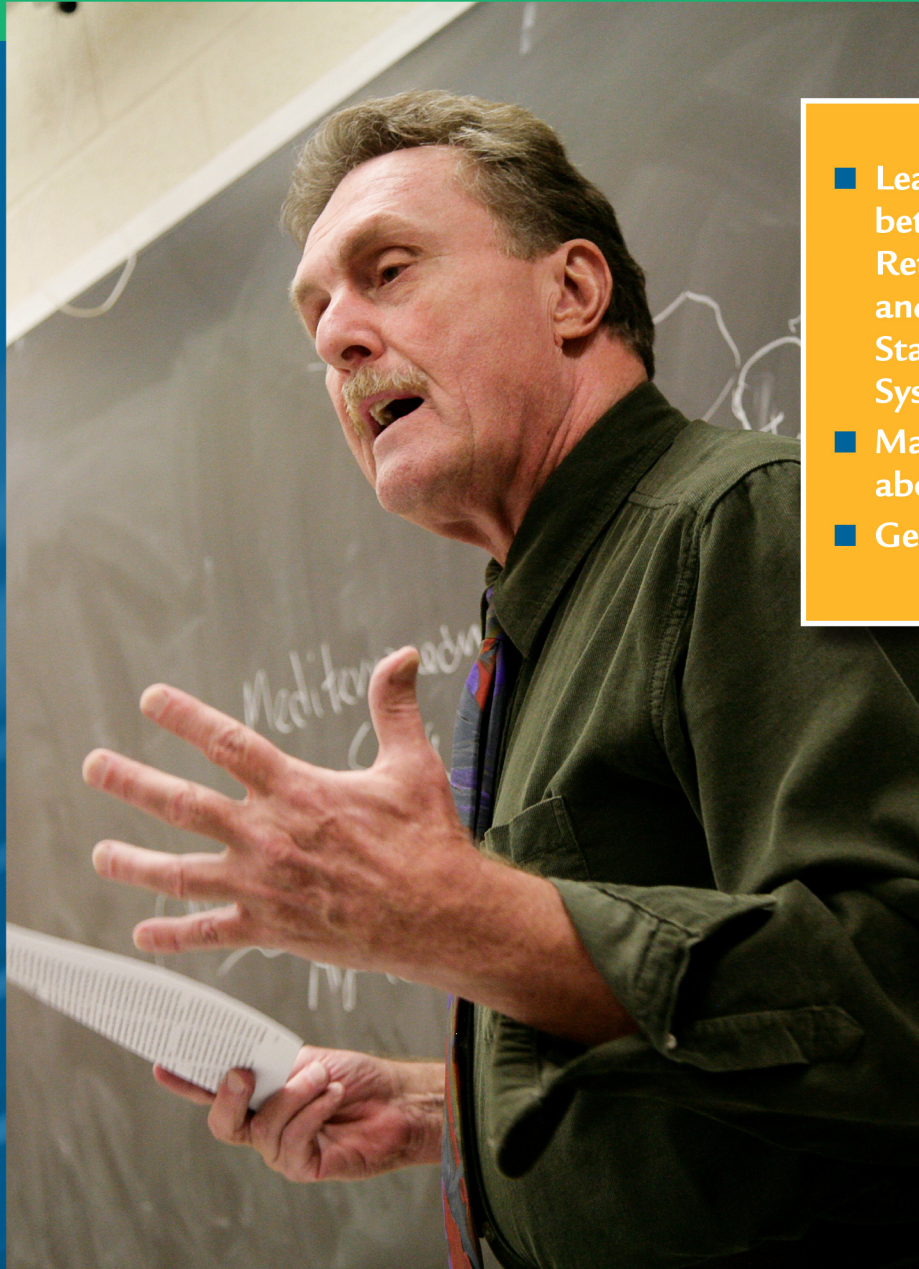


Enrollment Guide to the Commonwealth of Massachusetts Optional Retirement Program



- 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

The background of the page is a solid blue color. At the bottom, there is a green-tinted image showing a close-up of a calculator's keypad and a document with handwritten numbers and mathematical symbols like plus and minus signs.

If you have any additional questions about the ORP,
please check the website at www.mass.edu/orp, or contact
the Massachusetts Department of Higher Education.

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Enrollment Guide to the Commonwealth of Massachusetts Optional Retirement Program

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 a portable alternative to the Massachusetts State Employees' Retirement System (MSERS). In a defined contribution plan, benefits are primarily 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.

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 of the Plan 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, and employees of the Department of Higher Education.

What are the criteria to join the ORP?

To be an ORP participant, you 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.*, many county and municipal retirement systems, Massachusetts Teachers' Retirement System, *etc.*).

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

You must make your choice of retirement plan coverage (ORP or MSERS) within your 180-day Election Period. Your Election Period starts on the day after the first pay period in which you are in an ORP-eligible position. All employees are enrolled in the Massachusetts State Employees' Retirement System (MSERS) as the default plan when they are first hired. If no choice of plans 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, then 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?

No. 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 plans is the 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 primarily depends on your personal account balance at the time of your retirement – hence, you bear the investment risk.
- The MSERS involves no investment risk for the participant. Benefits received at retirement are determined by a formula that reflects your salary, years of service, age and group classification. Your retirement income is not influenced by investment returns. See the State Board of Retirement website at www.mass.gov/retirement for details about the MSERS.

Basic Features of ORP and MSERS

	ORP	MSERS
Plan Type	Defined Contribution	Defined Benefit
Employee Contribution Rate	9% of all salary plus 2% of salary above \$30,000	9% of all salary plus 2% of salary above \$30,000
Ability to Purchase Years of Service	Not applicable	Yes, military service, “other service” and possibly state contract work
Vesting	Immediate 100%	After 10 years of creditable service
Contribution from Commonwealth	5% Employer Contribution minus the cost of insurances and the administrative overhead expense of operating the plan. The net contribution to your ORP retirement account will be 4.3%	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
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, “100% vesting” means that all monies in your ORP account belong to you immediately.

What is my contribution rate?

Employee Contributions are equal to nine percent of regular salary, plus two percent of salary above \$30,000. All Employee Contributions are tax deferred, for federal income tax purposes, under the “Employer Pick-Up,” which operates under Internal Revenue Code Section 414(h).

Employee Contributions are subject to current state income taxation. However, participants may deduct up to \$2,000 of their contribution on their state tax return.

Your contributions are sent to your provider at the end of each pay period.

What is the amount of the Employer Contribution?

The Commonwealth’s Employer Contribution is five percent of regular salary, minus the cost of insurances and the administrative overhead expense of operating the Plan. **The net contribution to your ORP retirement account will be 4.3%.** Employer Contributions are sent to your provider separately from your Employee Contribution.

ORP Insurance Benefits

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

The ORP provides long-term disability and life insurance for active participants:

- The ORP Long-Term Disability Insurance provides two benefits:
 1. The Monthly Income Benefit pays 60 percent of your monthly wage to you during disability
 2. The Annuity Premium Benefit makes a retirement plan contribution directly to your ORP account 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?

Yes. The Commonwealth's retiree health, optional life and dental insurances are available if you meet these age and service requirements:

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

You **must draw a monthly income** from your ORP account. Your ORP provider will deduct the monthly insurance premiums 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 Framingham State University)*

Enrolling in the ORP and Choosing Providers

How do I enroll in the ORP?

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 account for the ORP *even if you already have another 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 Enrollment Center.
4. Return the enrollment forms and a copy of the confirmation page (from step 2) to the Benefits Administrator in your campus Human Resources office.

What are my choices for providers?

The ORP has two providers:

- Fidelity Investments
- TIAA

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. The Enrollment Center includes a list of each company's investment fund line-up and current information about each fund: it's objectives, returns and fees.

For additional assistance, see the contact information insert in the front pocket of this booklet for your campus' provider representatives.

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 Commonwealth?

The Commonwealth is our single employer. So, 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 ORP assets will remain in the Plan until you no longer work for the Commonwealth, at which time you may choose to draw them from the plan.

Managing Your ORP Account

When are Plan contributions made?

Employee and Employer Contributions are remitted to providers as soon as is administratively feasible after the end of each pay period.

How do I check the balance in my ORP account?

You will receive a quarterly statement from your provider with information about your account. You may also go to your provider's website to check your account.

Can I roll money from a former employer's plan to the ORP?

Yes, the ORP accepts rollovers from plans operating under the following sections of the Internal Revenue Code: 401(a), 403(b), 457(b) (i.e. SMART Plan), 408(a) and 408(b) – IRA's. However, once you roll these funds into the ORP, they are subject to the ORP's provisions.

The ORP cannot accept rollovers from Roth IRAs.

What happens when I terminate my employment with the Commonwealth?

Your termination of employment with the Commonwealth is the only trigger event to allow payments from the ORP.

However, you may leave your ORP funds in the Plan. While no current contributions are made to your account, you remain a participant in the Plan and eligible for all rights accorded participants.

How do I draw funds from my ORP account?

The Plan offers a wide variety of payment methods, reflecting participants' different needs. These methods include:

- A full or partial lump sum
- Lifetime annuity income for yourself and, at your discretion, another person
- Systematic payments
- Payments over a fixed period (e.g., 10 years, 20 years)
- Any combination of the above

What taxes are applied to payments from the ORP?

Federal Taxes and Penalties: All payments from the Plan to you and your beneficiaries are subject to current federal income taxes. Some payments may also be subject to a 10 percent Early Withdrawal Penalty.

Massachusetts State Taxes: Payments from the ORP that are made to you as a Massachusetts resident are exempt from state income taxes. This exemption is also extended to participants by some other states. You should check on other states' exemptions with your state of residence when you are taking funds from the Plan.

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

Other Frequently Asked Questions

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

The Department of Higher Education (DHE) must review and authorize Domestic Relations Orders before they can be implemented.

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 DHE 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 the ORP affect my ability to collect Social Security benefits?

All state employees may be subject to the Social Security Administration's reductions ("offsets") to SSA benefits attributable to either their own work record at another employer or to spousal benefits. For more information about this issue, please 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 contact the Massachusetts Department of Higher Education.

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Notes

This image shows a single sheet of white paper with horizontal green ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.