

Frequently Asked Questions

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

If you are employed by the City of Lawrence, the Lawrence Public School Department, the Greater Lawrence Technical School, MVRTA or the Lawrence Housing Authority on a permanent basis holding a position which requires you to work a minimum of 20 hours per week, you are eligible to become a member. Elected Officials earning more than \$5,000 per year have 90 days from the date of assuming office to become members.

Am I required to become a member of the Lawrence 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 per year. These contributions are made directly through payroll deductions. Your contribution rate is established by M.G.L., Chapter 32 and is determined by the date on which you first became eligible for membership in a retirement system governed by Chapter 32, and from which you have continuously maintained your contributions on account.

Date on which you became a member:	Contribution rate:
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 and 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 establishes 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 and you receive a portion of this amount each month, called the annuity. Your retirement allowance is made up of two parts, the annuity and the pension.

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 based on a formula. If this was a defined contribution plan, your benefit would be based solely on your contributions to the System. If your membership date is on or before April 1, 2012, your retirement allowance is calculated using the following formula:

Creditable Service x Age Factor at Retirement x Highest 3 Year Average Salary

If your membership date is on or after April 2, 2012, your retirement allowance is calculated using the following formula:

Creditable Service x Age Factor at Retirement x Highest 5 Year Average Salary

Please note the age factors used in these formulas are different. Please see the *Age Factor Charts Tab* for pre 4/2/2012 employees and post 4/2/2012 employees.

When will I be eligible to receive a retirement allowance?

If your membership date is on or before April 1, 2012, you will be eligible to receive a retirement allowance when you:

- (1) Have at least 10 years of creditable service AND have reached age 55 OR
- (2) Have 20 years of creditable service (at any age)

Please see the *Pre 4/2/2012 Membership Guide Tab* for more information.

If your membership date is on or after April 2, 2012, you will be eligible to receive a retirement allowance when you:

- (1) Have at least 10 years of creditable service AND have reached age 60 for Group 1,
- (2) Have at least 10 years of creditable service AND have reached age 55 AND have served in a Group 2 position for at least 12 months prior to retirement,
- (3) Have reached age 55 AND have served in a Group 4 position for at least 12 months prior to retirement

Please see the *Post 4/2/2012 Membership Guide Tab* for more information.

How are changes made to the retirement plan?

The Lawrence 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?

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 by members.

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

If you leave your job with the City of and you are not going to work for another governmental agency under the provisions of M.G.L., Chapter 32, city/town, state or county, you may be eligible to receive a refund of your contributions.

Please refer to the member forms for a withdrawal form:

If you are leaving to accept a position with a Massachusetts political subdivision subject to Chapter 32, you must transfer your retirement account directly to your new retirement system. When you enroll with your new system, you will indicate on the application that you have been a member in another system and still have your funds on account. This allows the new system to directly request your funds from your previous system.

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

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

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. However, your deductions will only earn interest for two years after termination.

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

Any member who terminates employment may be eligible to withdraw retirement funds. If you are vested (have earned the right to a retirement allowance at a later date), careful consideration should be given to the value of the retirement benefit you 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. These benefits significantly differ from those whose membership began prior to April 2, 2012. See the above eligibility criteria for a superannuation retirement and the corresponding allowance formulas.

Can I withdraw or borrow money from my 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 terminate my employment and leave my money in the retirement system, can I retire at a later date?

If you have attained the requisite years of creditable service, you can elect to defer your retirement until a later date. Group 4 employees cannot defer beyond age 65 (and must have attained age 55 when service is terminated). All inactive 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.

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

Upon enrollment into the Lawrence Retirement System, you should have filled out a beneficiary form. This form helps designate a beneficiary in the event you die before retirement. Generally, if you choose a beneficiary to receive a lump sum refund, that person will receive a lump sum payment of all the contributions you have made to the system plus applicable interest. If you named an "Option D" beneficiary, this beneficiary will receive a lifetime benefit consisting of a monthly "pension". In many cases, a spouse has the right to elect the "Option D" benefit and could supersede a named beneficiary. Consider your options and refer to the *Beneficiary Change Form Tab* to make any updates.