

## FREQUENTLY ASKED QUESTIONS FOR MEMBERS

*Below please find frequently asked questions regarding membership eligibility, retirement calculations and refund procedures. To go directly to the question you are interested in, just click on the link below.*

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**Question:** Is membership mandatory for employees of units that comprise the Essex Regional Retirement System (ERRS)?

**Answer:** Yes. Any individual who is permanently employed 20 or more hours per week by any member unit of ERRS and who receives at least \$5,000 in wages shall become a member of ERRS. Upon becoming a member of ERRS, a member must maintain the status of being permanently employed 20 or more hours per week and earn \$5,000 annually in wages to continue contributing to ERRS and accruing creditable service.

Any elected official who earns at least \$5,000 in wages may elect to become a member of ERRS. Upon becoming a member of ERRS, an elected official must maintain the status of

receiving \$5,000 in wages annually to continue contributing to ERRS and accruing creditable service.

**Question:** How much do members contribute to the Retirement System?

**Answer:** The amount of a member's retirement deduction is established by Massachusetts General Law, Chapter 32. There are two types of retirement deductions, your base deduction which is determined by the date of your membership in a Massachusetts public retirement system and an additional 2% deduction on earnings in excess of \$30,000, which is determined by your employment date with a public entity.

If you joined the retirement system on or after July 1, 1996, you must contribute 9% of your regular compensation. If you joined any time between January 1, 1984 and June 30, 1996, your contribution rate is set at 8%. Members who joined the system between 1975 and 1983 contribute 7%. Those employees who became members prior to 1975 are contributing 5%.

If you were employed in a public entity on or after January 1, 1979, an additional 2% of regular compensation is deducted on compensation over \$30,000. The 2% deduction is in addition to the regular base deduction of 7%, 8% or 9%.

**Question:** Does a member's contribution to ERRS earn interest and, if so, how is the interest calculated?

**Answer:** Your retirement contributions are placed in an account under your name called the Annuity Savings Fund where it earns annual interest at a rate comparable to a passbook savings account. The state agency that oversees the Massachusetts public retirement system, the Public Employee Retirement Administration Commission (PERAC) and the Commissioner of Banks determine this interest rate. This annual interest rate is not related to the retirement system's investment earnings.

**Question:** What does it mean to be vested?

**Answer:** When you are vested, you have earned the right to a retirement allowance at a later date. You no longer have to remain in service to be eligible to collect it.

**Question:** When do you become vested?

**Answer:** You must have 10 years of creditable service in order to be considered vested. If you transfer creditable service from another retirement system or if you buy back prior service, such service is added to your ERRS service to determine when you are vested.

**Question:** Does it matter if I became a member of the retirement system after April 2, 2012?

**Answer:** Yes. The Pension Reform Act of 2011 created new requirements for employees who became members after April 2, 2012. These new requirements affect the time at which you can retire as well as the calculation used to determine your pension, among other significant changes. The Members page of this website includes a retirement guide for members prior to April 2, 2012 and will include a retirement guide for members after April 2, 2012 as soon as it is available. If you have any questions about how the Pension Reform Act of 2011 may affect you, please do not hesitate to contact the staff at ERRS.

**Question:** When can I retire?

**Answer:** If you were a member of ERRS prior to April 2, 2012, you can retire at age 55 or older if you have at least 10 years of creditable service. Generally speaking, you can retire at any age if you have 20 years of creditable service.

**Question:** What is the retirement allowance based on? How is it calculated?

**Answer:** Your retirement benefits are determined by Massachusetts General Law, Chapter 32. ERRS is a defined benefit plan, meaning your benefits are determined by a formula and are not affected by the amount of money in your annuity account at the time of your retirement. The factors used to determine your retirement allowance are, among other things: Your age at the time of retirement; your amount of creditable service; your group classification; and the average of your three highest consecutive years of earnings (for members prior to April 2, 2012) or your five highest consecutive years of earnings (for members after April 2, 2012.)

**Question:** What is the maximum retirement allowance that I can receive?

**Answer:** The maximum benefit you can receive is 80% of your three highest consecutive years of regular compensation, if you became a member prior to April 2, 2012. If you became a member after April 2, 2012, the maximum benefit you can receive is 80% of your five highest consecutive years of regular compensation.

**Question:** Are there any additional benefits to which I am entitled?

**Answer:** If you are a veteran as defined in the Massachusetts General Laws, a veteran's credit will be added to your retirement allowance. The amount of this credit will equal \$15 per year for each year of creditable service you have accrued, not to exceed 20 years or \$300. You will receive this additional benefit even if you are already at the maximum, or if the additional \$300 puts your total allowance over the 80% maximum.

**Question:** Can I purchase creditable service earned in another Massachusetts public retirement system?

**Answer:** If you were a member of another retirement system subject to the provisions of Chapter 32 of the General Laws, and you withdrew your retirement funds, it is possible to buy back your prior creditable service. If you are interested in purchasing creditable service earned in another Massachusetts public retirement system, please contact ERRS to determine the process and cost to you of this buyback. Please also see the Purchase of Service Memo on the Members page for information on the interest charged for buybacks under the Pension Reform Act of 2011.

**Question:** If I was a temporary employee, may I apply that time towards my retirement?

**Answer:** If you were employed on a temporary basis with a unit within ERRS prior to becoming a member of ERRS, you may be entitled to purchase this service towards your retirement creditable service. If you have temporary service with another public agency in Massachusetts, you may be entitled to purchase that as well and apply it to your retirement creditable service in ERRS. As each situation may vary, please contact the staff at ERRS to determine the requirements of your situation.

**Question:** What is regular compensation?

**Answer:** Regular compensation are those wages that are determined by statute and PERAC regulation that are subject to retirement deductions and are used as the basis by which your retirement allowance is calculated.

**Question:** Is regular compensation the same as total compensation?

**Answer:** No. Regular compensation is only that portion of your earnings that are subject to retirement deductions. Examples of compensation that are **not** subject to retirement deductions are payments such as overtime, bonus pay, severance pay, payments for unused sick time, vehicle or clothing allowances, as well as certain other types of compensation.

**Question:** What happens to my retirement contributions if I leave my job?

**Answer:** If you leave your job and are not going to work for another governmental unit which is subject to Chapter 32 of the General Laws, you may be eligible to receive a refund of your accumulated total deductions. If you are leaving for a job in another governmental unit subject to Chapter 32 of the General Laws, you must transfer your retirement contributions directly to your new retirement system.

**Question:** Is there a time limit after you leave your government employment for requesting a refund of your total accumulated deductions?

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

**Question:** Can a member who is vested and who terminated employment still be eligible for a refund?

**Answer:** Any member who terminates employment may be eligible to withdraw retirement funds. If the member is vested and has 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.

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

**Answer:** If you are vested and terminate employment, you can choose to defer your retirement by leaving your money in the system until you are ready to retire.

**Question:** Can a member withdraw or borrow money from their account in the retirement system?

**Answer:** No. There is no provision under Massachusetts General Law for taking a loan from your accumulated retirement deductions. An active member cannot withdraw or borrow any contributions from the fund under any circumstances.

**Question:** What are the tax consequences if I take a refund of my retirement contributions?

**Answer:** Your contributions are pre-tax deductions and the refund of your accumulated total deductions and the interest you will receive 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, ERRS is required to withhold 20% of the taxable portion of your refund for federal tax. The 20% tax payment is required only if the refund is made directly to the member. With a direct rollover to another tax exempt retirement account, no tax is withheld.

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

**Answer:** If you are married and die before you retire, your surviving spouse will have the option of collecting a monthly benefit, including a monthly allowance for children under the age of 18 or, if a student in an accredited institution, until age 22, or receiving a lump sum payment of your contributions. If you need clarification of these options, please do not hesitate to contact the staff at ERRS.