

807 CMR: TEACHERS' RETIREMENT BOARD

807 CMR 9.00: ELECTIVE PAYROLL DEDUCTIONS FOR RETIREMENT PLUS ACCELERATED CONTRIBUTIONS UNDER M.G.L. C. 32, § 5

Section

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9.01: Purpose

The purpose of 807 CMR 9.00 is to provide a pick-up of employee contributions under § 414(h)(2) of the Internal Revenue Code of 1986 for Retirement Plus accelerated contributions that are made pursuant to the alternative superannuation retirement benefit of M.G.L. c. 32, § 5.

9.02: Authorization

Members in service who pursuant to M.G.L. c. 32, § 5, have elected to participate in the alternative superannuation program may also elect to accelerate their contributions to this program. Unless paid directly to the system, these accelerated contributions must be made in accordance with a schedule established by the Board through a binding, irrevocable payroll deduction authorization.

9.03: Contribution Pick-Up

A member in service, having executed a binding, irrevocable payroll deduction authorization with respect to any such contributions, shall not be entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the Board. Such contributions shall be remitted to the Board pursuant to M.G.L. c. 32, § 22(1)(b) in the same manner as all other contributions made thereunder and shall be credited to the member's annuity savings account. Such contributions, although designated as employee contributions, will be paid by the employer in lieu of contributions by the employee. The contributions so assumed shall be paid by the employer in lieu of contributions by the employee. The contributions so assumed shall be treated as tax-deferred employer "pick-up" contributions pursuant to the United States Internal Revenue Code, § 414(h)(2), subject to a favorable letter ruling by the Internal Revenue Service.

9.04: Partial or Full Payments

Members in service may elect to pay all or part of the accelerated contributions through such payroll deduction. The amounts to be deducted and the duration of the deduction shall be specified on the authorization form prescribed by the Board and the amounts and duration shall be irrevocable and binding once made. Prepayment of amounts covered by the authorization is not permitted. However, nothing herein shall prevent a member from paying any amounts not covered by the authorization with after-tax dollars.

9.05: Procedure

No such payroll deduction shall begin unless and until the member in service executes the payroll deduction authorization described below on a form prescribed by the Board. The Board will send such form to the treasurer or other disbursing officer of the employer. After receiving the binding, irrevocable payroll deduction authorization, the treasurer or other disbursing officer of each employer shall add such contributions to the contributions deducted from the member's regular compensation each pay day pursuant to M.G.L. c. 32, § 22(1)(b). The employer shall continue to make such deductions for the period specified on the form and shall treat these deductions as picked-up contributions.

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9.06: Irrevocability of Authorization

All such payroll deductions, including the amounts and the duration specified, shall be binding and irrevocable upon the member's execution of the prescribed form.

Notwithstanding the above, such deductions will cease only after the authorization has expired by its terms or upon any of the following events:

(1) The Member's Death. In this event, an eligible beneficiary or spouse having a right to a member-survivor allowance shall pay the remaining amount owed in one lump sum (using after-tax dollars). If the entire remaining amount cannot be paid due to I.R.C. § 415 limitations, the beneficiary or spouse eligible for a member-survivor allowance shall be entitled to the actuarially reduced benefit available under M.G.L. c. 32, § 5.

(2) The Termination of the Member's Employment. In this event, the member shall pay the entire remaining amount owed in one lump sum (using after tax dollars) during the same calendar year and within six months of the date of termination or before the date of retirement, whichever occurs earlier, and receive the entire retirement plus benefit. If the remaining amount cannot be paid due to I.R.C. § 415 limitations and the member retires, he or she will receive the actuarially reduced benefit available under M.G.L. c. 32, § 5 only if the employment terminated involuntarily.

For purposes of 807 CMR 9.06(1) and (2), after tax contributions shall only be received to the extent allowed by § 415 of the Internal Revenue Code.

(3) In no event shall the member receive a return of the payroll deductions made hereunder, except as a refund together with all other contributions as provided in M.G.L. c. 32, § 10, or as provided in M.G.L. c. 32, § 5 with respect to a member who retires or terminates without completing 30 years of creditable service.

9.07: Duration

Payroll deductions and installment agreements hereunder shall last no longer than five years.

REGULATORY AUTHORITY

807 CMR 9.00: M.G.L. c. 15, § 16.