

## Payment Options for Approved Creditable Service Purchases (MSRB)

Once an application to purchase creditable service has been approved, the Massachusetts State Employees' Retirement System ("MSERS") sends an invoice for the service purchase to the member. This includes both the cost to purchase the service as well as the amount of the creditable service it represents.

Since some creditable service purchases can be costly, the MSERS offers members various re-payment options.

- Lump sum payments
- Roll-over payments from a qualified retirement plan
- Payment plans via payroll deductions up to five years
  - Only available to active members-in-service
- Combination of the above

Payment for purchase of creditable service for members of the MSERS is defined as:

### 941 CMR 3.04: Payment for Purchase of Creditable Service

On and after January 1, 2002, a member authorized by law to purchase creditable service may make payment for the purchase of such service to the Board in or in a combination of:

- (a) a lump sum purchase including an eligible rollover distribution as defined by Code Section 402(c)(4), other than the portion of such distribution that is not included in gross income;
- (b) installment payments over a period not exceeding five years; and
- (c) a trustee-to-trustee transfer of assets from a Code Section 403(b) annuity or a Code Section 457 plan. Any combination of forms of payment or trustee-to-trustee transfer of assets shall be subject to the limitations of applicable law, and such conditions, proofs, or acceptances as the Board or its designee may from time to time deem appropriate.

REGULATORY AUTHORITY: 941 CMR 3.00: M.G.L. c. 32, § 20(5)(b) and c. 30A, § 3

## **Lump Sum Payments**

### **Personal Check**

Lump sum payments can be made by personal check, certified check, or money order. The MSERS does not accept cash. These payments are considered post-tax payments and will be credited as such.

### **Roll-Over Payments – Qualified Plan**

#### **IMPORTANT INFORMATION:**

At this time the MSERS does not accept rollovers or direct transfers from an IRA or a 401(k). We do encourage members who have funds in other types of plans not eligible to roll-over to MSERS to contact the SMART Plan to explore your options. The SMART Plan can be reached at (877) 457-1900 or by visiting the website [mass-smart.empower-retirement.com](http://mass-smart.empower-retirement.com)

Transfers from a roll-over can be a great way to help purchase eligible creditable service. Since these are considered fund-to-fund transfers, generally no tax penalties are involved. Please contact your provider for more information.

The invoice you receive is also referred to as a "Letter of Acceptance". Most plans require this in order to transfer the funds to MSERS.

Roll-over payments are accepted from the following qualified plans:

- 457 Deferred Compensation Plan

The IRS defines a 457 as:

"Plans of deferred compensation described in IRC section 457 are available for certain state and local governments and non-governmental entities tax exempt under IRC 501. They can be either eligible plans under IRC 457(b) or ineligible plans under IRC 457(f). Plans eligible under 457(b) allow employees of sponsoring organizations to defer income taxation on retirement savings into future years. Ineligible plans may trigger different tax treatment under IRC 457(f)."

The SMART Plan is the provider for the 457 option to employees of the Commonwealth. If you are a participant in this plan, funds are eligible to be transferred from this plan directly to the MSERS.

- 403(b) Plan

The IRS defines a 403(b) as:

"A 403(b) plan, also known as a tax-sheltered annuity (TSA) plan, is a retirement plan for certain employees of public schools, employees of certain tax-exempt organizations, and certain ministers."

Payments received from a 457 plan will be considered pre-tax funds.

### Payment Plans

MSERS offers payment plans through payroll deductions for **active members-in-service**. These are bi-weekly payment plans ranging from six (6) months up to five (5) years. Additional interest will accrue on service purchases satisfied through payroll deductions. These are generally after-tax payroll deductions. Some specific service purchases qualify for pre-tax payments. You will be notified by MSERS if this option applies to you.

Once you select a payment plan, MSERS contacts the appropriate payroll department to begin the deductions. You will receive a copy of the same letter sent to your agency. In most cases, once a payment plan is selected, the deduction should be withheld from your next pay advice. Depending on when the pay period closes, it may take up to two pay periods for this to be processed. If you do not see the deduction from your pay advice within two pay periods, please contact the payroll department at your agency.

### Stopping a Payment Plan Deduction

If you wish to stop your payment plan, please contact MSERS. We will contact the appropriate payroll department. Please note that additional interest will continue to accrue and in some instances, you may be subject to a higher interest rate on the remaining balance of your service purchase.

### Combination of Payment Options

You may purchase creditable service with a combination of the payment types. However, payroll deduction plan selections should be the last step.