

# What You Need to Know as a Party to a Domestic Relations Order

*An MTRS Q&A guide for our active and retired members*

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# What You Need to Know as a Party to a Domestic Relations Order

## How to use this booklet

This booklet is intended for use by members of the Massachusetts Teachers' Retirement System (MTRS), their spouses and attorneys. It is written in simple language and is designed to give you the information you need to effectively structure a property settlement to divide pension benefits under Massachusetts General Laws chapter 32.

Throughout the booklet you'll find notes in the margins. These contain brief explanations or references to other questions that are related to that particular topic. Where cross-references are noted, please be sure to review those questions for additional information.

Finally, this booklet is not intended as a substitute for the Massachusetts General Laws nor will its interpretation prevail should a conflict arise between its contents and M.G.L. c. 32. Rules governing retirement benefits are subject to change periodically either by regulation of the Internal Revenue Service or by statute of the Massachusetts Legislature. If you have any questions about this material, please contact our office or *seek legal advice from your attorney or financial advisor.*

The Members and Staff of  
the Massachusetts Teachers' Retirement System

May 2005

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# Divorce and your retirement benefits

## 1 How are my retirement benefits an issue in my divorce?

Your pension from the Massachusetts Teachers' Retirement System (MTRS) is generally considered a marital asset and, whether you are currently receiving a retirement allowance or are still actively in service, it may be subject to valuation and division in a divorce.

## 2 What is a domestic relations order?

A domestic relations order—commonly known as a DRO—is a judgment, decree or order (including approval of a property settlement agreement) that sets out how a person's retirement benefits are to be allocated between parties who are in the process of divorcing or who are already divorced. The DRO must be reviewed and accepted by the MTRS to ensure that it complies with the General Laws and is enforceable.

The process of having a DRO accepted by the MTRS involves the following steps:

- 1) The parties submit the DRO to the MTRS's Legal Unit.
- 2) The Legal Unit reviews the DRO to be sure that it complies with the MTRS plan (Massachusetts General Laws chapter 32) and can be implemented. If the DRO is not acceptable, the Legal Unit will notify, in writing, the attorney submitting the DRO that revisions need to be made. If the DRO is acceptable and has been signed by the court, the Legal Unit prepares a standard letter accepting it as a qualified Domestic Relations Order.
- 3) The Legal Unit files the order in the member's file and notes the order on our computer system. We strongly recommend that both parties keep a copy of the order for their own files.

DROs deal primarily with retirement benefits. Because a pension is an asset that becomes payable at some future date, and

involves many “unknowns,” it is necessary to address how it will be divided in a very specific document. This document usually gives to an alternate payee the right to receive part of the benefits that would be payable to a participant under the plan. The DRO may not alter the amount or form of the benefits of the plan.

### **3 As a member of the Massachusetts Teachers’ Retirement System (MTRS) who is now receiving or will be entitled to receive a retirement allowance, do I need to have a Domestic Relations Order as part of my divorce?**

Not necessarily. Depending on your particular financial situation, you may be able to address the division of your MTRS pension in another way, such as calculating the present value of your benefits and then apportioning it along with your other assets. However, this is an issue for you to discuss with your attorney.

### **4 Can the MTRS determine the present value of my future retirement benefits?**

No. We can only give information regarding current account balances. For computation of the present value of the member’s benefits, you will need to consult an actuary or other financial professional. The MTRS can provide the information that an actuary will need to assign value to your retirement allowance.

### **5 Can a court order the Massachusetts Teachers’ Retirement Board to divide current or future benefits by issuing separate checks, part to the member and part to an alternate payee?**

Yes. Pursuant to M.G.L. c. 32, §19, payments from the MTRS fund may be made to another person (known as an *alternate payee*) who is expressly provided for in the terms of any Domestic Relations Order or court decree.

See Appendix B for a sample Domestic Relations Order and Appendix C for a description of actions that the court cannot order the Board to take.

## **6** May benefit rights be assigned or attached to satisfy a support obligation?

In certain cases, yes. The rights of MTRS members are normally exempt from execution, garnishment or other process unless a support order has been issued under M.G.L. cc. 208, 209, 209A, 209C, 209D or 273. Benefit rights may be assigned or attached in connection with child support orders or alimony.

## **7** Are the payments made by the MTRS subject to either the Retirement Equity Act or the Employment Retirement Income Security Act (ERISA)?

No. Public and government plans are specifically exempt from the provisions of both those federal acts.

## **8** Can anyone other than the member require the MTRS to disclose information contained in that member's file, such as a beneficiary designation or the account balance?

Under the general public records law, we may not disclose to other parties the information in a member's file unless:

- ▶ we have a release, signed by the member, on file (we will need a release from you in order to share information with your attorney); *or*,
- ▶ the information has been subpoenaed, we have notified the member of the request and given him or her the opportunity to quash the subpoena, and the subpoena has not been quashed.

## **9** Can a representative of the MTRS be called upon to testify in court?

Yes—however, most—if not all—of the information you need to compose a Domestic Relations Order can be communicated by written documentation, which we will gladly provide.

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## What you need to know as a retiree

### **10** I am a retiree who is getting divorced. In what way can a Domestic Relations Order affect my retirement allowance?

Your retirement allowance may be apportioned, but neither the total amount nor the option you selected at the time of your retirement may be changed. If applicable, we will divide your monthly allowance according to the terms of the Court's order or the parties' agreement.

Because your retirement allowance is already fixed, the issues you must address in a DRO are simpler than for an active member.

### **11** From the MTRS's perspective, what issues do I need to address in structuring a Domestic Relations Order?

If we are currently paying you a retirement allowance, you need to be sure to address the percentage or amount of your retirement allowance that is to be made payable to the alternate payee. Please also refer to Appendix A for an overview of the issues you need to address.

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## What you need to know as an active member

### **12** According to the Internal Revenue Code, what type of plan is the Massachusetts Teachers' Retirement System plan?

The MTRS is a defined benefit plan that operates as a qualified employer plan under section 401(a) of the Internal Revenue Code.

## 13 When am I eligible to receive a retirement allowance?

You are eligible to receive a retirement allowance when you:

- ▶ have 20 years of creditable service, regardless of your age, *or*
- ▶ are at least age 55 *and* you became a member of the MTRS on or after January 1, 1978 *and* you have at least 10 years of creditable service.

If, however, you do not meet either of these requirements and you were a member of the MTRS prior to January 1, 1978, different eligibility requirements may apply to you. Please contact the MTRS for additional information.

### RetirementPlus

If you are participating in RetirementPlus—because you either elected to participate or you became a member of the MTRS on or after July 1, 2001—you are eligible to receive an enhanced benefit if you:

- ▶ have accrued 30 or more years of creditable service, at least 20 of which are service as a “teacher” with the MTRS or the Boston Retirement System; and,
- ▶ have contributed at the RetirementPlus rate of 11% for at least five years, or have made accelerated payments to meet this contribution requirement.

The Massachusetts Retirement Law (Massachusetts General Laws chapter 32) regulates your retirement allowance and allows you to choose one of three benefit options. These options differ with regard to the amount paid and whether any benefits will be paid to someone else after your death.

For an explanation of the available retirement benefit options as well as a worksheet you can use to calculate your possible benefits, please see Appendix D.

## 14 Instead of receiving a retirement allowance, can I receive a refund of my contributions and interest?

Yes—you may receive a refund if you have officially resigned from your position and will not be re-employed in a position

There are several different ways to refer to your removal of funds from your annuity savings account but they all have the same meaning. If you want to take the money out of your account, you can request a “refund,” “withdrawal” or “lump-sum payment.”

See Appendix F for an overview of your options for withdrawing your annuity savings account funds.

requiring membership in a Massachusetts contributory retirement system.

By receiving a refund of your contributions, you terminate your contractual rights with the retirement plan and give up your right to a retirement allowance. Consequently, if you return to active service in a position requiring membership in a contributory retirement system, you may be subject to a new contribution rate.

## **15** What constitutes “creditable service” and can I receive credit for earlier teaching and public service?

“Creditable service” is time that you have worked as a teacher, administrator or other public state employee, and for which you have paid retirement contributions; it also includes service you have purchased. You may be able to purchase credit for prior substitute teaching, teaching in an out-of-state public school, certain military service, certain non-public school teaching, Peace Corps service and other Massachusetts public service. Also, if you withdrew your retirement account from the MTRS or any other contributory retirement system, you may receive creditable service if you repay the amount plus regular interest. Please contact the MTRS for information on purchasing creditable service and refund buy-backs.

## **16** Are veterans entitled to additional benefits?

If you are a military veteran as defined by the Massachusetts General Laws, a veteran’s bonus will be added to your retirement allowance. This bonus is equal to \$15 per year of creditable service, up to a maximum annual total of \$300. Additionally, you may be able to purchase creditable service for time spent in the military. For more information, visit our web site at [mass.gov/mtrs](http://mass.gov/mtrs) or contact our main or Springfield office.

## **17** What is my annuity savings account?

As a member of the Massachusetts Teachers’ Retirement System, you have an annuity savings account that is maintained

on your behalf by the MTRS for your retirement. Your account consists of two parts:

- **contributions**, which are deducted from your paycheck by your school district and
- **interest**, which is earned on your balance and credited at a rate determined by the Public Employee Retirement Administration Commission (PERAC).

Additionally, if you have purchased creditable service, your payments will be included in your annuity savings account balance.

## 18 How do I know how much money I have in my annuity savings account?

Every year, the MTRS sends a statement of account to all active and inactive members who have a balance in their annuity savings account. This statement reflects personal data (name, address, date of birth, etc.) as well as financial information regarding any activity in the member’s account, the amounts of after-tax contributions, pre-tax contributions, interest and the total balance in the account.

Please note that the balance of your annuity savings account does not equal the “value” of your retirement allowance. For that, you will have to consult an actuary. Please see Question 4.

## 19 What is the difference between after-tax contributions and pre-tax contributions?

The difference is that you have already paid taxes on your after-tax contributions—and, therefore, you do not have to pay taxes on them again when you receive them in the form of a lump-sum payment—but you have not yet paid taxes on your pre-tax contributions and, so, you will have to pay taxes on those when you receive them.

## 20 How do I know what amount is nontaxable and what is taxable?

For tax purposes, the MTRS identifies the balance in your annuity savings account (the total of your contributions and interest) according to the nontaxable and taxable portions:

- ▶ **Nontaxable portion:** The nontaxable portion of your balance is equal to your contributions, if any, made prior to January 1, 1988, plus any payments you made to “buy back” previous creditable service. This is also known as your “after-tax” portion because these contributions were deducted from your paycheck after taxes had already been taken out of the entire amount of your paycheck. Because you have already paid taxes on this portion (as well as any payments you made to purchase creditable service), you will not have to pay taxes on this amount again. After-tax contributions may be rolled over from a qualified plan only to another qualified defined contribution plan or into a traditional IRA.
- ▶ **Taxable portion:** The taxable portion of your balance is equal to your contributions made on or after January 1, 1988, plus any interest you receive on your account. This includes any elective pre-tax payroll contributions that you may have paid toward your Retirement*Plus* accelerated cost. After January 1, 1988, all contributions were deducted from your paycheck before taxes were taken out. Since you have not yet paid taxes on this portion, it is taxable when you receive it in the form of a lump-sum payment or, if you rollover this portion into another retirement plan, when you eventually receive these funds.

## 21 Is the interest on my account considered a pre-tax or an after-tax amount?

All interest is paid on a pre-tax basis; as such, all interest is included in the taxable portion of your annuity savings account balance, which you may need to reference in the event you take a refund of your account.

## **22 I am an ACTIVE member of the MTRS. Do I have any use of the funds in my annuity savings account?**

No. Your annuity savings account is not a personal bank account or an individual retirement account. As someone who is currently contributing to the Massachusetts Teachers' Retirement System through regular payroll deductions or who is on an authorized leave of absence, you are not eligible to withdraw any portion of your annuity savings account balance. Likewise, you may not borrow money from your account or assign your account, nor may your account be attached by a lien, except by the Internal Revenue Service or the Massachusetts Department of Revenue. The funds must remain in your account with the MTRS until you retire, die or become an inactive member who is eligible to receive a refund of the money (see Question 23).

Please note:  
You must submit your Refund Application after the date of your separation from service. We cannot accept your application prior to your last day of service.

## **23 I am an INACTIVE member of the MTRS. Am I eligible to receive a refund of the money in my annuity savings account?**

You can receive a refund of your annuity savings account after you terminate all Massachusetts public service but before you apply for a retirement allowance. A refund is paid in lieu of any retirement allowance for which you may be eligible. To receive a refund, you must apply to the MTRS. Note: A refund may be subject to a lien for unpaid child support payments.

You are *not* eligible to withdraw the balance in your account if you are:

- receiving Workers' Compensation payments either on a weekly basis or, in the case of a lump-sum settlement, during the period of time over which the lump-sum settlement is allocated,
- on a paid or unpaid leave of absence or
- accepting employment with a public school system or any other political subdivision which requires membership in a Massachusetts contributory retirement system.

## 24 Based on the requirements described in Questions 14 and 23, I have determined that I am eligible to withdraw my money from my annuity savings account. What are my options as far as withdrawing these funds?

You have two choices for withdrawing your funds. These choices are numbered as *Choice 1* and *Choice 2* solely for the purpose of identifying them within this booklet. You may do one of the following:

### ■ Choice 1

#### Take the balance in a refund directly to you.

In a single payment directly to you, the MTRS will refund all of your nontaxable funds and 80% of the taxable portion. We are required by law to withhold 20% of the taxable portion of your balance in compliance with federal tax withholding requirements. This means that we send 20% of the taxable portion directly to the IRS.

You will not have to pay taxes on your after-tax contributions; you will have to pay taxes on the entire amount of your pre-tax contributions and interest in the year that you receive your refund. In addition, if you are under age 59-1/2, you may have to pay an additional 10% early withdrawal penalty. (Read the *Special Tax Notice Regarding Payments* in our booklet *What You Need to Know as the Recipient of a Lump-Sum Payment*, and be sure to consult with a tax professional.) As described in the next paragraph, however, you may be able to avoid paying taxes immediately on your pre-tax contributions and interest by rolling over these amounts.

You may keep your entire refund and do what you want with it, including, to gain tax advantages, rolling all or part of it into an eligible retirement plan that will accept a rollover from our plan, within 60 days of receiving your refund. (Please note, however, that you may roll over the nontaxable portion of your refund to a traditional IRA or qualified defined contribution plan only. Again, for more information, read the *Special Tax Notice Regarding Payments* in our booklet *What You Need to Know as the Recipient of a Lump-Sum Payment*.) As a reminder, by law, we must withhold 20% of the taxable portion. Accordingly, if you take a full refund from us and then decide to roll over the entire taxable portion, you will need to use your

Federal tax withholding is a method by which the IRS collects taxes up front.

If the taxable portion of your balance is less than \$200, it is not subject to federal tax withholding and the MTRS will pay out the entire taxable portion.

own funds to make up the 20% that we withheld. Later, when you file your annual federal income taxes, you may be entitled to a refund from the IRS of the 20% amount that we withheld; you need to address this with the IRS at that time.

## ■ Choice 2

**Direct the MTRS to pay part of the balance directly to you, and/or roll over all or part of the balance directly to an eligible retirement plan.**

This is similar to your opting for Choice 1 and then rolling over your funds within 60 days yourself, except that with Choice 2, the MTRS processes the transfer for you and because the funds are transferred directly from one plan to another (known as a *direct rollover*), you are able to:

- defer paying taxes on the taxable portion of your refund until it is withdrawn from your new retirement plan, and
- roll over the nontaxable portion of your refund not only to a traditional IRA or qualified plan, but also to a 403(b) plan or a 457 governmental deferred compensation plan.

In Choice 2, you tell us what portion (100% or less) of the total amount you want us to transfer to your eligible retirement plan that will accept a rollover from our plan, and what portion, if any, you want us to refund to you. Note, your pre-tax funds that are directly rolled over are not subject to the 20% federal withholding tax. If, however, you have specified that a percentage of the taxable portion be refunded to you, we will refund that percentage—less 20% that we must deduct for federal withholding taxes and send to the IRS.

**A REMINDER:** If you withdraw your funds, we will send you a tax statement (Form 1099-R) in January of the year after your withdrawal. We will also report your withdrawal, specifying the taxable and nontaxable amounts, to the IRS. Accordingly, if you move within the year after receiving your refund, it is very important that you let us know your new address to ensure that you receive your 1099-R.

## **25** Can I withdraw only a portion of the total in my annuity savings account?

No, we cannot give you a partial refund. We must close out your annuity savings account and pay out the entire balance.

## 26 Are there any circumstances under which my account would not earn interest or I would not be entitled to receive all of the accumulated interest?

Yes. The amount of interest you are entitled to is based on several factors, provided you are not subject to any forfeiture provisions due to criminal conviction. If you became a member:

- before January 1, 1984, you will receive 100% of your interest.
- on or after January 1, 1984 and you
  - resign and have
    - less than five years of creditable service, you will receive no interest on your accumulated total deductions.
    - five, but less than 10 years of creditable service, you will receive 50% of your accrued interest.
    - 10 or more years of creditable service, you will receive 100% of your accrued interest.
  - are involuntarily terminated, you will receive 100% of your interest.

In addition to the above situations, **if you apply for a refund more than two years after the date of your resignation or termination, you are eligible to receive the interest accumulated only for the two years immediately following that date.** This applies regardless of the amount of creditable service you have or when you became a member of the MTRS. Finally, you will receive interest provided you are not subject to the criminal forfeiture provisions in M.G.L. c. 32.

“Alternate payee” is the term which describes someone whose interest in the member’s retirement benefit results from a domestic relations order.

## 27 Based on the requirements described in Questions 14 and 23 I have determined that I am eligible to withdraw my money from my annuity savings account. However, I do not want to withdraw my money at this time. Can I just leave the funds in my account with the MTRS?

Yes, you may leave the money in your MTRS annuity savings account. The MTRS will keep your funds on account and continue to send you annual statements which show your balance and any activity, such as addition of interest. **Although your statement will reflect additional interest each year, you will be eligible to receive interest on your account for only two**

**years following the date of your resignation or termination if you apply for a refund at a later date.** If, however, you do not take a refund but later return to a position which requires membership in a Massachusetts contributory retirement system, **all** interest reported on your statements will be credited. Taxes are not assessed on this money until your annuity savings account funds are paid to you in a refund or retirement allowance, or paid to someone else as a result of your death.

Please see Question 26 for more information on interest restrictions.

## **28** I am an alternate payee who is interested in receiving a lump-sum payment.

### ■ **What are my options for receiving a lump-sum payment?**

If you are an alternate payee, your rights are dependent on the member. Therefore, you may receive a lump-sum payment only if the member has applied for a refund. You may choose one of two ways to have us pay the money to you. If you are a former spouse, your choices are described in Question 24 as Choice 1 and Choice 2.

### ■ **Is my lump-sum payment subject to any “early withdrawal penalty” based on my age?**

No. Only a member who withdraws his or her funds may be subject to the 10% early withdrawal penalty. As a nonmember who receives this money, you are not subject to this penalty.

### ■ **Is my lump-sum payment entitled to any special tax treatment?**

We advise you to contact the IRS or a tax expert to answer this question based on your particular circumstances.

# Appendix A

## Overview of issues to address in a DRO

When drafting a DRO, you must account for the amount payable as well as various contingencies. Below is a chart of the issues you need to address in your document depending on the member’s status at the time of divorce.

ISSUE	Member’s status at time of divorce	
	A C T I V E	R E T I R E E
Retirement allowance	The amount of the member’s pension is calculated according to the type of retirement option the member chooses at the time of retirement. Specify which retirement option the member must choose (Option A, B or C). Refer to Appendix D to estimate the available benefit amounts.	The amount of the retiree’s benefit is already known; the retiree cannot change his or her option selection after he or she has already retired.
How the member’s retirement allowance will be divided	Most people use percentages to specify the allocations to be paid to the alternate payee and member. Additionally, specify the dates to be used to determine the alternate payee’s allocations (i.e., for the purposes of determining the alternate payee’s allocation, the member’s creditable service will be from the date of the parties’ marriage to the date of their divorce).	Using percentages, specify the allocations to be paid to the alternate payee and member.
In the event of the member’s death	Specify who must be designated as the member’s beneficiary and that the member must execute the MTRS’s form to designate his or her beneficiary. Additionally, specify the type (lump-sum or member-survivor) of beneficiary. A lump-sum beneficiary will receive the balance in the member’s annuity savings account at the time of death. A member-survivor beneficiary will receive a monthly payment (see Appendix E to estimate the amount of the member-survivor benefit).	What happens as far as the member’s pension has already been determined by the retirement option selected. If the member has retired under Option: A There will be no beneficiary. B Specify who the member must designate as the lump-sum beneficiary to receive the balance, if any, remaining in the member’s annuity savings account. C The original member-survivor beneficiary designation cannot be changed.
In the event the member receives a disability or termination allowance, or a refund	See <i>How the member’s retirement allowance will be divided</i> , above.	These issues do not apply once the member’s pension has already been determined.

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# Appendix B

## Sample Domestic Relations Order

For a Domestic Relations Order regarding a member’s MTRS benefits to be enforceable, it must be accepted by the MTRS. Although you do have some leeway in drafting such an order, remember that we cannot approve an order that does not comply with M.G.L. c. 32. Accordingly, if you wish to include any unusual provisions in your DRO, it is vital that you first consult with an attorney in our office to be sure that we can accept them.

What follows is a sample domestic relations order for an active member (the plaintiff) who agrees to select Option C at retirement and divide his pension with his former spouse according to a specific percentage. Where appropriate, we have included explanations and comments directly after the text that they relate to. Brackets indicate general variable information which will be different depending upon your particular case.

**The following is only an example and, except where noted, can be altered. You are not required to use the percentages or amounts reflected in this example. You should consult with an attorney who can draft a DRO appropriate for you.**

COMMONWEALTH OF MASSACHUSETTS  
THE TRIAL COURT  
PROBATE AND FAMILY COURT DEPARTMENT

[Middlesex] Division

Docket No. [00000]

[John T. Plaintiff], )  
Plaintiff )  
 )  
v. )  
 )  
[Mary T. Defendant], )  
Defendant )

**DOMESTIC  
RELATIONS ORDER**

As a part of the final Judgment in this matter, pursuant to M.G.L. Chapter 208, Section 34, governing the division of marital property between spouses and former spouses in divorce actions, and the decision of the Supreme Judicial Court, *Contributory Retirement Board of*

*Arlington v. Mangiacotti*, 406 Mass. 184 (1989), it is hereby ordered as follows:



The opening paragraph contains the standard statutory language, citing the appropriate caselaw and provisions of Chapter 208. This paragraph should not be altered or amended.

## 1. DEFINITIONS

For the purposes of this Order, the following terms are defined:

- a. *Retirement Plan* shall refer to the Massachusetts Teachers' Retirement System (M.G.L. Chapter 32);
- b. *Plan Administrator* shall refer to the Massachusetts Teachers' Retirement System, One Charles Park, Cambridge, Massachusetts 02142;
- c. *Participant* shall refer to [John T. Plaintiff, 1 Litigation Drive, Boston, Massachusetts 02111; Social Security number 000-00-0000; date of birth January 1, 1970];



The Participant is the plan participant whose retirement benefit is the subject of the Order.

- d. *Alternate Payee* shall refer to [Mary T. Defendant, 1 Litigation Drive, Boston, Massachusetts 01111; Social Security number 000-00-0000; date of birth January 1, 1971];



The Alternate Payee is usually the spouse of plan participant who will be receiving a share of the retirement benefit.

- e. *Alternate Payee's Benefit* shall refer to the separate benefit to be established and administered for the Alternate Payee pursuant to paragraph 3 or paragraph 8 of this Order.

## 2. ALLOCATION AND OPTION SELECTION OF PARTICIPANT'S RETIREMENT BENEFIT

The Plan Administrator is advised that the Alternate Payee and the Participant have agreed on allocating the retirement benefit of the Participant under the Retirement Plan which had accrued as of [agreed upon date]. Such benefit shall be reduced to reflect the election of Option C [or Option B in the event of the remarriage of the Alternate Payee if prior to the Participant's actual retirement] pursuant to paragraph 7.



If the Participant and Alternate Payee have agreed on an option choice, it should be stated in this paragraph, along with a date on which to base the division of the benefit. See Appendix D for an explanation of the three available retirement allowance options and how to estimate the amount payable under each one.

All three options are available. The option choice, if designated, must remain consistent throughout the Order. If the Order requires that the Participant select Option C, the parties may agree to select an alternative option in the case of remarriage of the Alternate Payee. If the divorce decree awards the Alternate Payee a percentage of the retirement through a particular date, the date should be entered in this paragraph and remain consistent throughout the Order.

### 3. ALTERNATE PAYEE'S RIGHT TO BENEFITS

The Alternate Payee is awarded all right, title and interest in and to the Alternate Payee's Benefit as defined in paragraph 5 of this Order, commencing at the Participant's actual retirement date and continuing while both parties are alive. This is an assignment of the Participant's interest pursuant to M.G.L. c. 32, §19.



This paragraph addresses the rights that will be conferred on the Alternate Payee and when those rights will become effective. This paragraph is written in conformance with M.G.L. c. 32 and should not be altered or amended.

### 4. PAYMENT OF BENEFITS BY PLAN ADMINISTRATOR

The Massachusetts Teachers' Retirement System shall pay directly to the Alternate Payee the Alternate Payee's Benefit, awarded by this Order, commencing concurrently with the Participant's benefit and continuing until the first death of either the Participant or the Alternate Payee.



Like paragraph 3, this paragraph addresses the rights that will be conferred on the Alternate Payee and when those rights will become effective. This paragraph is written in conformance with M.G.L. c. 32 and should not be altered or amended.

### 5. DETERMINATION OF ALTERNATE PAYEE'S BENEFIT

The Alternate Payee's Benefit shall be equal to [XX]% of the marital portion of the Participant's benefit commencing at the time of the Participant's actual retirement. The marital portion of the Participant's benefit is the benefit which the Participant would have received at [his/her] actual retirement date in the absence of this Order, determined using [his/her] highest consecutive three-year average salary at [his/her] actual retirement date and using the benefit percentage specified in the Retirement Plan for the age at which the Participant actually retires and commences receiving [his/her] benefit, but using only [his/her] credited service under the Retirement Plan through [agreed upon date]. Such benefit shall be reduced to reflect the election of Option C pursuant to paragraph 7.



This paragraph allows the parties to designate the percentage to be received by the Alternate Payee as of a specific date. This date should be the same as stated in paragraph 2 and remain consistent throughout the Order. The sample language of the Order uses a common formula in determining the marital portion to be awarded to the Alternate Payee. The parties, however, have the flexibility of establishing their own formula or, if the member is retired, they can simply state a specific dollar amount or percentage to be awarded at the time of divorce. We strongly suggest that if you plan on deviating from the sample formula that you consult the Legal Unit of the MTRS to ensure that your particular formula can be implemented in compliance with the Retirement Plan.

If the parties have agreed or the Court has ordered that the benefit be split as of a particular date (usually the date of separation or divorce), this date should be used in relation to any mention of creditable service. Again, this is merely an option—the parties are free to develop any apportionment of the benefit that is consistent with the divorce decree as long as it does not violate the terms of the Retirement Plan. You should also restate the option choice if it has been agreed upon.

As in the example above, the formula for determining the “Marital Portion” can be based on factors, such as age and salary, that are determined after the date of retirement.

**If, at the time of processing the Participant’s application for retirement, the MTRS finds that the Participant failed to select the specific court-ordered option, we will stop processing the application and notify all parties.**

**Also, be advised of Chapter 114 of the Acts of 2000, which created an enhanced alternative superannuation benefit for teachers (“RetirementPlus”). This sample DRO does NOT address the potential of an enhanced benefit under that program. Absent language in the Domestic Relations Order specifically dividing any enhanced benefit, the Board will not include any portion of the enhancement in the “Marital Portion” of the benefit if the member elected into the alternative superannuation program after the date of division of the benefit. Similarly, absent such language, the Board will include the enhancement in the “Marital Portion” of the benefit if the member elected into RetirementPlus before the date of division, or if the member is a mandatory participant in RetirementPlus. If this is not satisfactory to you, you should consider adding such language to the Order. If you or your spouse is a participant in RetirementPlus, you should consult an attorney to protect your rights.**

## 6. DETERMINATION OF ALTERNATE PAYEE'S BENEFIT IN EVENT OF PARTICIPANT'S DISABILITY RETIREMENT

In the event that the Participant receives a disability benefit from the Massachusetts Teachers' Retirement Board, due to either accidental or ordinary disability, the Alternate Payee's Benefit shall be equal to [XX]% of the marital portion of the Participant's disability benefit commencing at the time of the Participant's disability retirement. For purposes of ordinary or accidental disability, the marital portion shall mean a fraction, the numerator of which is the Participant's number of years and months of credited service through [agreed upon date], and the denominator of which shall be the Participant's total number of years and months of service through the date of [his/her] disability. However, for purposes of determining the portion of the accidental disability benefit payable to the Alternate Payee, such fraction shall be applied only to the amount of disability benefit which would have been payable for ordinary disability rather than the actual amount payable for accidental disability; the Participant shall retain 100% of the excess of the amount of the accidental disability benefit over the amount of the benefit which would have been payable for ordinary disability.



Benefit amounts allowed in accidental and ordinary disability cases are calculated differently from regular retirement allowances; accordingly, if the Participant does ultimately retire under a disability allowance, it is necessary to offer an alternative formula to that presented in paragraph 5. The provisions for ordinary and accidental disability benefit allowances are described in detail in Sections 6 and 7 of M.G.L. c. 32.

This paragraph allows the parties to designate how the benefit would be apportioned in the event that the Participant is retired on the basis of either accidental or ordinary disability. While this paragraph is not mandatory, it is helpful in avoiding future complications if the Participant does eventually receive a disability allowance. If no provisions are made for dividing a disability allowance, the Board will not be able to implement the Order and the parties will be required to seek clarification from the Court regarding the division of the allowance.

Again, the formula offered in this sample is a common one, defining the marital portion and awarding a percentage of that portion to the Alternate Payee. Again, this is merely an option—the parties are free to develop any apportionment of the benefit that is consistent with the divorce decree as long as it does not violate the terms of the Retirement Plan.

## 7. PARTICIPANT'S INTENT TO DESIGNATE THE ALTERNATE PAYEE AS HIS OR HER BENEFICIARY OF RETIREE SURVIVOR BENEFITS

The Participant hereby elects to receive [his/her] retirement benefit under Option C of the Retirement Plan, provided that the Alternate Payee is living and has not remarried at the time of [his/her] retirement. The Participant hereby designates the Alternate Payee as the beneficiary for the death benefit under Option C of the Retirement Plan, provided that the Alternate Payee is living and has not remarried at the time of [his/her] retirement. The Participant is further required to designate the Alternate Payee as the beneficiary on the prescribed form issued by the Massachusetts Teachers' Retirement Board. In the alternative, in the event the Alternate Payee has become ineligible to receive the Option C survivor benefit by virtue of remarriage prior to the Participant's retirement, the Participant hereby agrees to elect to receive [his/her] retirement benefit under Option B and to designate the Alternate Payee as the beneficiary for [XX%] of the Participant's available Option B death benefit. The designation of the Alternate Payee as the beneficiary shall be continued and maintained in full force and effect during [his/her] lifetime. The Participant will complete the MTRS forms required to give effect to this paragraph.



In this paragraph, the Participant states his or her intent to elect the previously agreed upon option. Option C is used in this sample because it is frequently selected; Option C is the only option that provides a survivor (or continuation) benefit for the ex-spouse, provided that the ex-spouse has not remarried at the time of the Participant's actual retirement.

Please note that, by choosing Option C, the Participant will receive a benefit that is generally 9–11% less than an Option A or an Option B benefit. If this option and its limitations are not attractive to the parties, the parties should review the benefits and limitations of Options A and B. The options and potential death benefits are described in M.G.L. c. 32, §12.

If the Alternate Payee is to be named as the beneficiary under any option, the order should compel the Participant to designate the Alternate Payee as such on a form prescribed by the Board. **Naming the Alternate Payee as beneficiary in the Order does not meet the statutory requirement for designating a beneficiary.**

## 8. ALLOCATION OF PARTICIPANT'S ANNUITY SAVINGS ACCOUNT REFUND, IF ANY

In the event the Participant elects to receive a return of [his/her] accumulated contributions and interest prior to [his/her] retirement or death, the Alternate Payee's benefit shall equal [XX]% of the Participant's balance which had accrued as of [agreed upon date], commencing at the time the distribution is made to the Participant.



This paragraph allows the parties to award a portion of the member's annuity savings account to the Alternate Payee in the event that the Participant does not retire and elects to receive a return of his or her accumulated contributions and interest. While this paragraph is not mandatory, it does protect the interests of the Alternate Payee.

**If and when the Participant either applies for retirement benefits or requests a refund of his or her annuity savings account balance, the MTRS will attempt to notify the Alternate Payee of the Participant's action. Accordingly, it is extremely important that the Alternate Payee keep the MTRS informed of his or her current address.**

#### 9. PARTICIPANT'S INTENT TO DESIGNATE THE ALTERNATE PAYEE AS HIS OR HER BENEFICIARY OF ACTIVE SURVIVOR BENEFITS

In the event that the Participant should die prior to retiring and receiving [his/her] retirement benefit, the Participant hereby designates the Alternate Payee as the beneficiary for a death benefit pursuant to M.G.L. Chapter 32, Section 12(2)(d), provided that the Alternate Payee is living and has not remarried at the time of the Participant's death. Such death benefit is to be payable to the Alternate Payee. The Participant and Alternate Payee acknowledge that if the Participant remarries, the surviving spouse may have a statutory right to elect a member-survivor allowance that will supersede the Alternate Payee's rights under this paragraph.

In the alternative, in the event the Alternate Payee becomes ineligible to receive the death benefit provided in Section 12(2)(d) by virtue of [his/her] remarriage, the Alternate Payee shall receive [XX]% of the Participant's contributions through [agreed upon date] together with the interest credited on such contributions through the date of the Participant's death. The Participant is further required to designate the Alternate Payee as the beneficiary on the prescribed form issued by the Massachusetts Teachers' Retirement Board. The designation of the Alternate Payee as the beneficiary shall be continued and maintained in full force and effect during [his/her] lifetime, or until the commencement of benefit payments to both the Participant and the Alternate Payee upon the retirement of the Participant.



This paragraph allows the Participant to make provisions for the Alternate Payee in the event the Participant dies prior to retirement. The Alternate Payee is only eligible for the survivor (or continuation) benefit if he or she has not remarried at the time of the Participant's death. **The continuing survivor benefit cannot be apportioned between the Alternate Payee and another beneficiary.** This benefit is described in M.G.L. c. 32, §12(2)(d).

The parties are also allowed to designate the Alternate Payee as the lump-sum beneficiary pursuant to M.G.L. c. 32, §11(2)(c) in the event the Alternate Payee has remarried.

**IMPORTANT REMINDER:** In Massachusetts, if the member dies and is survived by a spouse (who meets the statutory requirements of M.G.L. c. 32, §12 (2)(d)) or dependent children, the surviving spouse and children have a superior right to the member's retirement plan benefits. This means that even if the DRO and the Participant designate the Alternate Payee as the 12(2)(d) or 11(2)(c) beneficiary, if the Participant has remarried and his or her current spouse meets the statutory requirements of section 12(2)(d), his or her current spouse will have the statutory right to elect to receive this benefit.

**In effect, designation of the Alternate Payee as the 12(2)(d) member-survivor beneficiary or the 11(2)(c) lump-sum beneficiary will only be implemented if the Participant has not remarried at the time of the Participant's death.**

Again, if the Alternate Payee is to be named as the beneficiary under any option, the order should compel the Participant to designate the Alternate Payee as such on a form prescribed by the Board. **Naming the Alternate Payee as beneficiary in the Order does not meet the statutory requirement for designating a beneficiary.**

#### 10. ACTIONS NOT REQUIRED OF PLAN ADMINISTRATOR

Nothing in this Order shall be construed to require the Retirement Plan or Plan Administrator:

- a. to provide to the Alternate Payee any type or form of benefit or any option not otherwise provided under the Retirement Plan;
- b. to provide to the Alternate Payee increased benefits (determined on the basis of actuarial equivalence stated in the Retirement Plan); or
- c. to pay any benefits to the Alternate Payee which are required to be paid to another alternate payee under another order previously determined to be a Domestic Relations Order sanctioned by the Supreme Judicial Court, *Contributory Retirement Board of Arlington v. Mangiacotti*, 406 Mass. 184 (1989).

#### 11. ALTERNATE PAYEE'S RIGHT TO COST OF LIVING ADJUSTMENTS, IF ANY

The Alternate Payee shall be entitled to receive a pro rata share of any subsequent cost-of-living increases which may be granted on benefits which are in pay status.



This paragraph spells out how any future cost of living adjustments will be passed on to the parties. In the event that a specific dollar amount is specified as the Alternate Payee's Benefit, then we

cannot change that amount and any COLAs will not be paid to the Alternate Payee.

## 12. ALTERNATE PAYEE'S TAX LIABILITY

The Alternate Payee shall include all of the taxable portion of [his/her] Alternate Payee Benefit, if and when received, in [his/her] gross taxable income. For purposes of sections 72 and 402(a)(9) of the Internal Revenue Code, the Alternate Payee shall be treated as the distributee of any distribution or payment made to said Alternate Payee under this Order. Said Alternate Payee's Benefit when paid, shall not be declared as taxable income or claimed as a deduction on the Participant's tax return.



This paragraph identifies the tax benefits and burdens of the parties.

## 13. INTENT OF DOMESTIC RELATIONS ORDER

It is intended that this Order qualify as a *Domestic Relations Order* sanctioned by the Supreme Judicial Court, *Contributory Retirement Board of Arlington v. Mangiacotti*, 406 Mass. 184 (1989), and the provisions of this Order shall be interpreted and complied with in a manner consistent therewith.

## 14. JURISDICTION AND MODIFICATION

The Court retains jurisdiction over this matter to amend this Order to establish or maintain its status as a Domestic Relations Order sanctioned by the Supreme Judicial Court, *Contributory Retirement Board of Arlington v. Mangiacotti*, 406 Mass. 184 (1989), and pursuant to M.G.L. Chapter 32, Section 19, and in light of any subsequent legislation or appellate court ruling. In the event this Order is held not to be a Domestic Relations Order sanctioned by the Supreme Judicial Court, *Contributory Retirement Board of Arlington v. Mangiacotti*, 406 Mass. 184 (1989), the parties hereby agree to submit to and request the Probate Court to make it a Domestic Relations Order sanctioned by the Supreme Judicial Court, *Contributory Retirement Board of Arlington v. Mangiacotti*, 406 Mass. 184 (1989) in such a manner that will reflect the parties' intent as herein expressed and thereafter to enter an Order modifying the Domestic Relations Order entered by the Court, said modification Order to be entered *nunc pro tunc* if appropriate.

SO ORDERED

Dated \_\_\_\_\_

\_\_\_\_\_  
Justice,  
Probate and Family Court Department  
[County] Division

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## Appendix C

# Payments which cannot be ordered in a Domestic Relations Order

The following are examples of payments which the court CANNOT order the Board to include in a DRO:

- **Establish a separate account for the former spouse**

The SJC decided, in *Early v. State Board of Retirement*, that the ability of the Board to create accounts or award benefits within the system is limited to statutory authorization. The Board cannot expand the provision in G.L. c. 32, §1 which defines “member” to include nonemployees for the purpose of establishing an account or distributing benefits to a nonmember. A nonmember’s rights to the retirement allowance are contingent upon the member’s rights if and when they are received.

- **Make payments subject to the Retirement Equity Act or the Employee Retirement Income Security Act**

Governmental pension plans such as the one administered by the Massachusetts Teachers’ Retirement System are specifically exempt from the Retirement Equity Act and ERISA.

- **Make payments to a former spouse before the member receives a retirement allowance or if the member does not receive a retirement allowance**

Since G.L. c. 32, §19 only allows assignment of a retirement allowance of a member, payment to the former spouse is contingent upon the member actually retiring and receiving a retirement allowance. If the member receives no allowance, no payment goes to the former spouse.

■ **Make payments to a former spouse of a member who dies before retirement if the member leaves a surviving spouse**

Under G.L. c. 32, §12(2)(d), if a member dies prior to retiring and has remarried, the surviving spouse will have the statutory right to elect to receive a death benefit, regardless of any prior designation made by the member, if the surviving spouse was living with the member or living apart for justifiable cause.

■ **Make payments of accidental death benefits to a former spouse of a member if the member leaves a surviving spouse**

Under G.L. c. 32, §9, accidental death benefits are paid to the surviving spouse of a member so long as the spouse survives and does not remarry. The member and surviving spouse must have been living together at the time of the member's death or living apart for justifiable cause.

■ **Make payments to a former spouse under Option C if the former spouse has remarried at the time of the member's retirement**

In order for a former spouse to be eligible for an assignment of the member's retirement allowance under Option C, he or she may not remarry prior to the member's retirement.

■ **Make payments to a former spouse from a member's annuity account**

G.L. c. 32, §10(4) authorizes a return of a member's deductions upon termination of service. Nothing in chapter 32 allows a distribution from the member's annuity account prior to termination or without a written request from the member on the proper form.

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## Appendix D

# Estimating the member's superannuation retirement allowance

### The MTRS member's retirement benefit options

There are three options under which the member can choose to retire: Option A, B or C. These options differ with regard to the amount paid and whether any benefits will be paid to someone else after the member's death.

#### Option A

Of all three options, Option A provides you with the highest possible monthly allowance; it does not, however, provide for any continuing survivor benefits. Upon your death\*,

- all Option A payments will stop.

#### Option B

Option B provides you with a monthly allowance that is approximately 1% less than an Option A allowance. This option's payments are slightly less because Option B does not provide for a possible one-time, lump-sum survivor benefit.

The Option B survivor benefit is a lump-sum payment of the balance, if any, remaining in your annuity savings account at the time of your death. During your retirement, the balance in your annuity savings account decreases by an amount equal to the annuity portion of your retirement allowance. In most cases, the annuity account will be depleted after 15 years. For all intents and purposes, this recordkeeping is "invisible" and the reductions do not affect monthly retirement payments. Upon your death\*,

- all Option B payments will stop, and
- the balance remaining in your account, if any, will be paid in a lump sum to your beneficiary or estate.\*

Under Option B, you may designate more than one person as your beneficiary and that person or persons need not be related to you. If your annuity savings account is depleted

\*If a member dies **within 30 days** of the effective date of his or her retirement under Option A or B, and is survived by a spouse, that spouse is eligible to receive a monthly survivor allowance equal to 2/3 of what the member would have received if he or she had retired under Option C.

while you are receiving an allowance, you will continue to receive the full Option B retirement allowance for life; however, any named beneficiary will not receive a death benefit.

### Option C

Option C provides you with the smallest monthly allowance (approximately 9–11% less than an Option A allowance). It also provides your surviving beneficiary with monthly payments for the rest of his or her life.

The calculation of the Option C allowance is based on the life expectancies of both you and your beneficiary at the time of your retirement. Upon your death,

- all Option C payments will stop, and
- your beneficiary will receive a survivor benefit equal to two-thirds of the amount of your Option C allowance. Your beneficiary must be your spouse, parent, sibling, child or former spouse who has not remarried.

### Option C “Pop-Up”

Under Option C, if your beneficiary predeceases you, you cannot name a different “Option C beneficiary.” Under the terms of the so-called “pop up” provision of M.G.L. c. 32, § 12, your monthly benefit will “pop up” to a higher amount that is proportional to the amount you would have received under Option A at the time of your retirement. This new, higher amount is then paid to you as of the date of the death of your beneficiary and until you die. In the event that your Option C beneficiary predeceases you, you will need to notify the MTRS; we will require that you complete an *Option C Reversion Claim Form*, and then we will recalculate your retirement allowance.

### A Note About Eligibility Verification

Massachusetts law requires all public retirees to file an affidavit verifying their eligibility to receive a retirement allowance. Periodically after you have retired, the MTRS will contact you to confirm your eligibility.

For a worksheet you can use to estimate your superannuation retirement allowance, please see the next page. Or visit our web site, at [mass.gov/mtrs](https://mass.gov/mtrs) and use our online benefit estimator.

## Calculating the member's allowances under Options A, B and C

The formulas for calculating the benefits according to Options A, B and C are shown below; to obtain the correct factors, use the tables on the facing page. The example illustrates the calculations for a member who is a veteran, retires under RetirementPlus at age 58 with 35 years of creditable service, an average salary of \$42,000 for his or her highest three consecutive years or last three years, whichever is greater, and a beneficiary who is age 57.

		<b>Example</b>		<b>You as of</b> ____/____/____		<b>You as of</b> ____/____/____	
<b>Option A</b>							
Option A Age Factor (see table)	.018						
x Years of creditable service	x 35	x		x		x	
% of salary average	63%				%		%
+ RetirementPlus %, if applicable*	+ 22%	+		+	%	+	%
Allowable % of salary average**	80%				%		%
x 3-year salary average	x \$42,000	x	\$	x	\$	x	\$
Option A annual allowance	\$33,600		\$		\$		\$
+ Veteran's bonus***	+ \$300	+	\$	+	\$	+	\$
<b>Final Opt. A annual allowance</b>	<b>\$33,900</b>		\$		\$		\$
<b>Option B</b>							
Option A annual allowance	\$33,900		\$		\$		\$
x 99% (1% less than Option A)****	x 99%	x	99%	x	99%	x	99%
<b>Final Opt. B annual allowance</b>	<b>\$33,561</b>		\$		\$		\$
<b>Option C</b>							
Option A annual allowance	\$33,600		\$		\$		\$
x Option C Factor (see table)	x 92%	x	%	x	%	x	%
Option C annual allowance	\$30,912		\$		\$		\$
+ Veteran's bonus***	+ \$300	+	\$	+	\$	+	\$
<b>Final Opt. C annual allowance</b>	<b>\$31,212</b>		\$		\$		\$
x 2/3 (annual survivor portion)	x 2/3	x	2/3	x	2/3	x	2/3
Annual member-survivor benefit	\$20,808		\$		\$		\$

NOTES

- \* If the member is participating in Retirement*Plus*, and has 30 or more years of creditable service—at least 20 of which are teaching service with the MTRS or the Boston Retirement System—add 2% for each full year of creditable service over 24 years (see Retirement*Plus* Percentage table, below).
- \*\* The member’s “Allowable % of salary average” may not exceed 80%.
- \*\*\* If the member is a wartime veteran, \$15 for each year of teaching service (up to a maximum of \$300) is added to the Option A annual allowance.
- \*\*\*\* The Option B allowance is approximately 1% less than the Option A amount. For purposes of illustration only, we have estimated the Option B amount at 1% less than the Option A amount.

**Option A age factor table**

Use your age on your retirement date

Age	Factor	Age	Factor
41	.001	54	.014
42	.002	55	.015
43	.003	56	.016
44	.004	57	.017
45	.005	58	.018
46	.006	59	.019
47	.007	60	.020
48	.008	61	.021
49	.009	62	.022
50	.010	63	.023
51	.011	64	.024
52	.012	65+	.025
53	.013		

**RetirementPlus percentage table**

Service (full years)	R+ %	Service (full years)	R+ %
30	12%	36	24%
31	14%	37	26%
32	16%	38	28%
33	18%	39	30%
34	20%	40	32%
35	22%		

**Option C factor table**

To obtain the Option C factor, determine what the member’s age will be on his or her birthday closest to his or her retirement date; then determine what the beneficiary’s age will be on his or her birthday that is closest to the member’s retirement date. Find these ages on the appropriate axes and follow the row and column into the table. The Option C factor is the number where the row and column intersect.

Please note that for the purposes of this booklet, the values in this table are rounded, approximate percentages.

Member's age	<b>67</b>	81	81	81	82	82	83	83	84	84	85	85	86	86	87	87	88	88
	<b>66</b>	82	82	83	83	84	84	84	85	85	86	86	87	87	88	88	89	89
	<b>65</b>	83	84	84	84	85	85	86	86	87	87	87	88	88	89	89	90	90
	<b>64</b>	84	85	85	86	86	86	87	87	88	88	88	89	89	90	90	91	91
	<b>63</b>	86	86	86	87	87	87	88	88	89	89	89	90	90	91	91	91	91
	<b>62</b>	87	87	87	88	88	88	89	89	90	90	90	91	91	92	92	92	92
	<b>61</b>	88	88	88	89	89	89	90	90	90	91	91	92	92	92	93	93	93
	<b>60</b>	89	89	89	90	90	90	91	91	91	92	92	92	93	93	93	94	94
	<b>59</b>	90	90	90	91	91	91	91	92	92	92	93	93	93	94	94	94	94
	<b>58</b>	90	91	91	91	92	92	92	93	93	93	93	94	94	94	95	95	95
	<b>57</b>	91	92	92	92	92	93	93	93	94	94	94	94	94	95	95	95	95
	<b>56</b>	92	92	93	93	93	93	94	94	94	94	95	95	95	95	96	96	96
	<b>55</b>	93	93	93	93	94	94	94	94	95	95	95	95	95	96	96	96	96
		<b>52</b>	<b>53</b>	<b>54</b>	<b>55</b>	<b>56</b>	<b>57</b>	<b>58</b>	<b>59</b>	<b>60</b>	<b>61</b>	<b>62</b>	<b>63</b>	<b>64</b>	<b>65</b>	<b>66</b>	<b>67</b>	
		<i>Beneficiary's age</i>																

## Appendix E

# Estimating the benefit payable to the survivor of an active member

The amount of the member-survivor benefit is the amount that the member would have received as a joint and survivor retirement allowance (Option C) if he or she had retired at his or her last age or at age 55, whichever age is higher. In other words, for the purpose of calculating the member-survivor benefit, the member's age is advanced the number of years and months needed to reach 55; likewise, the age of the beneficiary is advanced the same number of years and months.

To estimate the member-survivor benefit, use the worksheet below.

		Example		You
	Option A Age Factor (see table)	.015		<input type="text"/>
x	Years of creditable service	x 20	x	<input type="text"/>
	% of salary average	30%		<input type="text"/> %
+	RetirementPlus %, if applicable <sup>1</sup>	+ 0%		<input type="text"/> %
	Allowable % of salary average <sup>2</sup>	30%		<input type="text"/> %
x	3-year salary average	x \$42,000	x	<input type="text"/> \$
	Option A annual allowance <sup>3</sup>	\$12,600		<input type="text"/> \$
x	Option C Factor (see table)	x 93%	x	<input type="text"/> %
	Option C annual allowance	\$11,718		<input type="text"/> \$
	Annual member-survivor benefit	\$11,718		<input type="text"/> \$
÷	12 months/year	÷ 12	÷	<input type="text"/> 12
	<b>Monthly member-survivor benefit</b>	<b>\$977</b>		<input type="text"/> \$

## About the Example

The example at left illustrates the calculations for the survivor of a member who died at age 42 with 20 years of creditable service, an average salary of \$38,000 for the last three years, and a beneficiary who is age 40. Note that even though the member was 13 years younger than age 55, the Option A Age Factor for age 55 is used. Because the member’s age was advanced by 13 years, the beneficiary’s age was also advanced by 13 years (to age 53) in determining the Option C Factor.

## Notes

- <sup>1</sup> If the member was participating in RetirementPlus, and at the time of his or her death, had 30 or more years of creditable service—at least 20 of which are teaching service with the MTRS or the Boston Retirement System—add 2% for each full year of creditable service over 24 years (see RetirementPlus Percentage table, below).
- <sup>2</sup> The “Allowable % of salary average” may not exceed 80%.
- <sup>3</sup> If the member was a wartime veteran, \$15 for each year of teaching service (up to a maximum of \$300) is added to the Option A annual allowance.

### Option A Age Factor Table

Use either the member’s actual age on the date of his or her death, or age 55, whichever is greater

Age	Factor
55 or under	0.015
56	0.016
57	0.017
58	0.018
59	0.019
60	0.020
61	0.021
62	0.022
63	0.023
64	0.024
65 or over	0.025

### RetirementPlus Percentage Table

Service (full years)	R+ %
30	12%
31	14%
32	16%
33	18%
34	20%
35	22%
36	24%
37	26%
38	28%
39	30%
40	32%

See next page for Option C Factor Table ►

## Option C factor table

For calculating benefits to survivors of active members

To obtain the Option C factor, determine which ages to use.

- **For the member's age:** Use **either** the member's age on his or her birthday that is closest to the date of death **or** age 55, whichever is greater.
- **For the beneficiary's age:** If, for the member's age, you are using
  - the member's age (which is age 55 or above), then also use the beneficiary's age on his or her birthday that is closest to the member's date of death.
  - age 55 (which is not the member's age), then you will need to use an advanced age for the beneficiary. To determine which age to use for the beneficiary, you need to do two calculations. First, subtract the member's actual age from age 55. Second, add this number of years to the beneficiary's age. The total is the age of the beneficiary that you should use for the purpose of determining the Option C Factor.

Find these ages on the appropriate axes and follow the row and column into the table. Your Option C Factor is the number where the row and column intersect. Please note that for the purposes of this guide, the values in this table are rounded, approximate percentages. Also, if the age combination for you and your beneficiary is not listed, contact the MTRS for the appropriate Option C factor.

Member's age	67	78	78	78	79	79	79	80	80	81	81	81	82	82	83	83	84	84	85	85	86	86	87	87	88	
	66	79	79	80	80	80	81	81	82	82	82	83	83	84	84	84	85	85	86	86	86	87	87	88	88	89
	65	80	81	81	81	82	82	82	83	83	84	84	84	85	85	86	86	87	87	87	88	88	89	89	90	90
	64	82	82	82	83	83	83	84	84	84	85	85	86	86	86	87	87	88	88	88	89	89	90	90	91	91
	63	83	83	84	84	84	84	85	85	86	86	86	87	87	87	88	88	89	89	89	90	90	91	91	91	91
	62	84	84	85	85	85	86	86	86	87	87	87	88	88	88	89	89	90	90	90	91	91	91	92	92	92
	61	85	85	86	86	86	87	87	87	88	88	88	89	89	89	90	90	90	91	91	92	92	92	93	93	93
	60	86	87	87	87	87	88	88	88	89	89	89	90	90	90	91	91	91	92	92	92	93	93	94	94	94
	59	87	88	88	88	88	89	89	89	90	90	90	91	91	91	91	92	92	92	93	93	93	94	94	94	94
	58	88	88	89	89	89	90	90	90	90	91	91	91	92	92	92	93	93	93	93	94	94	94	95	95	95
	57	89	89	90	90	90	91	91	91	92	92	92	92	93	93	93	94	94	94	94	95	95	95	95	95	95
	56	90	90	90	91	91	91	92	92	92	93	93	93	93	94	94	94	94	95	95	95	95	96	96	96	96
	55	91	91	91	91	92	92	92	92	93	93	93	93	94	94	94	94	95	95	95	95	96	96	96	96	96
	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67		
	<i>Beneficiary's age</i>																									

# Appendix F

## Overview of lump-sum payment issues

### Eligibility and payment options

ELIGIBILITY		HOW YOU MAY RECEIVE YOUR REFUND		TAX ISSUES	
If I am...	...am I eligible to receive a lump-sum payment?	Lump-sum payment of entire balance* in annuity savings account directly to me	Lump-sum payment of part of the balance directly to me* and/or a rollover of all or part of the balance to an eligible retirement plan**	If any taxable portion is paid directly to me, is it subject to...	
				...20% federal tax withholding?	...10% early withdrawal tax penalty?
An active member (See Question 7)	No.	N/A	N/A	N/A	N/A
An inactive member (See Question 8)	Yes. You may also be eligible to receive a retirement allowance instead of a lump-sum payment. See Appendix B.	Yes	Yes	Yes	Maybe
A surviving spouse who is a lump-sum beneficiary of an active member	Yes. You may also be eligible to receive a monthly survivor benefit instead of a lump-sum payment.	Yes	Yes	Yes	No
A surviving spouse who is a lump-sum beneficiary of a member who retired under Option B	Yes	Yes	Yes	Yes	No
A nonspousal survivor who is a lump-sum beneficiary or a nonspousal alternate payee	Yes	Yes	No	No	No
A spousal alternate payee (per court order)	Yes	Yes	Yes	Yes	No

\* Less 20% of the taxable portion, if any, pursuant to federal tax withholding requirements.

\*\* If you are eligible to roll over your refund, please see the next page for more information on the types of plans that qualify as eligible retirement plans.

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## Appendix G

### About the MTRS

#### **What is the Massachusetts Teachers' Retirement System?**

The Massachusetts Teachers' Retirement System is a contributory retirement system governed by the Commonwealth's retirement law, Chapter 32 of the Massachusetts General Laws. The MTRS, which is the second largest of the Commonwealth's 106 contributory retirement systems, provides retirement, disability and survivor benefits to Massachusetts teachers, administrators and their families.

The MTRS is a defined benefit retirement plan intended to provide a meaningful retirement benefit to the employee who has chosen a career in public service. It operates as a qualified plan under section 401(a) of the Internal Revenue Code.

#### **Who manages the Massachusetts Teachers' Retirement System?**

The Massachusetts Teachers' Retirement System administers the MTRS. The Board is composed of seven members chosen in accordance with the enabling statute of the MTRS:

- the Massachusetts Commissioner of Education, or his or her designee, who also serves as the Board's chairperson,
- the State Auditor, or his or her designee,
- the State Treasurer, or his or her designee,
- two members, elected by the active and retired members of the system,
- one member—who must be a retired teacher—appointed by the Governor, and
- one member, chosen by the vote of the other six.

Excepting the chairperson, each member serves a four-year term. The length of the chairperson's term depends upon the term of office of the Commissioner of Education.

The Board, which meets at least once a month,

- establishes the policies, rules and regulations of the agency,
- oversees the dissemination of services and information to its membership of nearly 85,000 active educators and 40,000 retirees,
- approves all benefits paid by the MTRS and
- investigates all claims for accidental and ordinary disabilities.

The Executive Director, together with a staff of over 60 professionals, implements the programs and policies of the Board.

### **What services does the System provide for its members?**

Since the creation of the MTRS in 1914, the System has never strayed from its original mandate to provide a retirement system for teachers. Throughout its long history, it has adhered to its traditional role as bookkeeper—enrolling members, compiling members’ annuity account statements, granting retirements and paying retirement allowances. Today, the System still conscientiously serves its members with bookkeeping services, but it has expanded its offering of programs to better serve the public school teachers and administrators of Massachusetts and prepare them both financially and emotionally for their retirement years. For example, the Board now offers the following services and programs:

#### **P R O G R A M S**

- **Charting Your Course** This is a midcareer financial planning program developed by the MTRS. The program is tailored for educators who are 15 to 20 years away from retirement. It helps participants gain basic knowledge of the five key areas of financial planning and is designed to motivate participants to take control of their financial future immediately.
- **The Next Chapter** This is a comprehensive preretirement planning program developed by the MTRS. The program is designed for educators who are five to ten years away from retirement. It helps participants examine their attitudes, concerns and goals as they prepare for their retirement years.

- **Your MTRS Benefits Seminar** This an informational program for MTRS members of all ages and career stages. The program, held at various locations across the Commonwealth, focuses on retirement formulas, creditable service and purchasing credit for past service, the option selection process, health insurance and other post-retirement issues. Our staff also offers this program on a regular basis in our Cambridge and Springfield offices.

## S E R V I C E S

- **Retirement Counseling Services** Our Counselors work to prepare our constituents for retirement and offers individual and group retirement counseling to all members across the Commonwealth. Counselors are available to meet with members in our main and Western Regional offices; appointments are necessary, however, so members should be sure to call ahead (page 28).
- **MTRS M@il** We send updates via e-mail to any member who wants to receive our periodic messages. Active and retired members alike are encouraged to complete our simple registration form, available on our web site at **mass.gov/mtrs**.

## P U B L I C A T I O N S

- **The Advisor** This is our periodic newsletter that we distribute to all active members, retirees and colleagues of the agency. The *Advisor* reports on developments in public pension legislation, services and programs offered by the Board and other subjects which are of interest to both the active and retired membership.
- **“What You Need to Know” booklets:** This series is a set of informational Q&A guides—like this one. Each is of moderate length and is designed specifically for the person who is going through a particular transaction or life stage. Current titles are:
  - What You Need to Know as...
    - The Recipient of a Lump-Sum Payment
    - A Party to a Domestic Relations Order
    - The Survivor of an Active Member
    - The Survivor of a Retired Member
  - What You Need to Know About Disability Retirement

- **MTRS Basics Brochures:** Our Basics Brochures are brief, informational pamphlets that focus on fairly narrow issues. Each fits in a standard business size envelope and provides a short overview of the issue as well as the most commonly asked questions and their answers. Current titles include:
  - Purchasing Creditable Service with a Direct Transfer or Rollover
  - Choosing a Financial Planner
- **Specialized Guides:** These are our new, lengthier reference guides designed as comprehensive, long-term resources. Currently we offer:
  - Your MTRS Benefits: A Guide for Active Members

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# Appendix H

## Quick Reference Guide to Questions

### **Divorce and your retirement benefits**

- 1 How are my retirement benefits an issue in my divorce?
- 2 What is a Domestic Relations Order?
- 3 As a member of the Massachusetts Teachers' Retirement System (MTRS) who is not receiving or will be entitled to receive a retirement allowance, do I need to have a Domestic Relations Order as part of my divorce?
- 4 Can the MTRS determine the present value of my future retirement benefits?
- 5 Can a court order the Massachusetts Teachers' Retirement Board to divide current or future benefits by issuing separate checks, part to the member and part to an alternate payee?
- 6 May benefit rights be assigned or attached to satisfy a support obligation?
- 7 Are the payments made by the MTRS subject to either the Retirement Equity Act or the Employment Retirement Income Security Act (ERISA)?
- 8 Can anyone other than the member require the MTRS to disclose information contained in that member's file, such as a beneficiary designation or the account balance?
- 9 Can a representative of the MTRS be called upon to testify in court?

### **What you need to know as a retiree**

- 10 I am a retiree who is getting divorced. In what way can a Domestic Relations Order affect my retirement allowance?
- 11 From the MTRS's perspective, what issues do I need to address in structuring a Domestic Relations Order?

### **What you need to know as an active member**

- 12 According to the Internal Revenue Code, what type of plan is the Massachusetts Teachers' Retirement System plan?
- 13 When am I eligible to receive a retirement allowance?

- 14 Instead of receiving a retirement allowance, can I receive a refund of my contributions and interest?
- 15 What constitutes “creditable service” and can I receive credit for earlier teaching and public service?
- 16 Are veterans entitled to additional benefits?
- 17 What is my annuity savings account?
- 18 How do I know how much money I have in my annuity savings account?
- 19 What is the difference between after-tax contributions and pre-tax contributions?
- 20 How do I know what amount is nontaxable and what is taxable?
- 21 Is the interest on my account considered a pre-tax or an after-tax amount?
- 22 I am an active member of the MTRS. Do I have any use of the funds in my annuity savings account?
- 23 I am an inactive member of the MTRS. Am I eligible to withdraw the money in my annuity savings account?
- 24 Based on the requirements described in Questions 14 and 23, I have determined that I am eligible to withdraw my money from my annuity savings account. What are my options as far as withdrawing these funds?
- 25 Can I withdraw only a portion of the total in my annuity savings account?
- 26 Are there any circumstances under which my account would not earn interest or I would not be entitled to receive all of the accumulated interest?
- 27 Based on the requirements described in Questions 14 and 23, I have determined that I am eligible to withdraw my money from my annuity savings account. However, I do not want to withdraw my money at this time. Can I just leave the funds in my account with the MTRS?
- 28 I am an alternate payee who is interested in receiving a lump-sum payment.
  - What are my options for receiving a lump-sum payment?
  - Is my lump-sum payment subject to any “early withdrawal penalty” based on my age?
  - Is my lump-sum payment entitled to any special tax treatment?

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# Notes

# Contact us

## MAIN OFFICE

Serving our members in Middlesex, Essex, Norfolk, Bristol, Plymouth, Barnstable, Dukes, Nantucket and Suffolk (charter schools only) Counties

### ADDRESS

One Charles Park  
Cambridge, MA 02142-1206

### PHONE

617-679-MTRS (6877)

### FAX

617-679-1661

### HOURS

9 a.m. – 5 p.m., Monday through Friday

### NEARBY LANDMARKS

Located across the street from the CambridgeSide Galleria Mall and near the Lechmere T Station

### NEAREST T STOP

Lechmere Station, on the Green Line

### PARKING

Metered on-street parking and the CambridgeSide Galleria Parking Garage

## WESTERN REGIONAL OFFICE

Serving our members in Berkshire, Franklin, Hampshire, Hampden and Worcester Counties

### ADDRESS

101 State Street, Suite 210  
Springfield, MA 01103-2066

### PHONE

413-784-1711

### FAX

413-784-1707

### HOURS

8:45 a.m. – 5 p.m., Monday through Friday

### NEARBY LANDMARKS

Located at the intersection of State and Main Streets, diagonally across from the Springfield Civic Center

### PARKING

Metered on-street parking and the Bliss Street Parking Garage

## ONLINE

### WEB SITE

[mass.gov/mtrs](http://mass.gov/mtrs)

### E-MAIL

[geninfo@trs.state.ma.us](mailto:geninfo@trs.state.ma.us)

