

City Retirement Now Accepts Certain Tax Sheltered Funds

If you intend to buy temporary service, buy back previously withdrawn service from an earlier period of employment, or contribute funds to obtain creditable service for time missed while you were out on worker's compensation, you are permitted to use certain types of previously tax sheltered funds to complete your transaction. As of September 13, 2005, members with money in 401(k), 403 (b) or 457 plans can use those funds to purchase permissive service in the Manchester Employees' Contributory Retirement System, (MECRS) through the use of a "trustee to trustee transfer" as long as the sending plan also permits such transactions. Since permissive service purchases are the only allowable transactions where tax sheltered funds can be accepted, other voluntary payments such as those made under the plan's "Additional Contribution Program" are not eligible and must continued to be made with after tax dollars. A member who does not have an account containing tax sheltered funds can still make permissive service purchases with after tax dollars in order to complete their desired transaction but money paid directly by the member is not considered sheltered by the plan.

Not all tax sheltered funds; (most notably IRAs) can be accepted under this program. For employer sponsored plans including the City's 457 Deferred Compensation Plan however, as long as that plan allows a member to transfer funds, the MECRS can accept them as a result of a rule which takes advantage of certain IRS regulations and allows for a measure of pension portability. For interested parties, The MECRS has a two page application form which needs to be completed by the member, the sending plan, and then approved by the retirement system to facilitate the process. The forms can be obtained by calling the retirement system at 624-6506 and can also be downloaded from their website at <http://www.manchesterretirement.org>, (click on "Forms" and then select "*Application Accepting Tax Shelter Funds*").

For more information about the use and limitations of trustee to trustee transfers, contact City Retirement at 624-6506 and ask to speak with Executive Director Gerry Fleury.