

Retirement Options

I. **Maine State Retirement (MSRS)**

As an employee of the City of Saco you are eligible to participate in the Maine State Retirement System (MSRS) under the Participating Local District Consolidation Retirement Plan (PLD).

The benefits that the City provides to their employees through MSRS include:

- Service retirement benefits, which provide income to you after you retire;
- Disability benefits, which may provide income to you in you become disable (as defined by MSRS law) while you are in service before your retire; and
- Death benefits, which are paid to your designated beneficiary(ies) (or family or estate) if you die before you retire.

Service Retirement Plan (Regular)

- Eligible after 25 years of service, or at age 60 with one year of creditable service immediately preceding retirement.
- Vested at 5 years of creditable service if in service on or after October 1, 1999.
- 1/50 or 2% per year accrual for membership service (25 years = 50%)
- 2 1/4 % per year reduction for early retirement (prior to normal retirement age of 60)
- 6.5% employee contribution rate (of wages earned)
- Federal Taxes deferred
- No COLA

Service Retirement Plan (Firefighters & Police Officers)

- Eligible after 25 years of service, regardless of age
- Vested at 5 years of creditable service if in service on or after October 1, 1999.
- 2% per year accrual for membership (25 years = 50%)
- Additional 2% of AFC for each year of service beyond 25.
- Federal Taxes Deferred
- 6.5% employee contribution rate (of wages earned)
- No COLA

II. **Great West & ICMA 457 Plans**

As a full-time employee of the City of Saco you are eligible to participate in the Great West or ICMA 457 Deferred Compensation Plans. (Definition: A governmental 457 plan is a retirement plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing pre-tax dollars through voluntary salary deferral.)

1. Contribution Limits

- 2003 - Maximum contribution \$12,000 (The maximum contribution amount will increase by \$1,000 each year through 2006 to \$15,000, then it will be indexed in \$500 increments.)

- Catch-Up Opportunities – 3 years prior to retirement participants may contribute more (up to the annual contribution limit) into their 457 plan. Also, participants turning 50 in 2003 may contribute an additional \$2,000. This additional contribution amount for 50+ will increase by \$1,000 each year through 2006 to \$5,000, then it will be indexed in \$500 increments.
2. The City of Saco will contribute 5% of your taxable income.
 3. The employee’s contribution shall be the employee’s decision.
 4. Employees may roll over their account from their previous employer only if they are approved balances from an eligible governmental 457(b), 401(k), 403(b) or 401(a) plan or an Individual Retirement Account (IRA). Applicable fees may apply.
 5. Employer contribution to the Plan, plus any earnings they generate, are vested as follows:

Years of Service	Vested % of Contribution
1 year	0%
2 years	50%
3 years	100%
 6. Distributions
 - *retirement
 - *permanent disability
 - *unforeseen emergency (as defined by the IRS Code)
 - *severance of employment
 - *attainment of 70½
 - *death

III. ICMA 401A

As a full-time employee of the City of Saco you are eligible to participate in the ICMA 401(A) Deferred Compensation Plan. The 401(A) plan is a qualified defined contribution retirement plan. With a defined contribution plan, an employee’s eventual retirement benefit is based upon the total contributions made by the employee and his or her employer, plus investment earnings on those contributions. It is called a 401 plan because it meets the requirements of Section 401(a) of the Internal Revenue Code.

1. The City of Saco will contribute 5% with a mandatory match from the employee of 5% with the “pick-up provision,”. These mandatory contributions are made on a pre-tax basis. Your plan also allows you to make voluntary contributions on an after-tax basis. These voluntary after-tax contributions are limited to 25% of your compensation.
2. Effective January 1, 2002, the maximum amount that may be contributed each year to your 401 plan account is 100 percent of your compensation, not

to exceed \$40,000 (indexed) per year. This maximum includes both your contributions and your employer's contributions to your account.

3. Employer contribution to the Plan, plus any earnings they generate, are vested as follows:

Years of Service	Vested % of Contribution
1 year	0%
2 years	50%
3 years	100%

4. You are always fully vested in any of your own participant contributions.
5. All investment earnings in your 401 plan account accrue on a tax-deferred basis. You will not pay income tax on pre-tax contributions or earnings until you take a distribution from your account.
6. Participants may contribute to a 457 plan as well as to a 401 plan.
7. Assets can be withdrawn due to retirement, disability, termination of employment or hardship consistent with Internal Revenue Code regulations. Payments are subject to a 20 percent withholding tax generally on any lump-sum amount or on installments over a period of less than 10 years. The withholding tax will not apply if the distribution is rolled over into another eligible retirement plan or into an IRA. A 10 percent penalty tax may also apply to distributions made prior to age 59½. The 10 percent penalty tax can be avoided if you select a payment over your life expectancy, or the combined life expectancies of you and your spouse, or if you separate from service on or after the year you reach age 55.
8. The City of Saco does not permit loans through the 401(a) plan.