

# **Commonwealth Tax-Deferred Savings Plan**

January 1, 2009

## **About the Plan**

This is a summary of the key provisions of the “Commonwealth of Massachusetts Tax-Deferred Savings Plan”. The Plan supplements benefits the state’s retirement plans. Therefore it is an important component of your personal savings for retirement.

**The plan operates under Internal Revenue Code Section 403(b).**

**Contributions:** The Plan provides tax-deferral of your contributions and any investment growth and interest that accumulates in your account. The Commonwealth does not contribute to the Plan.

**Providers:** The Commonwealth sends your contributions to the Provider you select. You control investment of your contributions, using funds available from your Provider.

**Distributions:** While the Commonwealth expects your savings to be used over the long term, for retirement, you have access to your savings in an emergency and through a loan provision. Details about these features are provided below.

## **Eligibility & Enrollment**

**Eligibility:** All employees of the employing departments listed below are eligible to participate in the Plan; except that student employees are not eligible. If you are no longer employed by one of these departments, then you may not make further tax-deferred contributions to your account under the Plan.

### **Eligible Departments:**

- 1. The Secretariat of Education**
- 2. Department of Higher Education**
- 3. Department of Elementary and Secondary Education**
- 4. Department of Early Education and Care**
- 5. State Colleges**
- 6. Community Colleges**

**Enrollment:** You may enroll in the Plan immediately upon employment with the Commonwealth. The enrollment process involves these two steps:

1. Determine the amount you wish to contribute to the Plan. You must complete a Salary Reduction Agreement with your department/institution, indicating the amount of your biweekly contribution. Agreements are available at your department/institution's Benefits Office.

You must return the signed Agreement to your Benefits Administrator. They will implement the Agreement, and your contributions will begin with the current or next pay period, or when you designate otherwise.

2. You must select a Provider to invest your contributions. Your department/institution's Benefits Administrator has informational enrollment kits for each of the Plan's Providers. You must complete an account application for your Provider, and ***submit it directly to the Provider (immediately)*** when you complete your Salary Reduction Agreement.

**NOTE:** Some Providers may require that you meet with their local representative prior to opening an account with their company.

## **Tax-Deferred Contributions**

Your voluntary contributions to the Plan are made automatically through the payroll system. This allows the Commonwealth to deduct your savings before income taxes are applied to your salary with each biweekly payroll. Taxes are due when you take money out of the Plan.

**Maximum Contribution Amounts:** The Internal Revenue Service imposes limits on the amount of tax-deferred contribution you can make. The limits depend on your age at the end of each December 31.

*Younger than age 50:* \$16,500 (2009)

*Age 50 and older:* \$22,000 (2009)

**Change Contributions:** You can change the amount of your contribution at any time; simply ask your institution's Benefits Administrator for a new Salary Reduction Agreement.

**Coordinating Contributions with other Plans:** The Internal Revenue Service requires you to coordinate your contributions to this plan with contributions to other plans, for purposes of determining your maximum contribution amount each year.

These special requirements are:

1. **Voluntary Contributions:** Voluntary tax-deferred contributions (often called "elective deferrals) to other employers' plans that operate under Tax Code Sections 403(b) and 401(k) must be coordinated with your contributions to this Plan. You must report the

amounts of your tax-deferred contributions to these other employers' plans to your Benefits Administrator.

2. ***Controlled Employers:*** You must coordinate contributions to a qualified retirement plan of an employer that you control (you own more than 50% of that employer) with contributions to this Plan. The other "employer" may be a corporation, partnership, sole proprietorship, or other type of employer. It is important that you report ownership of another employer to your Benefits Administrator.

***Smart Plan:*** Elective contributions to the Commonwealth's "Smart Plan" *are not coordinated* with contributions to this Plan. You may contribute up to the maximum amount in both plans.

***Uniformed Services:*** Employees whose employment is interrupted by qualified military service, or who is on leave of absence for qualified military service, may make additional tax-deferred contributions to the Plan upon resumption of their employment. Contact your Benefits Administrator with questions about this feature.

### **About Plan Providers**

The Commonwealth engages in a competitive bidding process from time-to-time to determine which Providers and products should be made available under the Plan. The list of current Providers is provided in Appendix A to this document.

The Commonwealth's Provider selection is intended to offer employees a variety of products, investment opportunities and service delivery models.

***Multiple Providers:*** Participants may allocate all of their biweekly contributions to either one Provider or among several Providers.

***Change Providers:*** You can change the Provider(s) to which your contributions are sent at any time. You must complete a new Salary Reduction Agreement, identifying your new Provider(s), and give the Agreement to your Benefits Administrator. You must also complete a new account application for any new Provider(s), and submit the application directly to the Provider(s) prior to returning the Salary Reduction Agreement to your administrator.

### **Rollovers into the Plan**

The Plan accepts rollovers from other retirement plans. Amounts you roll into this plan will be treated as Plan Contributions for purposes of making distributions to you.

## **Contract Exchanges into the Plan**

You may exchange another contract issued under Tax Code Section 403(b) into this plan as long as the exchange otherwise meets the Internal Revenue Service's rules governing such transactions.

Exchanges into the Plan may be made only to accounts issued by Providers listed in Appendix A.

Amounts you deposit in this plan as an exchange will be treated as Plan Contributions for purposes of making distributions to you.

## **Loans**

Loans from your account are permitted under the Plan in accordance with the rules governing loans set by the Internal Revenue Service, your Provider's product, and the Plan's provisions. While loans from the Plan may be made for any purpose, the Plan Administrator will determine your eligibility for a loan.

**Maximum Loan Amount:** The maximum amount of your loan is generally the lesser of:

1. 50% of your account balance under the Plan; and
2. \$50,000.00

You should contact your Provider to discuss submitting a loan request.

**Minimum Loan Amount:** The minimum loan from the Plan is \$1,000.00

**Loan Repayment Period:** The loan repayment period is generally five years; the minimum period is one year.

**Principal Residence Repayment:** Loans from the Plan for use in purchasing your principal residence may be repaid over periods up to fifteen years.

**Outstanding Loans:** Participants may have only two loans outstanding at any time.

**Loan Defaults:** If you default on your loan payments, then your loan will be considered a taxable distribution to you from the Plan.

## **Distributions**

Distributions from the Plan are made upon your request. You should contact your Provider to discuss which distribution payment method best suits your needs.

**Distribution Trigger Events:** Distributions from the Plan are payable to either you or your beneficiaries upon one of the following “trigger events”:

Your termination of employment with the Commonwealth;

Your attaining Age 59 ½;

Upon your becoming disabled (the Plan Administrator determines participant’s disability)

Because of financial hardship you incur (as defined by the Internal Revenue Service); and

Upon your death.

**Financial Hardship:** The Internal Revenue Service defines “financial hardship” to be an immediate and heavy financial burden that cannot be met by resources other than your assets in the Plan. The Plan Administrator will determine your eligibility for a distribution from the Plan because of financial hardship. You must complete the “Hardship Withdrawal” request which the Plan Administrator will provide.

**Rollover of Distributions:** The Plan will rollover distributions to a qualified recipient plan or Individual Retirement Account upon your request. Please note that not all distributions are eligible for rollover treatment. You should discuss distribution types with your Provider, and tax matters with qualified counsel.

**Required Minimum Distributions:** The Internal Revenue Service requires minimum amounts to be distributed from the Plan to you upon your attaining age 70 ½ after terminating employment with the Commonwealth. Each of your accounts under the Plan is subject to this requirement. You should contact your Provider(s) to determine the amount of your required minimum amount.

**Taxation:** Income tax is payable on amounts you draw from the Plan. Your Provider will assist you with any tax withholding that is either required by state and federal governments or requested by you. You should discuss all tax matters relating to the Plan with qualified counsel.

**Early Withdrawal Penalty:** Certain distributions paid prior to your attaining age 59 ½ may be subject to a 10% Early Withdrawal Penalty imposed by the Tax Code.

## **Permissive Service Credit Transfers**

Participants who are members of the State Employees Retirement System, or other qualified state defined benefit plan, may transfer funds from this plan to the state pension plan for purposes of purchasing service credits. These transfers may be made only if the state pension accepts such transfers.

## **Domestic Relations Orders**

Participants who have received a Domestic Relations Order from a court should present the Order to the Plan Administrator for review. If the Order is accepted by the Administrator on behalf of the Plan, then the Administrator will direct the affected Provider(s) to implement the Order.

If the Domestic Relations Order is not acceptable to the Plan, the Administrator will return the Order to the Participant with recommendations for corrections with the intent that the Order will be revised to a form that is acceptable to the Plan.

## **Miscellaneous Provisions**

**Amendment and Termination of the Plan:** The Commonwealth reserves the right to amend the Plan when necessary, or to terminate it at any time.

**Employer:** The Commonwealth of Massachusetts is the employer.

**Effective Date of the Plan:** The Plan became effective as of January 1, 2009.

**Plan Administrator:** The Commonwealth is the Plan Administrator. The Administrator has designated the Human Resources Director at the Department of Higher Education to be responsible for daily operation and administration of the Plan.

You can contact the Plan Administrator at:

Director of Human Resources  
Department of Higher Education  
One Ashburton Place, Room 1401  
Boston, MA 02108

**Plan Year:** The Plan Year is a calendar year.

# **Appendix A**

## **Vendors That Are Contract Providers**

### *Appendix A Vendors*

Vendors identified in this Appendix are Payroll Slot Providers that have entered into and operate under a Contract for Services with the Commonwealth of Massachusetts, and in accordance with the conditions set forth in Section 1.22A.

### *List of Contract Providers*

#### **1. AIG Retirement (formerly AIG VALIC)**

Product available under the Plan: Annuities

- Portfolio Director Products
  - Portfolio Director Series 2.20\*
  - Portfolio Director Series 2
  - Portfolio Director Series 1
- Non-Portfolio Director Accounts

\* The Portfolio Director Series 2.20 is the only AIG Retirement product that may be issued under the Plan as of January 1, 2009.

#### **2. AXA – Equitable**

Product available under the Plan: Annuities

EquiVest Strategies, group deferred annuity contract  
Individual EquiVest annuity contracts

*Plan Loans:* The provisions of Section 4.5 notwithstanding, any loan made under the Plan from an AXA for the purchase of a primary residence provides a repayment period of up to 10 years.

#### **3. Fidelity Investments**

Product available under the Plan: Individual Custodial Agreements for Mutual Funds;

#### **4. ING Life Insurance and Annuity Company (ILIAC)**

Product available under the Plan: Annuities

ING Life Insurance and Annuity, Retirement Master

*Plan Loans:* Under the provisions of Section 4.5, any loan made under the Plan from an ING Annuity for the purchase of a primary residence must coincide with the terms of the Plan's repayment requirements within fifteen years, notwithstanding the product's option for up to a twenty year amortization schedule.

## **5. Lincoln Financial Group**

Product available under the Plan:

Lincoln Alliance: mutual funds, brokerage account, stable value fund

## **6. MetLife**

Product available under the Plan:

MetLife Resources

Mutual Fund Select Portfolio and Strategic Value Fund

## **7. TIAA-CREF**

Products available under the Plan: Annuities and Mutual Funds

- Group Supplemental Retirement Annuity\*
- Supplemental Retirement Annuity
- Retirement Annuity

\* The Group Supplemental Retirement Annuity is the only TIAA-CREF product that may be issued under the Plan as of January 1, 2009.

*Plan Loans:* The provisions of Section 4.3(1)(b) notwithstanding, any loan made under the Plan from a TIAA-CREF Group Supplemental Retirement Annuity may not exceed the lesser of Section 4.3(1)(a) and forty-five percent (45%) of the value of the Participant's vested account balance (as of the valuation date immediately preceding the date on which such loan is approved by the Plan Administrator).

# Legacy products under the plan with contract provider; no loans or hardship withdrawals authorized for participants with such products

