

Tax-Deferred and After Tax Savings Plan **Administrators' Guide**

1. Basic Plan Features

Code Section 403(b)

The Commonwealth of Massachusetts 403(b) Elective Savings Plan operates under section 403(b) of the Internal Revenue Code. Participation is voluntary.

Plan Administrator

The Commonwealth is the Plan Administrator, with principal oversight by the Department of Higher Education. Campus-based administrators and payroll personnel are responsible for several aspects of the Plan's operation and compliance.

Eligible Departments and Employees

Only departments with an educational mission may offer Plan participation to employees. These include:

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 Universities
6. Community Colleges

Eligible Employees

All employees of these departments are eligible to participate in the Plan, except that student employees whose employment is incidental to their education are not eligible.

Once an individual is no longer employed by one of the Eligible Departments, even if still employed by the Commonwealth and paid on HR/CMS, they may no longer contribute to the Plan.

Plan Contributions

The Plan allows only employee voluntary contributions. There are no employer contributions to the Plan.

Contract Providers

The Plan offers mutual funds from three Contract Providers. Fidelity, TIAA and VALIC.

Employees may open new accounts only with Contract Providers.

Contributions can be made only to Contract Providers

Former Providers

Many participants have assets in accounts with Former Providers. Employees may not contribute to these accounts.

Former Providers may make distributions from the Plan because of:

- Termination of employment with the Commonwealth;
- Attainment of age 59 ½;
- Death of the Participant.

Former Providers are not authorized to make regular loans but hardships can be obtained if participants meets requirement under the Plan.

2. Department/Campus Administrators' Responsibilities

Payroll and benefits administrators have multiple responsibilities under the Plan relative to:

Eligibility
Enrollment
Correction of Contribution Errors
Maintain Payroll Data

Please remember only regular compensation is eligible for 403(b). Retirement incentive are not eligible they are a bonus not regular compensation.

Participants can contribute to both the 403(b) and SMART Plan.

Eligibility

Administrators must notify newly eligible employees of their right to participate in the Plan. You should include a notice of their eligibility to participate in your standard New Hire Information package.

The IRS also requires an Annual Notice to all eligible employees about the plan and their opportunity to participate in it. This notice is prepared by the Department of Higher Education and distributed by the individual institutions and departments to their employees.

Enrollment and the Salary Reduction Agreement

Participants may enroll immediately upon employment or at any time thereafter.

Administrators facilitate enrollment by providing a Salary Reduction Agreement (SRA). The SRA is a contract to reduce pay where the participant authorizes the pre-tax or after tax contribution to be processed and directs it to one or more provider under the Plan. The maximum relationships allowed are two. Once the participant has provided the signed SRA, the benefits coordinator should review it to see if the participant is in the Plan of another employer and if he or she has been employed at UMass. If so, forward this information to the Department of Higher Ed.

The most up to date SRA is available at https://macomptroller.org/wp-content/uploads/form_tsa-403b-salary-reduction.docx and [Department of Higher Education website](#).

Contributions can be as a flat amount or as a percentage of employee earnings by use of the Savings Plan page.

The Commonwealth remits the contributions to the providers after each pay period ends.

Questions about participating in “other plans” and controlling an outside employer are part of the SRA because the Commonwealth is responsible for coordinating contributions with other plans under IRS regulations. The Plan Administrator will work directly with the participants who reply affirmatively to these questions.

SRA Changes and Termination

Participants may change their contributions at any time by filling out a new Salary Reduction Agreement.

The SRA may be terminated at any time by the participant, by signing the termination section of the current SRA.

Provider Applications

The Current 3 provider's websites and contact information can be found on DHE website. All enrollments should be done on line.

HR/CMS Administration

After the participant completes the SRA and the provider application, the payroll or benefits administrator reviews the SRA for completeness and accuracy. Please pay special attention to the space where the participants confirm they have completed an account application to enrolled with this provider.

The payroll or benefits administrator now is authorized to sign the SRA on behalf of the Commonwealth and keeps the original in the employee's file. Then the administrator updates HR/CMS on the Savings Plan page and confirms it is done accurately.

The Plan Administrator may also direct the administrator to end contributions by a participant granted a hardship withdrawal for a period of six months. After this time, the administrator should to restart the deductions. Unless participant completes a request to terminate contributions.

The Commonwealth discontinued the 15-year service catch-up as of January 1, 2009.

Correction of Contribution Errors

There may be instances where a contribution is made in error, either when not stopped after a hardship withdrawal is approved, or if the benefit is assigned to the wrong employee. Such contributions must be returned by the provider as taxable for the year remitted. Timing is critical.

If the benefits or payroll administrator finds the mistake prior to the year end, it is essential to contact the Plan Administrator to request a return of the excess contributions to the department.

The Office of the Comptroller prefers that the return of this money is treated as a balance adjustment, not as a Payroll Receipt Voucher PRRV. This is how other pre-tax deduction refunds are treated. In the same procedure as Deferred Comp, the Plan would arrange to send the check to the department, and the campus administrator would send CTR the details of the refund: date of deduction, reason for return, amount and date sent to department/employee. This would be sent to Maureen Keating in the Statewide Payroll Team for balance adjustments, and there is no need to do additional check writing out of HR/CMS.

If the mistake is found after the year has ended and the contributions have been reported on the Form W-2, it is essential to contact the Plan Administrator to request a return to the participant. The Provider will distribute the excess amount directly to the participant and issue a Form 1099-R.

2020 limits

For 2020, the current limits are \$19,500 if less than age 50 and \$26,000 if over 50.

A participant may contribute at the higher rate throughout the year in which age 50 is attained. This requirement is met by checking the participant's date of birth on the SRA if electing the limit for above age 50.

As part of the ongoing responsibility to review SRAs to ensure compliance, the administrator will be sure, for participants contributing large sums that would reach the limit in less than a year, to inform them that the deduction stops immediately after the limit is met. The contribution will restart at the same amount in the next calendar year unless a new Salary Reduction Agreement is signed in order to reduce it. If participants want to contribute a large amount in a short period and continue at a lower rate in the same calendar year, a second Salary Reduction Agreement is also needed in this case for the administrator to make the change.

Maintain Payroll Information: Change Providers

Plan participants may change Providers at any time, but are limited to the contract providers and their products. As with a new enrollment, the payroll and benefits administrator maintains payroll information. The participant repeats the process of completing a new SRA which identifies the new provider as well as completing and submitting the new Provider's account application. The participant gives the SRA to the benefits administrator, who makes sure that HR/CMS is updated immediately.

All Transactions Authorized by the Plan Administrator

Departmental administrators must forward all transactions to the Plan Administrator for approval. Please fax all pages to the Department of Higher Education secure fax at 617-994-6951.

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