<u>Commonwealth of Massachusetts</u>
<u>Pre Tax and After Tax Savings Plan</u>

This is a summary of the key provisions of the “Commonwealth of Massachusetts Pre Tax and After Tax Contributions”. The Plan supplements benefits of the state’s retirement plans.

The plan is intended to operate under Internal Revenue Code Section 403(b) and is subject to the fiduciary standards described in Massachusetts General Laws Chapter 32, Section 23.

Commonwealth’s 403(b) Plan gives participants the opportunity to supplement your core retirement benefits. Saving a percentage of your salary or fix amount from each paycheck can have more money at retirement. The Plan provides both Pre Tax and After Tax of your contributions and any investment growth and interest that accumulates in your account. The Commonwealth does not contribute to the Plan.

The Commonwealth sends your contributions to the Contract Provider you select. Contract Providers are those holding a valid Contract for Service with the Commonwealth. You control investment of your contributions, using funds available from your Provider. Your voluntary contributions to the Plan are made automatically through the payroll system. This allows the Commonwealth to deduct your savings before or after income taxes are applied to your salary with each biweekly payroll. If you chose pre-tax, taxes are due when you take money out of the Plan.

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 and withdrawals when you reach age 59 ½ and above. Please see page 4 for more information.

<u>Eligibility & Enrollment</u>

<u>Eligibility</u>: All employees of the employing departments listed below are eligible to participate in the Plan; except that student employees are not eligible. If you transfer to a non education based state agency you will not make further tax-deferred contributions to your account under the Plan. The funds will have to stay in the plan until either you terminate from The Commonwealth or reach age to qualify for a withdrawal.

<u>Eligible Departments</u>:

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, Community Colleges, Maritime Academy

Enrollment: You may enroll in the Plan immediately upon employment with the Commonwealth or any time after that.

The enrollment process involves these two steps:

1. Determine the amount you wish to contribute to the Plan.

2. You must select a Provider and set up an account to invest your contributions. Must open a new account even if you are already that company's customer. Please enroll online see provider information on page 3.

3. 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.

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

Younger than age 50: $19,500 (2020)

Age 50 and older: $26,000 (2020)

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) and after tax contributions 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 and after tax 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, 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 following three providers are the only providers excepting contributions

Fidelity Investments

Product available under the Plan: Group Custodial Agreement for Mutual Funds

Contact: 800-343-0860

TIAA

Products available under the Plan: Annuity Funds and Mutual Funds

Contact: 800-842-2252

VALIC

Product available under the Plan: Annuity Funds and Mutual Funds

- Mutual Fund Platform

Contact: 888-569-7055

The Commonwealth's Provider selection is intended to offer employees a variety of products, investment opportunities and service delivery models. Participants may allocate all of their biweekly contributions to either one Provider or a maximum of two Providers.

Change Providers: You can change the Contract 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 may only be accepted by Contract Providers, and 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 3 current providers. 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 (TIAA 45%)
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. Additionally, a loan currently in default precludes you from taking another loan under the Plan.

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.

The Commonwealth utilizes the Internal Revenue Services' safe harbor to administer hardship withdrawals from the Plan. This means that participants must take all loans for which they are eligible from the Commonwealth's plans prior to being eligible for a hardship withdrawal. Additionally, you must discontinue your contributions to the Plan for six months.

You must complete the "Hardship Withdrawal" request which the Plan Administrator will provide and furnish the necessary documentation to demonstrate that your need will meet the Internal Revenue Service's rules governing "Hardship Withdrawals".

Distributions

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.

All distributions have to be signoff by The Plan Administrator not your campus Human Resource Office.

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.

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 after your attaining age 70 ½ and terminating employment with the Commonwealth. You should contact your Provider(s) to determine the amount of your required minimum amount.

Taxation: Income tax from tax deferral plan 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.

Domestic Relations Orders

Participants who have received a Domestic Relations Order from a court should present the Order to the Plan Administrator for review. You can find a sample DRO on our website www.bhe.mass.edu/403(b). 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.

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https://www.mass.edu/forfacstaff/otherretirement/403b_home.asp

Plan Year: The Plan Year is a calendar year.