

Commonwealth Tax-Deferred Savings Plan

Overview

This is a summary of the key provisions of the Massachusetts 403(b) Elective Deferral Savings Plan. The Plan supplements benefits from 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(3).

The Department of Higher Education (DHE) oversees the Plan's administration and operation.

The Commonwealth's 403(b) Plan provides an opportunity to supplement your core retirement benefits while providing tax-deferral of your contributions and any investment growth and interest that accumulate in your account.

The Commonwealth does not contribute to the Plan.

The Commonwealth deducts your contributions from your income when the payroll is processed, and sends your contributions directly to the Contract Provider you select. Your contributions are deducted before income taxes are applied to your salary. Taxes are due when you take money out of the Plan.

The Commonwealth conducts a rigorous procurement process to select Providers for the plan. The DHE monitors Provider services and investment fund performance to ensure that services to participants and the investment funds continue to meet the Commonwealth's standards.

While the Commonwealth expects your savings in the Plan to be used over the long term, for retirement, you can access your savings for emergencies. You may also take loans from the Plan.

Eligibility & Enrollment

Eligibility: All employees of the departments listed below are eligible to participate in the Plan, except that student employees are not eligible. If you transfer to a state agency other than those listed below, you cannot make further contributions to your account under the Plan.

Eligible Departments:

1. Executive Office of Education
2. Department of Higher Education
3. Department of Elementary and Secondary Education

4. Department of Early Education and Care
5. State Universities and Community Colleges,

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

Visit the Plan's web site for instructions on enrolling: www.mass.edu/403b (Select "Eligibility & Enrollment")

Contributions

Maximum Contribution Amounts: The Internal Revenue Service (IRS) limits the amount of tax-deferred contributions you can make each year. This year's limits are:

Younger than age 50: \$18,500 (2018)

Age 50 and older:* \$24,500 (2018)

*You must have attained age fifty at any time during the year.

Change Contributions: You can change the amount of your contribution at any time; simply complete and submit a new Salary Reduction Agreement (available on the Plan's web site) to your department/campus' Benefits Administrator.

Coordinating Contributions with other Plans: The IRS requires you to coordinate your voluntary contributions to this plan with voluntary contributions you make to plans of other employers.

You can learn more about this issue on the Plan's web pages: www.mass.edu/403b (Select "Contributing to the Plan")

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 the DHE at 403bplan@dhe.mass.edu with any questions about this feature.

About Plan Providers

The Plan employs these three Contract Providers:

Fidelity Investments

TIAA

VALIC

The Commonwealth's Provider selection is intended to offer participants 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.

You can learn about the Providers' services and investment funds on the Plan's web pages: www.mass.edu/403b (Select Eligibility & Enrollment)

Change Providers: You may change your Provider at any time. You must complete and submit a new Salary Reduction Agreement (available on the Plan's web site) to your department/campus' Benefits Administrator

Rollovers into the Plan

The Plan accepts rollovers from other retirement plans. Amounts you roll into this plan will be subject to the Plan's rules for making distributions to you.

Loans: Loans from your account are permitted under the Plan in accordance with the rules governing loans set by the IRS, 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.

You can learn about loans on the Plan's web pages: www.mass.edu/403b (Select "Drawing Benefits from the Plan").

Financial Hardship: Hardship Withdrawals are available from the Plan. The IRS defines "financial hardship" to be an immediate and heavy financial burden that cannot be met by resources other than your assets in the Plan.

You can learn about Hardship Withdrawals on the Plan's web pages: www.mass.edu/403b (Select "Drawing Benefits from the Plan – scroll down to "Financial Hardship").

Distributions from the Plan

Distribution Trigger Events: Distributions from the Plan are payable to either you or your beneficiaries upon meeting certain "trigger events", such as termination of employment and attaining age 59 ½.

You can learn about Distributions on the Plan's web pages: www.mass.edu/403b (Select "Drawing Benefits from the Plan").

Rollover of Distributions: Distributions from the Plan may be eligible for tax-free, rollover treatment. You should discuss distribution types with your Provider, and tax matters with qualified counsel.

Required Minimum Distributions: The IRS requires minimum amounts to be distributed from the Plan to you after attaining age 70 ½ and terminating employment with the Commonwealth. You should contact your Provider(s) to determine the amount of your required minimum distribution.

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 IRS.

Miscellaneous

Plan Administrator: The Commonwealth is the Plan Administrator.

Email: 403bplan@bhe.mass.edu

Web Site: www.mass.edu/403b

Fax number 617-994-6951

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Plan Year: The Plan Year is a calendar year.