

Commonwealth Tax-Deferred Savings Plan

About the Plan

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

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.

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 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.

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 Universities, Colleges, Maritime Academy

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: \$17,500 (2014)

Age 50 and older: \$23,000 (2014)

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 are 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 Contract Providers and their products is provided at the end of 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 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 accounts issued by the Contract Providers listed at the end of this document.

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. Additionally, a loan currently in default precludes you from taking another loan under 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.

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”.

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 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.

Plan Vendors and their Products – July 1, 2013

1. Fidelity Investments

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

Web Site: www.fidelity.com/atwork

Service: Planning and Guidance Representatives: 800 248-4213

2. Lincoln Financial Group

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

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

Web Site: www.LFG.com

Service: 800 234-2500

3. MetLife

Product available under the Plan: Group Custodial Agreements for Mutual Funds and Fixed Annuity;

MetLife Resources

Mutual Fund Select Portfolio and Strategic Value Fund (annuity)

Web Site: www.MLRNE.com

Service: Randy Feid 508 870-1724

- email: rfeid@metlife.com

4. TIAA-CREF

Products available under the Plan: Annuities and Mutual Funds

- Group Supplemental Retirement Annuity*

- Supplemental Retirement Annuity

- Retirement Annuity

Web Site: www.tiaa-cref.org

Service: 800 842-2252

* 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).

5. 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

Web Site: www.valic.com

Service: 800 448-2542 (Representatives are available M-F 8 a.m. to 9 p.m. ET)

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

6. Voya Financial

Product available under the Plan: Annuities

Voya Custom Choice Voluntary TDA

Web Site: www.voya.com

Service: Jennifer George 781 796-9860