Massachusetts Deferred Compensation SMART Plan

PARTICIPATE

OBRA INFORMATION GUIDE





Basic facts about OBRA and the Massachusetts Deferred Compensation SMART Plan

As a part-time, seasonal or temporary employee of the Commonwealth of Massachusetts — or a part-time, seasonal or temporary employee of a participating Massachusetts local government employer not eligible to participate in the employer's retirement program or not covered under a Section 218 Agreement — you are required to participate in the Massachusetts Deferred Compensation SMART Plan (SMART Plan).[1] The SMART Plan is an alternative to Social Security as permitted by the federal Omnibus Budget Reconciliation Act of 1990 (OBRA). OBRA, passed by the U.S. Congress, requires that beginning July 1, 1991, employees not eligible to participate in their employer's retirement program be placed in Social Security or another program meeting federal requirements. The SMART Plan meets those federal requirements.

Mandatory contributions

As an OBRA employee, you must contribute at least 7.5% of your gross compensation per pay period to the SMART Plan. This contribution is deducted on a pretax basis, reducing your current taxable income. This means that you will not pay any tax on this money until it is distributed from your account.

Your human resources or payroll center representative will provide you with an OBRA Mandatory Participation Agreement. Please complete and return the form to either your human resources or payroll center representative.

Investment option

The qualified default investment option (QDIA) for OBRA mandatory accounts is the SMART Capital Preservation Fund. The SMART Capital Preservation Fund is designed to help protect your principal and maximize potential earnings. Your account will earn interest based upon the prevailing rates for this type of investment. Mandatory contributions may not be transferred out of the SMART Capital Preservation Fund.[2]

Additional information regarding the SMART Capital Preservation Fund may be obtained online at **www.mass-smart.com** > *Investing* > *Investment Options* or via the SMART Plan Service Center at **877-457-1900**.

Carefully consider the investment option's objectives, risks, fees and expenses. Contact Empower for a prospectus, summary prospectus for SEC-registered products or disclosure document for unregistered products, if available, containing this information. Read each carefully before investing.

New investment options available in your plan!

The Massachusetts Deferred Compensation SMART Plan – Mandatory OBRA is now offering SMARTPath Retirement Funds and My Total Retirement™.[3] To learn more about these investment options, visit the **OBRA page** on the SMART Plan **website**.

Online Advice and My Total Retirement are part of the Empower Advisory Services suite of services offered by Empower Advisory Group, LLC, a registered investment adviser.



Voluntary contributions

You may make additional contributions (voluntary contributions) above the mandatory contribution of 7.5% of compensation per pay period. Any voluntary contributions that you elect to make may be invested among the SMART Plan's wide array of investment options and are freely transferable among options in accordance with the terms of the SMART Plan. OBRA voluntary contributions will not be charged an additional administrative fee.

To set up voluntary contributions or to learn more, please contact your local SMART Plan Retirement Plan Advisor by calling **877-457-1900** and saying "representative."

Account management

Once you are enrolled in the SMART Plan, you will have access to your account 24 hours a day, seven days a week through the website at **www.mass-smart.com** or via the SMART Plan Service Center at **877-457-1900**. To register your account for the first time, click on the *REGISTER* button.

Through either the website or SMART Plan Service Center, you can:

- Obtain your account balance(s), allocations and transaction history.
- Obtain investment option information and returns.
- Update your beneficiary information as needed.

Statements

Your last annual statement will be delivered in January 2023. Beginning in April 2023, you will receive quarterly statements that show your contributions as well as any earnings, fees or distributions and the total value of your account. Please review your statement carefully to ensure your information is correct. It is extremely important that you keep the SMART Plan administrator advised of your current address.

To update your mailing or email address, call the SMART Plan Service Center at **877-457-1900** or visit **www.mass-smart.com**. Once you log in to your account, click on your name in the top right corner to update your personal account information.

Distributions

Distribution of your SMART Plan benefits can only be made upon:

- Severance from employment.
- Unforeseeable emergency (OBRA voluntary plan only).
- Attainment of age 59½.
- Your death.

Severance from employment occurs because of your voluntary or involuntary termination of employment. There is no early withdrawal penalty for taking a distribution of your account upon separation of service, regardless of your age.[2]

If you no longer work for the Commonwealth of Massachusetts or a Massachusetts local government employer, you may leave the assets in your OBRA account; take a lump-sum distribution (payable to you or to your beneficiary upon your death); or roll over your assets into another eligible employer-sponsored plan or traditional individual retirement account.

As with any financial decision, you are encouraged to discuss moving money between accounts, including rollovers, with a financial advisor and to consider costs, risks, investment options and limitations prior to investing.

A leave of absence is not a severance from employment. Also, a change from part-time to full-time employment, or any similar change, is not considered an event that could result in a distribution from the SMART Plan. Benefits attributable to your voluntary contribution account may be distributed under other options available in the SMART Plan.

You may elect to receive your distribution immediately upon severance from employment. For more information or to access a Distribution Request form, please contact the SMART Plan Service Center at **877-457-1900** or visit **www.mass-smart.com** > *About your plan* > *OBRA* > *Forms*.

Beneficiaries and death

If you die before receiving all of your SMART Plan assets, the funds will go to your designated beneficiary. If you do not designate a beneficiary, your funds will be paid to your estate and will be distributed in accordance with Massachusetts probate law. It is essential that you designate a beneficiary on the Enrollment form to ensure your assets will pass on as you intended.

Updating your beneficiary is quick and easy. There are two ways:

Online
Log in to the SMART Plan website at **www.mass-smart.com**. Then go to *My Accounts* > *Beneficiaries*.

Paper
Go to **www.mass-smart.com** > *About your plan* > *OBRA* > *Forms*. Click on the OBRA Mandatory Beneficiary Designation form. Mail or fax the completed form to the address or fax number provided on the form.

You will receive a written confirmation after your beneficiary information has been updated. It is extremely important that you keep the SMART Plan administrator advised of your beneficiary changes.

Converting to full-time status

If you become a permanent, full-time employee and at one time made contributions to an OBRA mandatory account, you may elect to transfer your OBRA mandatory account to your voluntary account in the SMART Plan. In order to take advantage of this option, you cannot be actively contributing to the OBRA mandatory plan. To implement this change or to learn more, please contact your local Retirement Plan Advisor by calling **877-457-1900** and saying "representative."

Service buyback

If you reach a point where you are no longer making OBRA mandatory contributions but you're still working for a Commonwealth of Massachusetts state agency or municipality, you may be eligible for a service buyback of your creditable years of service to your qualified governmental defined benefit retirement plan. Service buybacks may be funded from transferred assets from the OBRA mandatory and/or voluntary contribution accounts.

OBRA and Social Security

Distributions from payments from your OBRA plan may reduce Social Security benefits under the provisions of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). Additional information is available in footnote 1 below or on Form SSA-1945 available on the Social Security Administration website.

To obtain additional information, please call the SMART Plan Service Center at **877-457-1900** from 8 a.m. to 10 p.m. Eastern time Monday through Friday and 9 a.m. to 5:30 p.m. Eastern time on Saturday.

Fees

Annual recordkeeping and communication fees are charged at the following rates:

Account balance under $1,000
- $12 annually per account

Account balance over $1,000
- $14.40 annually per account
- An annual administration fee of 0.13825% of your account balance not to exceed $125.00 annually

These fees are capped at $139.50 annually and assessed monthly.

1 The Social Security Administration website at www.socialsecurity.gov/form1945 reminds state and local governmental employers of the requirement under the Social Security Protection Act of 2004 to disclose the effect of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) to employees hired on or after January 1, 2005, in jobs not covered by Social Security. Some jobs may not be covered under Social Security because they are not subject to mandatory coverage and there is no Section 218 agreement that covers them. The GPO provision impacts the amount of Social Security benefits received as a spouse or as an ex-spouse. The WEP affects the retirement or disability benefits received under Social Security if an individual has worked for an employer who does not withhold Social Security taxes. The law requires newly hired public employees to sign a statement, Form SSA-1945, that they are aware of a possible reduction in their future Social Security benefit entitlement. A copy of Form SSA-1945 is available at www.socialsecurity.gov/form1945/SSA-1945.pdf.

2 Withdrawals may be subject to income tax.

3 There are fees associated with this option.

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