

THE COMMONWEALTH



OF MASSACHUSETTS

OPTIONAL RETIREMENT PROGRAM

ABOUT THIS BOOKLET

Please take some time to review this booklet. The information in this booklet replaces any prior Program materials you were provided. If you're married, share the information in this booklet with your spouse. If you have any questions about the ORP, contact the Benefits Administrator on your campus or the Plan Administrator at 617-994-6935.

ORP WEB PAGES

This booklet and up-to-date information about the Program are available online at www.mass.edu/orp. We periodically update the information available on the site, so check back from time to time.



CONTACT INFORMATION FOR STATE AGENCIES

| | |
|--|---|
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| State Employees' Retirement System (SERS) | State Board of Retirement One Ashburton Place Room 1219 Boston, MA 02108 Phone: 617-367-7770 |
| Group Insurance Commission | Group Insurance Commission P.O. Box 8747 Boston, MA 02114-8747 Phone: 617-727-2310 TDD/TTY: 617-227-8583 Web: www.mass.gov/gic |

Nothing in this booklet is meant to interpret or change in any way the provisions expressed in the legal documents. If there is a discrepancy between the wording in this summary and the legal documents, the legal documents will govern. Only the Plan Administrator has the discretion and authority to interpret the Plan described in this booklet. No employer or any representative of any employer, in such capacity, is authorized to interpret the Plan nor can any such person act as agent of the Plan Administrator. The Plan Sponsor reserves the right to amend, modify, or discontinue all or part of the Plan whenever, in their judgment, conditions so warrant.

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INTRODUCTION

The Optional Retirement Program (ORP or Program) is designed to provide you with retirement income. Regardless of when you plan to retire, it's important that you understand how the Program works and when you become eligible for benefits. This booklet provides you with the information you need to know.



Your Retirement Plan Choices

You have a choice between two types of retirement plans:

- ♦ **The Optional Retirement Plan (ORP):** A defined contribution plan that provides income based on the investment performance of your individual account balance, which you decide how to invest; or
- ♦ **The State Employees' Retirement System (SERS):** A defined benefit plan that provides predictable and guaranteed income (benefits are calculated using a formula).

You are required to make the same mandatory employee contributions under both plans.

You must decide **within 90 days** of your eligibility for the ORP whether or not you want to participate in the Program. Typically, your eligibility begins on the first day you are actively at work. **If you do not enroll in the ORP, you will be enrolled, or continue to be enrolled, in the SERS.**

You should weigh your retirement plan choices carefully. Once you decide which plan you're going to participate in, you cannot change your mind. Your initial decision is binding.

Things To Consider When Choosing Between The ORP And The SERS

Before deciding which program is right for you, review **Preparing For Retirement** on page 7 for more information about what to consider when planning for retirement. Also, keep these things in mind as you decide whether to participate in the ORP or the SERS:

Your investment risk tolerance

How comfortable are you with the risks associated with investing your own retirement benefits?

Your time horizon

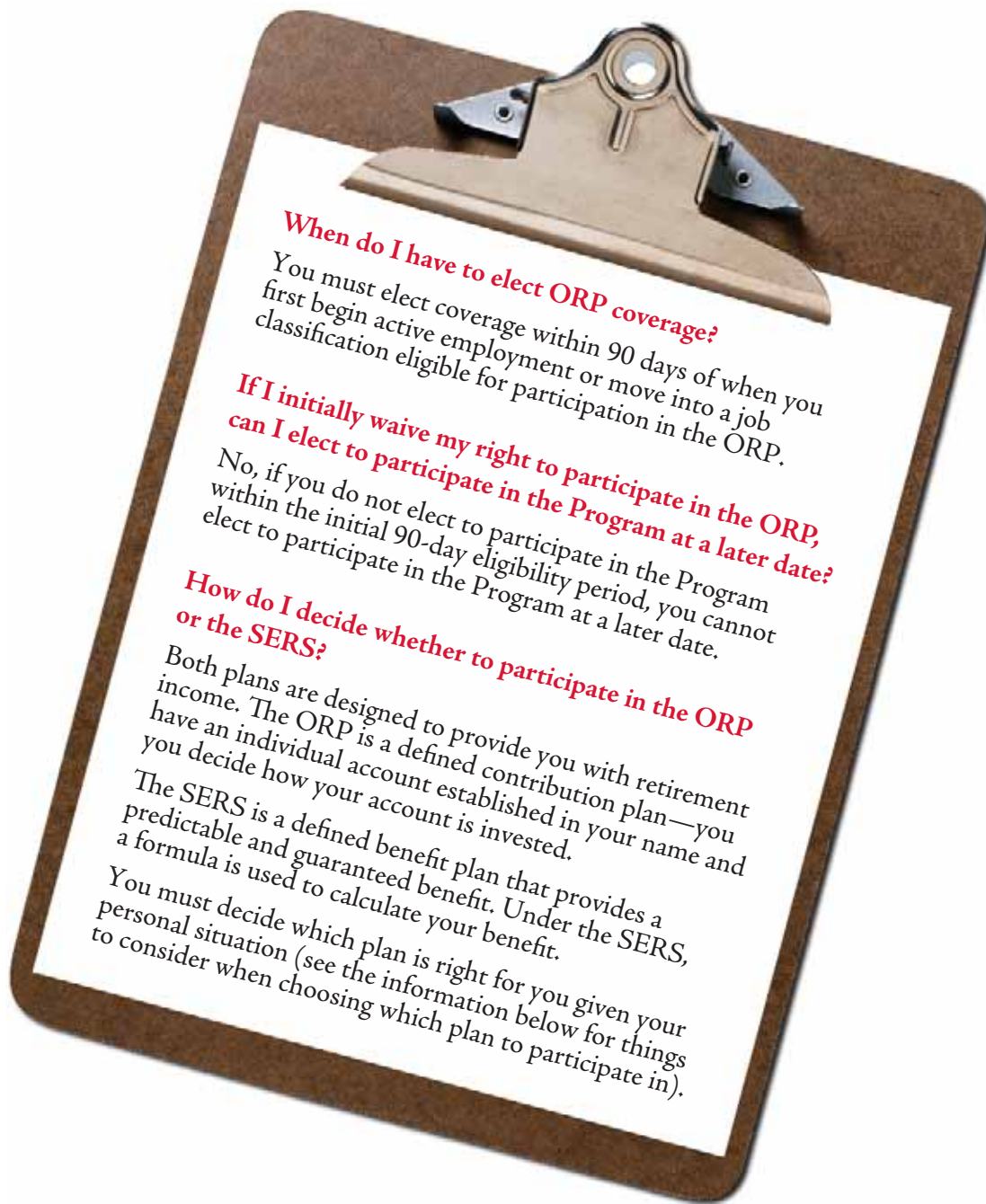
How close to retirement are you?

Portability of benefits

Is it important for you to roll the value of your benefits to another plan if you leave employment before retirement?

Age and service

At what age do you think you will retire and at that age, how many years of service will you have with the Commonwealth?



When do I have to elect ORP coverage?

You must elect coverage within 90 days of when you first begin active employment or move into a job classification eligible for participation in the ORP.

If I initially waive my right to participate in the ORP, can I elect to participate in the Program at a later date?

No, if you do not elect to participate in the Program within the initial 90-day eligibility period, you cannot elect to participate in the Program at a later date.

How do I decide whether to participate in the ORP or the SERS?

Both plans are designed to provide you with retirement income. The ORP is a defined contribution plan—you have an individual account established in your name and you decide how your account is invested.

The SERS is a defined benefit plan that provides a predictable and guaranteed benefit. Under the SERS, a formula is used to calculate your benefit.

You must decide which plan is right for you given your personal situation (see the information below for things to consider when choosing which plan to participate in).

Pre-retirement survivor and disability protection

How important is it to you to have pre-retirement survivor benefits and disability benefits protection?

Inflation risk

How will inflation affect your income during retirement?

Flexibility

How flexible is each plan in meeting your personal situation during your working years and after retirement?

THE ORP AT-A-GLANCE

The information below highlights some of the features of the ORP. More detailed information is provided later in the booklet.

| | |
|---|--|
| <p>Becoming A Participant</p> | <ul style="list-style-type: none"> ♦ Employees in the following positions at State Colleges, Community Colleges, the University of Massachusetts, Office of the President of the University of Massachusetts, and the Board of Higher Education are eligible for the ORP: Faculty, Chancellors, Presidents, Vice Chancellors, Vice Presidents, Deans, and Senior Administrators I, II, III, and IV at the University. ♦ Employees in the above positions must carry at least 50% full-time equivalent. ♦ ORP participating employees cannot be vested in the SERS. ♦ You need to make your choice to participate in the ORP within 90 days of when you first become eligible for the Program. |
| <p>Your Individual Account</p> | <ul style="list-style-type: none"> ♦ When you first become a participant, an ORP individual account is established in your name. ♦ You determine how your individual account is invested among the available funds offered by your chosen ORP Provider. ♦ You are always 100% vested in, or entitled to, the money in your ORP individual account. ♦ The value of your individual account is updated daily. ♦ Your individual account balance reflects your contributions, employer contributions, investment earnings and/or losses, and Provider expenses. ♦ You will receive an annual statement showing the balance of your individual account (in some situations, you may receive statements as often as quarterly). |
| <p>Eligibility For Benefits</p> | <ul style="list-style-type: none"> ♦ ORP benefits are payable at any time after terminating employment with the Commonwealth, provided you apply for benefits. ♦ You may also leave your ORP funds in the Program until you are ready to take a distribution if you leave employment. ♦ You must draw an annual minimum benefit as of April 1 of the year following the year in which you attain age 70½ or, if later, the year in which you leave employment with the Commonwealth. |
| <p>Choosing How Your Benefit Is Paid</p> | <ul style="list-style-type: none"> ♦ The available forms of payment vary by ORP Provider. However, there are some similarities in the forms of payment that they offer: <ul style="list-style-type: none"> – The normal form of payment is a monthly benefit paid over your life expectancy. If you are married, the normal form of payment is a 50% joint and survivor annuity that provides a continuation of the monthly benefit upon your death to your spouse. – Other forms of payment offered by the ORP Provider, if approved by the Plan Administrator, may include: systematic payments that you control; payments over fixed periods; options that preserve your capital; lifetime income under an annuity contract; options that provide lifetime payments to your beneficiary; and full and partial lump-sum distributions. – Please note that if you leave employment and are younger than age 55, you may draw lump sums from account balances accrued as of June 30, 2004, plus any future earnings or losses on that money, only if the funds are directly rolled over to an IRA or another employer's retirement plan. If you are younger than age 55 and leave employment, you may not draw lump sums from account balances accrued on or after July 1, 2004, until you attain age 55. |
| <p>In The Event Of Your Death</p> | <ul style="list-style-type: none"> ♦ If you die <i>before</i> payment of your ORP benefits begins: <ul style="list-style-type: none"> – Your account balance is payable to your beneficiary; and – A life insurance benefit is also payable provided you are still actively employed (see the life insurance materials provided with this booklet). ♦ If you die <i>after</i> payment of your ORP benefits begin, depending on the form of payment you elected, benefits may continue to your beneficiary. |

PREPARING FOR RETIREMENT

Thinking About Retirement

Retirement income generally comes from three sources: employer-sponsored retirement benefits, personal savings, and Social Security (if eligible). Understanding how all three of these sources work can help you plan for a financially secure retirement.

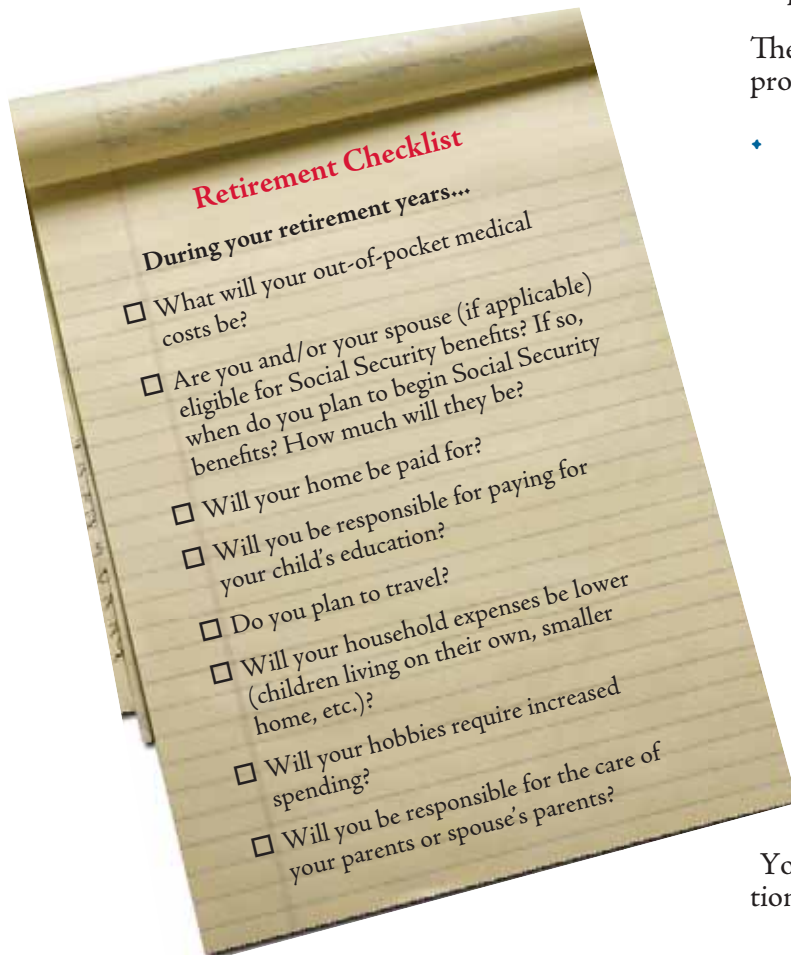
The information in this section is designed to help you think about your financial needs during retirement.

SOURCES OF RETIREMENT INCOME



Your Financial Needs During Retirement

You may have unique financial needs during retirement. As you begin preparing for retirement, it is a good idea to spend some time thinking about what you plan to do during retirement and the types of expenses you may incur. Consider the questions below to help you estimate your expenses during retirement.



Your ORP Benefits

Your ORP benefits can be an important part of your overall retirement income. Understanding when you become eligible for these benefits, how your investment strategy affects your final benefit amount, and how these benefits are paid will help you better plan for your retirement. This booklet is designed to provide you with some of that information.

Your Personal Savings

It's a good idea to set aside personal savings to supplement your employer-sponsored retirement benefits and Social Security. Whether you are working with a professional investment advisor or self-managing your personal savings, it's wise to periodically review your personal savings and investment strategies.

Social Security Benefits

While the Commonwealth does not participate in the Social Security System, many employees are entitled to Social Security benefits because of covered employment with other organizations. The Social Security Administration (SSA) applies "offsets" to individuals who work for employers who do not participate in the SSA, like the Commonwealth, yet are eligible for Social Security benefits due to other employment.

The SSA applies an offset to ORP benefits under two programs:

♦ Windfall Elimination Provision (WEP)

The Windfall Elimination Provision is an offset of an ORP participant's "state" pension benefits. While the WEP was designed to accommodate defined benefit incomes (such as SERS), the SSA recently developed a rule to reflect defined contribution plans like the ORP.

The SSA will use the participant's total ORP account balance on the date he or she terminates employment with the Commonwealth to determine the amount of "state" pension to offset. The determination is made when you apply for Social Security benefits.

♦ Government Pension Offset

Government Pension Offset is applied to an ORP participant's spouse who is collecting Social Security benefits either under his or her own earnings record or the participant's earnings record.

You can visit www.ssa.gov for more detailed information about these "offsets."

BECOMING A PARTICIPANT

Eligibility To Participate

These positions at State Colleges, Community Colleges, the University of Massachusetts, Office of the President of the University of Massachusetts, and the Board of Higher Education are eligible for ORP coverage:

- ♦ Faculty;
- ♦ Chancellors;
- ♦ Presidents;
- ♦ Vice Chancellors*;
- ♦ Vice Presidents*;
- ♦ Deans*; and
- ♦ Senior administrators I, II, III, and IV at the University.

* A full Dean, Vice President, and Chancellor are eligible to participate in the Program; whereas, Associate and Assistant Deans, Vice Presidents, and Chancellors are not eligible to participate.

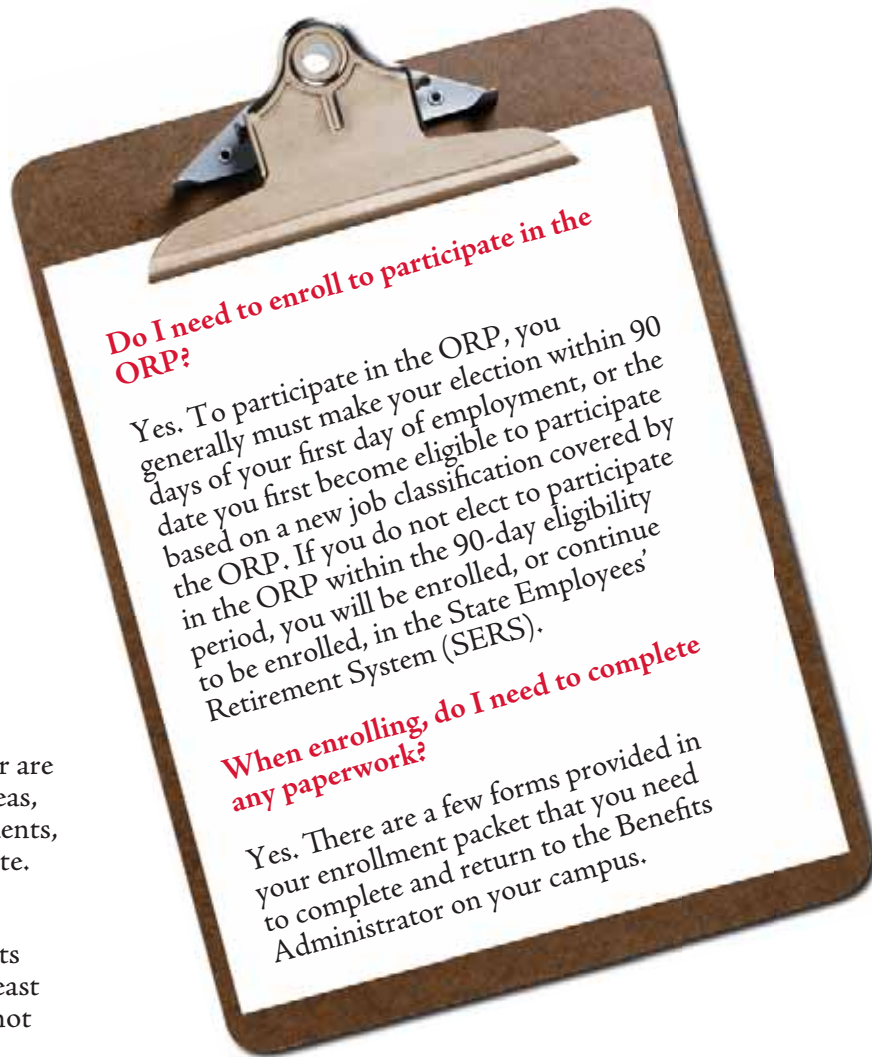
Employees in eligible positions must carry the minimum workload specified in the Massachusetts General Laws Chapter 32, which is generally at least 50% full-time equivalent. Eligible employees cannot be vested in SERS.

Enrolling In The ORP

To participate in the ORP, you must make your election within 90 days of your eligibility for the ORP, which is typically the first day that you are actively at work, but may be a later date if you change job classifications covered by the ORP as described above. If you do not elect to participate in the ORP within this 90-day eligibility period, you will be enrolled, or continue to be enrolled, in the SERS. It is important to note that if you are vested in the SERS, you are not eligible to participate in the ORP.

When you become eligible to participate, the Benefits Administrator on your campus will provide you with an enrollment package that includes:

- ♦ A cover letter indicating your eligibility period that you must sign and return to your Benefits Administrator;
- ♦ An *Enrollment/Change Form* that needs to be completed and returned to your Benefits Administrator;



Do I need to enroll to participate in the ORP?

Yes. To participate in the ORP, you generally must make your election within 90 days of your first day of employment, or the date you first become eligible to participate based on a new job classification covered by the ORP. If you do not elect to participate in the ORP within the 90-day eligibility period, you will be enrolled, or continue to be enrolled, in the State Employees' Retirement System (SERS).

When enrolling, do I need to complete any paperwork?

Yes. There are a few forms provided in your enrollment packet that you need to complete and return to the Benefits Administrator on your campus.

- ♦ A group insurance *Enrollment/Change Form* that needs to be completed and returned to your Benefits Administrator;
- ♦ A Social Security Form SSA-1945 that must be completed and returned to your Benefits Administrator;
- ♦ *SERS Request for Withdrawal* form that you should complete and return to your Benefits Administrator if you have any funds in SERS and want to transfer these funds to your ORP account; and
- ♦ ORP Provider enrollment kits that include information about available investment funds. You may only enroll with one ORP Provider, so review your options carefully. After completing the ORP Provider enrollment materials, return them to your campus Benefits Administrator.

LIFE EVENTS

This section describes how certain life events affect your ORP benefits.

Beginning Work

If you are employed in an eligible position with the Commonwealth (see page 8), you generally are eligible for immediate participation. If you want to participate in the ORP, you must enroll **within 90 days** of when you begin working. If you do not enroll, you will be covered, or will continue to be covered, under the State Employees' Retirement System (SERS). Once you make a decision about the plan you want to participate in, it cannot be changed. Therefore, it's important to weigh your options carefully.

Marriage

If you marry before retirement, you may want to consider updating the ORP and life insurance benefits beneficiary designation you have on file with the Plan Administrator.

If you marry after you begin receiving benefits, the initial payment option you selected may not be appropriate for your new financial needs (your payment option determines whether benefits are payable to your spouse in the event of your death). You should contact your ORP Provider for information about whether you can change the payment option you are receiving.

Divorce

If you divorce (whether before or after retirement), your spouse may be entitled to receive a portion of your retirement benefit in accordance with the terms of a Qualified Domestic Relations Order (QDRO). Under the terms of a QDRO, certain payments could be made from your benefits to pay alimony, child support, or marital property rights of your former spouse, child, or other dependent. If you divorce, you should contact the Plan Administrator to ensure your benefits are paid properly.

A QDRO may affect the amount of the benefits you will receive or are receiving. A copy of the Program's procedures for handling QDROs will be provided to you, free of charge, upon request. If you have questions about QDROs, please contact the Plan Administrator.

Military Service

If you stop working to enter qualified military service, as defined under the Uniformed Services Employment and Reemployment Rights Act (USERRA), upon your return to employment you will receive employer contributions for the period of time you spent in military service, up to five years, provided you comply with all Program and USERRA provisions and provided:

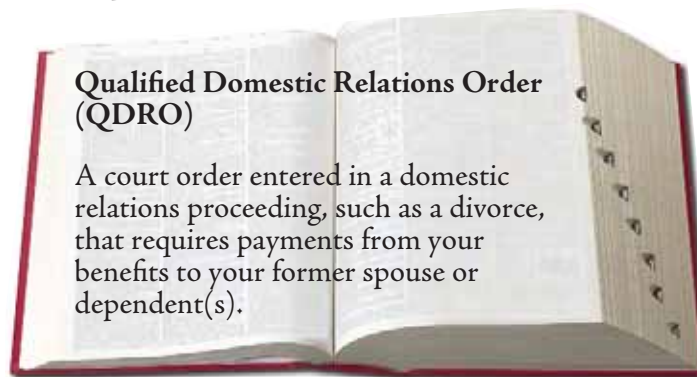
- ♦ You had been a Program participant for at least six months; and
- ♦ Worked for the Commonwealth for 90 days or more immediately preceding the day you entered qualified military service.

To be entitled to any contributions for your time spent in qualified military service (as defined by the Program in accordance with USERRA), you must comply with all USERRA requirements, including, honorable discharge, and reemployment or availability for employment within the USERRA specified time limits. If the service was:

- ♦ Less than 31 days, you must be reemployed (or available for employment) within one day after discharge;
- ♦ 31 days or more but less than 180 days, you must be reemployed (or available for employment) within 14 days after discharge; or
- ♦ 180 days or more, you must be reemployed (or available for employment) within 90 days after discharge.

If you enter qualified military service, you may receive employer contributions to your individual account upon your return to employment.

The Board of Higher Education established the administrative policies related to administering USERRA. Please contact the Plan Administrator for more information about these policies.



Qualified Domestic Relations Order (QDRO)

A court order entered in a domestic relations proceeding, such as a divorce, that requires payments from your benefits to your former spouse or dependent(s).

Family And Medical Leaves

If you take a leave of absence covered under the Family and Medical Leave Act (FMLA), your participation in the ORP continues provided your account balance has not been distributed.

Updating Beneficiary Information

Under the Program, you designate a beneficiary(ies) to receive your individual ORP account balance and your life insurance benefit in the event of your death. You may, but you do not have to, designate a different beneficiary(ies) for each benefit.

When you initially select a beneficiary for your ORP individual account or if you change ORP Providers, you must fill out an *Enrollment/Change Form* and return it to the Benefits Administrator on your campus. If you need to make a change to your beneficiary after your initial designation, contact your ORP Provider directly.

To update your life insurance beneficiary, obtain an *Insurance Enrollment/Change Form* from your campus Benefits Administrator or the Plan Administrator. After completing the form, submit it to your campus Benefits Administrator.

Disability

If you are actively employed and become disabled, you may be eligible for the continuation of contributions to your individual account for a certain period of time equal to 10% of your monthly wage base as defined in the insurance certificate. For more information about this benefit, please see the enclosed brochure.

The Commonwealth provides retiree insurance benefits for certain ORP participants who become disabled. The retiree benefits include discounted health care premiums, group life insurance, and dental coverage. Your share of these premiums is deducted from your disability monthly income benefit.

The ORP Plan Administrator coordinates the deduction of your monthly premiums from your disability income and the remittance of premiums to the group insurance commission on your behalf.



To be eligible for these benefits, if your:

- ♦ Disability is *not* job related, you must have 10 or more years of creditable service; or
- ♦ Disability is job related, your eligibility is not restricted by your years of creditable service.

For more information about the policies that govern these benefits, contact the Plan Administrator.

Leaving Work

If you leave employment, you are eligible to receive payment of your ORP individual account. For information about applying for benefits, see page 16.

In The Event Of Death

If you die before retirement, your designated beneficiary will receive the value of your ORP individual account and, if you are still actively working, a life insurance benefit. If you die after beginning to receive your ORP benefit, benefits may continue to your beneficiary depending on the form of payment you elected.

You may update your beneficiary at any time. For information about updating your beneficiary, see above.

When Participation Ends

Your participation in the Program will end when you are no longer working for the Commonwealth and your account balance has been paid out. To reinstate Program participation, you would need to begin working again for the Commonwealth in an eligible class.

Please note that if you are no longer working for the Commonwealth, you can maintain your ORP individual account balance, but you will not be eligible to contribute to the Program.

YOUR ORP ACCOUNT

Contributing To The ORP

When you become a participant in the ORP, an individual account is established in your name. You and the Commonwealth contribute to your individual account.

You make mandatory contributions directly through the payroll system that are tax-deferred for federal income tax purposes. The first \$2,000 of your contributions are tax-deductible for state income tax purposes. The amount of your contributions is governed by your date of employment with the Commonwealth.

Please note that the ORP does not accept rollovers from other plans.

Employee Contribution

The contribution rate for employees hired on or after July 1, 1996, is:

- ♦ 9% of salary; and
- ♦ 2% of salary above \$30,000.

The contribution rate for employees hired before July 1, 1996, is:

- ♦ 8% of salary; and
- ♦ 2% of salary above \$30,000.

Commonwealth's Contribution

The Commonwealth's matching contribution is 5% of your salary, minus the cost of long-term disability and life insurance and the administrative overhead expense of operating the Program each year. Therefore, the net amount of the employer contribution can vary. The Plan Administrator will notify you when amounts change. Or, for current contribution rate information, call the Plan Administrator.

Please note that if the Program has unexpended overhead, the remaining money will be allocated to participants who received an employer contribution in the last pay period in the fiscal year (the fiscal year runs July 1 – June 30) as a percentage of the sum of these participants' salaries.

The employer contribution to the Program is tax-deferred for state and federal income tax purposes.

The amount of both your employee and employer contributions is based on your salary plus other



compensation such as federal grants and evaluative maintenance, but does not include bonuses, overtime, severance pay, unused sick leave, early retirement incentives, or any other income not specifically authorized by the Massachusetts General Laws (Chapter 32). In addition, due to limitations placed by federal law, if you earn compensation in excess of \$210,000 in 2005 (as generally indexed each year), you will not make nor receive contributions to your individual account in excess of that amount.

Maximum Contributions

The Internal Revenue Code imposes other maximum limitations on contributions permitted under qualified plans. These limits are liberal and would not normally prevent you from receiving full benefits. In the unlikely event that the employer contributions made on your behalf are limited, the Plan Administrator will contact you with more information.

Vesting

You are always immediately and 100% vested in, or entitled to, the money in your individual account from the date you begin participation in the ORP. This includes your contributions as well as the Commonwealth's, plus any investment earnings on those contributions. This means that your benefits are portable; you can take the money in your account with you if you leave employment.

See page 14 for information about when you become eligible to access the money in your individual account.

Plan Investments

You determine how your individual account is invested. Investing your account balance involves a two-step process:

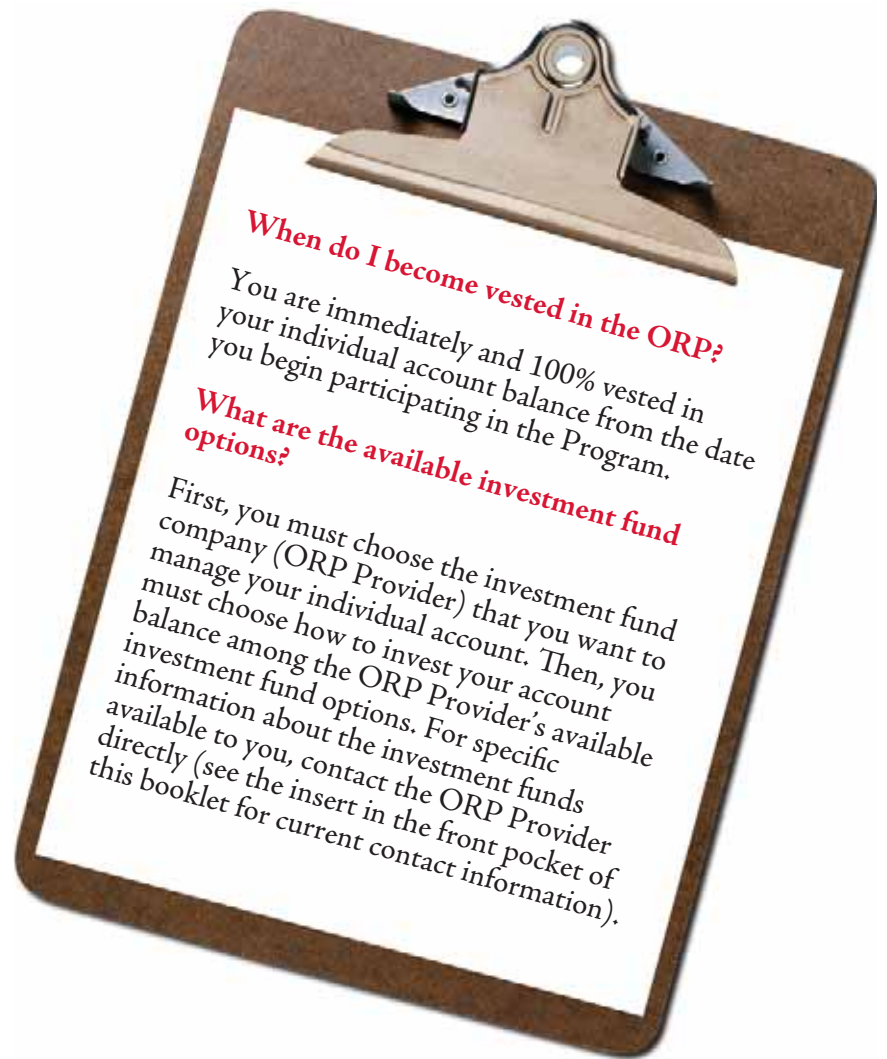
1. **First, you must select an ORP Provider.** You have a few different options. Refer to the *Contact Information For ORP Providers* insert in the front pocket of this booklet for information about current Providers and their contact information.

You may only select to invest your individual account with one Provider. You may change Providers once every 12 months, but not more often. When you became eligible for the ORP, you should have received an enrollment kit from your campus Benefits Administrator with enrollment information from each ORP Provider. If you misplaced that information, contact your Benefits Administrator or the ORP Provider directly (see the insert in the front pocket of this booklet for ORP Provider contact information).



When selecting a Provider, consider the following:

- ♦ Experience and background of the investment managers;
- ♦ Long-term investment performance records; and
- ♦ Account features such as expenses, transfer provisions, and distribution options.



When do I become vested in the ORP?

You are immediately and 100% vested in your individual account balance from the date you begin participating in the Program.

What are the available investment fund options?

First, you must choose the investment fund company (ORP Provider) that you want to manage your individual account. Then, you must choose how to invest your account balance among the ORP Provider's available investment fund options. For specific information about the investment funds available to you, contact the ORP Provider directly (see the insert in the front pocket of this booklet for current contact information).

2. **Then, you must choose your investment fund options.** The available investment fund options vary by ORP Provider. For more information about the investment fund options an ORP Provider offers or to change your investment elections, you should contact that Provider directly. See the insert in the front pocket of this booklet for contact information for the ORP Providers.

Valuation Date

The value of your account is updated daily. You will receive an annual statement that shows the value of your individual account. Or, for more up-to-date information, you can go to the ORP Provider's Web site and log into your account. The value of your individual account includes:

- ♦ Contributions you have made;
- ♦ Contributions made by the Commonwealth on your behalf;
- ♦ Investment earnings/losses on your individual account; and
- ♦ Any expenses charged by your ORP Provider.

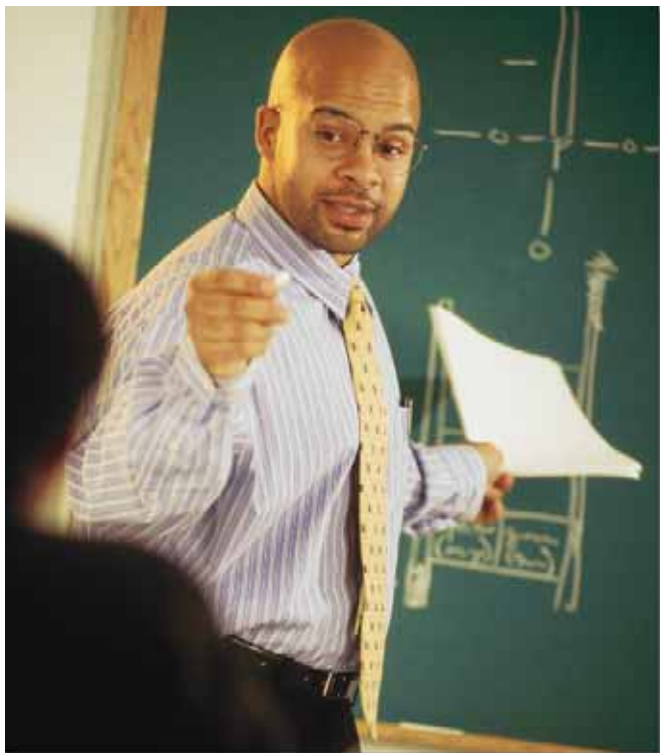
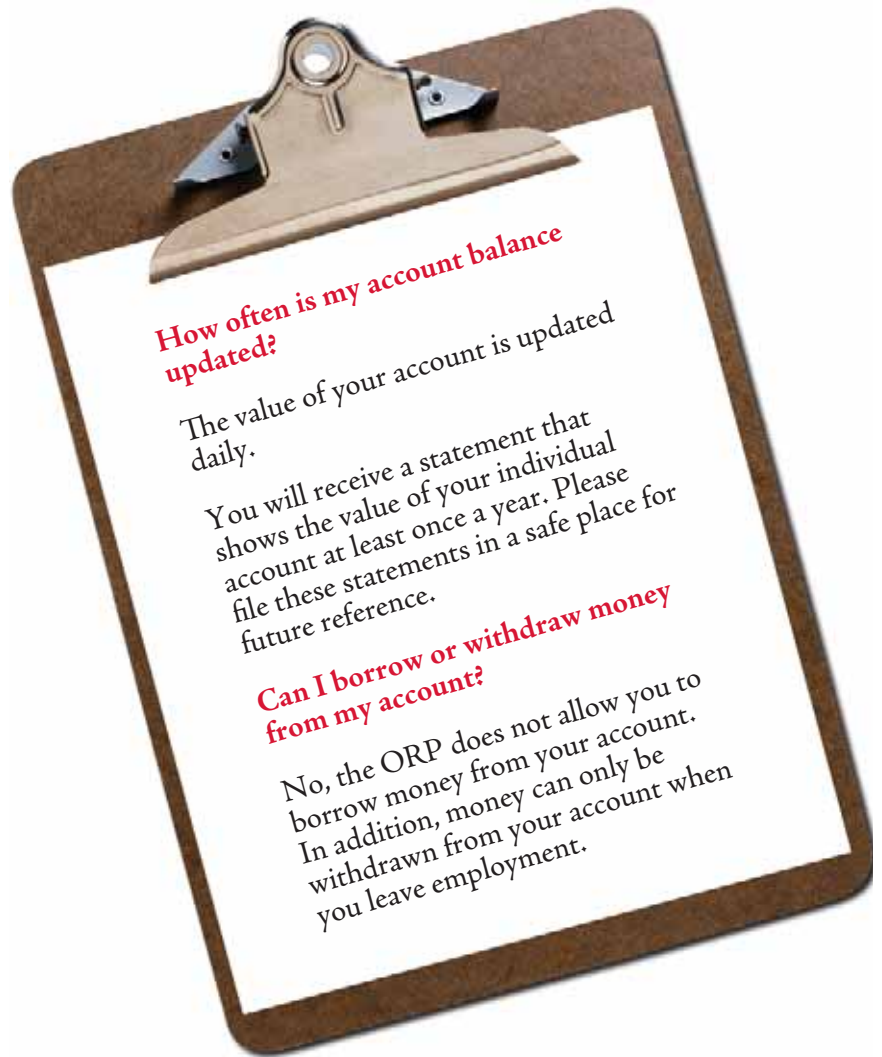
Investment Election Changes

When deciding how to invest your individual account balance, you need to decide how to invest:

- ♦ Prospective money (future contributions you make or are made on your behalf and any earnings on those monies); and
- ♦ Old money (contributions previously made by you or on your behalf and any earnings on those monies).

Fund Transfers—With Your Current ORP Provider

If you want to change how your individual account is invested with your current ORP Provider, you may do so at any time. Simply contact your Provider directly to make a fund transfer request.



Changing ORP Providers

Keep in mind that you can only change the ORP Provider who you have your account balance invested with every 12 months. To make this type of change, you need to fill out an *Enrollment/Change Form* and the new Provider's account application and return the completed forms to your campus Benefits Administrator.

If you change Providers, you may elect to have prospective money or prospective and old money invested with the Provider. Please be aware that if you are transferring old money to the new Provider, exit fees may apply. Before deciding to transfer old money to the new Provider, verify whether these fees will apply.

Loans And In-Service Hardship Withdrawals

The ORP is designed to provide you with retirement income. Therefore, you may not borrow or take in-service hardship withdrawals from your account.

PAYMENT OF BENEFITS

ORP benefits are payable at any time after terminating employment with the Commonwealth.

While you can receive benefits upon termination, you may also leave your ORP funds in the Program until you are ready to begin receiving a benefit. However, you must draw an annual minimum benefit as of April 1 of the year following the year in which you attain age 70½ or, if later, the year in which you leave employment with the Commonwealth.

Benefit Amount

When you become eligible for and elect distribution of your ORP account, the amount of your benefit will be based on the balance of your individual account as of the last valuation date:

- ♦ *Plus* any contribution you made to your individual account since the last valuation date;
- ♦ *Plus* any contributions made by the Commonwealth to your individual account since the last valuation date;
- ♦ *Plus/minus* the investment yield for your individual account; and
- ♦ *Minus* any expenses charged by the ORP Provider.

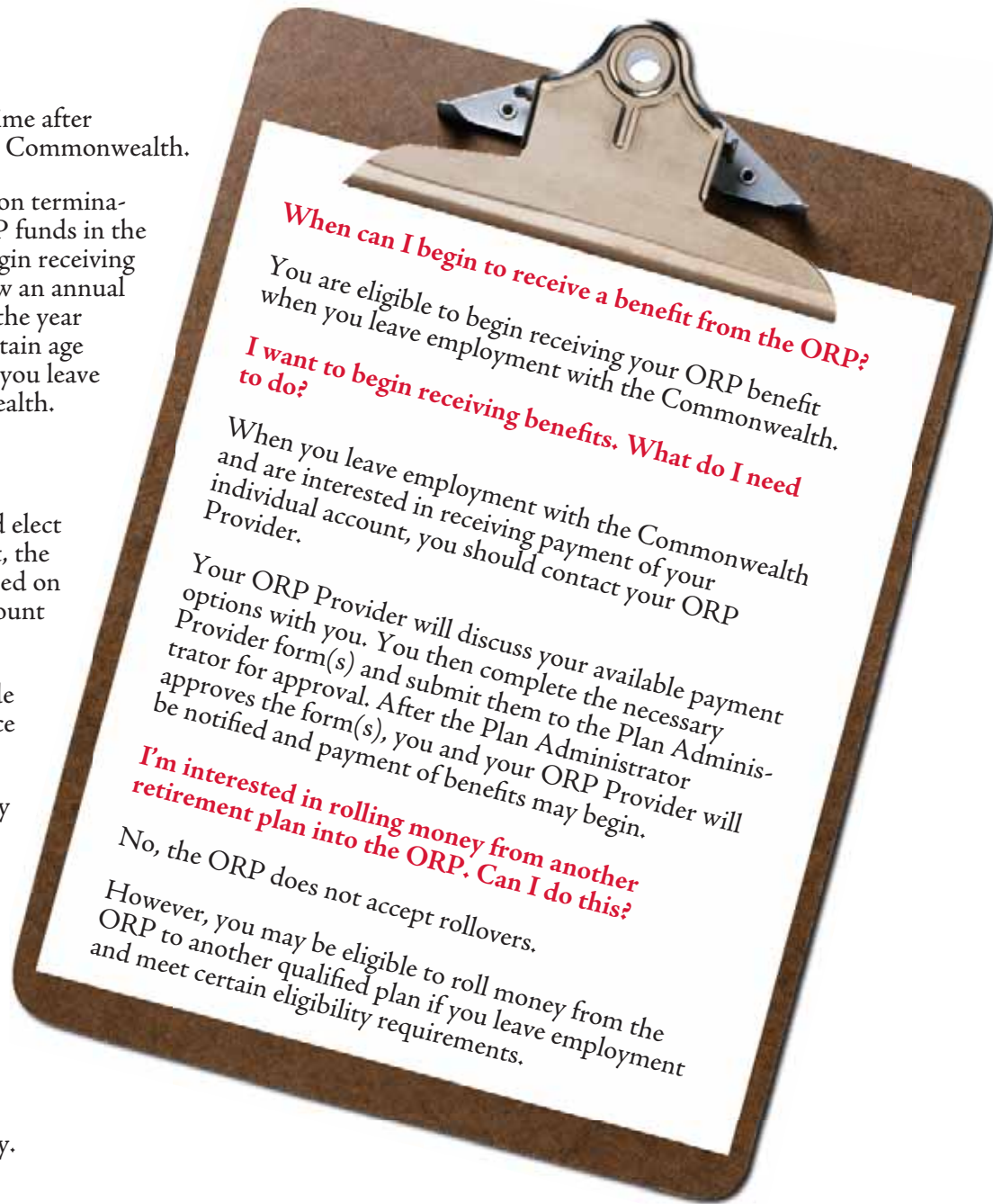
The valuation date occurs each day.

Forms Of Payment

When you become eligible for and elect payment of your ORP benefit, you will need to decide how you want to have your benefit paid. The forms of payment available vary by ORP Provider. However, there are some similarities in the forms of payment that the ORP Providers offer:

- ♦ The normal form of payment is a monthly benefit paid over your life expectancy. If you are married, the normal form of payment is a 50% joint and survivor annuity that provides for a continuation of 50% of your benefit to your spouse upon your death.

- ♦ Other forms of payment include:
 - Systematic payments that you control;
 - Payments over fixed periods;
 - Options that preserve your capital;
 - Lifetime income under an annuity contract;
 - Options that provide lifetime payments to your beneficiary;
 - Full and partial lump-sum distributions; and
 - Any combination of these options.



When can I begin to receive a benefit from the ORP?

You are eligible to begin receiving your ORP benefit when you leave employment with the Commonwealth.

I want to begin receiving benefits. What do I need to do?

When you leave employment with the Commonwealth and are interested in receiving payment of your individual account, you should contact your ORP Provider.

Your ORP Provider will discuss your available payment options with you. You then complete the necessary Provider form(s) and submit them to the Plan Administrator for approval. After the Plan Administrator approves the form(s), you and your ORP Provider will be notified and payment of benefits may begin.

I'm interested in rolling money from another retirement plan into the ORP. Can I do this?

No, the ORP does not accept rollovers.

However, you may be eligible to roll money from the ORP to another qualified plan if you leave employment and meet certain eligibility requirements.

Important Information About Full And Partial Lump-Sum Distributions

| If You Are Younger Than Age 55 | If You Are 55 Or Older | If Your Individual Account Balance Is \$5,000 Or Less |
|---|---|--|
| <p>If you leave employment and are younger than age 55, you may draw lump sums from account balances accrued as of June 30, 2004, plus or minus investment earnings on these balances, only if the funds are directly rolled over to an IRA or another employer's retirement plan. If you are younger than age 55 and leave employment, you may not draw lump sums from account balances accrued on or after July 1, 2004, until you reach age 55.</p> <p>Please note that the above rules do not apply to you if the sum of your accounts with all Providers is \$5,000 or less.</p> | <p>You may receive a full or partial lump-sum distribution and have it paid directly to you or rolled over to another qualified plan when you terminate employment with the Commonwealth.</p> | <p>Regardless of your age, you may elect to receive your individual account balance among all ORP Providers as a lump-sum payment if the value of it is \$5,000 or less.</p> |



It's a good idea to consult with your tax advisor before receiving a distribution from the ORP.

Rollovers

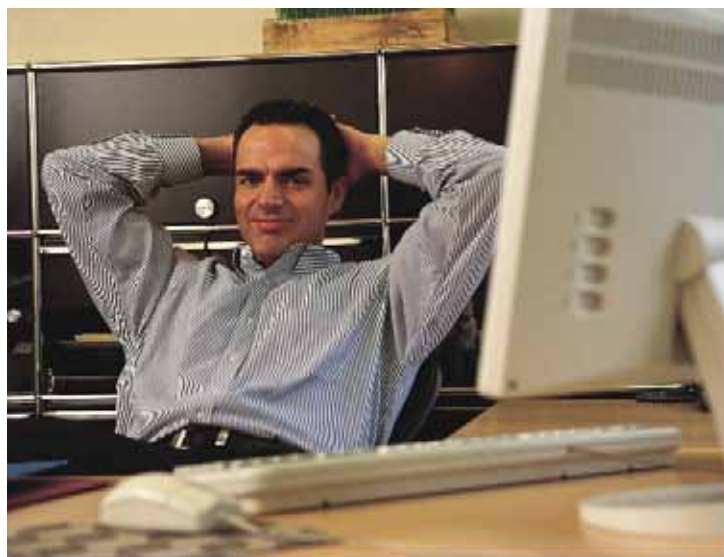
Upon your request, the ORP will roll over payments that are eligible for rollover treatment. Generally, these are single payments or a stream of payments for less than 10 years.

The ORP does not accept rollovers into the Program.

Reemployment After Retirement

If you begin receiving a benefit from the ORP and subsequently return to work, the benefit you are receiving is not affected by your reemployment.

If you are reemployed in a class eligible to participate in the ORP, you will have to decide if you want to reenroll in the ORP within the 90-day eligibility period (when you become reemployed, your campus Benefits Administrator will provide you with a letter indicating when you must make your election). The benefits you are receiving at the time you reenter employment are not affected.



IN THE EVENT OF DEATH

If You Die Before Retirement

If you die before retirement, survivor benefits may be available from two sources:

- ♦ Your ORP account balance; and
- ♦ A life insurance benefit (for active participants only).

Your ORP Account Balance

If you die before retirement, the value of your individual account balance is available to your designated beneficiary(ies) on file with your ORP Provider. Your account is distributed to your beneficiary(ies) and a new account(s) is established in their name.

Life Insurance Benefit

The ORP provides a life insurance benefit for all participants currently contributing to the Program. You are covered by the life insurance policy upon joining the ORP. The Commonwealth pays the premiums as part of the ORP employer contribution.

These benefits are designed to provide greater benefits at younger ages, when participants, presumably, have accumulated fewer assets in their individual account to provide for survivors.

More detailed information about this benefit can be found in the enclosed brochure.

If You Die After Terminating Employment

If You Have Not Started Receiving Benefits

If you have not started receiving benefits, your individual account will be distributed to the designated beneficiary(ies) on file with your ORP Provider. A new account will be established in your beneficiary's name, or multiple accounts if you named more than one beneficiary.

If You Have Started Receiving Benefits

If you die after your ORP benefit begins, your beneficiary may be eligible for a benefit depending on the form of payment you were receiving. Your beneficiary should contact the Plan Administrator or your ORP Provider for more information (see the *Contact Information For ORP Providers* insert in the front pocket of this booklet).

Life Insurance Benefits

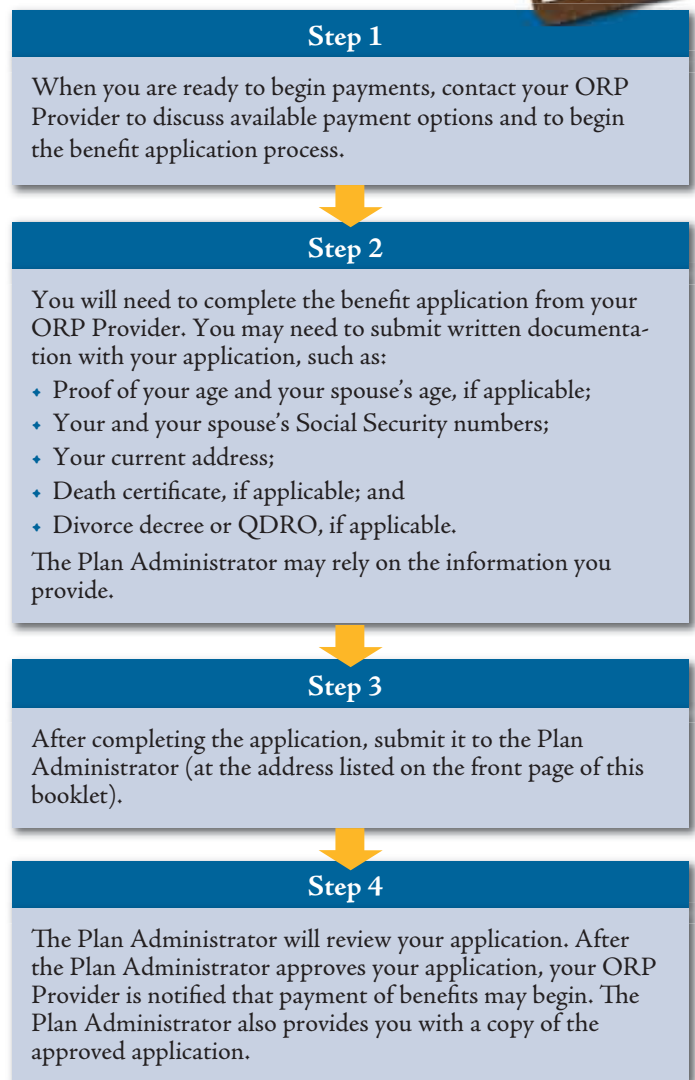
If you die after terminating employment with the Commonwealth, no life insurance benefits will be payable from the ORP.

APPLYING FOR BENEFITS

In general, three things need to happen before you are eligible to begin receiving your ORP benefit:

- ♦ You need to leave employment;
- ♦ You must apply for your benefits; and
- ♦ Your application must be approved.

To apply for benefits, follow these steps:



Whenever administratively possible, you will receive a decision from the Plan Administrator on your application for benefits within 60 days, unless special circumstances require an extension of time for processing.

If Your Application Is Denied

Disagreements over benefits are rare. However, if your application for benefits is denied, in whole or in part, you will be informed of the reason for the denial by the Plan Administrator. You may then contact the Plan Administrator with additional questions and request a review.

In many cases, disagreements about benefit eligibility or amounts can be handled informally by calling the Plan Administrator.

CONCERNING TAXES

How your benefit is taxed depends on how and when you receive your distribution from the ORP. Lump-sum distributions from the Program are generally considered taxable income to you. Before the Program makes a taxable payment to you or your beneficiary, the Program will provide you with a tax notice. This notice explains the tax rules that apply to distributions from the Program. It also informs you that you have the right to have your taxable payment:

- ♦ Paid directly to you;
- ♦ Paid as a direct rollover to an eligible retirement plan; or
- ♦ Split between payment to you and payment as a direct rollover.

To determine the best form of payment for you and the corresponding tax consequences, it's a good idea to consult a qualified tax advisor.

Direct Payment

Whenever a taxable distribution is paid directly to you or your beneficiary, 20% of the distribution will automatically be withheld to pay federal income taxes. The entire distribution is considered taxable income in the year it is received.

To defer payment of the 20% withholding tax, you may roll over your distribution to an eligible retirement plan within 60 days of receipt of your distribution. However, this 60-day period may be extended in cases of casualty, disaster, or other events beyond your reasonable control.

In addition, you may be responsible for an additional 10% tax penalty if payment is received before age 59½; this is in addition to the 20% income tax withholding (and any applicable state income taxes). Under certain circumstances the additional 10% tax may not

apply (including for distributions made to surviving spouses). You will receive more detailed information when you apply for distribution of your individual account.

Rollovers

If you become eligible for a taxable distribution from the Program, you may defer payment of the 20% withholding tax (and additional 10% tax, if applicable) by rolling over the taxable portion of your distribution to an eligible retirement plan (if that plan accepts rollovers).

To be considered an eligible retirement plan, a plan must accept eligible rollover distributions and be:

- ♦ An individual retirement account under Section 408(a) of the Internal Revenue Code;
- ♦ An individual retirement annuity under Section 408(b) of the Internal Revenue Code;
- ♦ An eligible plan under Section 403(a) of the Internal Revenue Code;
- ♦ A qualified trust under Section 401(a) of the Internal Revenue Code;
- ♦ An annuity contract under Section 403(b) of the Internal Revenue Code; or
- ♦ An eligible plan under Section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency of a state, or political subdivision that agrees to separate account for amounts into such plan.

The above also applies to surviving spouses and alternate payees under a Qualified Domestic Relations Order (QDRO).

You *cannot* roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- ♦ Your lifetime (or your life expectancy);
- ♦ Your lifetime and your beneficiary's lifetime (or life expectancies); or
- ♦ A period of 10 or more years.

In addition, you *cannot* roll over:

- ♦ Any distribution that is required under Section 401(a)(9) of the Internal Revenue Code, which is any distribution required by participants who attain age 70½ and must take a required minimum payment;
- ♦ A distribution to more than one retirement plan; or
- ♦ Any portion of a distribution that is not included in your gross income.

Because of how frequently tax laws change and the complexity of the tax laws applicable to Program distributions, it's always a good idea to consult a qualified tax advisor before receiving a distribution from the Program.

ADMINISTRATIVE FACTS

| | |
|--|---|
| Plan Name | The Commonwealth of Massachusetts Optional Retirement Program (ORP) |
| Plan Employer Identification Number | 04-6002284 |
| Plan Year | January 1 – December 31 |
| Plan Type | The ORP is a defined contribution money purchase plan. The Plan is maintained for the purpose of providing retirement benefits to eligible participants. Your coverage by the Plan does not constitute a guarantee of your continued employment. This Plan is a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA). Accordingly, the Plan is not subject to the requirements of ERISA. |
| Plan Sponsor | The Commonwealth of Massachusetts |
| Plan Administrator | The Massachusetts Board of Higher Education is the Plan Administrator. The Plan Administrator has the right to delegate day-to-day administration of the Plan to other individuals. It is the Plan Administrator's responsibility to see that your questions are answered, that service and contribution records are maintained, that benefits are properly figured and paid promptly, and that the Program is operated in accordance with the legal documents governing it. You may write to the Plan Administrator at the address shown at the front of this booklet. |
| Agent For Service Of Legal Process | For disputes arising under the Plan, the Plan Administrator is the agent for service of legal process. Legal process may be served on the Plan Administrator at the address of the Program listed at the beginning of this booklet. |
| Source Of Contributions | Benefits described in this booklet are provided through employer and employee contributions. Employee contributions are mandatory and receive favorable tax treatment under a special provision of the Internal Revenue Code (Section 414(h)) applicable to governmental plans. |
| Sole Determination By Plan Administrator/Plan Sponsor | Only the Plan Administrator and Plan Sponsor have the discretion and authority to determine eligibility for benefits and the right to participate in the Program and to exercise all the other powers specified in the legal documents. No officer, agent, employee, or any other person, is authorized to speak for, or on behalf of, or to commit the Plan Administrator or Plan Sponsor, on any matter relating to the Program. |

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|---|--|
| <p>Legal Documents</p> | <p>This booklet is the 2005 edition of your Program summary. This edition replaces any prior editions and other summaries of the provisions of the Program.</p> <p>This booklet is intended to be written in clear, understandable, and informal language. However, if you have any questions about this booklet, you should call the Plan Administrator for information about how the Program works.</p> |
| <p>Right To Change Or Terminate The Plan</p> | <p>The Plan Sponsor intends to continue the Program indefinitely, although the Plan Sponsor reserves the right to change or end the Program at any time. If the Program ends, any remaining benefits will be paid as described in the legal documents that govern the Program. If the Program is amended or terminated, you will be notified in writing.</p> <p>The Program may be amended at any time if the Plan Administrator and Plan Sponsor agree to do so in writing and the amendment does not affect the ability of the Program to provide benefits you have accrued.</p> |
| <p>Plan Interpretation</p> | <p>Only the Plan Administrator and Plan Sponsor have broad discretion and authority to interpret the Program and its provisions. The Plan Administrator is also responsible for answering all day-to-day questions concerning eligibility, benefits, and applications.</p> |
| <p>Non-Assignment Of Benefits</p> | <p>You cannot assign or transfer your benefits under the ORP to someone else, except as otherwise provided under federal law. Your Program benefits are exempt from execution, attachment, garnishment, pledge, or bankruptcy. However, the Program will honor a Qualified Domestic Relations Order (QDRO).</p> |
| <p>Qualified Domestic Relations Order (QDRO)</p> | <p>Under the terms of a Qualified Domestic Relations Order (QDRO), certain payments could be made to pay alimony, child support, or marital property rights. If a QDRO is received, you will be notified. A QDRO may affect the amount of benefits you will receive or are receiving. If you have questions about QDROs or would like to receive a free copy of the Program's QDRO procedures, please contact the Plan Administrator.</p> |

APPENDIX: RETIREE BENEFITS

ORP participants who have met the age and service requirements for “Retiree Benefits” enjoy discounted health care premiums and the convenience of premium payment by deduction from their retirement income.

The Group Insurance Commission (GIC) administers retiree coverage for health care, life insurance and a dental plan. Your ORP Provider will deduct the monthly premiums for your selected coverage from your retirement income. The Providers will send your premiums to the Board of Higher Education, where they will be reconciled with the GIC’s monthly reports and then sent to the Commission for you.

Eligibility For Retiree Benefits

To be eligible for these benefits you must:

- ♦ Draw monthly income from the Program; and
- ♦ Have:
 - 10 years of creditable service and are age 55; or
 - 20 years of creditable service.

Your years of creditable service for the purpose of eligibility for retirement benefits is comprised of the sum of your years of participation in the ORP and your years of creditable service under the State Employees’ Retirement System. You earn a year of participation after completing 12 months during which contributions are made each month to the Program on your behalf.

Your cost, as a percentage of the total premium rate, will be determined when your retirement income begins.

Premium Deductions From Your Individual Income

You must draw an income from your ORP account upon retirement. Your ORP Provider will deduct the monthly premiums for your Retiree Benefits from your income, and will forward the premiums to the Plan Administrator each month.

The ORP income that you draw must be a stream of monthly distributions payable over your life expectancy. Your income must be paid from a single ORP Provider on the first day of each month. The Plan Administrator may require you to consolidate your ORP assets to generate a sufficient income from a single Provider.

Adequacy Of Your Income

Your retirement income must be sufficient to pay the cost of your Retiree Benefits. The Plan Administrator will determine the adequacy of your income based on these factors:

- ♦ Your income under the ORP; and
- ♦ Your benefit costs.

If your income is not adequate to cover the cost of your Retiree Benefits, the GIC will send a bill to your home address each month for the total cost of your benefits. You will be responsible for paying this bill on a timely basis, directly to the GIC.



