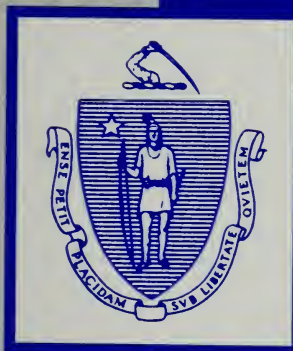


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**The  
Commonwealth  
of Massachusetts  
Deferred  
Compensation  
Plan**



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**What You  
Should Know  
About Your  
Deferred  
Compensation  
Plan**

942/242

# *T*he Benefits of Your Deferred Compensation Plan

As an employee of The Commonwealth of Massachusetts, or a participating local government employer, you're eligible to participate in The Commonwealth's Deferred Compensation Plan. The Plan offers you a unique voluntary retirement savings program created by federal and state law which provides the following benefits:

- Your contributions are automatically made through the convenience of payroll reduction.
- You won't pay any current federal or state income tax on your Plan savings. The amount you save in your deferred compensation account is subtracted from your income before you calculate your federal and state income tax.
- You won't pay any current income tax on the interest or investment earnings that build up in your deferred compensation account.
- You can increase your retirement savings without reducing take home pay.
- You won't pay federal or state income taxes on deferred compensation savings until you receive the money from your account, usually during your retirement years, when you may be in a lower tax bracket.

Note: Participation in the Plan is mandatory if you are classified as a part-time or seasonal employee (OBRA). Massachusetts and local law requires OBRA employees to contribute at least 7½ percent of their compensation.

## *H*ow does it work?

Here are some examples of how deferred compensation can reduce your current income taxes while increasing your savings.

### **Reduces Taxes**

Your taxable income is reduced by the amount you choose to save.

Gross Wages	\$26,000
DCP Savings	- <u>3,276</u> (\$63 per pay x 52 pays per year)
Taxable Wages	\$22,724

In this example, federal and state income tax is paid on \$22,724 instead of \$26,000.

## Increases Savings

This before-tax savings allows greater amounts of money to be saved towards retirement.

Savings Without DCP		Savings With DCP	
\$500	Gross Salary	\$500	
- 40	Pension	- 40	
<u>- 0</u>	DCP Savings	<u>- 63</u>	
460	Taxable Salary	397	
- 47	Withholding Taxes	- 34	
<u>- 50</u>	After-Tax Savings	<u>- 0</u>	
363	Take Home Pay	363	

As you can see, your take home pay remains the same. Since deferred compensation savings is done before federal and state income tax is deducted, the amount you actually save is \$13 more. This \$13 tax savings is added to the after-tax \$50 savings, and your take home pay remains the same. Please understand that this is only an illustration. Your Copeland representative can give you a personalized computer analysis based on your specific paycheck.

## Accumulation Comparison

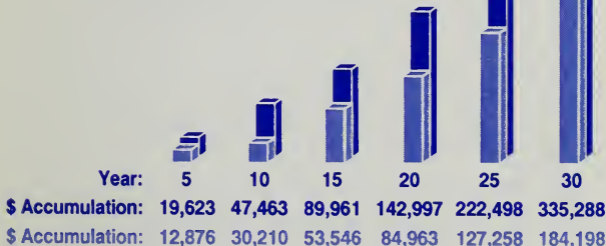
Before-tax savings grows faster because the interest or investment growth of your savings also accumulates free from current income tax.



**= BEFORE-TAX Savings/Investment**  
\$63 per pay, \$3,276 per year



**= AFTER-TAX Savings/Investment**  
\$50 per pay, \$2,600 per year



*The example assumes a 7% rate of return. It is not an indication of past performance or of any particular investment option, nor as a guarantee of investment results in the future.*

# *D*erferred Compensation... a valuable employee benefit

Your Deferred Compensation Plan is a unique resource to help you achieve financial security and independence in your retirement years. The double tax benefit of saving with before-tax dollars and having those dollars grow without being taxed until withdrawn is an opportunity available to you because you are an employee of the Commonwealth, or a participating local government employer.

**Pension + Deferred Compensation = Retirement**

## *H*ow can I learn more?

As you can see, there are many advantages in saving for retirement with the tax benefits of your Deferred Compensation Plan. Your employer has selected The Copeland Companies as the Plan Coordinator to be responsible for all administrative, enrollment, and servicing functions of the Plan. You may arrange a personal counseling interview with your Copeland representative by completing the interest card at the back of this brochure or by calling 1-800-799-MASS. At this interview, your Copeland representative can explain all aspects of your Plan and can help you fill out the necessary enrollment forms.

## *Q*uestions and Answers about your Deferred Compensation Plan.

*Q.* **Do deferrals affect any pension contributions I may have made?**

*A.* No. Your pension contributions, if any, will be calculated on the basis of your gross compensation (before Plan deferrals).

*Q.* **Do deferrals affect my final average salary for retirement purposes?**

*A.* No. Your final average salary won't be affected by your contributions under the Deferred Compensation Plan.

**Q. How do I know if deferred compensation is right for me?**

**A.** For most people who have sufficient cash on hand to cover emergencies, and who would like to build savings for retirement, it will be advantageous to participate in the Deferred Compensation Plan. Deferred compensation may be especially beneficial to employees who are single, part of a two-income family, or who are approaching retirement.

**Q. Is a Deferred Compensation Plan good for those close to retirement?**

**A.** Yes. The Deferred Compensation Plan offers you an opportunity to defer the payment of taxes until as late as age 70½ or as long as you're still working. When you retire, you may be in a lower tax bracket. In addition, the earnings on your contributions will accumulate tax-deferred until distribution.

You may be eligible to use the "catch-up" provision and contribute up to \$15,000 per year later in your career. Contact your Copeland Account Executive to find out if you qualify.

**Q. How much may I contribute from my paycheck?**

**A.** The minimum amount you may contribute is \$20 per month. The maximum contribution limit is about 25 percent of gross pay (after pension contributions) not to exceed \$7,500 per year. Temporary, seasonal and part-time employees (OBRA) must contribute a minimum of 7½ percent of salary to the Plan.

**Q. Can I change the amount I contribute to the Plan?**

**A.** Yes. Your Copeland Account Executive can assist you in changing your Participation Agreement. Please call the HELPLINE at 1-800-799-MASS or you may complete and return the interest card at the back of this brochure to schedule an appointment with your Account Executive.

**Q. When can amounts be withdrawn from the Plan?**

**A.** There are two conditions under which you can receive a payout.

1. Separation from service.
2. Severe financial hardship.

**Q. What is separation from service?**

**A.** Separation from service occurs because of your voluntary termination, involuntary termination or death. A leave of absence or suspension from employment is not a separation from service.

**Q. What is a severe financial hardship?**

**A.** Federal regulations define a severe financial hardship as a severe financial emergency resulting from either illness, accident, or property loss to you or your dependents resulting from circumstances beyond your control. Payments can only be made to the extent that your hardship expenses are not covered by insurance or funds available from other sources.

**Q. What happens if I retire or terminate employment?**

**A.** When you permanently leave work from your government employer, you must decide either to begin to receive payment or defer the commencement of payment to a fixed future date. If you choose to defer the payments, you will continue to accumulate tax-deferred earnings until benefits are paid to you. Your election of the date when your distribution is to begin is irrevocable. If you fail to make your election by the required time, you'll be paid according to the Plan's automatic Payout Option, which may not be what you would prefer.

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The Commonwealth of Massachusetts



# Deferred Compensation Plan

*Securing Your Tomorrows...Today.*

# THE COPELAND COMPANIES

*Personal Retirement Planning Specialists*

Employee's Name (Last, First, Middle Initial) \_\_\_\_\_

Date \_\_\_\_\_

Department or Agency \_\_\_\_\_

Business Phone \_\_\_\_\_

Work Address \_\_\_\_\_

City \_\_\_\_\_

Zip \_\_\_\_\_

Home Address (Street) (optional) \_\_\_\_\_

Home Phone (optional) \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

I am interested. Please contact me.

I am currently enrolled. Would like an appointment.

Best Time and Place to Call \_\_\_\_\_



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