

OBRA ACKNOWLEDGEMENT CARD

(Please complete and submit to your Payroll Center)

I. Personal Information

_____-_____-_____
Social Security Number _____-_____-_____
Date of Birth

SEX(circle one): M or F

Name

Address

Additional Address

City State Zip Code

Occupation

()-_____-_____
Home Phone ()-_____-_____
Work Phone

II. Plan Information

Plan Number: _____

Plan Name: _____

Employer's Phone Number: ()-_____-_____

*Deferral Amount:\$ _____ Frequency: _____

* Contributions to the OBRA Plan must be a minimum of 7.5% of compensation

Allocation: 100% Nationwide Fixed Account

III. Beneficiary Information

**If there are additional beneficiaries, please attach a separate sheet.*

Primary Beneficiary: _____

Date of Birth Relationship

Contingent Beneficiary: _____

Date of Birth Relationship

I have read and understand the terms stated within the Informational Sheet describing this product. I understand that 100% of my deferrals will be deposited in the Nationwide Fixed Account held with Nationwide Life Insurance Company.

Participant's Signature

Date

NRS Retirement Specialist

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DC-2727-0305

NRS Registered Principal: _____

Date: _____



KEVIN G. SORGI
Treasurer and Collector

TOWN OF MILTON
MASSACHUSETTS

March 25, 2002

TO: All Non-Pensioned Town Employees
FROM: Kevin G. Sorgi, Town Treasurer *KGS*
RE: Mandatory Deferred Compensation

The Milton Board of Selectmen and the Milton School Committee have each voted that beginning July 1, 2002, all Town employees who are not members of a qualified retirement system or exempt under the law must, as a condition of employment, participate in a Town sponsored deferred compensation plan.

Until July 1, 2002, Social Security will continue to be withheld from your pay at a rate of 6.2% of your gross salary. After July 1, this deduction will be replaced with a 7.5% withholding for deferred compensation.

Attached to this notice is a Q&A sheet on mandatory deferred compensation plans and a participation enrollment form which must be completed and returned to the payroll department as soon as possible.

I realize that at first appearance this looks like a salary decrease but please consider the following:

1. Payments to the plan are made on a pre-tax basis, both federal and state.
2. Contributions to the plan earn interest which is also exempt from taxation until withdrawal.
3. Money withheld for the plan and all earned interest, belongs to you. Invested funds may be retained or withdrawn upon employment termination. Taxation of these dollars is deferred until withdrawal is made.

The deferred compensation plan the Town as chosen is Nationwide Retirement Solutions and our local representative is Judith Santosuosso (877-677-3678 ext. 61029).

The Medicare tax withholding will continue at a rate of 1.45% for all employees hired after April 1, 1986.

Non-pensioned individuals who are exempt from this mandate include the following:

1. All full-time students.
2. Persons hired to be relieved from unemployment status (not including work study)
3. Emergency workers hired on a temporary basis due to sudden disaster.
4. Election workers receiving less than \$1,000 in a calendar year.

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**INFORMATIONAL SHEET FOR THE
MANDATORY DEFERRED COMPENSATION PLAN**

The Omnibus Budget Reconciliation Act of 1990 (OBRA) expanded Social Security coverage to include all state and local employees unless they are covered by the employer's retirement system. In 1991, the Treasury Department issued final regulations interpreting the new law.

Q. What is a Section 457 deferred compensation plan?

A. Deferred compensation, under Internal Revenue Code Section 457, is a tax-deferred, supplemental retirement plan. The primary benefit of your deferred compensation plan is that you pay no *current* federal income tax on (1) the amount withheld from your wages, and (2) the earnings credited to your account.

Q. Is participation in the deferred compensation plan mandatory?

A. Yes. Your employer will automatically deduct the required contribution from your gross salary to provide you, as a seasonal or temporary employee, with a defined contribution retirement plan instead of Social Security coverage, which is otherwise required under Internal Revenue Code Section 3121(b)(7)(f).

Q. Do I have a choice of funding options?

A. No. OBRA legislation mandates that your contributions be non-forfeitable, meaning your account balance cannot experience a loss. Therefore, your contributions will be deposited into the Nationwide Group Fixed Fund Retirement Contract provided by Nationwide Life Insurance Company. This fund offers a minimum annual guaranteed rate with a current interest rate which is adjusted quarterly to keep pace with changing economic conditions.

Q. If my contributions are not currently taxable, do I need to make any adjustments to my tax returns each year?

A. No. Your employer will make the necessary adjustments on your W-2 form, lowering your gross wages by the amount that you contributed in that tax year.

Q. When will I have to pay federal income tax on my deferred compensation account?

A. Ordinary income taxes will be payable when your deferred compensation account is paid to you. The taxes are payable on the amounts paid to you in any given year.

Q. What are the payout options available to me when I separate from service?

A. If your account balance is less than \$5,000 at the time you stop working, you will receive a lump-sum distribution. If your account balance is \$5,000 or more, you may choose either a lump-sum payout or a periodic payout.

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INFORMATIONAL SHEET FOR THE MANDATORY DEFERRED COMPENSATION PLAN

Q. Will I have the option of designating a beneficiary on this account?

A. No. There will be no beneficiary payments. Any account balance remaining at the time of your death will be paid as a single sum payment to your estate.

Q. Will I receive any account statement?

A. Yes. You will receive an annual account statement after the close of the calendar year.

Q. Do I need to notify anyone if I change my name and/or address?

A. Yes. In addition to notifying your payroll center, please send any changes in your name and/or address to the address shown below. Please be sure to include your Social Security number with your request and documentation supporting your name change (i.e. copy of marriage certificate, copy of court order, etc.)

Deferred Compensation Service Center
OBRA
P.O. Box 16766
Columbus, OH 43272-4227

Q. Are there any fees or charges for participating?

A. No.

Q. Are there any penalties at withdrawal?

A. No. As an OBRA participant in the Nationwide Fixed Account Option, you may withdraw your funds at the time you stop working without penalties or charges, regardless of your age.

Q. When can I withdraw my money?

A. You may withdraw your funds when you retire or when you stop working. If you die before you receive your money, your account balance will be paid as a lump sum payment to your estate.

Q. What if I become a full-time employee with my employer?

A. You cannot receive a payout; rather, you would be eligible to participate in the voluntary 457 deferred compensation plan. You may transfer the value of your OBRA account to the voluntary plan.