



15202

Universal Availability

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District

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Campus

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First Name

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Last Name

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Social Security Number

By reading and signing this form you confirm that you understand the 403(b) & 457 plans and understand that you are permitted or may be permitted to save money in these plans.

What is a 403(b) Plan?

A 403(b) plan, also known as a tax-sheltered annuity (TSA) plan, is a retirement plan for certain employees of public schools, employees of certain tax-exempt organizations, and certain ministers.

Individual accounts in a 403(b) plan can be any of the following types.

- * An annuity contract, which is a contract provided through an insurance company,
- * A custodial account, which is an account invested in mutual funds, or
- * A retirement income account set up for church employees. Generally, retirement income accounts can invest in either annuities or mutual funds.

What are the Benefits of Contributing to a 403(b) Plan?

There are three benefits to contributing to a 403(b) plan.

* The first benefit is that you do not pay tax on allowable contributions in the year they are made. You do not pay tax on allowable contributions until you begin making withdrawals from the plan, usually after you retire. Allowable contributions to a 403(b) plan are either excluded or deducted from your income. However, if your contributions are made to a Roth contribution program, this benefit does not apply. Instead, you pay tax on the contributions to the plan but distributions from the plan (if certain requirements are met) are tax free.

* The second benefit is that earnings and gains on amounts in your 403(b) account are not taxed until you withdraw them. Earnings and gains on amounts in a Roth contribution program are not taxed if your withdrawals are qualified distributions. Otherwise, they are taxed when you withdraw them.

* The third benefit is that you may be eligible to take a credit for elective deferrals contributed to your 403(b) account.

Excluded: If an amount is excluded from your income, it is not included in your total wages on your Form W-2. This means that you do not report the excluded amount on your tax return.

Deducted: If an amount is deducted from your income, it is included with your other wages on your Form W-2. You report this amount on your tax return, but you are allowed to subtract it when figuring the amount of income on which you must pay tax.

Who Can Participate in a 403(b) Plan?

Any eligible employee can participate in a 403(b) plan.

Eligible employees: The following employees are eligible to participate in a 403(b) plan.

* Employees of tax-exempt organizations established under section 501(c)(3) of the Internal Revenue Code. These organizations are usually referred to as section 501(c)(3) organizations or simply 501(c)(3) organizations.

- * Employees of public school systems who are involved in the day-to-day operations of a school.
- * Employees of cooperative hospital service organizations.
- * Civilian faculty and staff of the Uniformed Services University of the Health Sciences (USUHS).
- * Employees of public school systems organized by Indian tribal governments.
- * Certain ministers.

Who Can Set Up a 403(b) Account?

You cannot set up your own 403(b) account. Only employers can set up 403(b) accounts. A self-employed minister cannot set up a 403(b) account for his or her benefit. If you are a self-employed minister, only the organization (denomination) with which you are associated can set up an account for your benefit.



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How Can Contributions Be Made to My 403(b) Account?

The following types of contributions can be made to 403(b) accounts.

1. **Elective deferrals.** These are contributions made under a salary reduction agreement. This agreement allows your employer to withhold money from your paycheck to be contributed directly into a 403(b) account for your benefit. Except for Roth contributions, you do not pay tax on these contributions until you withdraw them from the account. If your contributions are Roth contributions, you pay taxes on your contributions but any qualified distributions from your Roth account are tax free.
2. **Nonelective contributions.** These are employer contributions that are not made under a salary reduction agreement. Nonelective contributions include matching contributions, discretionary contributions, and mandatory contributions from your employer. You do not pay tax on these contributions until you withdraw them from the account.
3. **After-tax contributions.** These are contributions (that are not Roth contributions) you make with funds that you must include in income on your tax return. A salary payment on which income tax has been withheld is a source of these contributions. If your plan allows you to make after-tax contributions, they are not excluded from income and you cannot deduct them on your tax return.
4. **A combination** of any of the three contribution types listed above.

Do I Report Contributions on My Tax Return?

Generally, you do not report contributions to your 403(b) account (except Roth contributions) on your tax return. Your employer will report contributions on your Form W-2. Elective deferrals will be shown in box 12 and the Retirement plan box will be checked. If you are a self-employed minister or chaplain, see the discussions below.

How Much Can Be Contributed to My 403(b) Account?

There are limits on the amount of contributions that can be made to your 403(b) account each year. If contributions made to your 403(b) account are more than these contribution limits, penalties may apply. Contact your ISD for contribution limits.

What are my investment choices?

Contact your ISD or TRS for a list of certified companies. Only companies included in your ISD's Plan Document are permitted to accept 403(b) contributions.

IRC 457(b) Deferred Compensation Plans

Plans of deferred compensation described in IRC section 457 are available for certain state and local governments and non-governmental entities tax exempt under IRC 501. They can be either eligible plans under IRC 457(b) or ineligible plans under IRC 457(f). Plans eligible under 457(b) allow employees of sponsoring organizations to defer income taxation on retirement savings into future years. Ineligible plans may trigger different tax treatment under IRC 457(f).

General Questions

Who can establish a 457(b) plan?

The organization must be a state or local government, school district, or a tax exempt organization under IRC 501(c).

How do 457(b) plans work?

Employers or employees through salary reductions contribute up to the IRC 402(g) limit (\$15,000 in 2006/\$15,500 in 2007) on behalf of participants under the plan.

What are the advantages of participating in a 457(b) plan?

There are significant tax advantages for participants in a 457(b) plan:

- * Contributions to a 457(b) plan are tax deferred.
- * Earnings on the retirement money are tax deferred.

I have attended the ISD's retirement plan seminar and have been given the opportunity to defer money into a 403(b) and/or 457 plan. I understand that I may start a 403(b) and/or 457 plan at any time during the year. I also understand that I may obtain additional 403(b)/457 information by contacting the ISD, TRS, or ISC Group. ISC Group can be reached at 800-888-8023.

Client Signature

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Date