

403(b) and 457(b) Plan



What is the Role of CVSS?

- Central Valley Support Services (CVSS) is a Third Party Administrator (TPA) of 403(b) and 457(b) plans.
- CVSS does not sell investment product, nor are we associated with any marketing or sales group. This strategy eliminates any conflict of interest. As a result, you receive non-biased plan information.
- CVSS does not give investment or tax advice. Please consult your tax and investment professionals.
- We process all paperwork associated with the plans on behalf of BUSD.
- CVSS monitors all contribution limits to ensure Maximum Allowable Contribution compliance.
- We function as an extension of BUSD's payroll department.

What is 403(b)?

- 403(b) is a voluntary tax deferred retirement savings plan.
- Originally created to help school employees supplement their state retirement system benefits.
- State of California retirement systems (CalSTRS and CalPERS), like Social Security were never intended to be the only source of income at retirement.
- Participation is available to all employees.

What is 457(b)?

- A Section 457(b) plan is a program in which employees can defer compensation to a later date.
- 457(b) general contribution limits for 2010 are \$16,500 for the basic limit and an additional \$5,500 if over the age of 50 by 12/31/2010. You may also be entitled to increased limits in your final three years.
- Withdrawals from a 457(b) during employment and prior to age 70 ½ can only occur if the participant qualifies under the “unforeseeable emergency” rule. Circumstances are as follows:
 - a sudden and unexpected illness or accident
 - a casualty loss to the participant’s property not covered by insurance
 - imminent foreclosure of or eviction from the participants primary residence
 - medical expenses not reimbursed from other sources
 - funeral expenses for a family member or a beneficiary

Differences Between 403b and 457b

403(b)

Access to funds at 59 ½ or separation from service

Premature distribution 10% tax penalty if taken prior to age 59 ½

Financial hardship withdrawal less restrictive in 403b

457(b)

Access to funds at 70 ½ or separation from service

No premature distribution tax

Unforeseeable emergency withdrawal is more restrictive

Why All the New 403(b) Rules?

- First change to 403(b) regulations in over 40 years
- Transfers were made to non-403(b) accounts
- Life insurance was purchased within 403(b) accounts
- Investments were made in individual stocks and bonds
- Loans were being granted for excessive amounts
- Hardship withdrawals were being allowed but were not monitored
- Annual contributions made in excess of the IRS limits

New 403b Regulations - Main Points

- Information sharing must exist between the Employer and the Investment Company.
- Loans, transfers, exchanges, distributions and hardship withdrawals are now monitored for compliance (CVSS must sign off on all paperwork).
- Universal availability, all employees are eligible to participate
- Annual meaningful notification and education
- Plan document now required

Information Sharing Agreements

Companies and the employer must agree to share information regarding;

- Loans, transfers, exchanges and distributions
- The district agrees to share employment data, the company agrees to share investment data
- If the company will not sign the agreement, they are removed from the approved list
- Contributions, transfers and exchanges can no longer go to companies not on the approved list

Maximum Allowable Contribution Limits

- The IRS has defined the following 403(b) contribution limits for 2010 as follows (2011 limits announced soon):
 - The basic 403(b) Maximum Allowable Contribution (MAC) 403(b) limit is \$16,500
 - If you are age 50 or older by 12-31-2010, the limit is increased \$5,500 totaling \$22,000
- **Note:** 457(b) contribution limits are the same as 403(b).

Transfers and Exchanges

- When assets move from one 403(b) account at one company to another 403(b) account at another company, this is an “Exchange”
 - The receiving company must have signed your Employer’s Information Sharing Agreement.
- A “Transfer” occurs when a participant separates from their current employer, starts employment with a new district and wants to bring their funds from the old employer’s 403(b) plan to the new employer’s plan.

Loans

Some companies allow you to take a loan against your 403(b) account(s).

- The aggregated amount of your loan(s) cannot exceed 50% of your total 403(b) assets above \$10k.
- The maximum aggregated loan amount is \$50,000.
- If you have a defaulted on a previous 403(b) loan, and a balance remains, that loan must be repaid before a new loan application may be submitted.

Distributions

You may take money out of your 403(b) account when one of the following “qualifying events” happens

- You have reached age 59 1/2
- You have separated from service
- You have become disabled

If your age is less than 55 when you separate from service, you must pay a 10 % federal and 2 ½ % CA State tax penalty for early withdrawal (403(b) only, this does not apply for 457(b) accounts).

If your distribution is not going to a pre-tax account (such as an IRA), income tax will be assessed on the amount you withdraw in that tax year. Make sure to always consult a tax professional.

Hardship Withdrawals

Hardship withdrawals from your 403(b) may be requested for the following reasons:

- Unreimbursed medical expenses
- Down payment on your primary residence
- Tuition and fees for post secondary education for the upcoming 12 calendar months
- If you are facing eviction or foreclosure on your primary residence
- Burial expenses for an immediate family member

***Complete documentation is required for all Hardship requests**

Secure Online Access

- Employees are able to logon securely to the CVSS website to view their;
 - Maximum Allowable Contribution limits
 - Current and historical contributions
 - List of approved companies
 - Annual letter to all employees
 - Links to various informational sites and updated documents

Thank You

Be an informed consumer, do your homework!

CVSS contact information is as follows:

- Toll free phone: 877-734-6653
- Secure toll free fax: 800-853-5075
- Website: www.cvsupportservices.org
- Email: info@cvsupportservices.org
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