

A Summary of Coatesville Area School District's

2024 ~ 403(b) Tax-Sheltered Account Program

Provided by:  **Kades-Margolis**

Coatesville Area School District offers our eligible employees the opportunity to save for retirement by participating in a 403(b) Tax-Sheltered Account (TSA) Plan. All employees, except for private contractors, appointed/elected trustees and/or school board members are eligible to participate in the 403(b) Plan immediately upon employment. Please verify if your employer allows student workers to participate in the 403(b) plan. You can participate in this plan by making pre-tax contributions. The 403(b) TSA Plan is a valuable retirement savings option. This notice provides a brief explanation of the provisions, policies and rules that govern the 403(b) TSA Plan offered.

What is a 403(b) Tax-Sheltered Account?

403(b) Tax-Sheltered Account (TSA) is a section of the IRS Code that permits the establishment of 403(b) TSAs for school employees to supplement their retirement income. A 403(b) TSA allows you to voluntarily set aside money from each paycheck to be put into a tax-deferred account. It's called an "elective deferral"; you notify the payroll office that you wish ("elective") to have funds taken out of your pay ("deferral") and contributed to your 403(b) TSA. You may begin your contribution, change the amount of your contribution, or stop your contribution at any time. The funds withheld from your paycheck are then invested with a 403(b) provider that you choose from our list of approved companies. You control how your funds are invested by consulting with a representative from the investment provider you select.

How much can you contribute to your 403(b) TSA?

The maximum amount you can contribute for the current calendar year is \$23,000. Everyone can contribute up to \$23,000 or 100% of salary if you make less than \$23,000. Beginning on January 1 of the year you turn 50, you may contribute an additional \$7,500 each year. If you are able and desire to contribute more than the maximum, see if the district offers a 457(b) Deferred Compensation program. If a 457(b) Plan is available, you may be allowed to contribute similar amounts to that tax-sheltered program.

When can I get my money out of my 403(b) TSA?

In addition to loans and hardship distributions, a 403(b) plan may allow employees to take money out of the plan when they have attained age 59½ or separated from service in the year in which they turn age 55 or older. In most cases, any withdrawals made from a 403(b) account are taxable in full as ordinary income. Most withdrawals are subject to 10% additional tax if before age 59½.

Why should you participate in a 403(b) TSA program?

First: It reduces your current income taxes. It is the first tax shelter that nearly every tax professional recommends.

Second: It provides for tax-deferred growth. Instead of paying income taxes on your bank interest earnings, all your contributions, and the earnings on those contributions, are tax deferred until you take out the money. That will usually be after retirement when you will most likely be in a lower tax bracket.

Third: It supplements other retirement benefits, like your personal savings, Social Security, and the PA Public School Employees Retirement System (PSERS). Who knows if any of us will get all the Social Security we are entitled to, given the budget shortfall of Social Security and Medicare? And even though PSERS is one of the best retirement systems, you still will have to live on the amount of that check from PSERS for the rest of your life. Many of today's employees will live longer retired than they worked. It is not uncommon for people to live to their late 80s, 90s or even 100. Considering future scientific and medical advances, that PSERS check may have to last you 30 years or more. You need to supplement it with your 403(b) TSA, which should reflect any economic growth during your career and retirement years.

Who is administering the district's 403(b) TSA Program?

The district has chosen U.S. OMNI & TSACG Compliance Services, Inc. as the Third-Party Administrator (TPA) because of their experience and reliability. They employ a full-service flexible technology platform that provides secure Internet access by both employers and employees. You can get immediate answers to your questions regarding all contributions and transaction processing requests, as well as access all necessary forms on their website www.tsacg.com. (NOTE: The TPA charges no fees to employees. There may be fees associated with your investment that your investment provider and/or investment fund may charge.)

Optional Provisions Included in Coatesville Area School District's 403(b) TSA Plan

Eligibility

All employees, except for private contractors, appointed/elected trustees and/or school board members and student workers, are eligible to participate in the 403(b) Plan immediately upon employment. Employees may make voluntary elective deferrals to the 403(b) TSA Plan. Participants are always fully vested in their contributions and earnings.

Exchanges

Our 403(b) TSA Plan does permit exchanges. An "exchange" is defined by the IRS as moving your 403(b) TSA from one of our approved investment providers to another of our approved investment providers. Under IRS 403(b) TSA regulations, you may only invest your 403(b) TSA funds with the district's approved investment providers if you are employed by our district.

Transfers

Our 403(b) TSA Plan does permit transfers, both into our plan and out of our plan. A "transfer" is defined by the IRS as moving your 403(b) TSA from one employer's 403(b) TSA Plan to another employer's 403(b) TSA Plan when you change employment. If you have a 403(b) TSA with a previous employer, and that employer's 403(b) TSA Plan permits transfers out of their 403(b) TSA Plan, you may transfer the account with the previous employer to our 403(b) TSA Plan. However, you must transfer the account to one of our districts' approved investment providers. If you leave employment with our district, you may transfer your account to a subsequent employer's 403(b) TSA (if that employer's 403(b) TSA Plan allows for incoming transfers) or you may roll over your account (see below).

Rollovers

As required by IRS regulations, our 403(b) TSA Plan does permit rollovers. A "rollover" is defined by the IRS as moving your 403(b) TSA upon the occurrence of a "distributable event" (age 59 ½ or when separated from service). Once you leave employment with our district, (or upon another distributable event) you are permitted to rollover your 403(b) TSA to any other IRS permitted account, such as an IRA.

Loans

Our 403(b) TSA Plan does permit you to borrow funds from your 403(B) TSA; however, you need to check with your investment provider to determine if your investment provider permits loans. Loans are subject to IRS regulations and prior to taking a loan, participants should consult a tax advisor.

Financial Hardship Distributions

Our 403(b) TSA Plan does permit you to apply for a Hardship Distribution from your 403(B) TSA. Hardship Distributions are subject to IRS regulations and to be eligible for a hardship withdrawal according to IRS Safe Harbor regulations, you must verify and provide evidence that the distribution is being taken for specific reasons.

Roth 403(b)

Contributions made to a Roth 403(b) account are after-tax deductions from your paycheck. Income taxes are not reduced by contributions you make to your account. All qualified distributions from Roth 403(b) accounts are tax-free. Any earnings on your deposits are not taxed as long as they remain in your account for five years from the date that your first Roth contribution was made. Distributions may be taken if you are age 59 ½ (subject to plan document provisions) or at separation from service.

457(b) Deferred Compensation Plan

While not part of our district's 403(b) TSA Plan Document and program, the district does permit employees to contribute to a 457(b) Deferred Compensation Program. A 457(b) Plan is similar in operation to a 403(b) TSA in that:

- It allows for a voluntary payroll salary reduction program, i.e., an elective deferral
- All contributions are federal income tax sheltered
- FICA, state & local taxes are paid when contribution is made
- Income taxes on contributions and earnings are deferred until withdrawn

One major difference is if you separate from service with the district, you can withdraw your funds without a 10% penalty, regardless of your age. What is good about the 457(b) program is that school employees are now permitted to participate in both 403(b) TSA and 457(b) Plans: there is no longer any offset. The contribution limits are the same as the 403(b) TSA: up to 100% of salary or \$23,000 for the current calendar year, and the same catch-up contributions for aged 50+ (\$7,500 for the current calendar year). So, if you want to maximize your tax shelters, and you are under age 50, you can contribute \$23,000 to your 403(b) and \$23,000 to a 457(b), for a total tax shelter of \$46,000. If you are age 50 or above, you can tax shelter up to \$61,000. There may be a special catch-up available in your final 3 years of service with the district that you may be eligible for.

Authorized Investment Providers for This 403(b) TSA Plan

	<u>Contacts</u>	<u>Phone</u>
Corebridge Financial (prev. AIG/VALIC)		(800) 448-2542
Equitable		(800) 628-6673
Fiduciary Trust Co of New Hampshire		(877) 500-9790
Horace Mann Insurance Company		(800) 999-1030
Jackson National Life Insurance Company		(800) 644-4565
Kades-Margolis Corporation	Josh Miller	(610) 971-1080 X 196
Lincoln Investment Planning, LLC		(800) 242-1421
Metropolitan Life Insurance Company		(833) 642-1008
Security Benefit Group	Josh Miller	(610) 971-1080 X 196
Symetra Financial (existing clients only)	Josh Miller	(610) 971-1080 X 196
Vanguard Investments		(800) 569-4903
VOYA Financial		(800) 584-6001

Securities & Registered Investment Advisory Services offered through **GWN Securities, Inc.**, 11440 North Jog Road, Palm Beach Gardens, FL, 33418
1-561-472-2700

Member FINRA & SIPC, Kades-Margolis, a USRP company, is not affiliated with GWN Securities, Inc.

Salary Reduction Agreement for 403(b) and 457 Programs

ALL EMPLOYEES, WITHOUT EXCEPTION, ARE ELIGIBLE TO PARTICIPATE IN THE 403(B) & 457(B) PROGRAMS

Part 1. Employee Information:

Name: _____ SS#: _____

Address: _____

Part 2. Agreement

The above-named Employee elects to become a participant of the _____ (Employer Name) 403(b) and/or 457 Plan(s) and agrees to be bound by all the terms and conditions of the plan. By executing this agreement employee authorizes the employer to reduce his or her compensation and have that amount contributed as an elective deferral and/or as a salary reduction contribution to the Roth 403(b) option if permitted in the plan, on his or her behalf into the annuity or custodial accounts as selected by the employee. It is intended that the requirements of all applicable state or federal income tax rules and regulations (Applicable Law) will be met. The Employee understands and agrees to the following:

- 1) this Salary Reduction Agreement is legally binding and irrevocable with respect to amounts paid or available while this agreement is in effect.
- 2) this Salary Reduction Agreement may be terminated at any time for amounts not yet paid or available, and that a termination request is permanent and remains in effect until a new Salary Reduction Agreement is submitted; and
- 3) this Salary Reduction Agreement may be changed with respect to amounts not yet paid or available in accordance with the Employer's administrative procedures
- 4) the Employer will stop reductions at such time as the reduction will exceed the Employee's statutory limits under Section 402(g) or the limitation of Section 415 of the Internal Revenue Code in any given calendar year.

Employee is responsible for providing the necessary information at the time of initial enrollment and later if there are any changes in any information necessary or advisable for the employer to administer the plan. Employee is responsible for determining that the salary reduction amount does not exceed the limits set forth in applicable law and for selecting annuities or custodial accounts. Furthermore, Employee agrees to indemnify and hold Employer harmless against any and all actions, claims and demands whatsoever that may arise from the purchase of annuities or custodial accounts. Employee acknowledges that Employer has made no representation to Employee regarding the advisability, appropriateness, or tax consequences of the purchase of the annuity and/or custodial account described herein. Employee agrees Employer shall have no liability whatsoever for any and all losses suffered by Employee with regard to his/her selection of the annuity and/or custodial account. Nothing herein shall affect the terms of employment between Employer and Employee. This agreement supersedes all prior salary reduction agreements and shall automatically terminate if Employee's employment is terminated.

Employee is responsible for setting up and signing the legal documents to establish an annuity contract or custodial account. However, in certain group annuity contracts, the Employer is required to establish the contract.

Employee is responsible for naming a death beneficiary under annuity contracts or custodial accounts. Employee acknowledges that this is normally done at the time the contract or account is established and reviewed periodically.

Employee is responsible for all distributions and any other transactions with vendor. All rights under contracts or accounts are enforceable solely by Employee, Employee beneficiary or Employee's authorized representative. Employee must deal directly with the vendor to make loans, transfers, apply for hardship distributions, begin regular distributions, or any other transactions.

Part 3. Representation by Employee for Calendar Year _____:

A. Participation in other employer plans: (you must check only one)

_____ I *do not* and will not have any other elective deferrals, voluntary salary reduction contributions, or non-elective contributions with any other employer.

_____ I *do* participate in another employer's 403(b), 401(k), SIMPLE IRA/401(k), or Salary Reduction SEP. The following information pertains to all of my other employers for the current calendar year: Includible Earnings \$ _____; Elective Deferrals and/or salary reduction contributions to a Roth 403(b) or Roth 401(k) plan \$ _____; Non-elective Contributions \$ _____.

- B. I have not received a Hardship Distribution from a plan of this Employer within the last six months. I further agree to provide notification to the employer prior to initiating a request if I plan to elect a hardship distribution during the term of this agreement.
- C. Maximum Elective Deferral or Roth 401(k)/403(b)/457(b) salary reduction contribution: (you must check only one)
- _____ My elective deferral/salary reduction contribution does not exceed the Basic Limit (the lesser of my includible compensation or \$23,000).
- _____ My elective deferral exceeds the Basic Limit due to the additional Age 50 Catch-up of \$7,500.

Part 4. Voluntary Salary Reduction Information: (Check all that apply)

- Initiate new salary reduction Please complete Part 5.
- Change salary reduction This is notification to change the amount of my elective deferral to the new amount listed in Part 5.
- Change Funding Vehicle Vendor This is notification to change my Funding Vehicle – Complete Part 5.
- Discontinue salary reduction Please discontinue my elective deferral to the following Funding Vehicle:
_____.

Implementation Date (next available pay on or after): _____.

Part 5. Funding Vehicle & Amount of Pre-Tax Elective Deferrals:

	Contribution Per Pay Period (Select one) *	Funding Vehicles (Annuity Contracts or Custodial Accounts)
1.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
2.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
3.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	

Part 5a. Funding Vehicle & Amount of After-Tax Salary Reduction Contributions to the Roth 403(b):

	Amount Per Pay (Select one) *	Funding Vehicles (Annuity Contracts or Custodial Accounts)
1.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
2.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
3.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	

Part 5b. Funding Vehicle & Amount of Pre-Tax Salary Reduction Contributions to the 457(b):

	Amount Per Pay (Select one) *	Funding Vehicles (Annuity Contracts or Custodial Accounts)
1.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
2.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
3.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	

Part 5c. Funding Vehicle & Amount of After-Tax Salary Reduction Contributions to the Roth 457(b):

	Amount Per Pay (Select one) *	Funding Vehicles (Annuity Contracts or Custodial Accounts)
1.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
2.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	
3.	<input type="checkbox"/> _____% or <input type="checkbox"/> \$ _____	

* NOTE: Any employee who works variable hours or who does not have a regular bi-weekly paycheck must select “% of pay.”

Part 6. Employee Signature

I certify that I have read this complete agreement and provided the information necessary for the employer to administer the plan and that my salary reductions will not exceed the elective deferral or contribution limits as determined by Applicable Law. I understand my responsibilities as an Employee under this Program, and I request that Employer take the action specified in this agreement. I understand that all rights under the annuity or custodial account established by me under the Program are enforceable solely by my beneficiary, my authorized representative or me.

I understand that certain information about my 403(b) account is necessary to properly maintain and administer my account under the 403(b) plan. I authorize the holder of that information to make it available to the plan sponsor, the administrator of the plan and/or their representative(s) so long as the information is used exclusively for purposes of complying with legal and regulatory requirements and proper administration of the plan and my account there under.

I am aware that if I select Vanguard Funds as my investment provider, plan administration expenses will be deducted from my account on a monthly basis. This fee, \$24.00 annually, may be changed in the future subject to prior notification to me of such change.

Employee Signature: _____ Date: _____

Part 7. Representative Signature

Signature: _____ Company Name: _____ Date: _____

Part 8. Employer Signature

Employer hereby agrees to this Salary Reduction Agreement:

Employer Signature: _____ Title: _____ Date: _____
