

RETIREMENT PLANNING

Approved Vendors for 403(b) and 457(b) defined contribution plans:

01/10/2024 Annual Notice

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This notification contains important 2024 information pertaining to The Savannah/Chatham County School Systems 403(b) and 457(b) defined contributions plans.

What is a 403(b)? A 403(b) is a tax-sheltered savings plan available to employees of public educational institutions. The plan allows employees to save for their retirement with pretax dollars to a maximum contribution of \$23,000.00 per year or 100% of salary whichever is less. The plan was created to encourage long-term savings, and distributions are generally available only when you reach age 59 ½ or leave your job or upon death or disability. However, distributions can also be available in the event of financial hardship which might be subject to federal restrictions and a 10% federal tax penalty. Our plan does not allow for a hardship withdrawal.

What is a 457(b)? A 457(b) is a tax-deferred retirement savings plan made available to employees of governmental and certain non-profit organizations. Contributions to the plan are invested in mutual funds, bonds, or other investment vehicles and grow tax free until withdrawn. Contributions into a 457(b) account are limited to \$23,000.00 per year. You can withdraw the funds in your 457(b) account in the event of termination of employment, disability, death, or unforeseeable emergency. The 457(b) does not have the 10% federal tax penalty if the funds are withdrawn prior to age 59 ½. Our plan does not allow for a hardship withdrawal.

Am I eligible to participate? All employees (Temporary, Part-Time Employees < 20 hours per week and Full Time) are eligible to participate any time during employment.

How do I contribute to the 403(b) or 457(b) plans? Your contributions are made pretax, after you complete a salary reduction agreement to either initiate your contributions or change the amount. You can obtain a salary reduction agreement from any of the approved vendors listed above. While payroll procedures will govern when the salary reduction agreement first applies to your paycheck, as a general rule, you can change your contribution for any future payroll period.

Why contribute to a 403(b) or 457(b) plan? Participating in your plan can provide several benefits, including the following:

Lower taxes today

You contribute before income taxes are withheld – which means you’re currently taxed on a smaller amount. This can reduce your current income tax bill. For example, if your federal marginal income tax rate is 25% and you contribute \$100 a month to a 403(b) or 457(b) plan, you’ve reduced your federal income taxes by roughly \$25. In effect, your \$100 contribution costs you only \$75. The tax savings increase with the size of your contribution. ROTH 403(b) and ROTH 457(b) were added to our plan effective January 1, 2013.

Tax-deferred growth and compounding interest

In a 403(b) or 457(b) plan, your interest and earnings accrue tax deferred. That means interest on your interest also grows tax deferred. The compounding interest can allow your account to grow more quickly than saving in a taxable account where interest and earnings are generally taxed each year.

You take the initiative - Contributing to a 403(b) or 457(b) retirement plan can help you take control of your future. Other sources of retirement income, including state pension plans and, if applicable, Social Security, rarely replace a person’s final salary upon retirement. That’s why it’s up to you to make sure you’ll have enough money for retirement. Contributions made to the plan are invested as you direct, based upon your elections among the investments available under the plan. Loans, if available, and distributions from the plan, are subject to requirements under the plan and under the investment product that you select. For additional information about participation, investment options and more, contact the Benefits Department at 912-395-5899.