

TO: All Employees

RE: Tax Shelter Account Participation

As an employee of a public school district, you are entitled to participate in a 403(b) Tax Shelter Account. If you are interested, please contact one of the participating funds indicated below for information and an enrollment form. The amount you wish to contribute will be deducted from your payroll and forwarded to the fund of your choice.

<u>Investment Company/ Ins. Carrier</u>	<u>Phone No.</u>	<u>Contact Person</u>
Equitable	610-660-4214	Christopher Strivieri
Kades Margolis Corporation	215-779-3279	Julie Aranowitz
Lincoln Investment Planning	215-361-3769	Les Benczak
Reliastar Life Ins. Company (A Voya Co)	610-688-2374	Ted Miller
Security Benefit Group	215-779-3279	Julie Aranowitz
Vanguard Investments	800-569-4903	N/A

The District does not provide counseling or advice in the selection of a fund.

A copy of the Summary of the Upper Merion Area School District's 403(b) Tax Sheltered Annuity Account Program may be found on the District's website. www.umasd.org/Page/553

I acknowledge receipt of the Tax Shelter Account Program Summary.

Signature: _____ Date: _____

A Summary of Upper Merion Area School District's

2023 ~ 403(b) Tax-Sheltered Account Program

Prepared by:  Kades-Margolis

Upper Merion 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 and student workers, are eligible to participate in the 403(b) Plan immediately upon employment. 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 \$22,500. Everyone can contribute up to \$22,500 or 100% of salary if you make less than \$22,500. 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 reach age 59½, have a severance from employment in the year they turn 55 or after, become disabled, or die. 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 Upper Merion 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, death, disability, separation from service, etc.). Once you leave employment with our district, (or upon another distributable event) you are permitted to roll over 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)

Our 403(b) TSA Plan does permit you to contribute to a Roth 403(b). Like a Roth IRA, Roth 403(b) contributions do not tax shelter current income; they are funded with after-tax dollars. One advantage of a Roth is the earnings grow tax free; there are no taxes on withdrawals from a Roth 403(b) if all the Roth and 403(b) rules are followed. The maximum annual contribution for a Roth 403(b) is combined with the traditional 403(b) TSA; for the current calendar year, \$22,500 and \$7,500 for the age 50 catch-up. For example: if you are under 50 years of age, you could contribute \$12,500 to a traditional 403(b) TSA and up to \$10,000 to a Roth 403(b). Withdrawals of your contribution and earnings can be made tax free. (Reached age 59 ½ and Account has been held for at least five years) Contact one of the approved investment providers for more information about the Roth 403(b). Roth 403(b) contributions are subject to IRS regulations.

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 \$22,500 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 \$22,500 to your 403(b) and \$22,500 to a 457(b), for a total tax shelter of \$45,000. If you are age 50 or above, you can tax shelter up to \$60,000. 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>
EQUITABLE	Christopher Strivieri	610-660-4214
KADES-MARGOLIS CORPORATION	Julie Aranowitz	215-779-3279
LINCOLN INVESTMENT PLANNING, LLC	Les Benzak	215-361-3769
RELIASTAR LIFE INS CO (A VOYA Company)	Ted Miller	610-688-2374
SECURITY BENEFIT GROUP	Julie Aranowitz	215-779-3279
VANGUARD INVESTMENTS	N/A	800-569-4903