

# FAQ

## *403(b) Plan*

### **What is a 403(b) plan?**

A 403(b) plan is a deferred compensation program that allows employees to voluntarily set aside salary before taxes for retirement. Certain employers, including schools, are allowed to provide access to these plans as specified in Internal Revenue Code 403(b).

403(b) plans are similar to the 401(k) plans maintained by for-profit entities. Just as with those retirement saving plans, 403(b) plans allow employees to defer some of their salary for retirement purposes. The funds in these accounts are not generally taxed by the federal or state government until they are distributed.

### **Who is eligible to participate?**

All certificated and classified employees at SCOE are immediately eligible to join this deferred compensation plan. Employees may join at any time and end their participation at any time. There is no minimum hours requirement.

### **Can I set aside money in both a 403(b) plan and 457 plan?**

Yes, but you must follow the contribution limits for both plans.

### **How much money may I set aside in a 403(b) plan?**

Consult with the IRS, plan providers, or your tax adviser for details.

### **What happens to the money in the 403(b) plan?**

There are four types of investment products that may be purchased under Section 403(b) of the IRC: mutual funds, fixed annuities, variable annuities, and equity indexed annuities. Most 403(b) plans offer Tax Sheltered Annuities (TSAs). The TSA plans offered must comply with the Internal Revenue Code Section 403(b), California Revenue and Taxation Code Section 17501, and IRS regulations.

Note that SCOE may terminate the agreement under which salary contributions are made to an employee's 403(b) account in the event that the 403(b) vendor or the employee fail to comply with TSA rules, requirements, and procedures.

### **How do I know if a 403(b) plan meets SCOE's requirements?**

Approved plans are listed on this website: [www.403bcompare.com](http://www.403bcompare.com).

### **How can I get a list of 403(b) providers?**

A list of approved providers is available on the [www.403bcompare.com](http://www.403bcompare.com) website. Use the "Find My Employer" shortcut and pick Sonoma County Office of Education to see a list of providers approved to provide plans to employees.

### **If my current plan provider is not on the list, how can they get on it?**

Have your vendor go to <https://www.403bcompare.com/Vendors/Browse> to register.

### **How do I decide where to invest my money?**

SCOE provides no specific investment advice to individual employees. Subject to plan limitations and regulations, employees are responsible for determining how they wish to invest their deferred compensation.

### **How do I enroll?**

To initiate a 403(b) plan, contact an approved 403(b) provider and establish an account following their standard procedures. Once you have determined the amount you want to allocate monthly, contact SCOE's plan administrator, CalSTRS 403b Comply, to set up an automatic payroll deduction to your account. Through the CalSTRS 403b Comply website, [CalSTRS403bComply.com](http://CalSTRS403bComply.com), you can set up the payroll deduction online, or you can contact them by phone at (800) 943-9179.

### **How do I change the amount I'm putting into my 403(b) plan?**

To make changes in your payroll deduction, call CalSTRS 403b Comply at (800) 943-9179 or access your account online at [CalSTRS403bComply.com](http://CalSTRS403bComply.com).

### **Do 403(b) plans offer self-directed investments?**

Contact the individual plan providers to see if self-directed funds are offered.

### **How do I keep track of the money in my account?**

Plans send periodic statements and may have websites that offer account access.

### **How often can I change the amount or allocation of investments?**

Contact the individual plan provider for rules on how often you may change your investment amount or the allocation between funds. The amount you invest via a 403(b) plan is subject to IRS rules on maximum contribution limits. Contributions to the plan are by salary deferral only.

### **What if I have money in another 403(b) plan from a former employer?**

Check with the existing plan to see if you can leave the funds in place. If you would like to transfer the funds to a SCOE-approved plan, contact both plans directly to arrange the transfer. It is important that you check with the plan you are transferring from to make sure they receive the transfer request and execute the transfer in a timely manner.

### **When can I make a withdrawal?**

The 403(b) plan is a retirement savings plan and you generally cannot withdraw money while you are still employed. Check with your provider about the rules on fund transfers to a 457 plan or to the 403(b) or 401(k) of another employer. If you are under age 59-1/2, there may be tax penalties for early withdrawal. Consult your tax adviser for details.

## **What happens when I retire?**

You have a variety of distribution choices when you retire. You may take a distribution immediately upon separation or in any subsequent year, provided you begin distribution no later than April of the year following age 70-1/2. At your discretion, distributions can be made:

- In a lump sum,
- In a partial lump sum, with the remainder in installments,
- In installments, over a payout period you select, or
- As an annuity, payable for your life and that of your spouse.

These distribution choices and tax rules governing them are complicated. You are encouraged to talk with a tax advisor or financial planner before deciding how to take your distribution.