

# Pawtucket School Department

## 403(b) Annuity Program Guidelines

- 1) You must obtain from the Business Office, a Salary Reduction Agreement (SRA) form. Service Provider SRA's will not be accepted and will not be signed or authorized.
  - a) The form must be completed and signed by the employee, then forwarded to your Service Provider.
  - b) The Agent must complete their section of the SRA, the Maximum Contribution Limit (MAC) calculation section, and if applicable, the Catch-up Provision section.
  - c) The SRA must then be forwarded to the Business Office for review and approval, before payroll deductions for the annuity can begin.
  - d) The employee must indicate on the SRA:
    - i. the Service Provider name,
    - ii. the total annuity contract amount for the calendar (taxable) year,
    - iii. the weekly / biweekly amount to be deducted for full time employees, or
    - iv. the percentage deduction for part time employees, and
    - v. the number of pay periods per calendar year (21 / 26 / or 52 pay periods).
- 2) You are only allowed to contribute to Service Providers (annuity companies) that are on the Approved Service Provider company list. (Please ask for a copy of the list.).
  - a) **We are not accepting any new Service Providers.**
  - b) Any Service Provider that does not maintain a minimum of 10 employee accounts with the Pawtucket School Department will be removed from the Approved Service Provider List. Existing contracts with that Service Provider will remain in effect, but new accounts will not be allowed unless they comply with these requirements. Modifications to existing accounts will be allowed.
  - c) Service Providers who refuse to complete their section of the SRA, the MAC section, and/or if applicable the Catch-Up Provision section, will be removed from the Approved Service Provider list. Existing contracts with that Service Provider will remain in effect, but new accounts, or any modifications to existing accounts will not be allowed unless they comply with these requirements.
- 3) There is a minimum annual contribution of \$200.00 that must be made in order to start a 403(b).
- 4) Open Enrollment to the Plan is August 15th or December 15th. Enrollments received by August 15th will begin on the first payroll in September and be distributed in equal amounts over the remaining payrolls of the calendar (taxable) year. Enrollments made by December 15th will begin on the first payroll in January and be distributed over all of the payrolls of the calendar (taxable) year. **No other enrollments will be allowed during the calendar year.**
- 5) Requests for changes in the amount of the annuity deductions, or changes in Service Providers, must be made by August 15th or December 15th. A new SRA and MAC must be submitted each time. Changes made by August 15th will begin on the first payroll in September and be distributed in equal amounts over the remaining payrolls of the calendar (taxable) year. Changes made by December 15th will begin on the first payroll in January and be distributed over all of the payrolls of the calendar (taxable) year. **No other changes will be allowed during the calendar year except for withdrawals from the plan.**

- 6) The preceding limitations do not apply to new employees transferring into the school department who have equity in an annuity plan at their previous place of employment. In this instance, they may start a new annuity with a company from the Approved Service Provider List, as long as the prior deductions in that specific calendar (taxable) year, plus future deductions with this school department in the same calendar (taxable) year, do not exceed the IRS maximum deduction allowances.
- 7) Personnel may withdraw from the annuity program any time during the calendar (taxable) year. It shall be the responsibility of the employee to notify the Business Office, by completing a new SRA and checking off the "Discontinue Salary Reduction Agreement" box on the form. The SRA must be signed by the Insurance Agent / Broker first before being submitted to the Business Office.
- 8) Employee deductions will be made weekly / biweekly as applicable. **Payments to individual insurance companies or service providers will be made once a month.**
- 9) Employees are permitted to contribute to a maximum of two different Service Providers.
- 10) Part Time employees, Substitute Teachers, Substitute Clerks, and Substitute Teacher Assistant employee deductions must be set up as a fixed percentage of payroll, due to the fact these employees do not work every day and/or every week.
- 11) All matters of rates, returns, brokerage fees and maintenance of individual plans must be between the representatives of the various Insurance Agent / Broker and the individual employee. Investment selections are solely the responsibility of the employee. Employees will not be allowed to seek recovery against the school district for any losses, investments or otherwise, that they may sustain. The Pawtucket School Department does not make recommendations on Service Providers, investments, investment types, or provide Service Provider or agents telephone numbers.
- 12) In determining the years of service with the Pawtucket School Department there shall be included:
  - a) One year for each full year during which the employee was a full time employee, and
  - b) A fraction of a year for each full year during which such employee was a part-time employee, and
  - c) A fraction of a year for each part of a year during which such employee was a full-time or part-time employee.
  - d) In no case shall the years of service be less than one.
  - e) The years of service will be verified with the Superintendents office.
- 13) Employees that have completed fifteen (15) years of service with the City of Pawtucket only, may qualify for the IRS "15 Year Rule", which allows them to increase the maximum calendar (taxable) year deduction up to an additional \$3,000 (as adjusted by the IRS). Please consult your Agent for further details.
  - a) If you are exercising this "15 Year Rule", a new MAC must be submitted by December 15th, of each year. The MAC must include the cumulative contributions towards the "15 Year Rule" through December 31st. **Please remember if you do not submit a new (MAC) each year by December 15th, your annuity will terminate the last payroll of December.**
- 14) If you should reach age 50 by December 31<sup>st</sup> of the calendar (taxable) year you may qualify for the IRS Catch Up Provision, which allows you to increase the maximum calendar (taxable) year deduction up to an additional \$5,000 (as adjusted by the IRS). Please consult your Agent for further details.

- 15) Loans:** Prior to making any loan against a TSA plan, the employee must, in writing, notify the Pawtucket School Department and provide the following:
- a) Copies of the specimen loan application.
  - b) Amount borrowed.
  - c) Account balance in the 403(b) account at the time the loan is being initiated.
  - d) Explanation of how the payments are to be made (i.e. payroll withholding, direct payment by participant to TSA Service Provider, etc.)
  - e) Provide annually, a detailed payment history on the loan.
  - f) **Should you default on the loan, you must immediately notify the Pawtucket School Department.**
- 16) Hardship Distributions:** Before hardship distributions are made from a TSA plan, the employee must provide Pawtucket School Department with:
- a) Copies of all documents relating to the distribution,
  - b) The amount of the Hardship Distribution, and
  - c) The type of hardship distribution, and
  - d) In writing, the reason for the hardship.

### **Types of Hardship Distributions**

**Deemed Hardships** – if an employee takes a deemed hardship distribution, they are foreclosed from making any further deferrals to the TSA plan for a period of one year from the date of the distribution.

**Certified Hardships** – if an employee takes a certified hardship distribution, the employee must provide the Pawtucket School Department with information as to the reason for the hardship distribution, along with a statement that the employee does not have funds from any other source to satisfy the severe, financial hardship. This means the employee has looked to savings accounts, equity in a home and liquidation of investments before looking to the retirement plan to satisfy the financial obligation. The Employee may continue making contributions to the TSA.

Adopted by the Pawtucket School Committee on 4/9/02

## **New IRS Guidelines**

### **(Effective 11/16/04)**

- 1) **Life Insurance** – Life Insurance and similar incidental benefits will no longer be permitted in 403(b) plans. This applies to contracts issued up to 90 days from the regulation publication date of November 16, 2004. Contracts issued prior to this date will be grandfathered.