Introduction to 403(b) Tax Sheltered Annuity Plan

This brochure has been prepared by Compensation & Benefits in an effort to help you better understand IRS Code Section 403(b) and Omaha Public Schools procedures regarding it. We recommend that you review the brochure carefully if you intend to invest in a 403(b) Plan or if you are currently participating in the plan.

What is a 403(b) and the purpose of it?
The term “tax sheltered annuity” refers to a provision of the IRS Service Code 403(b) which allows public school employees to defer a portion of their salary from taxable income by investing in a 403(b) plan.

The purpose of a 403(b) plan is to establish an additional retirement plan funded by payroll deductions on a pre-tax basis. In other words, your taxable income is reduced by the portion of your salary placed into a 403(b) plan, so you pay no federal or state income tax on this amount. However, once a withdrawal is made from the 403(b) plan, either in the form of a lump-sum or monthly payment, the withdrawal amount becomes taxable income and you will be taxed at that time.

Who can enroll in a 403(b) Plan?
Any employee who is employed for 20 hours or more per week on a regular basis may participate in a 403(b) plan, as long as the employee agrees to contribute at least $10.00 per month to the plan. Maximum limits will be addressed later in the brochure.

Where can I obtain a 403(b)?
Most insurance companies, investment companies and financial advisors offer these plans.

How do I find a good representative?
The following are some questions you may want to ask the representative of the company you are considering, or the company that you currently have:
- Does the company charge a service charge?
- Is there a guaranteed interest rate the company is paying?
- What are the interest rates this plan has paid for the last 5 years?
- How often does the company send statements of the contract value to clients?
- Is there a charge for a partial withdrawal and, if so, how much is the charge?
- Can the amount of contributions be decreased or increased without an extra fee?
- Is it possible to withdraw money from one company and invest in another without having to pay taxes on the withdrawal? Does the company charge a fee for this procedure?
- Are there sales charges or “loads” on a mutual fund investment?

When can I begin contributions to a 403(b) TSA?
The School District will accept new 403(b) enrollments or changes, if currently participating, on an open enrollment basis. New enrollments or changes must be submitted to the Compensation & Benefits Office 30 days prior to your pay date. A maximum of three changes per calendar year will be permitted.

What steps need to be taken in order to start a 403(b) plan?
1. Select a company from the approved provider list or contact your financial advisor.
2. Request & complete a 403(b) application from the company you’ve selected.

The two forms necessary in order for your 403(b) request to be processed are:
- A copy of the company application
- A completed “Modification of Employment Contract”

I invested in a 403(b) Plan with a former employer, am I able to continue making contributions while employed with Omaha Public Schools?
Yes. You are able to maintain a prior 403(b) plan and continue to make contributions to the same account while employed by Omaha Public Schools, provided the choice of investment companies are on the approved provider list. Anyone wishing to maintain an existing account should contact Compensation & Benefits for specific details of the process.

Are there any restrictions to providers?
Yes. The 403(b) provider must have entered into an agreement with the School District to assume full legal responsibility for sponsorship of the 403(b) Plan and full IRS wage reporting responsibility for policy riders, waiver of premium and other coverage incidental to the primary purpose of the 403(b) plan. Be sure your agent is aware of the limitations before your contract is written.

Beyond the investment in a 403(b) plan, are there any costs to the individual?
Administrative fees and other charges against an individual plan vary by companies. Each company determines their cost differently; therefore, no information statement will apply in all cases. Nonetheless, it is an important factor you should investigate prior to choosing a company.

If an individual invests in a 403(b) plan and within a short period of time cancels the investment, it is quite likely, because of fees & company charges, the individual may not recover the original amount paid into the plan.

If I enroll in a 403(b) plan and later have financial difficulty, can I stop contributions?
You may stop your contributions at anytime, provided, you have completed a “Cessation of 403(b) Payment” form. Contact Compensation & Benefits to request the form. Complete and return the form to Compensation & Benefits at least two weeks prior to your pay date for processing.
What service does the School District provide in the 403(b) Plan?

Upon completion of the application, the School District will withhold the amount designated from each paycheck and transmit it to the investment company you’ve selected. The School District will neither accept nor perform any other administrative duties with respect to a 403(b) plan.

Does the school district evaluate each 403(b) Plan?

No. The school district does not evaluate the various 403(b) providers. Each individual must evaluate and make their own decisions as to the choice of company and other details of the 403(b) account within the selected company.

Does any company or agent have any type of sponsorship with the School District?

Most emphatically NO. The School District does not endorse any company, agency or agent; nor does any company, agency or agent represent the School District. Further, no company, agency or agent, has authority to interpret the retirement system provisions to employees on behalf of the school district.

Is there a limit on the amount I can contribute into a 403(b) Plan?

The maximum deductible contribution limit for the 403(b) plan for 2016 is $18,000. The maximum catch-up, if you meet specific requirements is $6,000. In general, employees who will be age 50 or older in a calendar year may make a catch-up contribution to a 403(b) plan. Maximum contribution limits is governed by the IRS on an annual basis. Each individual is responsible for ensuring their contributions do not exceed the maximum limits.

If I have specific questions about my 403(b), whom should I contact?

Contact your financial advisor or the investment company’s home office for assistance concerning problems or questions that arise with regards to the terms of your plan or tax provisions. However, Compensation & Benefits will assist with questions related to actual payroll deductions.

Does the School District make contributions into the 403(b) Plan?

No. All contributions to a 403(b) are made solely by the employee through payroll deductions.

Is there any relationship between the 403(b) plan and Omaha School Employees’ Retirement System?

None. Your contributions into the retirement system and 403(b) contributions are handled separately. The benefit structures of the two programs have nothing in common.

APPROVED PROVIDER LISTING

AIG American General
AIG Annuity Insurance Co
AIG Sunamerica Trust Co
Allmerica Financial
Ameriprise Financial
American Century
American Funds Service Co
Ameritas Variable Life Ins Co
Annuity Premium Reserve
AXA Equitable Life Assurance
Brighthouse Life Ins Co
Evergreen Capital Mgmt Inc
Farm Bureau Life Ins Co
Fidelity Investments
Foresters Investment Serv
Great Amer Life Ins Co
Gleaner Life Ins Co
Horace Mann Ins Co
Jackson National Life
Kansas City Life Ins Co
Knights of Columbus
LPL Financial Services
Life Ins Co of Southwest
Lincoln Benefit Life
Lincoln National Life Ins Co
Lord Abbott
Mass Mutual VA
Met Life Investors
MetLife Ins Co
Midland National Life Ins
New York Life
North Amer Co Life/ Health
Oppenheimer Fund Serv
Phoenix Variable Annuity
Primerica Shareholder Serv
Prudential Investments
Putnam Investments
Reliastar Life Ins Co
Riversource Life Ins Co
Security Benefit Life Ins Co
Thrivent - Annuities
Thrivent – Mutual Funds
TIAA-CREF
USAA Annuity & Life Ins Co
Vanguard Fiduciary Trust
VOYA Retire & Annuity Co
Waddell & Reed

403(b) Tax Deferred Savings Plan

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