

A Summary of Wallingford-Swarthmore School District's

2021 ~ 403(b) Tax Sheltered Account Program

Wallingford-Swarthmore 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 \$19,500. Everyone can contribute up to \$19,500 or 100% of salary if you make less than \$19,500. Beginning on January 1 of the year you turn 50, you may contribute an additional \$6,500, 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?

You may request a distribution when you retire, terminate your employment with the employer, or become disabled. Distributions prior to age 59 ½ may be subject to a 10% IRS tax penalty; however, if you separate service during or after the calendar year in which you turn age 55 you may withdraw your funds without incurring an IRS penalty. If you do not request a distribution, IRS regulations require that you begin distributions at age 72 or upon retirement, if later. You should check with your investment provider representative to see if you are subject to any contractual withdrawal fees from the investment program you have selected. In the event of your death, 100% of your account balance is payable to your designated beneficiary.

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. And many of today's employees will live longer retired than they worked. It is not uncommon for people to live to their late 80's, 90's 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 TSA Consulting Group, 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 Wallingford-Swarthmore 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 rollover 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 rollover 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, \$19,500 and \$6,500 for the age 50 catch-up. For example: if you are under 50 years of age, you could contribute \$10,000 to a traditional 403(b) TSA and up to \$9,500 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. And the contribution limits are the same as the 403(b) TSA: Up to 100% of salary or \$19,500 for the current calendar year, and the same catch-up contributions for aged 50+ (\$6,500 for the current calendar year). So, if you want to maximize your tax shelters, and you are under age 50, you can contribute \$19,500 to your 403(b) and \$19,500 to a 457(b), for a total tax shelter of \$39,000. If you are age 50 or above, you can tax shelter up to \$52,000. There is also a special catch-up available in your final 3 years of service with the district that you may be eligible for.

Authorized Investment Providers This 403(b) TSA Plan

Contacts

Phone

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| <p><u>Equitable Advisors</u> www.equitable.com Contact: Ernest L. Repice at 610-660-4108 1 Belmont Avenue, Bala Cynwyd, PA 19004-1797 Ernest.repice@equitable.com Contact: Matthew Johnston at 610-660-4268 1 Belmont Avenue, Bala Cynwyd, PA 19004-1797 Matthew.johnston@equitable.com Contact: Steve Melchiorre at 610-660-4292 stephen.melchiorre@equitable.com</p> | <p><u>Oppenheimer Funds</u> www.oppenheimerfunds.com Contact: Lou Capetola at 610-766-3018 Mass Mutual 2 Bala Plaza, Suite 901, Bala Cynwyd, PA 19004 Contact: Daniel J. Seal II 610-937-1957 or 215-364-7610</p> |
| <p><u>Brighthouse Life Insurance Company (formerly Met Life)</u> www.metlife.com Contact: Karen Nagle at 610-260-4025 610 Germantown Pike, Suite 210 Plymouth Meeting, PA 19462 Contact: John Presta at 484-431-7448 address same as above</p> | <p><u>Security Benefit Group</u> www.securitybenefit.com Contact: Greg Field at 610-971-1080 x 131Kades-Margolis Corporation 998 Old Eagle School Road, Suite 1220, Wayne, PA 19087 gfield@4kmc.com Contact: Dan Otto at 610-971-1080 x 130 Kades-Margolis Corporation 998 Old Eagle School Road, Suite 1220, Wayne, PA 19087 dotto@4kmc.com</p> |
| <p><u>Kades-Margolis Corporation- Money By Design</u> www.4kmc.com Contact: Greg Field at 610-971-1080 x 131 998 Old Eagle School Road, Suite 1220, Wayne, PA 19087 gfield@4kmc.com Contact: Dan Otto at 610-971-1080 x 130 998 Old Eagle School Road, Suite 1220, Wayne, PA 19087 dotto@4kmc.com</p> | <p><u>Vanguard Fiduciary Trust Company</u> www.vanguard.com Contact: 800-662-2003</p> |
| <p><u>Lincoln Investment Planning</u> www.lincolninvestment.com Contact: Stephen Bach at 610-892-1718 or www.sbach@lincolninvestment.com 309 Henry Lane, Wallingford, PA 19086</p> | <p><u>Variable Annuity Life Insurance Co. (VALIC)</u> www.aigretirement.com Contact: Dan Lex at 610-485-1105 119 Jennifer Way, Upper Chichester, PA 19061-2324</p> |
| <p><u>Massachusetts Mutual Life (existing clients only)</u> www.massmutual.com Contact: Lou Capetola at 610-766-3018 2 Bala Plaza, Suite 90, Bala Cynwyd, PA 19004</p> | <p><u>VOYA Financial</u> (formerly ING Life Ins. And Annuity Co.) Contact: Timothy Curry at 610-374-9201 P.O. Box 6383, Wyomissing, PA 19610 timothy.curry@voyafa.com Contact: Craig Kishel at 877-332-0673 830 S. Fillmore Street, Denver, CO 80209</p> |
| <p><u>National Life Group (formerly LSW)</u> www.NationalLifeGroup.com Contact: Craig Kishel at 877-332-0673 830 South Fillmore Street, Denver, CO 80209 Contact: Stephen Gephart at 610-891-9700 or 484-883-7131 gephart_stephen@nlgrouppmail.com 1400 N. Providence Road, Suite 117, Media, PA 19063</p> | <p><u>Waddell & Reed Inc.</u> www.waddell.com Contact: Kenneth Lesesne at 302-654-4298 800 Delaware Ave., Suite 810, Wilmington, DE 19801</p> |

Salary Reduction Agreement for 403(b) and 457 Programs

ALL EMPLOYEES, WITHOUT EXCEPTION, ARE ELIGIBLE TO PARTICIPATE IN THE 403(B) & 457(B) PROGRAMS

Part 1. Employee Information:

Name: _____ SS#: _____

Address: _____

Part 2. Agreement

The above named Employee elects to become a participant of the Wallingford-Swarthmore School District (Employer Name) 403(b) and/or 457 Plan(s) and agrees to be bound by all the terms and conditions of the plan. By executing this agreement employee authorizes the employer to reduce his or her compensation and have that amount contributed as an elective deferral and/or as a salary reduction contribution to the Roth 403(b) option if permitted in the plan, on his or her behalf into the annuity or custodial accounts as selected by the employee. It is intended that the requirements of all applicable state or federal income tax rules and regulations (Applicable Law) will be met. The Employee understands and agrees to the following:

- 1) this Salary Reduction Agreement is legally binding and irrevocable with respect to amounts paid or available while this agreement is in effect.
- 2) this Salary Reduction Agreement may be terminated at any time for amounts not yet paid or available, and that a termination request is permanent and remains in effect until a new Salary Reduction Agreement is submitted; and
- 3) this Salary Reduction Agreement may be changed with respect to amounts not yet paid or available in accordance with the Employer's administrative procedures
- 4) the Employer will stop reductions at such time as the reduction will exceed the Employee's statutory limits under Section 402(g) or the limitation of Section 415 of the Internal Revenue Code in any given calendar year.

Employee is responsible for providing the necessary information at the time of initial enrollment and later if there are any changes in any information necessary or advisable for the employer to administer the plan. Employee is responsible for determining that the salary reduction amount does not exceed the limits set forth in applicable law and for selecting annuities or custodial accounts. Furthermore, Employee agrees to indemnify and hold Employer harmless against any and all actions, claims and demands whatsoever that may arise from the purchase of annuities or custodial accounts. Employee acknowledges that Employer has made no representation to Employee regarding the advisability, appropriateness, or tax consequences of the purchase of the annuity and/or custodial account described herein. Employee agrees Employer shall have no liability whatsoever for any and all losses suffered by Employee with regard to his/her selection of the annuity and/or custodial account. Nothing herein shall affect the terms of employment between Employer and Employee. This agreement supersedes all prior salary reduction agreements and shall automatically terminate if Employee's employment is terminated.

Employee is responsible for setting up and signing the legal documents to establish an annuity contract or custodial account. However, in certain group annuity contracts, the Employer is required to establish the contract.

Employee is responsible for naming a death beneficiary under annuity contracts or custodial accounts. Employee acknowledges that this is normally done at the time the contract or account is established and reviewed periodically.

Employee is responsible for all distributions and any other transactions with vendor. All rights under contracts or accounts are enforceable solely by Employee, Employee beneficiary or Employee's authorized representative. Employee must deal directly with the vendor to make loans, transfers, apply for hardship distributions, begin regular distributions, or any other transactions.

Part 3. Representation by Employee for Calendar Year _____ :

A. Participation in other employer plans: (you must check only one)

_____ I **do not** and will not have any other elective deferrals, voluntary salary reduction contributions, or non-elective contributions with any other employer.

_____ I **do** participate in another employer's 403(b), 401(k), SIMPLE IRA/401(k), or Salary Reduction SEP. The following information pertains to all of my other employers for the current calendar year: Includible Earnings \$ _____; Elective Deferrals and/or salary reduction contributions to a Roth 403(b) or Roth 401(k) plan \$ _____; Non-elective Contributions \$ _____.

- B. I have not received a Hardship Distribution from a plan of this Employer within the last six months. I further agree to provide notification to the employer prior to initiating a request if I plan to elect a hardship distribution during the term of this agreement.
- C. Maximum Elective Deferral or Roth 401(k)/403(b)/457(b) salary reduction contribution: (you must check only one)
- My elective deferral/salary reduction contribution does not exceed the Basic Limit (the lesser of my includible compensation or \$19,500).
- My elective deferral exceeds the Basic Limit due to the additional Age 50 Catch-up of \$6,500.

Part 4. Voluntary Salary Reduction Information: (Check all that apply)

- Initiate new salary reduction Please complete Part 5.
- Change salary reduction This is notification to change the amount of my elective deferral to the new amount listed in Part 5.
- Change Funding Vehicle Vendor This is notification to change my Funding Vehicle – Complete Part 5.
- Discontinue salary reduction Please discontinue my elective deferral to the following Funding Vehicle:

_____.

Implementation Date (next available pay on or after): _____.

Part 5. Funding Vehicle & Amount of Pre-Tax Elective Deferrals:

| | Contribution Per Pay Period (select one) * | Funding Vehicles (Annuity Contracts or Custodial Accounts) |
|----|--|--|
| 1. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |
| 2. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |
| 3. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |

Part 5a. Funding Vehicle & Amount of After-Tax Salary Reduction Contributions to the Roth 403(b):

| | Amount Per Pay (select one) * | Funding Vehicles (Annuity Contracts or Custodial Accounts) |
|----|--|--|
| 1. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |
| 2. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |
| 3. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |

Part 5b. Funding Vehicle & Amount of Pre-Tax Salary Reduction Contributions to the 457(b):

| | Amount Per Pay (select one) * | Funding Vehicles (Annuity Contracts or Custodial Accounts) |
|----|--|--|
| 1. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |
| 2. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |
| 3. | <input type="checkbox"/> _____ % or <input type="checkbox"/> \$ _____ | |

* NOTE: Any employee who works variable hours or who does not have a regular bi-weekly paycheck must select “% of pay.”

Part 6. Employee Signature

I certify that I have read this complete agreement and provided the information necessary for the employer to administer the plan and that my salary reductions will not exceed the elective deferral or contribution limits as determined by Applicable Law. I understand my responsibilities as an Employee under this Program, and I request that Employer take the action specified in this agreement. I understand that all rights under the annuity or custodial account established by me under the Program are enforceable solely by my beneficiary, my authorized representative or me.

I understand that certain information about my 403(b) account is necessary to properly maintain and administer my account under the 403(b) plan. I authorize the holder of that information to make it available to the plan sponsor, the administrator of the plan and/or their representative(s) so long as the information is used exclusively for purposes of complying with legal and regulatory requirements and proper administration of the plan and my account there under.

I am aware that if I select Vanguard Funds as my investment provider, plan administration expenses will be deducted from my account on a monthly basis. This fee, \$24.00 annually, may be changed in the future subject to prior notification to me of such change.

Employee Signature: _____ Date: _____

Part 7. Representative Signature NOTE: 403(b) Representative’s signature ONLY required for opening a new account. For NEW Vanguard accounts, in place of Representative’s signature, please write your Vanguard account number below.

Signature: _____ Company Name: _____ Date: _____

Part 8. Employer Signature

Employer hereby agrees to this Salary Reduction Agreement:

Employer Signature: _____ Title: _____ Date: _____

Prepared by:

