

457(b) Retirement Savings Plan

The **457(b) Retirement Savings Plan** is a new voluntary savings program designed to allow employees to defer a portion of their compensation through payroll deductions. These deferrals are made on a pre-tax basis and allow employees the opportunity to save for retirement. The 457(b) Retirement Savings Plan is an attractive alternative to traditional 403(b) “tax sheltered annuity” programs.

The Retirement Savings Plan is set up under Section 457(b) of the Internal Revenue Code. The plan is offered through the ESC Region 10 457 Cooperative and Master Plan by means of an interlocal agreement with each participating District. The Plan works for the most part like a 401(k) plan.

- *Employees can enroll in the plan online or with forms without the need to meet with a sales person.*
- *Educational meetings are offered to the District by salaried representatives of the companies providing the plan services. No commissions are paid to any individuals or companies from the plan.*

As a result of changes in tax laws effective January 1, 2002, 457(b) plans now have the same features and advantages of 403(b) and 401(k) plans. However, funds paid out of a 457(b) plan are *not subject to an* early withdrawal excise tax (unlike 403(b), IRAs or 401(k) plans). Listed below are some of the additional advantages and features of our new plan:

1. **Contribution Limits:**

- Allowable contribution amount is the lesser of \$15,500 per year or 100% of compensation in 2007.
- Individuals over age 50 can contribute an additional \$5,000 in 2007.
- Additional “Catch Up” limits are available.
- Contribution limits are *independent* of other plan limits such as 403(b) contribution amounts.
(This means that you can now contribute the maximum amounts to both a 403(b) plan and a 457 plan.)

2. **Distributions:** Distributions are available upon termination of employment, death, disability, retirement or certain types of hardships. Distributions can be:

- Rolled to an IRA, 403(b) 401(k) or another 457(b) plan that accepts rollovers,
- Used to buy TRS service, or
- Taken as a cash distribution (subject to applicable federal and state income tax).

3. **Investments:** The portfolio is a fund identical to the one offered under the Teacher/Employee Retention and Recruitment Program (TERRP) managed by TCG Investment Advisory Services LP and the ESC Region 10 TERRP Trust Investment Advisory Committee (IAC). Participants will defer money into this portfolio and their investments will be managed for them. Management will include quarterly re-evaluation of the investment portfolio, periodic rebalancing of the portfolio and other professional investment management services. The plan also offers participants the option to direct the investment of their account funds among the high quality no-load and load-waived mutual funds in the portfolio. However, participants who elect to direct their investments will be responsible for all investment decisions except what funds are offered in the portfolio (this decision will remain with the IAC).

4. **Penalties:** There is no 10% excise tax on distributions – not true of 403(b), IRA or 401(k) plans. In addition, the plan being offered by the District has no surrender charges, withdrawal penalties or other restrictions/penalties. This is not true of many 403(b) programs.

5. **Loans:** Participants can obtain loans against their account balances. The interest rate charged is the current Prime Rate. Unlike annuity policy loans, all repayments and interest are credited back to the participant’s account in full.

6. **Taxation:** Distributions are taxed as income at the time the funds are received as cash. Taxation of principal and interest can be deferred until the participant reaches age 70 ½, at which time the individual must begin receiving minimum required distributions as defined by IRS regulations.

7. **Company Offering Services:** The company chosen to provide the 457 (b) Retirement Savings Plan is JEM Resource Partners, a company with many years of proven expertise in administering retirement plans to public sector employees.

8. **Protection from Liability.** Your District as a plan sponsor is a fiduciary with a 457 plan and is responsible for the types of investments offered to participants. Most 457 plans do not protect the District from fiduciary liability. The ESC Region 10 457 Cooperative and Master Plan offers fiduciary protection for the District through an Investment Advisory Agreement with TCG Investment Advisors, LP.

Administered by



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