



# Update On Your 403b Offering

Presented by:



**403b** CONSULTANTS

An Affiliate of Retirement Plan Consultants LLC



# Today's Agenda

- About 403b Consultants LLC
- History and the Future of the 403b
- Plan Documents – Retention and Review
- Contribution Monitoring
- Participant Education
- Audit Support
- Conclusion, Questions and How to Contact Us



## **About 403b Consultants**

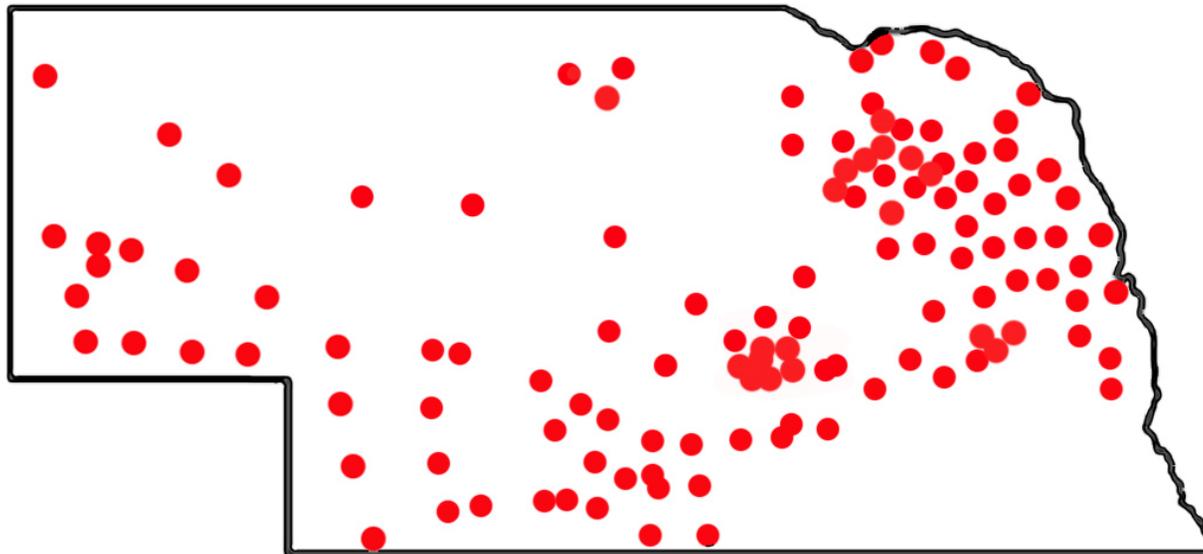


# About Us

## Who is 403b Consultants LLC?

403b Consultants LLC is an Affiliate of Retirement Plan Consultants LLC

- CPAs Serving as Your Third Party Administrator
- Leader in providing retirement plans in the public school districts in the state of Nebraska.





# History and Future of the 403b

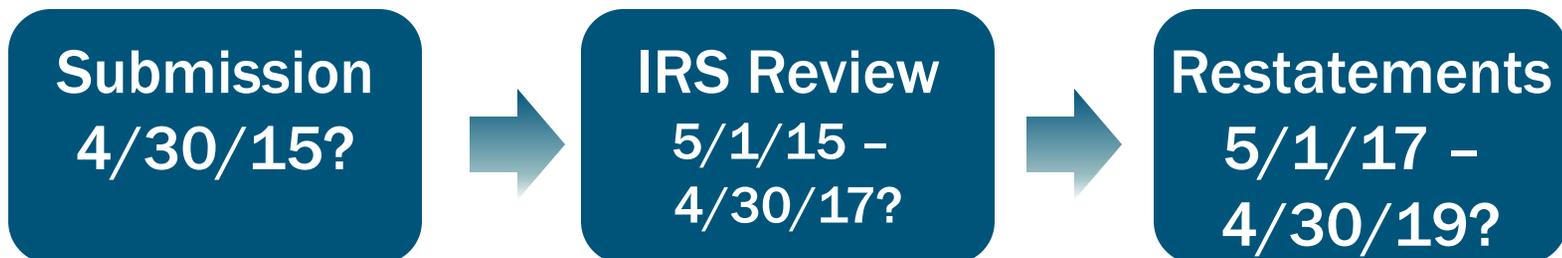


# History and Future of the 403b

403b lacking regulation and oversight for many years

Plan Documents requirements by January 1, 2009

Legislative Update and Upcoming Restatement



It is important to have a Third Party Administrator who keeps you informed of current and future legislation



# Plan Documents



# Plan Documents – Document Retention

## Record Retention

- Keep in a location so it is readily available
- Save “somewhere safe”, electronic back up
- Do you know where your Plan Documents are?

## Understanding the Provisions of the Plan

- Specific Provisions are listed in the Adoption Agreement
- Summary Plan Description intended for Participant Education

Review a Sample Document and Common Provisions...



# Plan Documents – Sample Document

Eligibility - Is your 403(b) plan available to all eligible employees?

**B. ELIGIBILITY.**

**Exclusions - Elective Deferrals**

- 1a.** For purposes of Elective Deferrals, the term "Eligible Employee" shall not include (Check items **B.1a.i - B.1a.vi** as appropriate):
- i.**  Employees whose maximum Elective Deferrals would not exceed \$200.
  - ii.**  Employees who are eligible to participate in an eligible governmental plan under section 457(b) which permits contributions or deferrals at the election of the employee.
  - iii.**  Employees who are eligible to participate in a plan of the Employer offering a qualified cash or deferred election under Code section 401(k) or a contract described in Code section 403(b).
  - iv.**  Employees who are non-resident aliens described in Code section 410(b)(3)(C).
  - v.**  Employees who are students performing services described in Code section 3121(b)(10).
  - vi.**  Employees who normally work fewer than 20 hours per week as defined in Treas. Reg. section 1.403(b)-5(b)(4)(iii)(B).



# Plan Documents – Sample Document

## Does your plan allow Roth and Non-Elective Contributions?

### Plan Features

10a. Elective Deferrals. Elective Deferrals are permitted (Section 4.01).

10b. Roth Elective Deferrals. Roth Elective Deferrals are permitted:

Yes  No

10c. If A.10b is "Yes", enter the effective date for Roth Elective Deferrals: July 1, 2010.

**NOTE:** The effective date may not be earlier than January 1, 2006.

11. Voluntary Contributions. Voluntary (after-tax) Contributions are permitted (Section 4.01) (If "No", questions regarding Voluntary Contributions are disregarded.):

i.  Yes

ii.  No

iii.  Formerly Allowed

12. Matching Contributions. Matching Contributions are permitted (Section 4.02) (If "No", questions regarding Matching Contributions are disregarded.):

Yes  No

13. Non-Elective Contributions. Non-Elective Contributions are permitted. (Section 4.03) (If "No", questions regarding Non-Elective Contributions are disregarded.):

Yes  No



# Plan Documents – Sample Document

## When may Participants modify/start/stop elections regarding Elective Deferrals?

### Elective Deferrals - Voluntary Contributions

**NOTE:** An Eligible Employee shall be eligible to make Elective Deferrals to the Plan. If A.11 is "Yes" (Voluntary Contributions are permitted), an Eligible Employee who has met the requirements of B.10 through B.13 shall also be eligible to make Voluntary Contributions to the Plan. Such contributions are subject to the following (Section 4.01):

10. Maximum contribution: 90% of Compensation (Not more than 100%. If left blank, the maximum will be 100%)
- 11a. When may Participants modify/start/stop elections regarding Elective Deferrals/Voluntary Contributions?
- i.  Each pay period
  - ii.  Monthly
  - iii.  Quarterly
  - iv.  Semi Annual
  - v.  Annual
  - vi.  Pursuant to Plan Administrator procedures (At least once each calendar year)
- 11b. May Participants stop election to contribute at any time?  
 Yes  No



# Plan Documents – Sample Document

## Early Retirement Program

Elective Contributions as Elective Deferrals.

**NOTE:** If C.35a.vi or C.35a.vii is selected, see Section 4.03(b) for 'failsafe' rules regarding the gateway test if the Plan is subject to the nondiscrimination rules (the Plan is not a FICA Church and not a Governmental Plan).

viii.  **Other.** As follows: **Determined by Employee Negotiated Agreement between the School Board and the respective class of Employees.**

**NOTE:** Options C.35a.v-viii are not safe harbor formulas within the meaning of Treas. Reg. 1.401(a)(4)-2(b)(2) if the Plan is subject to the nondiscrimination rules (the Plan is not a FICA Church and not a Governmental Plan).

35b. Non-Elective Contributions are allocated to Participant Accounts at the following time(s):

- i.  End of Plan Year
- ii.  Semi-annually
- iii.  Quarterly
- iv.  Each calendar month
- v.  Each pay period

**NOTE:** Any service requirements specified in C.30 through C.33 shall be applied pro rata to the period selected in this C.35b. Any last day rule specified in C.30 through C.33 shall be applied as of the end of each period selected in this C.35b.



# Plan Documents – Sample Document

## Non-Elective – Former Participants

### Non-Elective - Former Participants

- 40a. Allocate Non-Elective Contributions to former Participants (Section 4.03(e)):  
 Yes  No
- 40b. If C.40a is "Yes", select the date allocations end as the last day of the tax year following the tax year in which in date of Termination occurs:
- i.  first tax year
  - ii.  second tax year
  - iii.  third tax year
  - iv.  fourth tax year
  - v.  fifth tax year
- 40c. If C.40a is "Yes", the election shall apply with respect to terminations on or after the date established in the Board Policy for the Early Retirement Incentive Program.
- 41a. Eligibility requirements for a former Participant to receive an allocation of Non-Elective Contributions:
- i.  Age
  - ii.  Service
  - iii.  Age and Service
  - iv.  Other
- 41b. If C.41a.i or C.41a.iii is selected enter the age component required: \_\_\_\_\_.
- 41c. If C.41a.ii or C.41a.iii is selected enter the service required: \_\_\_\_\_.
- 41d. If C.41a.iv is selected ("Other"), describe the eligibility requirements for a former Participant to receive an allocation of Non-Elective Contributions: as provided in the Board Policy for the Early Retirement Incentive Program.
- 42a. Indicate whether any modifications shall be made to the requirements specified in C.41:  
 Yes  No
- 42b. If C.42a is "Yes", indicate the modifications to be made to the requirements specified in C.41: \_\_\_\_\_.



# Plan Documents – Sample Document

## Distributions

### E. **DISTRIBUTIONS**

#### **Normal Retirement**

1a. Normal Retirement Age means:

- i.  Attainment of the age specified in **E.1b**.
- ii.  Later of attainment of the age specified in **E.1b** and the anniversary of Plan participation specified in **E.1c**.
- iii.  Other (as specified in **E.1d**)

**NOTE:** If the Adoption Agreement provides that the Plan is subject to ERISA **E.1a** may not be "Other".

1b. **Age component of Normal Retirement Age (not to exceed 65 if the Adoption Agreement provides that the Plan is subject to ERISA): 59.5**

**NOTE:** If **E.1b** is less than age 59-1/2, Elective Deferrals, Qualified Nonelective Contributions, Custodial Accounts (to the extent not attributable to Rollover Contributions) and the portion of any Account that has been used to satisfy the safe harbor requirements of Code sections 401(m)(11) and (12) shall not be eligible for withdrawal until the Participant attains age 59-1/2.

1c. If **E.1a.ii** is selected, anniversary of participation for Normal Retirement Age: \_\_\_\_\_. (Not more than five if the Adoption Agreement provides that the Plan is subject to ERISA.)

1d. If **E.1a** is "Other", Normal Retirement Age means: \_\_\_\_\_.

2. If the Adoption Agreement provides that the Plan is not subject to ERISA, will a Participant become fully (100%) vested upon his attainment of Normal Retirement Age while an Employee? (Section 6.02)

Yes  No

**NOTE:** the Adoption Agreement provides that the Plan is subject to ERISA a Participant shall become fully (100%) vested upon his attainment of Normal Retirement Age while an Employee.

3. **Allow in-service distributions after attainment of Normal Retirement Age (Section 7.01(b)):**

Yes  No



# Plan Documents – Sample Document

## Are hardships allowed?

### Hardship

10. Hardship withdrawals are allowed from the portion of a Participant's Accounts described in **F.1** as follows (Section 8.01) (If "None", questions regarding Hardship withdrawals are disregarded. Skip to **F.20**):
- i.  **All Accounts.** A Participant may receive a distribution on account of hardship, except from: (a) his Qualified Nonelective Contribution Account, (b) his Matching Contribution Account to the extent such account has been used to satisfy the safe harbor requirements of Code section 401(m)(11) or 401(m)(12), (c) earnings on his Elective Deferral Account credited after the later of December 31, 1988, and the end of the last Plan Year ending before July 1, 1989, and (d) his Employer contribution accounts to the extent such accounts have been invested in a Custodial Account.
  - ii.  Selected Accounts
  - iii.  None
11. The criteria used in determining whether a Participant is entitled to receive a Hardship withdrawal:
- i.  Safe Harbor criteria set forth in Section 8.01(b)
  - ii.  Non Safe Harbor criteria set forth in Section 8.01(c)
12. If **F.10.ii** (Selected Accounts) is selected, hardship withdrawals may be made from the following Accounts:
- a.  Elective Deferral Account (excluding earnings on his Elective Deferral Account credited after the later of December 31, 1988, and the end of the last Plan Year ending before July 1, 1989).
  - b.  Matching Contribution Account (except that portion that: (i) has been invested in a Custodial Account, or (ii) has been used to satisfy the safe harbor requirements of Code section 401(m)(11) or 401(m)(12))



# Plan Documents - Hardship

## What is considered a Hardship?

- Un-reimbursed medical expenses of the participant or his/her spouse and dependents
- Down payment on primary residence
- Tuition and fees for family higher education needs, and only for the next 12 months
- Eviction or foreclosure on your primary residence
- Funeral expenses for you or an immediate family member
- Expenses for the repair of damage to your principal residence that would qualify for the casualty deduction



# Plan Documents – Sample Document

Does your plan allow loans for participants?

## Loans

30. Loans are permitted (Section 8.06) (If "No", questions regarding loans are disregarded. Skip to G):  
 Yes  No
31. Require showing of financial hardship or unusual or special situation to receive loan:  
 Yes  No
32. Permit loans in excess of 1/2 of account balance up to \$10,000 with adequate security:  
 Yes  No
33. Allow extended loan amortization for purchase of principal residence:  
 Yes  No



# Planning consideration

## “Elective” contributions from the school

If the school provides contributions to give the employee a choice between Health or 403b...

Technically you have a Flexible Spending Plan (a.k.a. 125 plan or cafeteria plan) allows choice between

- Medical insurance,
- Medical expenses or
- Daycare
- Cash

Step 2 is if they elect cash they can defer to a 403b

- Biggest mistake made—Need to have this subject to FICA (social security/medicare tax).



# Contribution Monitoring



# Contribution Monitoring

Setup in your Payroll Software to assist tracking

## 2014 Contribution Limits

Maximum Elective Deferral	\$17,500
Possible Additional Catch-Up Contribution (for 50 years and older)	\$ 5,500



# Participant Education



# Participant Education - New Employees

## All Employees Should Receive

1. Enrollment Form
  - Retain a copy to setup in payroll
  - Send a copy (electronic, fax or mail) to Recordkeeper
2. Summary Plan Description

## Obtain an Enrollment Form from All Employees

- Even when they do not want to participate as proof that you offered the plan



# Participant Education – Sample Form

## Step 1 - 403(b) ENROLLMENT FORM

Please return this form to your Human Resources office after completing.

### PARTICIPANT INFORMATION

School Name: \_\_\_\_\_ Hire Date: \_\_\_\_\_  
First Name: \_\_\_\_\_ MI: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Cell Number: \_\_\_\_\_ Home Number: \_\_\_\_\_  
Social Security #: □□□-□□-□□□□ Marital Status:  Single  Married  
Email: \_\_\_\_\_ Birth Date: \_\_\_\_\_

### ENROLLMENT ELECTION

- Regular 403(b) Contributions (pre-tax):** I elect to participate in the Plan and authorize a deduction from my paycheck in the amount of \$ \_\_\_\_\_ or \_\_\_\_\_% of my salary per pay period.
- Roth 403(b) Contributions (after tax):** I elect to participate in the Plan and authorize a

**I do not wish to participate at this time: Completion**

I agree that my pay will be reduced in the manner I have indicated above and Plan. This Elective Deferral Agreement will continue to be in effect while I am acknowledge that I have read this entire agreement, understand it, and agree

outside vendor; fees can be collected during that process. Fees are calculated and collected quarterly in advance.

I authorize 403b Consultants LLC, ASPIre and their agents to act on any instructions believed to be genuine for any service authorized on this form, including telephone/computer services. The parties will use reasonable procedures to verify the identity of the account holder and the person(s) granted trading privileges, if applicable when servicing an account by telephone. I understand that it is their policy to accept transaction instructions from and provide account information to the registered account owner(s) only, unless the account owner(s) has provided written authorization to the parties to grant trading privileges to another person. I further understand that it is my responsibility to monitor the activity in my account and not to provide account information, including my online user name and password to anyone, 403b Consultants LLC, ASPIre and their agents are not liable for any losses that may occur from acting on unauthorized instructions.

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 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. 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 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 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 403b Consultants LLC. All rights under contracts or accounts are enforceable solely by Employee, Employee beneficiary, or Employee's authorized representative. Employee must deal directly with 403b Consultants LLC to make loans, transfers, apply for hardship distributions, or any other transaction.

SIGN  
HERE

Participant Signature: \_\_\_\_\_ Date: \_\_\_\_\_



# Audit Support



# Audit Support

Third Party Administrator should be readily available to assist with a 403b audit

## Key Items in an Audit

- Written Plan Document
  - And make sure it matches what you are doing
- Plan Eligibility and Offered to Employees
- Participant Education
- Contribution Monitoring and Processing



## **Conclusion, Questions and How to Contact Us**



## Conclusion

Retain Plan Documents in an easy to access area

- Make sure you are doing what your document says

### Universal Availability

- Notice to All Employees
- Consider using Intranet, new employee and annual employee orientation material
- Employee education meetings

If you don't understand your plan,  
ask your provider to explain it.



# Conclusion

## Any Questions?



## How to Contact Us

Website [www.403bplan.net](http://www.403bplan.net)

Call us: 1-877-800-1114

Email: [admin@retirementplanconsultants.net](mailto:admin@retirementplanconsultants.net)