

Southington Public Schools 403(b) Plan

The Southington Board of Education is pleased to offer its employees an opportunity to participate in its 403(b) plan. Plan participation is on a voluntary basis.

A 403(b) plan is designed to help you save for your retirement. The amounts you contribute to the 403(b) plan are not subject to current Federal and in most cases, State income taxation. Taxes on the amounts you contribute are deferred until these amounts are distributed. Investment earnings also accumulate with Federal and State income taxes deferred until they are distributed. All distributions of income are subject to ordinary income tax and withdrawals of amounts attributable to salary deferrals before age 59 ½ are generally prohibited unless you have terminated employment and where allowed may, together with other withdrawals, be subject to an additional 10 percent penalty tax.

ELIGIBILITY

In general, all employees must be provided the opportunity to defer a portion of their compensation pursuant to a salary reduction agreement. This is commonly referred to as the “universal availability” requirement. This universal availability rule means that if an employer permits one employee to defer salary into a 403(b) plan, the employer must extend this offer to all employees.

CONTRIBUTION LIMITS

Federal tax law sets an annual limit on the maximum you may contribute to your 403(b) retirement savings plan. You may change the amount of your contribution within tax law and program limitations.

<u>Tax Year</u>	<u>2010</u>
Basic Salary Deferral Limit for Employees Under Age 50	\$16,500
Max. Limit If You Qualify For the Full Annual 403(b) Lifetime Catch-Up Amt	\$19,500
Max. Limit For the Age 50+ Catch-Up BUT NOT the 403(b) Lifetime Catch-Up	\$22,000
Max. Limit If Both the Age 50+ Catch-Up & 403(b) Lifetime Catch-Up	\$25,000

Additional catch-up contributions under the 403(b) plan may be available for employees who have completed at least 15 years of service with certain eligible employers. The lifetime limit per employee is \$15,000 and the amount that can be claimed in any year may not exceed \$3,000 and further depends on the years of service and the amount of contributions in prior years. See your 403(b) provider for details.

Participants age 50+ can contribute up to an additional \$5,500 in 403(b) contributions.

DISTRIBUTIONS

A 403(b) plan is designed as a source of retirement income so there are restrictions on withdrawing funds and any earnings before you reach age 59 ½ .

A distribution may be taken from the program before age 59 ½ for the following reasons:

- Severance from employment
- Financial hardship
- Disability
- Death
- The amount distributed as a “qualified reservist” distribution

LOANS

You may be able to take out a loan from your 403(b) plan. Loans are not subject to any tax or penalty. In many cases you may borrow up to one-half of your nonforfeitable account balance, as long as your new loan doesn't exceed \$50,000 (reduced by your highest outstanding loan balance within 12 months of taking the new loan).

Loans must of course, be repaid within the limitations specified by federal tax law. Principal and interest payments must be made on a substantially level basis at least quarterly, and the term of the loan generally cannot exceed 5 years. Any loan not repaid within the specified timeframe will be considered in default. Defaulted loans are treated as a distribution from the 403(b), and may be subject to ordinary income taxes and a 10% Federal penalty tax if prior to age 59 ½ .

INSERVICE CONTRACT EXCHANGES

Employees may exchange all or a portion of their 403(b) contract value by transferring it to another 403(b) contract approved under the 403(b) plan. Exchanges may be subject to the issuing company's withdrawal or contingent deferred sales charge.

The exchange of 403(b) contract value to vendors not available under the plan may NOT be permitted.

403(b) APPROVED PROVIDERS

AIG (VALIC)

American Funds*

Ameriprise Financial

AXA/Equitable

CitiStreet

Fidelity*

First Investors

Franklin Templeton

ING

Lincoln Investments

MetLife

Phoenix**

Vanguard*

Waddell & Reed

(* Loans and Financial Hardships are not available with these investment providers)

(** Not accepting new participants as of 1/1/2010, and loans/financial hardships not available)

If you have any questions, please contact the Payroll Office at 860-628-3200 ex.236.