

## SOUTHINGTON PUBLIC SCHOOLS TAX SHELTERED ANNUITY INFORMATION

### What is a tax sheltered (deferred) annuity program?

A TSA (TDA) program, as defined in Section 403(b) of the Internal Revenue Code, permits employees of public schools to accumulate additional retirement dollars on a tax-favored basis by setting dollars aside today out of their current earnings. Money deducted from an employees pay and deposited in a TSA program is not included in reportable income, which leads to a reduction of the employee's current taxable income. Taxes are paid on the contribution when they are withdrawn as retirement income or in a lump sum. Ideally, withdrawal occurs after retirement (typically age 65) when the annuitant is in a lower tax bracket and entitled, under current tax laws, to double a personal exemption.

### Which companies are available to set up a TSA account?

Listings of the current authorized companies are listed on the attached page. The Southington Board of Education does not endorse or arrange TSA programs for employees; it simply makes the necessary payroll deductions and deposits as arranged and requested by the employee. The employee must submit a signed Southington Public Schools Salary Reduction Agreement before any deductions can be made. The deductions are made from 20 pay periods annually.

### Who is eligible?

All employees of Southington Public Schools and Southington School Lunch Program are eligible to participate in the TSA program.

### How much can be contributed?

Contributions are generally limited to up to 20% of salary, not to exceed \$17,500.00 annually for 2013. There are certain situations which allow for "catch-up provisions". You should consult your tax advisor for these limits and regulations.

### When can a TSA be set up?

At any time during the year, effective with the first payday of a given month. The salary reduction agreement must be entered into before the reduced amounts are earned.

### What may the funds be invested in?

1. Annuities (Fixed or variable and individual or group)
2. Retirement income or endowment insurance policies
3. Custodial accounts invested in mutual funds
4. Combination of whole life insurance and annuities

### Who is the custodian of the assets?

Annuities and insurance are with an insurance company. Mutual funds are placed with a corporate trustee.

### What are the penalties for early withdrawal?

There are no penalties before age 59 ½ if withdrawals are made due to:

1. Death
2. Disability
3. Early retirement at age 55
4. Separation from service and election of life annuity or joint-survivor annuity option or if necessary to meet deductible medical expenses.

In other cases, (e.g. financial hardship) a 10% penalty will be assessed for withdrawals prior to age 59 ½.

### When is a distribution required?

Generally the funds are withdrawn at retirement. In order to avoid penalties, withdrawals must begin by April 1 of the year following the calendar year during which the taxpayer became 70 ½ and, at a minimum, must be taken out over the life expectancy of the taxpayer and, if desired, his or her spouse.

For further information, contact Susan Euley at 860-628-3200 x236.

**SOUTHINGTON BOARD OF EDUCATION TAX SHELTER COMPANIES**

**403B COMPANIES**

AMERICAN FUNDS\*

AMERIPRISE FINANCIAL

AXA/EQUITABLE

CITISTREET

FIDELITY INVESTMENTS\*

FIRST INVESTORS CORPORATION

FRANKLIN TEMPLETON

LINCOLN INVESTMENTS

METLIFE

VANGUARD

VOYA FINANCIAL (FORMERLY ING)

WADDELL AND REED

**457 DEFERRED COMPENSTION PLAN**

VOYA FINANCIAL (CASBO)

FOR QUESTIONS, CONTACT SUE EULEY AT 628-3200 X236.

\*No loans or financial hardships

UPDATED 1/23/2015

# SALARY REDUCTION AGREEMENT FOR 403B PROGRAMS

SOUTHINGTON PUBLIC SCHOOLS  
200 NORTH MAIN STREET SOUTHINGTON, CT 06489

## IMPORTANT NOTICE

**YOU ARE RESPONSIBLE FOR CONTACTING YOUR ANNUITY COMPANY AND AGENT**

Before you sign: Each employee who initiates or changes contributions to 403(b) program will, at such time, provide the Employer with a copy of his/her maximum exclusion allowance (MEA) as calculated by the Employee's chosen annuity or custodial account provider or any other party acceptable to the Employer. For each employee contributing \$17,500.00 or more, utilizing "catch-up provisions" or the "special elections" allowed by the Internal Revenue Code, an MEA calculation will be required annually.

### Part 1. Employee Information

Name \_\_\_\_\_

Address \_\_\_\_\_

Social Security # \_\_\_\_\_ Date of Birth \_\_\_\_\_

### Part 2. Contribution Information (select all that apply) Effective Date \_\_\_\_\_

\_\_\_\_\_ Initiate new salary reduction. Please deduct the amount of \$ \_\_\_\_\_ per pay.

\_\_\_\_\_ Change salary reduction This is notification to change the amount of my salary reduction from  
\$ \_\_\_\_\_ To \$ \_\_\_\_\_.

\_\_\_\_\_ Discontinue salary reduction Discontinue my salary reduction with the Service Provider:  
\_\_\_\_\_.

\_\_\_\_\_ Employee is utilizing catch up Provisions/Special elections.

### Part 3. Service Provider

Service Provider \_\_\_\_\_

Employee Account Number \_\_\_\_\_

## ACCOUNT NUMBER IS MANDATORY FOR ALL NEW SALARY REDUCTION AGREEMENTS

### Part 4. Agreement

The above named Employee agrees to modify his/her salary as indicated above. Employer agrees to contribute this amount on Employee's behalf into the annuity or custodial accounts selected by Employee. It is intended that the requirements of all applicable state and 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.
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.

\_\_\_\_\_  
EMPLOYEE SIGNATURE

\_\_\_\_\_  
DATE

Revised 1/13

RETURN COMPLETED FORM TO SUSAN EULEY, PAYROLL OFFICE FOR PROCESSING