

## Frequently Asked Questions

**1. What is a Tax Sheltered Annuity Plan?**

*A Tax Sheltered Annuity Plan (TSA) also referred to, as a “403(b) plan” is a retirement plan that allows a tax-deferred employee payroll deduction. It is specifically designed for public educational institutions and certain non-profit organizations. The deduction from a paycheck reduces federal and state taxes, therefore, reducing taxable gross income. These employee contributions are referred to as “elective deferrals”.*

*A Tax Sheltered Annuity Plan is an employer sponsored plan. Payments for a TSA deduction qualify as tax deferred because they are employer payments to a qualified plan. Accordingly, the employer must insure that all IRS requirements are met and employee complies with the tax law.*

*Contributions made to a Tax Sheltered Annuity plan can be put into either an annuity account or a custodial account. These contributions cannot be directed towards a Life Insurance policy.*

**2. What will happen to my current 403(b) contribution to a vendor who is not on the list?**

*Beginning with January 2009 paychecks, the Payroll Office will automatically stop all payroll deductions to unapproved vendors.*

**3. Does my vendor know that Santa Rosa Junior College will not be doing business with them?**

*Yes-all unapproved vendors have been notified that their failure to sign our Information Sharing Agreement has resulted in their removal from our approved vendor list.*

**4. What is the difference between an “exchange” and a “transfer”?**

*An “exchange” is the movement of 403(b) money from one vendor to another 403(b) vendor within the same plan (employer). A “transfer” is the movement of one 403(b) account to another employer provided plan. Both employer plans must allow “transfers”.*

**5. What if I have exchanged or transferred funds after September 24, 2007 to a vendor not on our current approved list?**

*You have the option of re-exchanging these funds to one of our approved vendors prior to June 30, 2009. Otherwise, if the vendor does not have an Information Sharing Agreement with the District, the entire amount exchanged will be considered a taxable event and could result in a significant tax liability.*

**6. What will happen to my funds that are currently with an unapproved vendor?**

*You have the option to move the money to an approved vendor or leave it in the unapproved vendor fund until you reach the minimum distribution age of 59 ½. Upon termination of employment with Santa Rosa Junior College, these funds can be transferred to another qualified plan. **Note: If these funds are moved to another unapproved vendor, the entire distribution could be taxable to you.***

**7. Are loans allowed under the 403(b) plan?**

*Yes-loans are allowed to the extent that they are available through the vendor. Employees will need to complete the required loan documents provided by the vendor and the District.*

**8. Are Hardship withdrawals allowed under the 403(b) plan?**

*Hardship Withdrawals are allowed to the extent that they are available through the vendor. Employees will need to meet the criteria set by the IRS to qualify for a Hardship Withdrawal and complete the required documents provided by the District and the vendor. **Note: Hardship withdrawals from the Adjunct Faculty Alternative Retirement plan with Fidelity are not allowed by law as they are not “elective deferrals”.***

**9. Does the District have other types of Tax Deferred Retirement plans?**

*Yes-the District offers the CalPERS 457 plan. It is available to all our employees with the exception of student employees.*

**10. Can Life Insurance be provided in a 403(b) plan?**

*No-Life Insurance is no longer permitted in 403(b) plans. Final Regulations include a transition rule for policies issued before 02-14-05.*