Mounds View
PUBLIC SCHOOLS

MEMO

TO: Mounds View Employees
FROM: Carole Nielsen
DATE: May 5, 2008
RE : IRS regulation update regarding employee 403(b) retirement accounts

In July 2007, the IRS made significant changes to the rules regarding 403(b) retirement accounts. To date, individuals have basically been in the driver's seat. You have been able to manage your own plan, and deal directly with your investment provider.

Under the new rules, Mounds View Public Schools will be required to increase the oversight as sponsors of our plans, be more involved in the investment options and meet the obligations for compliance with the new IRS regulations.

As a result, our 403(b) program will have a more defined menu of investment choices, transfers/exchanges will be handled differently, and we will be considering a vendor to administer these plans to ensure compliance within IRS regulations.

The new regulations are effective starting in January 2009, but because our school district operates on a fiscal year, July 1, 2008 is a more natural time-line for employees who will be making changes for the next school year (2008-2009). This is especially important for employees who have a matching benefit increase taking place for next school year (teachers) or for employees who may become eligible for this benefit next school year (refer to your employee contract for details). The following information is provided:

<u>Employees currently contributing to a 403(b) account</u>

- ☆ You will need to complete a new Mounds View salary reduction form and return it to payroll by June 15, 2008 (a copy is attached or can be found on StaffNet)
- The options for investment companies will be limited to the vendors on the approved list dated July 1, 2008 (vendor list is attached or can be found on Staff Net)
- Questions can be addressed by reviewing the 403(b) Q&A or calling your appropriate payroll contact. (Q&A and phone numbers are attached)

<u>Employees not currently contributing to a 403(b) account</u>

- Nothing needs to be done**,** but you are encouraged to learn more about saving for your retirement
- All District employees have two supplemental retirement plans available to them
- Steps to get started are covered in a memo from Human Resources (currently available on StaffNet)

Mounds View Public Schools
403(b) Q&A
(Effective 7/1/2008)

1) **Why did the IRS make changes to the 403(b) regulations?** The IRS wanted to make the rules governing 403(b) similar to other employer based retirement plans such as the 401(k). And, they wanted the compliance responsibilities clearly identified between the employer and the vendor.
2) **Why is my current vendor not on the list?** The new rules will naturally constrict the vendor market to some degree because some vendors will choose not to continue to service these types of accounts. In addition, the District would not be able to manage the new compliance requirements with 40 separate vendors without incurring a substantial cost increase.
3) **How can I get my vendor added to the list?** The District does not plan to increase the vendor options. The current vendors were included because each of them currently has a large number of employees participating and each of them has made available information regarding their transition to the new regulations.
4) **Do I have to complete a new salary reduction form even though I have no change in vendor?** Yes, all employees have to submit a new Mounds View form by June 15, 2008. The current salary reduction form we have on file for each employee is not compliant with the new regulations.
5) **Can I transfer my current accounts to a vendor on the approved list?** Yes, we have lifted the freeze on transfers; each of these vendors has an information-sharing agreement with the District and is able to accept transfers. If you chose to transfer your funds, please be sure to ask if you will incur any withdrawal penalties or fees. Many annuity accounts have declining withdrawal fees.
6) **Can I transfer my current accounts to a vendor that is not on the approved list?** No, under the new regulations vendors are required to verify that the District has an information sharing agreement with the vendor.
7) **Do I have to transfer my current accounts to a vendor on the approved list?** No, you do not have to transfer those funds. But, if your current accounts are not with an authorized vendor you will not be able to continue contributing any additional funds after your last paycheck in school year 2007-2008.
8) **What happens if I do not complete a new salary reduction form?** Your employee and employer (if applicable) contributions will be stopped after your last paycheck in school year 2007-2008.
9) **How often can I make changes to my 403(b) salary reduction agreement?** Changes can be made any time during the school year. The changes must be communicated in writing to payroll with a new salary reduction form and received no later than seven (7) days before the payroll date you wish the change to take effect.
10) **When bargaining contract language makes changes to the 403(b) matching amount or an employee becomes eligible for this benefit, will this be updated automatically in payroll?** No, employees must provide written authorization to payroll by completing a new salary reduction form before the school year begins in order to be eligible for the full amount. Employees can submit a salary reduction form after the fiscal year has begun, but the benefit will be pro-rated.

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11) **Do I need to complete any additional forms if a new 403(b) account is started?** Yes, a specific vendor application form will be need to be completed and sent to the vendor in order to provide the vendor on additional information such as beneficiaries and investment fund selection. Your deposits will be delayed if this is not completed before the first contribution is sent to the vendor.
12) **What do I have to do if I participate in the MN Deferred Comp (457) plan?** Employees participating in this supplemental retirement plan are not impacted by these regulation changes.
13) **Can an employee participate in the 403(b) plan even though you may not have matching benefits?** Yes, all employees can participate in either the 403(b) or the 457 supplemental retirement plans with employee deductions only.
14) **How can I locate my current vendor and contribution amount?** This information can be found in the details of your pay check history, which is available through Employee Access. A quick link is available in Mounds View StaffNet under Human Resources and Benefits. Looking at your most recent paycheck, locate the description under deductions that begins with TSA – Vendor XYZ.
15) **What if the vendor name on my paycheck detail does not agree with the vendor name printed on the statements I receive at home?** Over the past several years many vendors have merged or combined. The vendor name on payroll represents the instructions from you on your last salary reduction agreement form. Completing a new salary reduction form will provide us with the proper documentation and update your payroll details.
16) **Do I have to work specifically with the named representatives?** The identified names are only provided to help new employees who need a place to start. Employees are able to work with any advisor that works best for their situation, as long as the investment company is on the provided vendor list. For example, there are independent financial advisors who work with many companies on our list and are not exclusive to one company.
17) **Whom should I contact if I have questions?**
    - Payroll with Last Name with A-K - Cathy Feld – 651-621-6033 (ext 6033)
    - Payroll with Last Name with L-Z - Shari Heintz – 651-621-6032 (ext 6032)
    - Finance - Carole Nielsen – 651-621-6017 (ext 6017)
    - Finance - Bridget Peterson – 651-621-6018 (ext 6018)