Tax Sheltered Retirement Savings Plans

There are two ways an employee can add savings for retirement while saving on income taxes currently.

- 403(b) Savings Plan
- NYS Deferred Compensation Plan (457)

In both plans, employees direct a set amount of their salary each period to be deducted and sent to the plan administrator. Deductions then happen automatically for you by our Payroll department each pay period. The employee chooses the investment company based on the choices within our plan. (This is limited but many well-known companies are included). Changes are easy and directed by the employee!

In this packet, we have included a Frequently Asked Questions document which describes the 403(b) plan and the NYS Deferred Compensation Plan (457) and was compiled from information from both the OMNI and NYS websites. This information is readily available on our Payroll Page of the WPCSD website (under Business Office) or through the links referenced below. Please inform yourself so you can make the appropriate decisions best for you. The OMNI Salary Reduction Form and NYS Deferred Comp Application forms are provided in this packet for your convenience. These may also be viewed and filled in online and then printed.

www.omni403b.com

www.nysdcp.com
Frequently Asked Questions about Tax Shelter Retirement Savings Plans

What is a 403(b) Plan?
A 403(b) plan, often referred to as a TSA, is a tax sheltered retirement savings plan. Eligible employees can contribute pre-tax dollars to their plan, which will be allowed to grow tax free until the funds in question are withdrawn (usually at retirement). WPCSD works with the OMNI group to facilitate this savings plan for our employees. The information below is taken from the OMNI website and more info can be viewed at www.omni403b.com.

Why Save with 403(b)?
You do not pay income tax on allowable contributions until you begin making withdrawals from the plan, usually after your retirement. Investment gains in the plan are not taxed until distributed. Retirement assets can be carried from one employer to another in most cases.

Who/what is The OMNI® Group? Do I need to invest with OMNI®?
OMNI® is a Third Party Administrator (TPA) of 403(b) plans. We work with your employer to help ensure compliance with IRS regulations governing the operation of 403(b) plans. OMNI® also helps your employer remit 403(b) contributions to participating service providers. OMNI® is NOT an investment company/service provider - we do not offer and cannot recommend any specific investment vehicle.

Who is eligible to contribute to a 403(b) plan?
All full time employees are eligible by default. Part time employees may or may not be eligible, depending on the specifics of your employer’s plan. Contact your employer for specific information regarding your eligibility.

How much can I contribute to my 403(b) plan?
Contribution limits are dependent on a number of factors. The IRS base limit in 2014 is $17,500. Employees over the age of 50 (or will turn 50 in 2014) are automatically eligible to increase this amount to $23,000. Individuals with more than 15 years of consecutive service with their current employer MAY be eligible to contribute up to an additional $3,000 beyond their age based maximum - please contact OMNI’s Customer Care Team for assistance determining your eligibility for the service based catch-up.

How do I contribute?
Your first step will be to contact a participating 403(b) service provider to establish your investment account. A list of participating vendors for your employer is available on OMNI®’s website at www.omni403b.com. After working with your service provider to establish your account and select investment vehicles, you will then need to complete an OMNI® online Salary Reduction Agreement (SRA) to initiate your deductions.

Can I change my deduction amount/service provider?
Yes. Most employers place no limits on the number of changes you can make. Simply complete an SRA form and return it to OMNI® to initiate a deduction change.

I would like to use_______ fund company for my 403(b) service provider. How do I get them on my employer’s list?
Only your employer can choose to add/remove vendors from their list of participating providers.
What is the NYS Deferred Compensation Plan (NYSDCP)?
The Plan is a voluntary retirement savings plan offered by New York State and your employer, to allow public employees like you to put aside money from each paycheck toward retirement. The Plan can help bridge the gap between what you have in your pension and Social Security, and how much you’ll need in retirement. The Plan offers both traditional pre-tax and Roth 457(b) accounts to provide you with retirement savings choices.

What does tax-deferred mean?
Basically, you don’t pay income taxes on your Plan account contributions or earnings until you begin to take payments from your account. This may lower your taxable income now and in retirement.

How Does it Work?
There are three steps to participating in the Plan:
Enroll in the Plan - It’s easy to participate in the Plan. Contributions are automatically deducted from each paycheck and deposited to your account, so you don’t have to remember to budget or write a check.

Invest your money – You’ll choose funds from the list of investment options available within the Plan. Keep in mind, any investment involves risk and there’s no guarantee that any fund will achieve its investment objectives.

Receive income – You’ll want to invest enough to live in retirement on your terms. Before you begin taking benefit payments, review our Retirement Checklist to make sure you’re ready to transition from investing to spending. Withdrawals are taxable income to you in the year the payments are made.

Why Should I Participate?
The Plan helps put you in control of when, where and how much you invest. And that’s just the beginning—here are more reasons why it’s smart to participate in the Plan:
1. You can start anytime. Your deferred comp plan will work for you whether you're approaching retirement or just getting started investing – putting away money in a tax-deferred account can offer several benefits.
2. Every little bit helps. Even investing a little bit of money can really add up over time – it’s just important to get started! And if you continue to bump up contributions on a regular basis, the overall impact to your paycheck may not seem too painful. Consider putting raises or bonuses into deferred comp – it’s an easy way to invest a little more.

Take a look at how an investment could potentially grow over time, assuming a 25% tax bracket and 7% annual return.

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How does the Plan help me prepare for retirement if I already have a pension and Social Security?
People are living longer, healthier lives and enjoying even more time in retirement. Being retired longer and considering how inflation causes things to cost more every year, a pension and Social Security may not be enough to last you and your spouse 20 years or more. The Plan is a voluntary, additional way to save for retirement.

How does the amount I contribute affect my income tax?
Your current federal and New York taxable income is reduced by the amount of money you defer. For example, if your salary is $39,000 and you defer 3% of your salary, or $1,170 ($45 per pay x 26 pays per year), your income for federal and New York State income tax purposes will be $37,830.

Are there other benefits besides income tax deferral?
Potentially building additional retirement savings means you'll have greater financial independence and you won't have to rely solely on your pension and/or Social Security for retirement income.

Is the Plan good for those close to retirement?
Yes. The Plan offers you an opportunity to defer benefit payments until as late as age 70½ or as long as you're still working. When you retire you may be in a lower tax bracket. In addition, any earnings on your contributions will accumulate tax deferred until distribution. The Plan also permits those who are nearing initial eligibility to retire with full benefits or who are age 50 and over to contribute greater amounts for their retirement.

Do deferrals affect my Social Security taxes or pension contributions?
No, your Social Security taxes and pension benefits, if any, will be calculated on the basis of your gross wages.

How do I keep track of my Plan account?
There are three primary ways to track your account information.

- You will receive quarterly account statements, mailed to your address of record, describing how your Plan account is performing.
- Call the Plan to obtain account information through the automated Voice Response System (VRS). Frequently requested Plan account information is available directly from the VRS 24/7. All you need is your Social Security number and Personal Identification Number (PIN) to access the VRS.
- Access your account information online. The first time you log in, use your Social Security number as your user name and birth date to set-up online account access.

How much may I contribute from my paycheck?
The minimum you can contribute per pay period is $10. You may contribute up to 100% of compensation after any required salary deductions (such as retirement system contributions, Social Security and Medicare taxes, health plan premiums, union dues, etc.).

Can I rollover my Plan account into an IRA?
Yes. Participants who are eligible for a distribution may rollover all or a portion of those assets to an IRA.

When can I make withdrawals from my Plan account?
The conditions under which distributions from your account may be made are:

- Separation from service, including regular retirement
- Unforeseeable Emergency Withdrawal (as defined by federal regulations)
- A Plan loan
- When you turn age 70½
- Required Minimum Distribution – when you turn age 70½, the IRS requires you take a distribution, unless you are still employed by the same employer
- Death
- Purchase service credit in a qualifying pension plan
- Absence due to qualifying military service

Note that this is only some of the highlights taken from the websites listed below. For more detail, please visit the actual website.

Sources: [www.omni403b.com](http://www.omni403b.com) and [www.nysdcp.com](http://www.nysdcp.com)