

BENEFITS BULLETIN



FOR CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT EMPLOYEES

TAX DEFERRED CONTRIBUTION (RETIREMENT) PLANS – ANNUAL NOTICE

JANUARY 2010

Tax Deferred Compensation Makes It Easy to Look Ahead

Have you taken control of your retirement plans? Many of us end up wishing we had started saving for our retirement sooner. You can't start saving early enough. The best advice is to start saving for your retirement with your very first paycheck. Set up a small percentage contribution to be deducted from your gross income every payday that will be deposited directly into a Tax Deferred Retirement account. Each year after that, or with each pay increase, try to increase that percentage a little so that eventually you are saving 10 – 20% of your gross income for your retirement. It is much like paying yourself first; and through automatic payroll deduction what you don't see you won't miss.

Tax Deferred (Retirement) Contribution Savings Plan - Universal Access for All Employees

The New Year is an ideal time to make you aware of your eligibility to participate in Cypress-Fairbanks ISD's Tax Deferred Savings plans, the 457 plan and the 403(b) plan. **All employees, including substitutes, are eligible to participate.** These plans (often called "Tax Sheltered Annuities" or TSA) are voluntary plans that allow you to defer a portion of your paycheck into a retirement plan. They are one of the most valuable employee benefits offered because they can help you bridge your retirement income gap and lower your taxes at the same time. Although you are allowed to withdraw funds from a tax-deferred contribution plan early for very limited and specific reasons, the sole purpose of tax deferred compensation is to assist employees in saving for retirement.

Under a Tax Deferred Compensation Plan, the portion of your income that you direct into the plan is not taxed until withdrawn, usually when you retire, and then possibly at a lower tax rate (because you would no longer be a wage earner). Under federal law, you do not have to pay income taxes on your contributions or the account earnings until you withdraw money out of the plan. Over the years it saves you from having to pay a lot of federal income tax.

Please read below why it is a good idea to start investing early for your retirement and for the details on how to enroll and start your savings now.

Why Do I Need to Save for Retirement if I have TRS?

Your pension and/or Social Security benefits may not replace all of your income in retirement. The average retiree only receives 60-65 percent of their income at retirement.

For example, if your highest 5 year average salary (or 3 year average if you are TRS "grandfathered") at the time of your retirement is \$5,000 per month (\$60,000 annual) and you have 28 years of TRS service, your retirement benefit will equal 64 percent (28 years x 0.23 (the current TRS retirement factor) of your salary, you will receive \$3,220 each month. However, TRS research indicates that retirees need to receive 90-95 percent of their pre-retirement income to be able to maintain their pre-retirement standard of living. In this example you will have a **shortfall of approximately \$1,500 per month**. Is there any way for you to make that up? A Tax Deferred Compensation Plan allows you to start saving now to fill that shortfall.

Why Should You Contribute to a Tax Deferred (Retirement) Compensation Plan?

- ◆ Bridge your retirement income gap.
- ◆ Lower your income taxes during your working years.
- ◆ It's easy to start saving now through payroll deduction.

Our Plans

CFISD has two Tax Deferred Contribution plans, the 457 Plan, administered by The Standard, and the 403(b) Plan, administered by JEM Resource Partners.

The 457 Plan

The 457 Plan, administered by **The Standard**, is probably the easier of the two plans to enroll in because all their enrollment information and their enrollment form are contained in their 11 page "Plan Information and Enrollment Packet" available on the district's Insurance Department web page. Plus, your investment choices in the plan are limited to just the 12 funds that they have already investigated and chosen to make available. If you need assistance or would like additional information from them please call their **Participant Service Center at 800-370-9601**.

The 403(b) Plan

The process to initiate a 403(b) or 403(b)(7) account is simple in concept, but sometimes implementation is more cumbersome and time consuming. The first step is to determine which financial services company you want to manage your contributions. It is recommended you first go to the JEM Resource Partners web page at: <http://www.region10rams.org/publicsite/> to locate the **403(b) Vendors** registered to sell investment products with our plan. You can also check to see which of their investment products are registered with the Teachers Retirement System of Texas (TRS), as mandated by state law, at: <https://oapi.trs.state.tx.us/FOTB/do/memberWebListSearchSetup>.

Once you decide what company you want as the custodian of your account funds, and in which of their fund products you want to invest, you will need to contact the investment company and open an account with them. After you have established your account you then need to go back to the JEM website and by following the instructions below, set up your payroll deduction contribution.

If you do not have Internet access or you need assistance, please call **JEM at (800) 943-9179** and they can assist you with these services by phone. To make a 403(b) salary reduction election or to make a change online, please follow the instructions below.

1 The JEM Resource Partners web site is located at: <http://www.region10rams.org/publicsite/>

a) Click on "Login". Choose either **Current Participants** or **New Participants**.

Current Participants are those who were actively contributing to a 403(b) account prior to the plan take-over by JEM Resource Partners (11/1/2009), and this is your first time logging in to the Region 10 RAMS site. Your initial **Username** will be your Social Security Number and your initial **Password** will be the last four numbers of your Social Security Number.

2 Enter your username and password as described above. Select "Participant".

3 Select "Personal Profile". Edit your personal information and establish a new password for your future use

New Participants - Your **Username** is your social security Number. For Non-Substitute Regular employees your **Password** is cyfai403. If you are a Substitute employee your **Username** is csub403.

4 After entering your login information select "Begin".

5 Select "Personal Profile". Edit your personal information and establish a new password for future use.

6 If you have any problems, please call **JEM's Customer Service at (800) 943-9179**.

Major Differences between the 457 Plan and the 403(b) Plan

	403(b) Plan	457 Plan
Withdrawal provisions	Hardship withdrawal for severe financial hardship as defined by IRS regulation.	Withdrawal for a severe financial hardship resulting from an unforeseeable emergency as defined by the plan.
When may the assets be withdrawn?	Plan payout when at least age 55 and retired, or 59 ½ (regardless of employment status) without tax penalty.	Plan payout upon retirement or separation from State service without tax penalty (no age requirement).

Important Note

Providers may charge fees for handling your deferred compensation account and must provide you with a full disclosure of all fees upon your request or enrollment. Plus, you will receive your account statement, either by paper or electronically directly from your chosen investment company.

More Information

Additional information about both the 457 and 403 (b) plans is available on the district's Insurance Department web page at: http://www.cfisd.net/dept2/insur/egmi_tax.htm.

For a tutorial on Tax Deferred Contributions Plans in an easy to understand Question and Answer format we recommend you also check out 403bwise at: <http://www.403bwise.com/participants/index.html>