



**FOOTHILL-DE ANZA
Community College District**

***Saving for Retirement with
403(b) and 457(b) Retirement Plans***

September 18, 2024
Presented by Nancy Chao, District Payroll

1



2

Agenda

- **Types of Retirement Plans**
- **Eligibility and participation in plans**
- **403b Compare guest speaker**
- **How to get Started**
- **Gross-to-Net Simulations and Q&A**

3

Types of Retirement Plans

<https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans>

- ▶ **Defined Benefits Plans** - CalSTRS and CalPERS
- ▶ **Alternative Retirement Plans** - PARS, Cash Balance/Social Security
- ▶ 403(b) Tax Shelter Annuity
- ▶ 457(b) Deferred Compensation Plan
- ▶ IRAs
- ▶ 401K

4

4

Federal Mandated Retirement Systems for public employees performing:

Creditable Services

- ▶ CalSTRS Defined Benefits (2%@60 or 2%@62)
- ▶ CalSTRS Cash Balance (since July 1, 1999 for PT faculty)
- ▶ FICA/Social Security for PT faculty
- ▶ PARS (no longer offered to new PT faculty since July 2007)
- ▶ CalPERS (2%@55 or 2%@62) if prior member and elected to retain prior membership within 60 days of full-time employment.

Classified Services

- ▶ CalPERS Defined Benefits (2%@55 or 2%@62) with FICA/Social Security
- ▶ CalSTRS (2%@60 or 2%@62) - if prior member and elected within 60 days of full-time employment.
- ▶ FICA/Social Security - for Temp workers (TEA) and will mandate into CalPERS when reached 1000 worked hours

5

5

Eligibility to participate in 403(b) and or 457(b) plans?

All Foothill - De Anza Community College District Employees (excluding student workers) are eligible to participate

6

6

Definition of a 403(b) plan

- ▶ A **tax-sheltered annuity plan** is often referred to as a "403(b) plan." Under Section 403(b) of the Internal Revenue Code, employees of non-profit institutions and public schools can set aside money for retirement on a pre-tax basis through a plan offered by their employer. To encourage saving for retirement through these plans, the federal government created special tax advantages for 403(b) contributions.
- ▶ Under the guidelines of the IRS Publication 571, you decide the amount of money you want to contribute to the plan during each pay period, up to a pre-determined maximum amount (the IRS sets an annual dollar limits). The IRS has approved the use of three general types of investment vehicles for TSA contributions. They include Annuities issued by insurance companies, Mutual Funds, Variable Annuities and Life Insurance. A combination of one or more of the products may be used depending upon your financial objectives.

7

7

How does 403(b) work?

- ▶ Your 403(b) contribution is deducted from your pay before income taxes are taken out. You may submit multiple salary reduction agreements during the year as needed. You do not owe income taxes on your contributions, nor any earnings on those contributions, until you begin to withdraw from the 403(b) account.
- ▶ If post-tax 403(b) contributions are made, you pay taxes now and you need not pay taxes upon your distribution in the future date(s).

8

8

403(b) Plan 2024 Annual Limit

- ▶ 100% of Includible Compensation up to **\$23,000**
- ▶ Age Based Catch Up of **\$7,500** for employees at age 50 (as of 12/31/24) and over

9

9

403(b) Plan Features

- ▶ Contributions can be made on a Pre-Tax or Post-Tax (Roth) basis
- ▶ In-Service Rollover/Exchange
- ▶ Loan and Hardship are available
- ▶ Special Catch-up provisions for employees with 15 years of service who qualify
- ▶ Portable to 401(k) or IRAs at separation from service
- ▶ Availability of funds generally subject to:
 - ▶ Separation from service (no penalty if age 55)
 - ▶ Age 59½
 - ▶ Disability
 - ▶ Death
 - ▶ Hardship

10

10

403(b) Contribution Amount Examples

- ▶ Employees less than 50 years old: \$23,000
- ▶ Employees age 50+: $\$23,000 + \$7,500 = \$30,500$
- ▶ Employees age 50+ with 15 years of service that qualify for cap expansion: $\$23,000 + \$7,500 + \$3,000 = \$33,500$

11

11

457(b) Plan - Deferred Compensation Plan

- ▶ Under Section 457 of the Internal Revenue Code, employees of non-profit 501(3)(c) institutions and public schools can set aside money for retirement on a pre-tax basis through a plan offered by their employer. The federal government created the tax-deferred advantages for 457 contributions to encourage employees to save for their supplemental retirement income.

12

12

457(b) Contribution Limits in 2024

- ▶ 100% of includible compensation up to \$23,000
- ▶ Additional \$7,500 for age 50+ at end of year
- ▶ “3 years” catch-up prior to normal retirement equal to 2 times the annual dollar limit
 - ▶ Normal Retirement Age = 65
 - ▶ Must have been eligible for this plan and must consider prior year pre-tax deferrals with same employer
 - ▶ Cannot use age 50 and 3 year catch up together

13

13

457(b) Maximum Contribution Example

▶ In a 457(b):

\$23,000
+ 23,000 (eligible employees in the last three years (62,63,64) ending
\$46,000 at the normal retirement age of 65)

or

\$23,000
+ 7,500 (eligible governmental employees at age 50 or older)
\$30,500

14

14

Getting Started

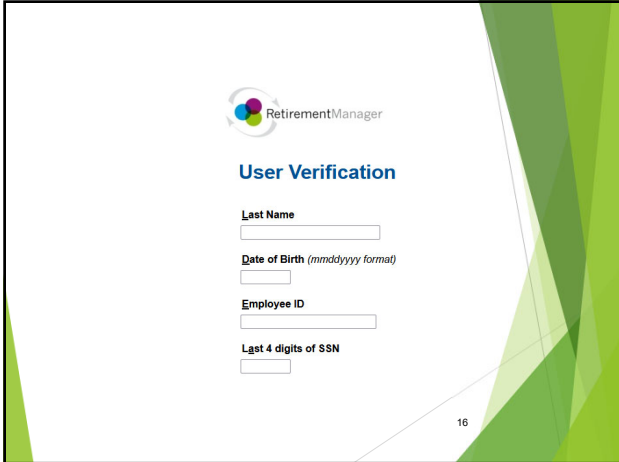
<https://business.fhda.edu/payroll/d-tax-shelter-annuities-403b-and-deferred-compensation-plans-457b/>

▶ Download the 403b & 457 Participation Checklist

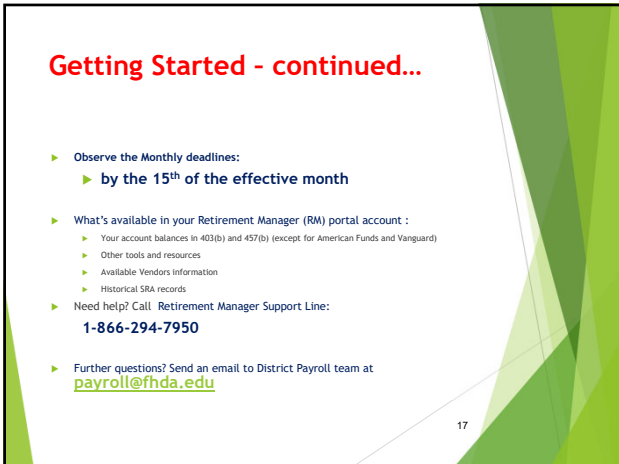
1. Read the IRS publications
2. Review list of vendors in 403(b) and 457(b)
3. Assess 403(b) vendor performance at [403bcompare.com](https://www.403bcompare.com)
4. Contact the vendor(s) or a financial advisor to establish your 403(b) and/ 457(b) account(s).
5. Notify District Payroll at payroll@fhda.edu with information of your newly created account with the vendor(s).
6. Within two business day, District Payroll will reply to your email with the confirmation of demographic set up at the Retirement Manager (RM) portal including other directions.
7. Access RM portal <https://www.MyRetirementManager.com> to create your new account (Last name, DOB, CWID & last-4 digits of SSN) and submit your intended change(s) online. The RM system will display the available pay dates for the change to take effect. [403(b) & 457(b) by the 15th of the month.]
8. Submit paper SRA for American Funds and or Vanguard account(s)

15

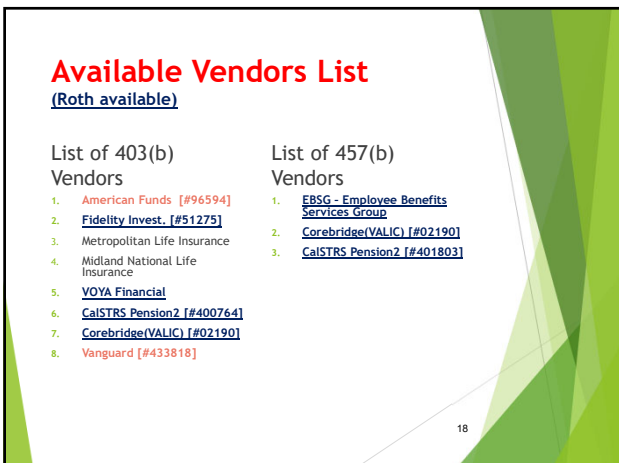
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16



17



18

Vendor contacts

- American Funds [Plan#96594] (800) 421-1180
<http://www.americanfunds.com>
- Corebridge Financial (VALIC) [Plan#02190]
Kathleen.fitts@corebridgefinancial.com 209-571-4460 or 1-408-981-8179
- CalSTRS Pension2 [Plan#400764 & Plan#401803] John Schiffer (888)394-2060 or (916) 414-1007 jschiffer@CalSTRS.com [all can participate – not limited to CalSTRS members]
- Employee Benefits Services Group (EBSG) Doris Wang
doris_wang@yahoo.com (408) 396-6988 or (408) 978-1000 x135
- Fidelity Investments [Plan# 51275] (800)343-0860
<https://nb.fidelity.com/public/nb/ready2entroll/home>
- VOYA Financial (909)980-5512 <https://www.voya.com/products/403b-plans>
- Vanguard [Plan# 433818] (800) 559-4903
<https://www.vanguard.com/web/403b-plans>

19

19

Available Resources

- IRS Publication 571 - Tax Sheltered Annuity Programs for Employees of Public Schools and Certain Tax Exempt Organizations
- IRS Publication 575 - Pension and Annuity Income
- Payroll website: <http://business.fda.edu/payroll/d-tax-shelter-annuities-403b-and-deferred-compensation-plans-457b/>
- IRS 403(b) info: <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-403b-tax-sheltered-annuity-plans>
- IRS 457(b) info: <https://www.irs.gov/retirement-plans/irc-457b-deferred-compensation-plans>
- IRS Topic: Saving for Retirement: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-eligibility-and-participation>
- <https://www.403bcompare.com/>

20

20

3 <https://business.fda.edu/payroll/d-tax-shelter-annuities-403b-and-deferred-compensation-plans-457b/>

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BUSINESS: TAX SHELTER ANNUITIES - 403(B) AND DEFERRED COMPENSATION PLANS - 457 (B)

HOME / PAYROLL

TAX SHELTER ANNUITIES - 403(B) AND THE DEFERRED COMPENSATION PLANS - 457(B)

- 403(b) and 457(b) Participation Checklist
- Retirement Manager Guide
- Available VENDORS LIST For 403(b), Roth 403(b) and 457(b)
- What is a 403(b)?
- What is a Roth 403(b)?
- What is a 457(b)?

21

21

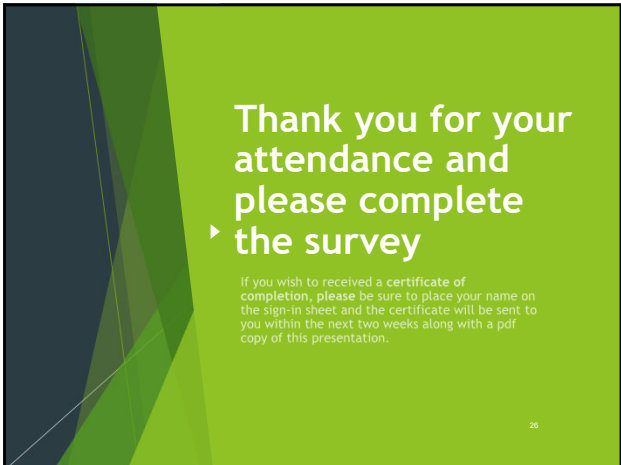


Additional activities:

What if? Gross-to-Net Simulations
Other payroll questions

25

25



Thank you for your attendance and please complete the survey

▶ If you wish to received a certificate of completion, please be sure to place your name on the sign-in sheet and the certificate will be sent to you within the next two weeks along with a pdf copy of this presentation.

26

26
