

# NORTH TEXAS SCHOOL DISTRICT CONSORTIUM

## 457(b) Retirement Savings Plan

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The **457(b) Retirement Savings Plan** is a retirement savings program that allows employees to voluntarily put money aside for retirement through payroll deduction. Contributions are made on a pre-tax basis to allow participants to save more dollars toward retirement. The program is permitted under Section 457(b) of the Internal Revenue Code.

The Retirement Savings Plan is offered through the **North Texas School District Consortium** to each participating district in the consortium through an inter-local agreement. Listed below are some of the advantages and features of our new plan:

**Contribution Limits:** Due to federal law changes, contribution limits to a 457 plan are independent of other plan limits. This means an employee can contribute the maximum amounts to both a 403(b) and a 457 plan.

- Allowable contribution amount is the lesser of \$14,000 per year or 100% of compensation in 2005.
- Individuals over age 50 can contribute an additional \$4,000 in 2005.
- Additional "Catch Up" limits are available to individuals who are within three years of normal retirement age and have not contributed the maximum to the 457 plan in years in they were eligible to contribute additional amounts.
- Contribution limits are independent of other plan limits such as 403(b) contribution amounts.

**Distributions:** Distributions are available upon termination of employment, death, disability, retirement or certain types of hardships. Distributions can be:

- Rolled to an IRA, 403(b) 401(k) or another 457(b) plan that accepts rollovers,
- Used to buy TRS service, or
- Taken as a cash distribution (subject to applicable federal and state income tax).

**Investments:** The portfolio is managed by TCG Investment Advisory Services LP and an Investment Advisory Committee (IAC) composed of representatives from each participating school district in the Consortium. The Plan allows participants to direct the investment of their account funds among the high quality no-load and load-waived mutual funds in the portfolio. Participants may direct their investments among the funds offered or chose to have their funds invested in a portfolio managed by the IAC.

**Penalties:** There is no 10% excise tax on distributions – not true of 403(b), IRA or 401(k) plans. In addition, the plan being offered by the District has no surrender charges, withdrawal penalties or other restrictions/penalties. This is not true of many 403(b) programs.

**Loans:** Loans against an employee's account balance are available.

**Taxation:** Distributions are taxed as income at the time the funds are received as cash. Taxation of principal and interest can be deferred until the participant reaches age 70 ½, at which time the individual must begin receiving minimum required distributions as defined by IRS regulations.

**Company Offering Services:** The company chosen to provide the 457 (b) Retirement Savings Plan is PARS, a company with many years of proven expertise in administering retirement plans to public sector employees. The Custodian for the Plan is Charles Schwab. PARS administers over 700 retirement plans for over 380 public agencies covering over 250,000 participants, with plan assets of over \$430 million. Charles Schwab manages retirement plan assets of over \$40 billion.

**Fees:** Fees with the 457 Plan are typically lower because the program has been through a competitive bid process. While 403(b) plans are sold to employees individually, the 457 Plan is sponsored by your District and provided through the North Texas School District Consortium.

**Protection from Liability:** Your District as a plan sponsor is a fiduciary for a 457 plan and is responsible for the investments offered to participants. Most 457 plans do not protect the District from fiduciary liability. The North Texas Consortium Plan offers fiduciary protection for the District through an Investment Advisory Agreement with TCG Investment Advisory Services LP and the oversight of an Investment Advisory Committee composed of representatives of each participating district in the Consortium.

**Enrollment:** Plan enrollment forms are available at [ntsd.c.parsinfo.org](http://ntsd.c.parsinfo.org) or by calling PARS at (866) 708-3777.

**Questions:** Call PARS at (866) 708-3777.