November 11, 2008

Dear Tax Sheltered Annuity (TSA) Participants:

The Internal Revenue Service (IRS) amended the guidelines for 403(b) plans and placed greater responsibility and accountability on the employer as a plan sponsor. Therefore, the District will have fiduciary responsibility for the TSA accounts and is required to make changes to the administration of the program.

Please be advised that some of the changes that will be implemented in January, 2009.

- **Implementation Deadline** Effective January 1, 2009, the District will remit all TSA contributions through a third party administrator (TPA). On a monthly basis, the TPA will monitor contribution limits, administer loans, coordinate account and transaction information from the fund vendors, and provide you with plan information.

- **Consolidation of TSA Vendors** The new regulations require vendors to agree to certain terms and conditions that plan sponsors must impose. Unfortunately, some of our vendors have elected not to agree to the terms and conditions the District established and as of January 1, 2009, will no longer be an eligible vendor. In addition, vendors who have less than 20 participants in the TSA program will no longer be offered as an approved vendor. Qualified Preferred Vendors are listed on the Payroll web site: http://business.fhda.edu/payroll/stories/storyReader$24. Please also logon to the 403(b) Compare website (www.403bcompare.com) for information about the vendors and the products they offer.

- **Transfer of Sunset Accounts to Preferred Vendors** To continue participation in the TSA program in January, 2009, you must be enrolled with a vendor from the Preferred Vendor list. For those who are currently enrolled in a plan which is not on the Preferred Vendor list, you will need to open a new account or transfer your existing account in order to continue making contributions into a 403(b) program beginning January 1, 2009. We will only honor salary reduction agreements for 403(b) plans that are on the preferred vendor list. We hope to have a more complete Preferred Vendor list by December 1, 2008.

The process of setting up this compliance program will be ongoing for the next few months. Vendors are likely to be added and could be removed based on their ability to comply with the regulations. The District is committed to providing all the information you need to make this transition smooth. Please check the Payroll web site regularly for additions to the Preferred Vendor list. http://business.fhda.edu/payroll/stories/storyReader$24

If you have any questions or concerns about the process, please contact Rhoda Wang at 6262 or Hong Nguyen at 6263. Thank you for your cooperation in this matter.

Regards,
Hector Quinonez
Controller