AIG / VALIC Retirement Services

Present 403b Retirement Plan Services for

Foothill – De Anza Community College District
Agenda

403(b) Background

403(b) Plan Details

Examples

Questions and Answers
EGTRRA

- Economic Growth and Tax Relief Reconciliation Act of 2001
- Significant pension reform
- Focused on individual income and estate tax provisions and retirement plan and IRA provisions
EGTRRA

- Most provisions effective 2002 or later
- Unless Congress acts, all provisions “sunset” on December 31, 2010
EGTRRA -- Pension Plan Summary

- 403(b) limits increased -- Lesser of 100% of salary or $13,000 in 2004, $14,000 in 2005, and $15,000 in 2006

- Cap Expansion retained

- Age-based Catch-up for participants age 50 and older -- $3,000 in 2004, $4,000 in 2005, and $5,000 in 2006
Eligible Employees

All Employees are eligible
Benefits to Employees

- Contributions made on a “Pre-Tax” basis
- Defer current income taxation on contributions and earnings
- Salary Reduction -- Easy to participate!
Availability of funds generally subject to:

- Separation from service
- Age 59 1/2
- Disability
- Death
- Hardship
403(b) Tax Penalties on Early Withdrawals

- Withdrawals prior to age 59 1/2 generally subject to 10% federal tax penalty except:
  - Separation from service at age 55+
  - Separation and selection of substantially equal periodic payments over the life expectancy of the participant, or the joint life expectancy of the participant and a beneficiary, for five years or until the participant attains age 59 1/2, whichever is later.
403(b) Tax Penalties on Early Withdrawals

- Withdrawals prior to age 591/2 generally subject to 10% federal tax penalty except:
  - Death
  - Disability
  - Tax-Deductible Medical Expenses
  - Qualified domestic relations order (QDRO)
  - Payment to IRS on account of federal tax levy
403(b) Taxability

- Pre-tax contributions
- Tax-deferred earnings
- Taxed as ordinary income when withdrawn*
- Subject to minimum distribution rules at age 70½
403(b) Minimum Distribution

- Distributions must be taken beginning the year of attaining age 70½ or actual retirement, whichever is later.
- Initial distribution must be made by April 1 following such year; subsequent distributions must be made by December 31 of each following year.*
- Amount determined by dividing previous year’s account balance by your life expectancy or the joint life expectancy of you and your beneficiary.
Other Plan Features

- Loans are available
- Portable to 403(b), 401(k) or IRAs at separation from service
Other Plan Features

- Enrollment: enter into agreement with respect to compensation not yet earned
- Contribution may be changed or modified in each subsequent calendar month
403b Contribution Example

- Employees less than 50 years old: $13,000

- Employees age 50+: $13,000 + $3,000 = $16,000

- Employees age 50+ with 15 years of service that qualify for cap expansion: $13,000 + $3,000 + $3,000 = $19,000
Selecting a Retirement Plan Provider

- Company Ratings
- Expenses -- Fund Expenses, Charges, Fees
- Service
- Investment Choices -- Mutual Funds & Annuities
- Flexibility
- Experience
- Reputation
Questions and Answers
Thank You!
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