

What is a Roth 403 (b)?

A Roth 403(b) is a voluntary supplementary retirement investment plan. Contributions are made through salary reductions on an after-tax basis. The earnings and distributions are tax-free when you make a “qualified” distribution.

What is a qualified distribution?

Earnings and distributions are tax-free if you meet the following criteria:

- The distribution occurs at least five years after contributions are first made to the Roth account, and
- The participant attains age 59½, dies or becomes disabled.

Why should I open a Roth 403 (b) account?

- After-tax contributions with tax-free distributions permit employees to balance taxable and non-taxable retirement savings;
- Many employees believe income tax rates will increase in the future, so that paying the tax now will be cheaper than in the future when the distributions are made;
- Lower paid employees, who pay little or no income tax, will find Roth 403(b) accounts more attractive than pre-tax contribution plans because they will benefit more from having tax-free distributions than current income tax deferral
- Higher paid employees who may not have previously been eligible to make contributions to a Roth IRA because of Adjusted Gross Income eligibility requirements may be interested as those restrictions do not apply to the Roth 403(b);
- The contribution limits for a Roth 403(b) are substantially higher than the limits for a Roth IRA (basic limits in 2007 are \$15,500 vs. \$4000).

Who is eligible?

All contract employees - including faculty, administrators, supervisors and classified employees.

Who are the Roth 403(b) approved vendors for the District?

We accepted three requests and they are AIG-Valic, ING-Reliastar Insurance Co., and Fidelity Investments.

How much can I invest?

You can contribute \$15,500 to a 403(b) plan in 2007. If you're age 50 or older, you can contribute up to \$20,500. However, please note that employees may not exceed this

contribution limit for all retirement plans, whether to the employee chooses to contribute to a traditional pre-tax account, a Roth after-tax account, or both.

How do I get started?

Please contact your financial institution to open an account and complete the 403(b) salary reduction agreement – referred to as the “Amendment of Employment Contract” and send the completed form to Payroll Services.

What happens if I leave my job?

If you start working for another employer that’s qualified to offer a 403(b) plan, you may be able to transfer your existing plan assets into the new plan. With your new employer’s permission, you can even continue deferring wages into your existing account.

When you leave your job or work for a new employer that isn’t qualified to offer a 403(b) plan, you can:

- leave the assets in your current account,
- transfer your 403(b) assets into a Traditional Individual Retirement Account (IRA),
- transfer your 403(b) assets into an individual retirement annuity, a government 457(b) plan or a qualified plan that accepts rollovers like a 401(k), or
- take periodic withdrawals or withdraw all the money from your account in one lump sum.

Do I owe taxes on withdrawals that are qualified distributions?

No. The Roth 403(b) is an after-tax contribution and all surplus earnings are also tax-free when you make a qualified withdrawal.

Do I owe taxes on withdrawals that are not qualified?

Yes, the earnings and interest are subject to ordinary income taxes. They may also be subject to penalties, depending on your age when you begin taking distributions. Please note that taking a partial distribution that is not qualified does not prevent remaining funds in your Roth account from being “qualified” in the future.