

SECTION 403(b) CONTRIBUTIONS FOR FORMER EMPLOYEES

SUMMARY OF KEY FEATURES

OVERVIEW

In 2002, EGTRRA allowed employers to continue to make contributions under their existing 403(b) retirement plans on behalf of former employees. This feature can be adopted as an amendment to the basic 403(b) retirement plan and is generally used as an early retirement incentive, or for the restoration of contributions to the basic retirement plan lost by application of the 401(a)(17) compensation limit.

Although these types of contributions can be made for all employees, they are primarily used for supplemental executive compensation, especially by public employers, since they are automatically deemed to comply with nondiscrimination rules.

Participants have a vested interest in the assets, which are invested as determined by the institution and participants.

The following information summarizes the details associated with offering Section 403(b) contributions for former employees. Your Managing Consultant will work with you to ensure you have more complete information, and discuss important considerations related to this and other executive compensation arrangements.

FUNDING

Employer contributions are made to a 403(b) contract or custodial account.

ELIGIBILITY

EMPLOYER: Any employer eligible to offer a 403(b) retirement plan.

EMPLOYEE: Any employee formerly eligible to participate in the 403(b) plan in the five years following termination of employment.

ELECTIONS, CONTRIBUTIONS AND LIMITS

Elective plans funded exclusively with employer contributions.

Maximum is the lesser of \$49,000 (in 2009) or 100% of final year compensation during each of the five years following termination of employment.

Subject to the Section 415 limits applied to final year's compensation.

VESTING

Contributions are made to the 403(b) retirement plan annuity contract or custodial account and are immediately vested in the employee.



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ROLLOVERS IN/OUT	Permitted to or from 403(b), 401(a), 401(k), 457(b) governmental plans and IRAs.
DISTRIBUTIONS	<p>In accordance with the terms of the 403(b) plan.</p> <p>Subject to minimum distribution requirements.</p> <p>Note: Distribution of assets already in the plan may be made to employee per the terms of retirement plan. Distributions prior to age 59½ may be subject to 10% penalty.</p>
LOANS	Loans available under the terms of the underlying 403(b) plan.
TAXATION	Taxed as ordinary income when received. Not subject to FICA tax.
IMPACT OF LEGISLATION	<p>Under EGTRRA, employer contributions can continue for five years after termination. Designed to replace former Alternative Limit B under Section 415. Subject to nondiscrimination requirements.</p> <p>Pension Protection Act made EGTRRA's changes permanent.</p>
IRS FORM 5500 FILING (PRIVATE INSTITUTIONS ONLY)	Filing required only for underlying 403(b) retirement plan of tax-exempt employers.

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