Independence School District

CSD Retirement Trust – CSD-RT
403(b)/457(b)/Roth Retirement Plans

Frequently Asked Questions

Recently you received communication describing some changes that will be made to the Independence School District 403(b) and 457(b), Roth retirement plans. This FAQ will answer some common questions you may have. In addition, beginning in April we will be conducting group and individual meeting at all locations to assist you with any other questions you may have regarding these exciting enhancements to our voluntary retirement plans.

403(b), 457(b) and ROTH Retirement Plans

CSD Retirement Trust (CSD-RT)

Independence School District Retirement Plan

403(b), 457(b) and Roth Retirement Plans

What is a Third Party Administrator or TPA?

A third party administrator (TPA) provides plan administration and compliance services to employers. Retirement Manager will be the TPA for the CSD-RT.

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What is a 403(b) Plan?

The 403(b), also known as a tax-sheltered annuity plan, is a retirement plan available to employees of education institutions and certain non-profit organizations as determined by section 501(c)(3) of the Internal Revenue Code. Contributions and invest earnings in a 403(b) grow deferred until withdrawal (assumed to be retirement), at which time they are taxed as ordinary income. The IRS provides a Summary of 403(b) Plan Basics and a 403(b) Plan Brochure for Employees on its website.

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When can an employee join a 403(b) Plan?

The terms of the employer's 403(b) plan govern when an employee may enroll. However, a 403(b) plan is generally required to allow all eligible to participate in the plan as of their employment start date. Employees should check with the benefits department to determine how to enroll in the plan.

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What should I know before opening a 403(b)?

All investments carry with them a degree of risk. It is important to understand your tolerance for risk before investing. Those with low risk tolerance may be better suited to a conservative investing strategy that relies, for the most part, on fixed investments. Conversely, those with high risk tolerance may be better suited for more aggressive investments. It cannot be emphasized enough that risk tolerance is highly individualized. An investment strategy that is acceptable by one person may not be suited to another.

It is also important to know that fees, operating rules, and investment objectives may vary greatly among product vendors and across investments offered by a particular vendor. Some investments impose surrender charges or restrictions on withdrawals. One thing is certain: the more you know about yourself as an investor, and the more you know about investing and the workings of the 403(b) plan, the better prepared you will be.

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How does a 403(b) work?

Employees enroll and participate through their employer. Contributions to a 403(b) are made on a pre-tax basis through a Salary Reduction Agreement. This is an arrangement where the participating employee agrees to take a reduction in salary. The amount by which the salary is reduced is directed to investments offered through the employer and selected by the employee. These contributions are called elective deferrals and are excluded from the employee's taxable income. Contributions grow tax-deferred until the time of retirement, when withdrawals are taxed as ordinary income.

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Tax Advantages of 403(b) Plans

As with many other types of retirement plans, employees who participate in a 403(b) plan may enjoy significant tax benefits, including the following:

- Pre-tax contributions. Employees' salary deferrals to a 403(b) plan are made on a pretax basis. The contribution is taken directly from the employee's salary and invested in the plan before any taxes are withheld. This means that the amount each employee defers to the plan is not included in his or her gross income in the year of deferral. The employee pays less income tax because his or her taxable income is lower than it would otherwise be.
- 403(b) plans can also allow participants to make after-tax contributions. There's no up-front tax benefit, but qualified distributions are totally free from federal income taxes.
- Tax-deferred growth. Funds held in a 403(b) plan grow tax deferred. Any earnings on plan investments are not taxable as long as they remain in the plan. Only when an

employee begins to receive distributions from the plan will he or she pay income tax on the earnings.
- Employees age 50 or older can contribute more than the annual deferred limit
- Tax-free rollovers are allowed
- Employees may find it easier to save for retirement
- Plan loans can be made available to plan participants

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What is the contribution limits of a 403(b) Plan?

Participants may contribute up to $19,000 for the year 2019. Participants age 50 and older at any time during the calendar year they turn 50 are permitted to contribute and additional $6,000 in 2019.

If you wish to defer more than the basic elective deferral limit, or the basic limit plus the age 50 Catch-up amount for participants turning 50 or better by the end of the year, contact CSD-RT or Retirement Manager.

You have a separate deferral limit if you are eligible to participate in a 457(b) plan. It is not combined with your deferrals made to a 403(b) or other plans. See 457(b) Plan Contribution Limits.

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What are the benefits of participating in a 403(b) Plan?

There are significant tax advantages for participants in a 403(b), including pre-tax contributions to a 403(b) plan and earnings on these amounts not taxed until they are distributed from the plan.

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Can employees take loans from their 403(b) account?

Yes, a 403(b) Plan may, but is not required to allow loans. If permitted by the plan, employees may obtain a loan to the extent and in the manner allowed by the plan.

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Can I take a Hardship withdrawal from my 403(b) account?

A 403(b) plan may, but is not required to allow hardship distributions. If permitted by the plan, participants may obtain a hardship distribution to the extent and in the manner allowed by the plan.

Hardship Distributions are only allowed under very specific circumstances per IRS rule, these include:

- Certain Medical Expenses considered deductible per IRS Publication 502
- Costs relating to the purchase of a principal residence
- Tuition and related education fees and expenses
- Payments necessary to prevent eviction from , or foreclosure on your principal residence
- Burial or funeral expenses
- Expenses for certain damages to your principal residence resulting from a deductible casualty loss as described in IRS Publication 547

There are additional rules and restrictions that apply to Hardship Distributions:

- Hardship Distributions are subject to availability under your employer's 403(b) Plan and under the investment contract
- Hardship Distributions are only available from the participant's elective deferrals.
- Hardship Distributions are taxable distributions and may be subject to an early withdrawal penalty.

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When can an employee take money out of a 403(b) plan?

In addition to loans and hardship distributions, a 403(b) plan may allow employees to take money out of the plan when they:

- Reach age 59 ½
- Have a severance from employment
- Become disabled
- Die; or
- Encounter a financial hardship

Eligible distributions may be rolled over to another plan or IRA

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What is a 457(b) Plan?

457(b) Plans are supplemental retirement savings plans similar to 403(b) Plans, and are called Deferred Compensation Plans (DCP) for certain governmental and tax-exempt organizations and employees (including public school employees). Some public school employers offer 457(b) plans and others do not. ISD does offer 457(b) Plans. You may be eligible to contribute to both a 403(b) and 457(b) plan.

Although it is a nonqualified plan, a 457(b) plan somewhat mimics a qualified plan in that it offers similar tax benefits for employees. These tax benefits generally include pre-tax salary reduction contributions and tax-deferred growth of investment earnings.

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Tax Advantages of 457(b) Plans

As with many other types of retirement plans, employees who participate in a 457(b) plan can enjoy significant tax benefits including:

- Pre-tax contributions. Employees' salary deferrals to a 457(b) plan are made on a pretax basis. The contribution is taken directly from the employee's salary and invested in the plan before any taxes are withheld. This means that the amount each employee defers to the plan is not included in his or her gross income in the year of deferral. The employee pays less income tax because his or her taxable income is lower than it would otherwise be.
- 457(b) plans can also allow participants to make after-tax contributions. There's no up-front tax benefit, but qualified distributions are totally free from federal income taxes.
- Tax-deferred growth. Funds held in a 457(b) plan grow tax deferred. Any earnings on plan investments are not taxable as long as they remain in the plan. Only when an employee begins to receive distributions from the plan will he or she pay income tax on the earnings.

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What is the contribution limits of a 457(b) Plan?

Participants may contribute up to $19,000 for the year 2019. Participants age 50 and older at any time during the calendar year they turn 50 are permitted to contribute and additional $6,000 in 2019.

If you wish to defer more than the basic elective deferral limit, or the basic limit plus the age 50 Catch-up amount for participants turning 50 or better by the end of the year, contact CSD-RT or Retirement Manager.

You have a separate deferral limit if you are eligible to participate in a 403(b) plan. It is not combined with your deferrals made to a 457(b) or other plans. See 403(b) Plan Contribution Limits.

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What is a Roth Plan?

A designated ROTH account is a feature in new or existing 401(k), 403(b) or governmental 457(b) plans. If a plan includes a designated Roth feature, employees can designate some of all of their elective deferrals as designated Roth contributions (which are included in gross income), rather than traditional, pre-tax elective contributions.

This provision permits employees to irrevocably designate all or a portion of their 457(b) as an after-tax Roth contribution. This type of contribution will not lower the employee's taxable income. However, distribution of Roth designated funds in retirement will not be subject to taxation.

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CSD Retirement Trust (CSD-RT)

What is CSD-RT?

The trust was created for educators by educators to provide the best Supplemental Retirement Program, 403(b) & 457(b) for K-12 Employees. The trust is a consortium of school districts/charters that have joined together to improve retirement planning and outcomes for their employees and to reduce employee fees. The Trust also saves it members' time and money while ensuring compliance with 403(b) and 457(b) regulations. Almost 6,000 active employee and retirees from 49 districts/charters with $153+million in plan assets make up the Trust.

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Why You Should Join CSD-RT?

- Deploys financial advisors who focus on educating participants, not selling products, thus reducing confusion and indecision.
- Provides diversified investment options through actively managed, index and age-appropriate target date funds
- Lowers fees, striving for the lowest fee share class while increasing transparency
- Provides flexibility with both pre and post-tax contribution plans
- Monitors and reports on fund performance quarterly, replacing underperforming funds as needed

- Enables participants to buy time into their retirement system with no rollover fees
- Ensures consistent communications to and education of employees on retirement planning and education
- As the plan sponsor, the Trust ensures compliance with IRS regulations (e.g. Universal Availability), significantly reducing if not eliminating administrative work for the employer
- Improves the bottom line for participants by increasing retirement balances, thus providing higher income replacement.

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What is the Performance of CSD-RT?

Since launching the program in January 2010 through December 2017:

- Investment options have outperformed their peer benchmark in 100% of investment categories
- Investment management fees have decreased in 94% of the Trust's investment options
- Participant fees have decreased 59%...annual fees for a participant with a $10,000 account balance have decreased from $140 to $52.

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Do I have to move my current 403(b) / 457(b) to CSD-RT?

You can keep your current contributions with current 403(b) / 457(b) retirement vendors, you do not need to move them. You will need to start an account with CSD-RT so that you can continue payroll deductions.

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Why are we changing from a multi-vendor environment to a single vendor?

- Multi-vendors are challenging to teachers and staff
- Decisions can be frustrating due to the fact, you have to do make a decision on retirement vendor and research the market to know what funds you want to distribute your money to. All ISD can do is provide an authorized retirement vendor list but we can't recommend one to use.

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What are the CSD-RT Investments?

As of March 2019, CSD-RT investments are:

- Foreign/International
    - American Funds EuroPacific Growth
    - American Funds Capital World Growth
- Small/Mid Cap Growth
    - Vanguard Mid Cap Growth Inv
    - Fidelity Advisor Small Cap Growth
- Small/Mid Cap Value
    - Vanguard Selected Value
    - American Beacon Small Cap Value Inst
- Large Cap Growth
    - American Funds Growth Fund of America

    - T. Rowe Price Growth Stock
    - Calvert Social Index
- Large Cap Value
    - Vanguard Windsor II Adm
    - T. Rowe Price Equity Income
- Target Date / Balanced
    - Vanguard Target Retirement Income Inv
    - Vanguard Target Retirement Inv 2015-2065
    - American Funds Balanced R6
- Fixed Income
    - Goldman Sachs Bond R6
    - American Funds U.S. Government SEC R6
- Short-Term / Stable Value
    - VALIC Fixed Interest
    - Vanguard Federal Money Market

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What is a Managed Account and why is it Offered?

A Managed Account is when a professional investment advisor puts together a group of investment, using those offered by the Trust. The Independent financial advisor will exercise discretionary authority, after talking with the participant about their risk tolerance, their other assets and other shared financial data. If the participant approves, the Investment Manager will allocate and/or reallocate their account to implement the individualized advice.

It is offered because it provides additional flexibility in helping participants who are not comfortable making their own investment decisions. Managed Accounts are one of three options approved by the Department of Labor (DOL) for Qualified Default Investment Alternatives (QDIA). The three are target date funds, balanced funds, and managed accounts.

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What are the Participant Administrative Fees?

When the plan started in January of 2010, the participant with $10,000 in their account paid $140 in administrative fees. As of January 2017, the same participant now pays a $20 Annual Fee plus .32% or around $52.00 a year.

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What do you receive for the $52 a year?

- A dedicated financial advisor, an toll free number to contact and online access to your account 24/7
- Financial Education
    - Individual and group
    - Periodic workshops on how to optimize your PSRS/PEERS/Social Security benefits
- Best in Class Investment Options
    - Actively Managed, Index and Target Date Fund
    - Reviewed Quarterly for Performance vs Peers
        - Since the Trust first launched in 2009, 100% of them have beat their benchmark)
- Low Administrative and Investment Management Fees

    - Fees have decreased 59%
    - Investment Manager Fees have decreased in 94% of the funds
- Flexible Options
    - 403(b) & 457(b): Roth and Traditional
    - Managed Accounts
    - Income Replacement – Qualified Longevity Annuity Contract (QLAC), an annuity that receives special tax treatment from the IRS. A process of purchasing guaranteed retirement income while also deferring required minimum distributions within your 403(b)/457(b).

Independence Retirement Plan

What is the Independence School District Retirement Plan?

The Independence School District, effective July 1, 2019, will be part of the Cooperating School District Retirement Trust a consortium of supplemental retirement plans specifically designed for public education in which you take an active role in managing and controlling your personal retirement savings. In addition, these plans have advantages for you because they offer:

- ***Portable benefits*** better suited to today's workforce that does not typically spend an entire career with a single employer. Your account is portable if you change employers.
- ***Benefits available at termination*** providing freedom and flexibility for you to control the direction of your own personal savings, even before retirement age.
- ***Loans and other types of in-service withdrawals*** that allow access to your account funds under certain circumstances.
- ***Current tax benefits*** allow you to save on a pre-tax basis so you don't realize the full contribution amount out of your take-home pay and earnings will accumulate tax-deferred. Post-Tax contributions can also be made through the 403(b)/457(b) Roth provision.

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Can I contribute to the plan?

Yes, you can make voluntary contributions on a pre-tax 403(b)/457(b) or post-tax 403(b)/457(b) Roth basis into the Independence School District Plan. Contributions come out of your paycheck. You can contribute up to $19,000 ($25,000 if over age 50) in 2019. A special 15 year catch-up provision may also be available.

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What is changing for me if I have already been participating in the Retirement plans?

Effective July 1, 2019, the Independence School District 403(b)/457(b), Roth plans will be administered by a single record keeper instead of the multiple record keepers we currently use. The decision to move to a single record keeper involved a comprehensive and thorough review process. As a result, salary deferral contributions will begin being deposited into a best in class set of new investment options effective July 20, 2019.

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Will my June checks be deposited in my current retirement account or the CSD-RT account?

Since all contract checks for the months of July and August will be prepared and distributed on June 20, 2019, all current retirement funds will be distributed to your current retirement vendor account. The first check received on for your new contract year, all contributions will be sent to VALIC.
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If I receive a summer school check in July will the retirement funds go to my current retirement account or the CSD-RT account?

If you worked summer school during the month of June, the earning will be paid on July 20, but will be applied to the current fiscal year. All retirement contributions will go to your current retirement account. True July earnings will go to the CSD-RT beginning on July 20, 2019.
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Why is Independence School District making this change?

Independence School District believes that with the recent concern about underfunding of pension funds, voluntary defined contributions plans, such as the 403(b)/457(b), Roth plans will be vital to the retirement planning and financial security of its primary resource: the employees. As such, the goal is to enhance our current plan to provide outstanding educational sessions and planning tools, both on-site and online, as well as a well-rounded, lower cost, "best in class" fund line-up.
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What criteria is used by the CSD-RT to evaluate the various companies in the marketplace?

CBIZ Financial Solutions assisted the CSD Retirement Trust in a formal RFP project to evaluate many companies based on the combination of several factors:

- Experience as a 403(b)/ 457(b), Roth plan provider,
- Ability to partner with Independence School District on plan administration and compliance,
- Ability to administer the plan in accordance with the plan rules and regulations,
- Strong financial education and communication programs along with a robust website
- Ability to offer a wide range of non-proprietary investment funds allowing for the oversight and review of the investment options
- Ability to provide consistent on-site retirement planning and counseling service
- Competitive fees for plan administration and participant services

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Why will Independence School District have only a single vendor record keeper instead of multi-vendor retirement that are currently offered?

There are several advantages to using a single vendor record keeper for the retirement plan:

- Your retirement planning will be simplified. A single vendor record keeper means you'll only need to visit one website, have one phone number to call, and one statement to review.
- Consolidating vendors and assets allows participating School Districts the ability to increase our bargaining power to negotiate better terms, including **better services and lower fees**. Our bargaining power has been greatly diminished by using multiple record keepers. This new plan consolidation means **many existing and future** participants should see a reduction in investment expense ratios and fees.

- We will be able to partner with VALIC, the plan's record keeper, administrator and compliance group to educate employees rather than multiple companies promoting each company. This will help improve awareness and focus outcomes on our employees' retirement readiness and plan participation.
- We expect more employees to be more successful preparing for retirement because decision making will be simplified and investment choices will have less overlap, improving asset allocation and eliminating unnecessary confusion.

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Why was VALIC selected to be the Independence School District new record keeper?

- VALIC was the clear winner of a competitive RFP process conducted by the Cooperating School Districts.
- VALIC is a leading provider of educational, administrative and investment services to public education and their employees.
- VALIC has specialized in the retirement plans business for more than 50 years.
- VALIC has a very user-friendly website and the best educational tools.
- VALIC can offer investment options from all of the major fund families.
- VALIC offers comprehensive planning services to help you reach your goals.
- VALIC will have local representatives onsite at Independence School District to help you.
- VALIC offers a wide array of financial education seminars.

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What improvements can we expect to see as a result of the change?

In addition to the benefits described above, here are just a few of the benefits you will see:

- Reduced costs and fees;
- A more robust fund lineup that focuses your decisions on fewer and better performing funds;
- Onsite representatives;
- More opportunities for retirement planning and education;
- Online enrollment and transactions;
- Access to superior web-based planning tools;
- Simplification of investment selections;
- One statement, one website and one phone number.

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Can I keep my current financial advisor?

Yes. Your current financial advisor can complete your enrollment and make changes for you as desired.

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Will employees be able to invest with the de-deselected companies under the new plan?

Several of the deselected providers have served Independence School District for a number of years and may continue to be an important part of your retirement saving strategy. After July 1, 2019, the following options are available to you:

Current Investments:
You can choose to keep your current retirement investments with your old company, but will not be able to contribute any new money through payroll deduction after the June 20, 2019. If you

want to transfer existing plan assets to the new fund line-up at VALIC, you can do so, subject to any contract or account restrictions that may exist with the old company.

Future Investments:
Beginning July 20, 2019, your voluntary salary deferrals will be sent to VALIC and can be directed to any options in the new mutual fund investment lineup.

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How will my contributions be invested if I don't select new funds?

All future contributions, beginning July 20, 2019 will be invested in your newly elected 403(b)/57(b), Roth plan investment options. For existing VALIC clients, you will need to enroll in the new program. This can be completed on-line or your VALIC financial advisor can assist.

For participants with other carriers, you will need to enroll. Enrollment details will be provided later at the group presentation at all locations.

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Will my old account balance be automatically transferred to the new plan?

No. If you decide that you want to transfer your account balance to the new plan, please meet with a VALIC advisor to assist you with the forms.

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Can I move my retirement plan dollars to the new plan investments?

Yes. At any time, you may complete the necessary forms to authorize the transfer of your account to the new investment line-up.   VALIC financial advisors will assist you in the process and provide guidance based on your current allocation and retirement objectives
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How will the transition to VALIC work?

Things that you can expect:

- Existing accounts will not transfer to VALIC automatically. Your existing retirement accounts can only be transferred on an individual basis, after completing paperwork.
- Starting July 20, 2019, all new and ongoing contributions will be sent to VALIC.
- You'll also be able to decide how you want your new VALIC account to be invested. The new fund lineup will include funds from several well-known fund families.

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Who can I contact if I have questions about any of the mutual fund or this transfer process?

If you have any questions about this new enhancement you may contact:

Bryan Montemurro   bryan.montemurro@valic.com   913-402-5013

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How can I learn more?

We will be holding educational sessions in the coming months. Check with your Principal/Director to find out a time these sessions are being held. Or refer to the calendar on MyBenefits for other locations around you.

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What guidance services are available?

Every employee will be given the opportunity to schedule a confidential, individual meeting with a VALIC representative. The meetings will be conveniently located with various times available. You can schedule a one-on-one meeting after the group presentations. Your spouse or partner is also welcome to join you during your one-on-one appointment.

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