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Together Today to Transform Tomorrow

Stacey Mallek

Assistant Superintendent for Business/CSBO

Email: smallek@sd25.org

To: All Staff Members
From: Stacey Mallek, Assistant Superintendent of Business/CSBO
Date: January 1, 2023
Re: Annual Notice Regarding Participation in the District 25 403(b) Plan

The opportunity for District 25 employees to participate in a tax-sheltered annuity (TSA) program has been available for many years and has been utilized by a large number of staff. If you are interested in starting a TSA or making a change to your current 403(b) salary reduction agreements, the following information provides a brief overview of tax-sheltered annuities and Internal Revenue Service (IRS) compliance guidelines.

What is a TSA?

Under Section 403(b) of the Internal Revenue Code, public school employees are allowed to make contributions through payroll deduction to a tax-sheltered annuity account. Federal and state income taxes are sheltered (deferred) on these contributions (i.e. taxable income is reduced by the amount of the contributions). TSAs are a simple method of supplementing retirement income with additional funds paid with tax-deferred dollars. The tax benefit a person receives from a TSA is the delay in paying taxes on annuity contributions and earnings until the annuity payments are received. Generally, a person receives annuity payments after they retire. TSAs do not change the pension amount that an employee is eligible for through TRS, IMRF, or Social Security. **Investments made into a 403(b) account do not guarantee a return on investment.**

Who is eligible?

You are eligible to participate in the plan if you are a full-time or part-time employee (including substitutes) of Arlington Heights School District 25.

When can I enroll?

You can enroll in the plan at any time. There is no designated open enrollment period.

How do I enroll?

You should contact a representative from the list of the District's authorized 403(b) Providers to establish your investment account or accounts under the plan. The list of the District's authorized Providers can be found on the District website (on Staff Protected Pages under Business Office, Benefits, Tax Shelter 403(b) Annuity Program).

Once you have an investment account(s) set up, you must complete the District's Salary Reduction Agreement, indicating the Provider and the amount of your contribution to be withheld from your paycheck. The District's Salary Reduction Agreement is available on the District website (see above).

Return all completed forms to Beth Satera in the Business Office. Your participation will begin at the start of the payroll period following the date that our Payroll Department processes your completed enrollment form.



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How much can I contribute to the plan?

The IRS limits the annual contributions you can make to a 403(b) plan. For 2023, the basic limit is \$22,500 for participants under age 50, and \$30,000 for participants who become age 50 or older during the calendar year who provide a maximum contribution worksheet from their provider confirming eligibility for this provision.

Certain employees with at least 15 years of service may be eligible for an additional \$3,500 catch-up contribution. You should check with your tax advisor and your investment provider to determine if this applies to you.

In addition, if you are making pre-tax salary deferral contributions to another 403(b), 401(k), Simple IRA, or SARSEP plan, the total you can contribute to all plans combined is the amount indicated above.

How can I make a change or stop contributions to the plan?

You can make a change in or stop contributions at any time. You will need to complete a new District Salary Reduction Agreement and send it to Beth Satera in the Business Office. The change will take effect on the next available payroll period after the new Salary Reduction Agreement is processed.

When can I get my money out of the plan?

Distributions cannot be made until one of the following occurs:

- * The employee separates from service (has a severance from employment).
- * The employee dies, at which time the beneficiary is eligible for distributions.
- * The employee becomes disabled.
- * The employee reaches age 59 ½ .

Loans and hardship withdrawals are not allowed under the plan.

For More Information

If you have any questions about our plan, contact Beth Satera in the Business Office at 847-758-4881 or at bsatera@sd25.org.