Welcome
A Retirement Savings Opportunity is offered to you

Among the benefits Surry County Public Schools offers, you can participate in a 403(B) and 457(B) retirement program.

A 403(B) and a 457(B) plan is a tax-deferred retirement program that permits you to reduce your compensation on a pre-tax basis and have the contribution deposited into a 403(B) or 457(B) investment.

Saving for retirement is easier since your retirement contribution is deducted directly from your paycheck.

Should you choose to take advantage of this retirement savings opportunity, you will need to complete enrollment paperwork provided by the investment provider and a salary reduction agreement that authorizes us to deduct money from your paycheck.

For more information about the 403(B) or 457(B) retirement plan and a salary reduction agreement form, please contact;

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Retirement Topics - 457(b) Contribution Limits

A 457(b) plan's annual contributions and other additions (excluding earnings) to a participant's account cannot exceed the lesser of:

1. 100% of the participant's includible compensation, or
2. The elective deferral limits ($17,500 in 2013 and 2014).

Increases to the general annual contribution limit:

- 457(b) plans of state and local governments may allow catch-up contributions for participants who are aged 50 or older.
- Special 457(b) catch-up contributions, if permitted by the plan, allow a participant for 3 years prior to the normal retirement age (as specified in the plan) to contribute the lesser of:
    - Twice the annual limit ($35,000 in 2013 and 2014), or
    - The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions)

Retirement Topics - 403(b) Contribution Limits

Generally, contributions to an employee's 403(b) account are limited to the lesser of:

- the limit on annual additions, or
- the elective deferral limit

Limit on annual additions

The limit on annual additions (the combination of *all* employer contributions and employee elective deferrals to all 403(b) accounts) generally is the lesser of:

- $51,000 for 2013 ($52,000 for 2014), or
- 100% of includible compensation for the employee's most recent year of service.

Generally, includible compensation is the amount of taxable wages and benefits the employee received in the employee's most recent full year of service.

Limit on elective deferrals

The limit on elective deferrals - the most an employee can contribute to a 403(b) account by means of a salary reduction agreement - is $17,500 in 2013 and 2014.

Catch-ups for employees with 15-years of service

If permitted by the 403(b) plan, an employee who has at least 15 years of service with a public school system, hospital, home health service agency, health and welfare service agency, church, or convention or association of churches (or associated organization), has a 403(b) elective deferral limit that is increased by the lesser of:

1. $3,000,

2. $15,000, reduced by the amount of additional elective deferrals made in prior years because of this rule, or

3. $5,000 times the number of the employee's years of service for the organization, minus the total elective deferrals made for earlier years.

An employee who qualifies for the 15-year rule can have an elective deferral limit as high as $20,500 for 2013.

Catch-ups for employees age 50 or over

If permitted by the 403(b) plan, employees who are age 50 or over at the end of the calendar year can also make catch-up contributions of $5,500 in 2013 and 2014 beyond the basic limit on elective deferrals.

If both catch-up provisions apply

While the age 50 catch-up is subject to an annual limit, the 15-year catch-up is subject to a use test, lifetime limit and an annual limit. When both catch-up opportunities are available, the law requires deferrals exceeding the standard limit ($17,500 in 2013 and 2014) to be first applied to the 15-year catch-up (to the extent permitted), and then to the age 50 catch-up.

> **Example**: Assume Pat, age 50, has worked as a teacher in the XYZ School District for 15 years; is eligible for the 15 years of service catch-up; and has eligible compensation of $70,000 for 2013. The maximum employee and employer contributions to the XYZ 403(b) plan for 2013 for Pat would be $56,000:

- Pat may have elective deferrals to the 403(b) plan totaling $20,500 ($17,500 plus $3,000 15 years of service catch-up)
- Employer contribution of $30,500, bringing the total employee and employer contributions to $51,000, the annual additions limit.
- Pat may also defer an additional $5,500 age 50 catch-up contribution for 2013.

> **Example**: Now assume that Pat only deferred $22,000 of his salary under the 403(b) plan. The plan provides both the 15-year and age 50 catch-up deferral opportunities. Under the use test, Pat is eligible for a 15-year catch-up of $3,000. Of the total $22,000 deferred for 2013, the maximum standard deferral of $17,500 is first applied, followed by application of the 15-year catch-up deferral of $3,000, and finally application of the remaining $1,500 to the age 50 catch-up deferral.

Employees who also participate in another plan

Employees must combine contributions made to their 403(b) accounts with contributions made to all other plans in which they participate (other than 457 plans): qualified plans, SEPs and SIMPLE IRAs of all corporations, partnerships and sole proprietorships in which they have more than 50% control. The employee's total elective deferrals to all of these plans combined cannot exceed the annual deferral limit ($17,500 in 2013).