

### **What is a 403(b) plan?**

A 403(b) plan is a tax-deferred retirement plan available to employees of public educational institutions and certain tax-exempt organizations. A 403(b) plan allows you to make pretax contributions by convenient payroll deduction and save that money for your retirement.

403(b) plans were created to encourage long-term savings. Distributions generally are available only when you reach age 59 ½, leave your job, upon death or disability. However, distributions can also be available in the event of financial hardship. Bear in mind that distributions before age 59 ½ might be subject to federal restrictions and a 10% federal tax penalty.

Short-term needs can sometimes be met by nontaxable loans. This type of loan makes it possible for you to access your account without permanently reducing your balance. Though you should remember that defaulted loan amounts will be taxed as ordinary income and might be subject to a 10% penalty if you are under age 59 ½.

### **Why contribute to a 403(b) plan?**

Participating in your plan can provide a number of benefits, including the following:

- Lower taxes today. You contribute before income taxes are withheld --- which means you're currently taxed on a smaller amount. This can reduce your current income tax bill. For example, if your federal marginal income tax rate is 25% and you contribute a \$100 a month to a 403(b) plan, you've reduced your federal income taxes by roughly \$25. In effect, your \$100 contribution costs you only \$75. The tax savings increases with the size of your 403(b) contribution.
- Tax-deferred growth and compounding interest. In a 403(b) plan, your interest and earnings accrue tax deferred. That means interest on your interest also grows tax deferred. The compounding interest can allow your account to grow more quickly than savings in a taxable account where interest and earnings are generally taxed each year.
- You take the initiative. Contributing to a 403(b) retirement plan can help you take control of your future. Other sources of retirement income, including state pension plans and, if applicable, Social Security, rarely replace a person's final salary upon retirement. That's why it's up to you to make sure you'll have enough money for retirement.

Contributions made to the plan are invested as you direct, based upon your elections among the investments available under the plan. Loans, if available, and distributions from the plan, are subject to requirements under the plan and under the investment product that you select.

### **Am I eligible to participate?**

All employees are eligible to participate.

### **What is the maximum amount that I can contribute?**

The IRS limits the annual contributions you can make to a 403(b) plan and the limits are adjusted each year. Below are the limits for 2009:

- Under Age 50 \$16,500
- Age 50 and above \$22,000

### **When do I enroll?**

You can enroll in the plan immediately upon your date of hire and anytime thereafter as long as you are an employee of Fairfax County Public Schools. For investment provider contacts, please visit <http://www.fcps.edu/DHR/employees/benefits/403b.htm>

### **When are my elective deferral contributions effective?**

After completing the enrollment requirements, your elective deferral contributions will begin the first day of the following month or as soon as administratively possible. Completed enrollment requests must be received by the 20<sup>th</sup> of the month to be effective on the first day of the following month.

### **Can I change or stop my elective deferral contributions?**

You may change or revoke your elective deferral contributions anytime during the plan year. *Salary reduction agreements for new enrollments, changes, or stops, received by the 20<sup>th</sup> of any given month will become effective on the 1<sup>st</sup> of the following month, or as soon as administratively possible.*

**For general questions, contact the Office of Benefit Services at 571-423-3200. For additional information about participation, investment options and more, please contact the investment providers directly.**

<b>VALIC</b>	<b>TIAA-CREF</b>	<b>Great-West Retirement Services</b>
800-892-5558 ext. 88860 <a href="http://www.valic.com/fcps">www.valic.com/fcps</a>	703-460-7100 <a href="http://www.tiaa-cref.org/fcps">www.tiaa-cref.org/fcps</a>	877-449-FCPS (3277) <a href="http://www.gwrs.com/fcps">www.gwrs.com/fcps</a>