

# 2007-08

# BA #2

Date Issued 8/07

**TO: ALL EMPLOYEES**

**FROM: Dennis Van Horn, Associate Superintendent for Business Affairs  
Tim Kemper, Director of Finance**

**SUBJECT: ELECTIVE DEFERRAL TAX SHELTERED ANNUITY PROGRAM**

## **General Information**

An Elective Deferral Tax Sheltered Annuity or Custodial Account ("TSA") is a tax deferral arrangement provided in Section 403(b) of the Internal Revenue Code ("Code") to employees of school districts. Employees can exclude from current gross income, within limits, amounts withheld from their compensation and paid to an insurance company or mutual fund custodial account on a contract that will provide him or her with a retirement annuity. The main benefit of a TSA is the delay on paying taxes on contributions and their earnings until you withdraw the funds.

Lincoln Public Schools allows elective deferrals from salary, hourly wages, and overtime pay, but does not permit elective deferrals from non-cash forms of compensation, severance pay, vacation or sick pay cashouts, bonuses, or other forms of non-recurring, non-periodic compensation.

Contracts meeting Internal Revenue Code Section 403(b) will be accepted by the District (refer to IRS Publication 571 for additional information). You and the company with which you contract for your TSA must comply with the contribution limitations and other requirements of the Code. **Internal Revenue Service Publication 571 contains information about limitations on elective deferrals. For example, for 2007 the annual limit on elective deferrals is \$15,500 unless you are eligible to make "catchup contributions."** For more information, you can access Publication 571 on the Internet at [www.irs.gov](http://www.irs.gov).

The program is available to all Lincoln Public Schools employees whose current work assignment is 20 or more hours per week.

## **How to Start a New Elective Deferral TSA**

1. Employees not currently participating in the Section 403(b) TSA program who wish to do so should make direct contact with a company offering TSA's complying with Internal Revenue Code Section 403(b). See below regarding these companies. In addition to any forms the individual company may require, the company's representative must also complete a current Form BA56 "Salary Deferral Election for a Tax Sheltered Annuity.
2. The completed Form BA56, with the signatures of both the employee and a representative of the company, should be sent to the attention of the Accounting Office (inter-office mail Box 2) at the following address: Lincoln Public Schools, P.O. Box 82889, Lincoln, NE 68501-2889.

3. Completed forms received in Accounting any day of a calendar month will be effective with the end-of-month payroll for the following month.
4. The salary deferral election may only be for compensation earned after the election is signed and received by the District.
5. Only one deferral election is allowed per employee (i.e., all tax sheltered annuity deferrals for an individual employee must be with one company at any given time).
6. Once a deferral election has been made, it remains in effect until changed or terminated by written notice from the employee, or until the employee terminates employment with the District, whichever is earlier.

### **How to Change or Terminate an Existing Elective Deferral TSA**

1. Employees currently participating in the Section 403(b) TSA program who wish to change companies, change amounts deferred, or terminate their TSA should make direct contact with a company presently writing their TSA or with the company to which they wish to change. In addition to any forms the individual company may require, the company's agent must also complete a current Form BA56 "Salary Deferral Election for a Tax Sheltered Annuity."
2. The completed Form BA56, with the signatures of both the employee and a representative of the company, should be sent to the attention of the Accounting Office (inter-office mail Box 2) at the following address: Lincoln Public Schools, P.O. Box 82889, Lincoln, NE 68501-2889.
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### **Special Note to Administrators and Vendors**

Regulation 3971.1 and Policy 4740 generally prohibit business solicitation on property owned by the District and/or during employee duty time. This specifically includes persons attempting to sell or promote tax sheltered annuity programs or other financial planning services.

Anyone authorized to solicit in any of the District's facilities will have an authorization letter from the Associate Superintendent for Business Affairs, or will have a building rental form which has been authorized by the Superintendent's Office (for example, this would be the case if the Lincoln Education Association was sponsoring a meeting and had invited a speaker who was involved with tax sheltered annuities).

## **Additional Information**

LPS will adhere to reasonable procedures in the administration of the elective deferral Section 403(b) TSA program, and may request documentation from employees to support employee eligibility for certain provisions under the program. For additional information about the elective deferral Section 403(b) TSA program, please contact the Accounting Office at 436-1700.

A list of companies to which LPS employees can make elective deferrals under the Section 403(b) TSA program is maintained on the District's website at <http://misc.lps.org/misc/tsa/>.

***This is just a listing of participating vendors and in no way constitutes an endorsement or recommendation of the Lincoln Public Schools. No guarantee of any kind is made to employees regarding these companies, their financial conditions, or their interest or dividend paying capabilities.***