

## **TAX-SHELTERED ANNUITY PLAN**

### Definitions

- A. "Internal Revenue" means the Federal Internal Revenue Code of 1986, as amended to date, and California Revenue and Taxation Code Section 17501.
- B. "Plan" means a tax deferred annuity plan under Internal Revenue Code Section 403(b), including therein annuity contracts under Internal Revenue Code Section 403(b) and/or custodial accounts under Internal Revenue Code Section 403(b)(7).
- C. "Annuity" shall mean:
  - 1. Either a fixed or a variable annuity contract, or a combination thereof purchased by the employer, issued to an individual or a group.
  - 2. An additional deposit for and in the name of the participant to the State Teachers' Retirement System, in accordance with the provisions of the California Education Code and in accordance with the regulations and procedures adopted by the State Teachers' Retirement Board.

### Contributions

The District shall withhold from employee's paycheck each month such amount as the participant may elect, provided such monthly contributions shall be at least twenty-five dollars (\$25.00), but not in excess of his/her exclusion allowance.

Moneys withheld with respect to any participant shall be by means of a reduction in his/her compensation otherwise payable under his/her employment contract, which names the insuring company issuing the tax-sheltered annuity plan as well as the name of the agent to whom the money is to be sent, or such other fiscal agent as may be designated by the District or by the auditor-controller of the County of Orange; the amount of such reduction being that set forth in the participant's amendment to his employment contract, duly signed and filed with the District. Such reductions shall only be with respect to services to be rendered by the participant to the District, subsequent to the date of his election to participate.

### Revision of Contract

Only one revision of a contract may be made during a calendar year, subject to approval by the Board of Trustees.

### Qualification of Companies

Any insurance company and/or agents and brokers licensed to sell tax-sheltered annuity plans in the State of California, and/or investment companies authorized to provide custodial accounts in the State of California, may offer for sale such plans to the employees of the District, provided

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they have on file in the Business Services Office of the District properly executed written copies of the following:

1. Hold harmless agreement for the sale and servicing of tax sheltered annuities and/or custodial agreements which has been reviewed and approved by counsel to the District.
2. A written statement from the insuring company and/or investment company covering the following points and which has been reviewed and approved by the counsel of the District.
  - a. That the contract does not provide for life insurance or waiver of premiums.
  - b. That the employee's rights under the contract are non-forfeitable, except for failure to pay future premiums.
  - c. That the annuity contract and/or custodial account are not part of a plan qualified under Section 401(a) of the Internal Revenue Code.
  - d. That the plan otherwise meets the requirements of the Internal Revenue Code for tax-sheltered annuities.
  - e. That in the event the plan has any variations to the foregoing requirements, these variations must be explained in detail and supported by reliable authority.
3. Any pertinent information given to participants by a company shall contain a statement such as the following:

“District assumes no liability with respect to the potential tax or financial consequences of employee participation in a Plan, and the employee is encouraged to consult with a tax and/or financial adviser in this regard. Employee shall hold District harmless and indemnify District for any taxes, penalties, and/or interest District is required to pay on behalf of Employee or for any action or conduct arising out of the administration of the Plan.”

The Fullerton Joint Union High School District shall not be required to enter into a master contract on behalf of the participant.

Companies on the list must be supported for payroll deductions. Companies may be eliminated due to lack of employee participation. All Plan deductions will be deducted only upon written approval of the employee and completion of the proper documentation.

Time Schedule

A minimum of 30 days is required to process a salary reduction for an annuity contract and/or custodial account.

Solicitation

No personal, mail, or telephone solicitation shall be made by any of the firms except at the direct request of employees.

List of Qualified Firms

Names of qualified firms will be provided to employees, upon request, from the Business Services Office.

The District does not sponsor, endorse, approve, recommend, support, or authorize any of the companies of this list. The choice of a company is a matter for an employee to investigate with the assistance of his/her financial adviser, and the choice of company is the sole responsibility of the employee. The District does not assume any liability in connection with the choice of companies by employees, and the distribution of this list does not imply the assumption of such liability. The list is provided for information purposes only and does not constitute the provision of any recommendation or advice by the District regarding selection of a company.

Implementation Procedures

Any such additional procedures as may be necessary or advisable in the implementation of the policy and rules and regulations for tax-sheltered annuities shall be prepared and administered by the District Superintendent.

Reference: California Education Code Section 44041; Government Code Section 53200, et seq.; Insurance Code, various sections; Revenue and Taxation Code Section 17501; United States Internal Revenue Code Section 403(b)

Regulation approved: March 20, 1972; December 13, 1972; November 7, 1978; September 15, 1982; August 9, 1999; May 15, 2001