

2020 MEDINA ISD

403(b) AND 457(b) DEFERRED COMPENSATION

PLAN SUMMARY INFORMATION

The 403(b) and 457(b) deferred compensation plans are valuable retirement savings options, available through payroll deduction. This notice provides a brief explanation of the provisions, policies and rules that govern the 403(b) and 457(b) Plans. Plan administration services for the 403(b) and 457(b) plans are provided by First Financial Group of America. This information is for quick reference purposes only and is overridden by Medina ISD's 403(b) and 457(b) Deferred Compensation Plan.

Eligibility

All Employees are eligible to participate in the 403(b) and 457(b) plans immediately upon employment, however, private contractors, appointed/elected trustees and/or school board members and student worker are not eligible to participate in the 403(b) and/or 457(b) plans. Employees may make voluntary deferrals to both plan types.

Employee Contributions

Upon enrollment, participants designate a portion of their salary that they wish to contribute to their traditional 403(b) and/or 457(b) account(s) up to their maximum annual contribution amount on a pre-tax basis, thus reducing the participant's taxable income. Contributions to the participant's 403(b) and/or 457(b) accounts are made from income paid through the employer's payroll system. Taxes on contributions and any earnings are deferred until the participant withdraws their funds.

The Internal Revenue Service regulations limit the amount participants may contribute annually to tax-advantaged retirement plans and imposes substantial penalties for violating contribution limits. FFGA monitors 403(b) and 457(b) plan contributions and notifies the employer in the event of an excess contribution.

The 2020 Basic Contribution Limit for each plan is \$19,500

Additional provisions allowed:

Age-Based Additional Amount

Participants who are age 50 or over at the end of the calendar year can make catch-up contributions of up to \$6,500.

Enrollment

Employees who wish to enroll in a 403(b) plan must first select the provider and investment product best suited for their goals. Employees who wish to enroll in the Medina ISD 457(b) plan must contract Finley Financial Services in Kerrville, Tx. at 830-896-4400 to complete required paperwork. Planning with a tax advisor or financial planner that you trust is vital to help ensure the participants needs are addressed and necessary for any 403(b) plan participants.

Upon establishment of the account with the selected provider, a "Salary Reduction Agreement" (SRA) form and/or a deferred compensation enrollment form and any disclosure forms must be completed and submitted to the employer. These forms authorize the employer to withhold 403(b) and/or 457(b) contributions from the employee's pay and send those funds to the Investment Provider on their behalf. A SRA form and/or a deferred compensation enrollment form must be completed to start, stop or modify contributions to 403(b) and/or 457(b) accounts. Unless otherwise notified by your employer, you may enroll and/or make changes to your current contributions anytime throughout the year. Contributions cannot exceed the allowable amount.

Plan Distribution Transactions

Distribution transactions may include any of the following according to the Medina ISD Plan Document: loans, transfers, rollovers, exchanges, hardships, unforeseen financial emergency withdrawals or distributions. Participants may request these distributions by completing the necessary forms obtained from the provider and plan administrator as required. All completed forms should be submitted to the plan administrator for processing.

403(b) and 457(b) Plan Loans

Participants may be eligible to borrow their 403(b) and/or 457(b) plan accumulations depending on the provisions of their 403(b) account contract. If loans are available, they are generally granted for a term of five years or less (general-purpose loans). Loans taken to purchase a principal residence can extend the term beyond five years depending on the provisions of their 403(b) and/or 457(b) account contract and provisions of the Medina ISD plan. Details and terms of the loan are established by the provider. Participants must repay their loans through monthly payments as directed by the provider. Prior to taking a loan, participants should consult a tax advisor.

Plan to Plan Transfers

A plan-to-plan transfer is defined as the movement of a 403(b) and/or 457(b) account from a previous plan sponsor's plan and retaining the same account with the authorized investment provider under the Medina ISD sponsor's plan.

Rollovers

Participants may move funds from one qualified plan account, i.e. 403(b) account, 401(k) account or and IRA, to another qualified plan account at age 59 and ½ or when separated from service at Medina ISD. Rollovers do not create a taxable event.

Distributions

Retirement plan distributions are restricted by IRS regulations. A participant may not take a distribution of 403(b) plan accumulations without penalty unless they have attained age 59 and 1/2 or separated from service in the year in which they turn 55 or older. Generally, a distribution cannot be made from a 457(b) account until you have a severance from employment, reach age 70 and ½, or are deceased. In most cases, any withdrawals made from a 403(b) or 457(b) account are taxable in full as ordinary income.

Exchanges

Within each plan, participants may exchange account accumulations from one investment provider to another investment provider that is authorized under the same plan; however, there may be limitations affecting exchanges, and participants should be aware of any charges or penalties that may exist in individual investment contracts prior to exchange. Exchanges can only be made from one 457(b) plan to another 457(b) plan, or from one 403(b) plan to another 403(b) plan.

Hardship Withdrawals

Participants may be able to take a hardship withdrawal in the event of an immediate and heavy financial need. According to IRS Safe Harbor regulations, to be eligible for a hardship withdrawal, a participant must have exhausted all other available financial resources. The eligibility requirements to receive a Hardship withdrawal are provided on the Hardship Withdrawal Disclosure form. After receiving a hardship withdrawal, the participant may not make voluntary contributions to any employer sponsored retirement plan for a period of six months.

Unforeseen Financial Emergency Withdrawal

You may be able to take a withdrawal from your 457(b) account in the event of an unforeseen financial emergency. An unforeseeable emergency is defined as a severe financial hardship of the participant or beneficiary. The eligibility requirements to receive a Unforeseen Financial Emergency Withdrawal are provided on the Unforeseen Financial Emergency Withdrawal Disclosure form.

Employee Information Statement

Participants in defined contribution plans are responsible for determining which, if any, investment vehicles best serve their retirement objectives. The 403(b) and 457(b) plan assets are invested solely in accordance with the participant's instructions. The participant should periodically review whether his/her objectives are being met, and if the objectives have changed, the participant should make appropriate changes. Planning with a tax advisor or financial planner that you trust is vital to help ensure the participants needs are addressed.