

TAX SHELTERED ANNUITY PROGRAM

Attached is the district's policy and supporting materials regarding Tax Sheltered Annuities.
ADMINISTRATIVE POLICIES

REGARDING

THE DEERFIELD SCHOOL DISTRICT
TAX SHELTERED ANNUITY PROGRAM

Adopted _____, 1997

ADMINISTRATIVE POLICIES

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ARTICLE I – ESTABLISHMENT AND PURPOSE

The Deerfield School District (the “District”) sponsors a tax sheltered annuity program (the “TSA Program”) for the benefit of its employees. The administration and operation of the TSA Program, which is intended to qualify for preferential tax treatment under §403(b) of the Internal Revenue Code of 1986, as amended (the “Code”) is governed by the following administrative rules and procedures.

ARTICLE II – VOLUNTARY EMPLOYEE CONTRIBUTIONS

Salary Reduction Agreements. Each eligible employee of the District may elect to reduce his or her salary by a specified amount (the “Salary Reduction”) by completing and returning a written “Salary Reduction Agreement” which is available from the District. Salary Reduction Agreements are only effective on a prospective basis and, except for the employee’s right to change or revoke the election as described below, each Salary Reduction Agreement is irrevocable.

Amount of Salary Reduction. Each Salary Reduction Agreement must specify the amount of the individual Salary Reduction which the employee elects to have the District contribute toward the purchase of an annuity contract or to a custodial account on his or her behalf. An employee’s Salary Reduction for a calendar year may not exceed: (a) the Annual Deferral limitation provided in Code §402(g); (b) the maximum exclusion allowance provided under Code §403 (b)(2); or (c) the annual addition limitation provided under Code §415(c).

Change or Revocation of Election. Under specified circumstances, an employee may change or stop his or her Salary Reduction payments. An employee may change the amount of his or her Salary Reduction two (2) times per calendar year. An employee may discontinue his or her Salary Reduction payments as of the first day of the pay period following the pay period in which the notice of the request to discontinue is provided to the District. If an employee discontinues his or her Salary Reduction, however, the employee may not again elect to reduce his or her salary, except as provided under this TSA program. Except as provided in this section, each Salary Reduction Agreement and the amount of Salary Reduction selected by an employee is irrevocable while the employee is employed by the District.

Completion of Election. Any election by an employee to reduce his or her salary under the program (including any change in amount or revocation thereof other than a cessation of deferrals) must be received by the District at least three (3) calendar weeks prior to the effective date of such election. The employee is solely responsible for obtaining, completing, and executing all required application forms of an eligible provider, as well as all District forms required to initiate, change, or terminate a Salary Reduction election and deliver those forms to the District.

Payroll Deduction. The District may make regular payroll deductions in lieu of the payment of compensation to an employee to pay for the selected Salary Reductions. Through a Salary Reduction Agreement, an employee releases any and all rights, present and future, to receive payment of the sums from the District resulting from such Salary Reductions in any form, except: (a) the right of the employee’s estate to the receipt of sums so paid upon the employee’s death; or (b) the right of the employee upon termination of employment (by reason other than death) to receive all or any part of the amount specified for which service has been rendered, but which has not remitted to the tax sheltered annuity provider (“Vendor”) selected by the employee.

Certification of Deferral. Each Vendor selected by the employee as the recipient of the Salary

Reductions shall provide the employee and the District with a calculation which demonstrates, to the satisfaction of the District, that the Salary Reductions selected satisfy the limitations of law (as summarized in Section 2.02, above). This calculation shall be required only for employees who elect to defer an amount equal to or in excess of the lesser of: (a) 10 percent of gross wages; or (b) \$2,500 in a calendar year. The certification shall be provided annually if the employee experiences a change in employment status, employment compensation, and/or with the first change in deferral, other than revocation.

Tax Withholding. Salary Reductions are subject to applicable FICA withholding. Salary Reductions are not, to the extent they are within applicable legal limits, subject to federal or state income tax or income tax withholding.

Wisconsin Retirement System. The amount of Salary Reductions, other than amounts deferred by the waiver of the employee to receive fringe benefits, shall be included in computing contributions and benefits under the Wisconsin Retirement System.

ARTICLE III – ANNUITY CONTRACTS AND CUSTODIAL ACCOUNTS

Eligible Annuity and Custodial Account Providers. The District will allow various Vendors to participate in the Program (the “Eligible Providers”) subject to the terms of an Agreement negotiated with representatives of the affected employee collective bargaining units or as established by the business office of the District for other employees. The Eligible Providers will make available to employees participating in the program, annuity contracts and/or custodial accounts which qualify for preferential tax treatment under Code §403(b).

To be eligible for consideration as an Eligible Provider, in addition to Policy compliance, each Vendor must be selected by at least (5) employees of the District, unless otherwise agreed to by the District. Notwithstanding this requirement, any Vendor that has been selected by an employee(s) of the District and which operates within the District as of December 31, 1996, shall be allowed to continue to service each employee who has already elected to work with that Vendor provided the Vendor complies with the terms and conditions of the District Policy. No additional employees may elect to work with such a Vendor unless that Vendor later becomes an Eligible Provider.

Remittance by District. Salary Reductions made pursuant to a valid election by an employee will be remitted by the District to the appropriate Eligible Provider no later than the 15th day of the month following the month in which the payment would have been paid to the employee but for the Salary Reduction election.

Provider Election. Each employee making Salary Reductions pursuant to the District’s TSA plan must select one of the Eligible Providers. A list of Eligible Providers should be maintained by the District and made available to interested employees. Any election of a Vendor who is not also an Eligible Provider shall be invalid. The designation of an Eligible Provider by an employee will remain in effect until changed in accordance with these rules and procedures. Twice per calendar year, and employee may select another Eligible Provider by completing and returning a Salary Reduction Agreement consistent with the rules provided in Section 2.04, above.

ARTICLE IV – RESPONSIBILITIES OF PARTICIPATING EMPLOYEES

General Responsibility. Each employee is solely and exclusively responsible for the selection of an Eligible Provider, the evaluation of the investment quality of any annuity contract or custodial account offered by that Eligible Provider, and the selection of any investment options offered within the annuity contract or custodial account selected by that employee. The District shall have no liability whatsoever for any loss suffered by an employee arising out of or related to any

selection of an Eligible Provider or due to the financial insolvency of or loss of benefits provided by the Eligible Providers.

Cooperation with Providers. Participating employees must cooperate with the Eligible Provider that they select to calculate the employee's annual deferral limitation, maximum exclusion allowance, and annual addition limitation. This may require that the employee provide the Eligible Provider with accurate salary and deferral information for current and past years, information relating to the employee's years of service with the District, and other information as designated by the Eligible Provider.

Notice of Change of Status. As soon as reasonably possible, participating employees must provide written notice to the Eligible Provider which they have selected as to any change in employment status including, but not limited to, a reduction from full-time to part-time employment, a leave of absence, or a decrease in annual compensation.

ARTICLE V – RESPONSIBILITIES OF THE DISTRICT

General Responsibilities. The sole and exclusive responsibility of the District with respect to the TSA Program is limited to: (a) collecting salary deferrals as required by a valid Salary Reduction Agreement and remitting such Salary Reductions to Eligible Providers in accordance with each employee's election; (b) maintain a list of Eligible Providers; (c) distribute or make available information that the District receives from Eligible Providers; and (d) maintain District forms required under this Policy.

No Fiduciary Relationship. No action taken by the District under the TSA Program shall be considered to create a trust of any kind or any fiduciary relationship between the District and participating employee, designated beneficiaries, or any other person.

Tax Qualification. The District makes no warranty or representation to employees that any annuity or custodial contracts offered by Eligible Providers are qualified under §403(b) of the Code or that Salary Reductions applied to the purchase of annuity contracts or invested in custodial accounts will be excluded from the gross income of employees under §403(b) of the Code. The District will, however, use its best efforts to comply with any applicable provisions of law relative to the TSA program.

ARTICLE VI – RESPONSIBILITIES OF ELIGIBLE PROVIDERS

Annuity Contract and Investment Information. Eligible Providers will provide information to requesting employees regarding the annuity contracts and/or custodial contracts offered and the investment performance thereof. Eligible Providers will also provide to requesting employees all applications, forms, elections, and documents necessary to apply Salary Reductions toward the purchase of annuity contracts and/or custodial accounts offered under the District's TSA Program.

Qualified 403(b) Contracts. Eligible Providers will make available to employees participating in this program, only annuity contracts or custodial accounts which meet the requirements of Code §403(b). Eligible Providers and their agents must adhere to all applicable federal and state laws, rules and regulations which govern tax deferred annuity programs.

Contribution Limitations. Each Eligible Provider will maintain records necessary to assure compliance with the annual deferral limitation under Code §402(g), the maximum exclusion allowance under Code §403(b), the annual addition limitation under Code §415(c), and any other limitations on Salary Reductions which may be imposed by law.

Annual Reporting. Each Eligible Provider will provide employees who purchase annuity contracts or who invest in custodial accounts under the District's TSA Program with information concerning those Salary Reductions and investment performance of such contracts and accounts.

Each Eligible Provider shall also provide assistance to employees in calculating the employee's maximum exclusion allowance on at least an annual basis.

Indemnification. As a condition to be an Eligible Provider, each Vendor must agree, in writing, to their responsibilities under the District's TSA Program and to indemnify and hold the District harmless with respect to any liability, including fines or penalties, costs or fees, imposed upon the District by a court, administrative agency, or otherwise as a result of a violation of this policy or a violation of the federal or state laws, rules and regulations governing tax deferred annuity programs or as otherwise incurred by the District as a result of such violation.

ARTICLE VII – AMENDMENT AND TERMINATION

Amendment. The District may amend these administrative policies at any time and from time to time.

Termination. The District may terminate its TSA Program if required by law, or as it deems advisable, provided that the District will not terminate the TSA Program with regard to employees who are represented by a collective bargaining agreement, unless the termination is required by law or the termination is consented to by the employees' bargaining representatives.

Deerfield School District

TSA Vendor

Hold Harmless and Indemnification Agreement

In consideration of the Deerfield School District (the "District") permitting _____

_____ (the "Vendor") to serve as a TSA Vendor for the employees of the District, the sufficiency of which is hereby acknowledged, the Vendor represents and agrees as follows:

The Vendor shall provide the District with information sufficient to confirm that its TSA program, including all documents memorializing or implementing the TSA plan, satisfies the requirements for status as a "Section 403(b) Plan" under the relevant provisions of Sections 401(a), 402(g), 403(b), and 415 (c) of the Internal Revenue Code of 1986, as amended (the "Code"). Further, by way of illustration and not limitation, the TSA program provides for: Rollover and transfer of benefits set forth at Section 401(a)(31) of the Code.

Nonforfeitability of benefits of participant, except for failure to pay premiums.

Compliance with the distribution requirements of law including the minimum distribution requirements, early distribution requirements and hardship distribution requirements.

Appropriate funding vehicles, as provided by law, for TSA contributions, limited to annuities and custodial accounts.

Testing of contributions of and for the participant for compliance with the requirements of Sections 402(g), 403(b), and 415(c) of the Code including but not limited to:

Annual Deferral Limitation, including applicability of the "catch-up" election.

Maximum Exclusion Allowance, including but not limited to District and/or employee contributions under the Wisconsin Retirement System.

Annual Addition Limitation, including any "A", "B" or "C" elections under Section 415(c) of the Code.

Consideration of TSA contributions in lieu of fringe benefits.

Filing all documents required at law in the administration and operation of the plan.

Upon request, the Vendor shall prepare for all employees deferring amounts to it under a salary reduction agreement, or assist employees in preparing, a calculation demonstrating that such election and all prior elections for the plan year, result in contribution levels which comply with the requirements of the applicable limitations under Section 402(g), 403(b), and 415(c) of the Code.

The District may prohibit further deferrals to the Vendor if the Vendor fails to comply with the requirements of the Policy of the District.

The Vendor agrees to hold harmless and indemnify the District from any and all liability, costs, assessments, fees, penalties or other impositions, from whatever source or means, including, by way of illustration and not limitation, any legal proceeding, Internal Revenue Service audit or negotiated settlement resulting from any Code violation or error by the Vendor in the administration of the laws, rules or regulations governing TSA plans. This indemnification by Vendor shall include, but not be limited to, actual attorney's fees, interest, actual and consequential damages, penalties, fees and costs.

The provisions of this Agreement are severable and, accordingly, if any term or provision of this Agreement is held by court of competent jurisdiction to be unenforceable for whatsoever reason, the remaining terms and conditions hereof shall continue to bind the parties and be fully enforceable.

This Agreement shall be construed under the requirements of the Internal Revenue Code and other applicable federal or Wisconsin laws. Any action on or under this Agreement shall be brought only in the State of Wisconsin.

This Agreement reflects the entire agreement of the parties relative to the TSA plan of the Vendor. Any other representations, terms, conditions or provisions shall be of no force or effect.

The signatory to this Agreement for the Vendor represents and warrants that he/she has the authority to execute this Agreement and bind the Vendor to the terms and conditions hereof.

Dated this _____ day of _____, 200_.

Deerfield School District: Vendor: _____

By: _____ By: _____

Print Name Print Name

Title Title

Address

Telephone Number

Deerfield School District

Tax Sheltered Annuity Plan

Salary Deferral Agreement

Employee: _____

Social Security Number: _____

Address: _____

City: _____ State: _____ Zip: _____

I hereby authorize and direct the Deerfield School District (the "District") to withhold \$_____ from my compensation per pay period beginning on or after the _____ day of _____, 200_ (unless a later date is selected), and such amounts as directed by me to be withheld from compensation due me by waive of group health plan coverage. This Agreement shall be effective as of the pay period beginning three (3) weeks following the date of execution of this Agreement. The District should remit the withheld funds to the following Vendor(s). I have selected:

Amount Vendor

\$ _____
\$ _____
\$ _____

This Agreement is legally binding upon me and may be terminated by me only by giving notice of termination in the payroll period preceding the payroll period in which the termination is to be effective.

I understand and agree that the combined total of the deferrals under this agreement and all other deferrals to a tax sheltered annuity may not exceed \$9,500 per calendar year, or such other amount as may be limited by law, unless I am eligible for the "catch-up" election which requires that: (1) I have not deferred more than \$15,000 under the "catch-up" provisions of law; (2) I have 15 or more years of service with the District; and (3) Comply with the written election requirements of Internal Revenue Code ("Code") section 402(g)(8).

By the execution of this Agreement, I represent that:

I have not made more than one (1) other Tax Sheltered Annuity Salary Deferral Agreement during the same year as the deferral contemplated by this Agreement.

I have made an independent determination as to my desire to make these salary deferrals.

I have assessed the risk associated with such investment(s) and have determined, with such professional advise as I deemed necessary, that the product offered by the Vendor is suitable to me.

The District has no responsibility to evaluate or appraise me, now or in the future, as to the performance, status or otherwise as to the operation or viability of any product offered by the Vendor or alternative investments.

I have made an independent determination as to my deferral level after consideration of the requirements of the law.

By executing this Agreement, I hereby elect, where the general limitations of sections 403(b) and 415(c) are not satisfied, such alternative limitations as are available and necessary for me to comply with: (1) the maximum exclusion allowance, as determined under Code section 403(b)(2)(B); and (2) the annual addition limitation, as determined under Code section 415(c)(4).

I release the District from any and all claims that I may assert in the event that the product which I have chosen under this Agreement shall fail to qualify for preferential tax treatment under Code section 403(b). I understand that the District assumes no responsibility, actual or implied, with respect to the calculation of the contribution or the limits on such contributions.

Date this _____ day of _____, 200_.

Signature of Employee

For Preparation by the Vendor:

As a representative of the Vendor selected to receive salary deferrals under this Agreement, I hereby represent and warrant that the Vendor has calculated the applicable limitations on deferrals for this Employee and determined that the deferrals made by this Employee are permissible within the parameters of the law. By the execution of this Agreement, I hereby confirm and agree to be bound by, in consideration of the ability to participate as a TSA vendor at the District, the terms and conditions of the TSA Vendor Hold Harmless and Indemnification Agreement, which is incorporated herein by reference.

Dated this _____ day of _____, 200_.

By: _____

Signature of Vendor's Authorized Representative

FOR OFFICIAL USE ONLY:

Date Received: _____

Effective Date: _____