

# Schoolcraft College 403(b) Program Summary

## Overview

In compliance with the IRS Code Section 403(b), the Schoolcraft College 403(b) Program allows employees to voluntarily contribute a portion of the salary they earn at Schoolcraft College to an approved 403(b) company.

Employees can direct part or all of their voluntary contributions into a special Roth account within their tax-qualified program. The Tax Sheltered Annuity (TSA) option allows employees to make pretax contributions to defer taxes on contributions and earnings until withdrawal, when the money is taxed as ordinary income. The Roth account option allows employees to contribute after-tax dollars, reduce taxable income during retirement, helping avoid taxation of Social Security benefits, and take tax-free distributions in the future.

Student employees are not permitted to contribute to the 403(b) Program.

To participate in the program, the employee must complete the Schoolcraft College Salary Reduction Agreement as well as establish an account with an approved 403(b) provider.

## Amount of Contribution

The Salary Reduction Agreement shall automatically be renewed each year thereafter, unless the employee completes a new Salary Reduction Agreement either terminating or changing the amount of the salary reduction. An employee may complete no more than **two** Salary Reduction Agreements per calendar year.

Salary Reduction Agreements may not be for less than \$200 per year.

An employee may terminate his/her contribution at any time by checking the "Terminate" box on a Salary Reduction Agreement and sending it to Payroll by the Friday preceding the effective payroll date.

Part-time and temporary employees may express their contributions as either a percentage of compensation or a specified dollar amount.

The total TSA and Roth contributions combined each calendar year is limited to **the lesser of:**

- (1) 100% of **Allowable Compensation** (Salary less MIP contributions and any Tax Deferred Purchase of Service Credit contributions) or
- (2) **\$15,500 (\$16,500 for 2009)**

A provision in the law, not subject to the 15-year requirement “catch-up provision”, is available for those employees who are aged 50 or older during the calendar year; maximum contributions are as follows:

**\$20,500 (\$22,000 for 2009)**

Elections of percentage contributions must be made in whole number percentages.

In order to qualify for the “Catch-Up Provisions”, a person must have worked at Schoolcraft a full 15 years.

To calculate how much you may contribute under the “Catch-Up Provisions”, contact the 403(b) company in which you participate and ask them to perform the calculation. The Finance Office and the Payroll Office can only give you broad guidelines from which to calculate your “Catch-Up” contribution.

Payroll will periodically monitor contributions for eligibility. They may ask you to provide calculations supporting your contributions. If the contributions are not supported, excess contributions will be reported on your W-2 as income.

### **403(b) Companies**

The college has approved eight 403(b) companies to act as funding vehicles for employee contributions. Each employee selects his/her 403(b) company(ies) to receive his/her contributions. An employee may designate no more than five 403(b) companies to receive his/her contributions at any one time.

A person may change 403(b) companies at any time during the calendar year and more than once during the calendar year by completing a “Change in 403(b) Carrier” form and sending it to Payroll.

A list of approved 403(b) companies may be obtained from Human Resources, Payroll or online @ [www.schoolcraft.edu/hr/benefits.asp](http://www.schoolcraft.edu/hr/benefits.asp)

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