

Cedarburg School District

Employee Savings Plan

403(b) Plan

2023

Your Plan

The Cedarburg School District (the “District”) offers this 403(b) Plan to help you and other employees save money for your retirement. The 403(b) Plan is a type of tax-deferred retirement savings program. Future benefits from the 403(b) Plan will reflect the amount of a participant’s voluntary salary deferral contributions plus earnings. Vesting is immediate. Whether you choose to participate in the Plan is entirely up to you.

Although the Plan is offered by the District, the Plan is not established or maintained by the District for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Accordingly, the Plan and the District are not subject to ERISA.

Tax Treatment

The District intends to ensure that the Plan is qualified for preferential tax treatment under Internal Revenue Code (“IRC”) §403(b). There are two ways you can elect to have a portion of your current pay saved and invested via salary deferral. You may contribute pre-tax 403(b) deferrals and/or Roth after-tax 403(b) deferrals.

Pre-tax Deferrals. Because you do not have to pay taxes on the amount you contribute to a 403(b) plan for the year in which you contribute to the plan, investing in a 403(b) plan can lower your overall tax burden—at least in the present. You can defer the income tax on your contributions until you begin making withdrawals from your account—typically when you retire. The earnings on your account also grow tax-free until withdrawal. Contributions to the 403(b) Plan are reported annually on your W-2 forms, but are not included in income subject to taxation. Your 403(b) contributions are deducted from your gross salary and income taxes are calculated on your remaining pay.

Roth after-tax deferrals. With Roth deferrals, you must pay current income tax on your deferral contribution. This means that the amount you defer under the Roth portion of the 403(b) Plan is subject to income taxes in the year of the deferral, but the deferral amount and its earnings are distributed to you tax-free if certain conditions are met. These conditions are met if you follow the distribution rules of the Plan and at least 5 years have passed between your first Roth deferral and the date of your first distribution, and you are at least age 59 1/2.

As described below, there are legal restrictions that limit how much you can contribute to the Plan each year. Someone from the District may need to ask you for information to show that your contributions are within these limits. You should consult with your own investment, tax and/or legal advisor about the ability to participate in the Plan. The District cannot provide you with this type of advice.

Participation

Every District employee is eligible to participate in the Plan, with the exception of (a) non-resident aliens, (b) those who do not have sufficient income to be eligible to contribute at least \$200 per year or (c) student employees/student teachers. To participate, you need only: (1) fill out a Salary Reduction Agreement and (2) select the investment desired within the list of District approved vendors. Employees are limited to changing their salary reduction amount to a maximum of one (1) time per month. However, you may cease contributions at any time.

Salary Reduction Agreements

To participate in the Plan (or to change an existing contribution election), you must provide the District with a signed Salary Reduction Agreement. You must choose the whole dollar amount or percent that you wish to contribute each payroll period. The Agreement must be signed by you and returned to the District before the start of the payroll period when your election or change will become effective.

Vendors

You can invest your deferral monies in a variety of different investment options. The Vendors through which the investment vehicles are available are approved by the District. You may only invest new deferral monies in those Vendors who have agreed by contract to conduct business with the District and the Plan. These Vendors are listed on the Approved Vendor List available from the District Office. Please Note: you will not be permitted to transfer assets to accounts of Vendors outside of the Plan; only those transfers received by District-Approved Vendors will be permitted.

Contributions and Limitations

While you may choose how much of your salary you wish to contribute to the Plan, your contribution must comply with all of the following legal limitations:

Annual Deferral Limitation

The first limitation applies to all of your elective deferrals (both pre-tax and Roth added together) from your salary to this Plan. Elective deferrals are contributions that you make instead of receiving all of your pay at that time. The elective deferrals under this Plan are not considered in conjunction with deferrals you make under a 457(b) Plan.

For the 2023 tax year, all of your elective deferrals to this and all other plans (including 401(k) plans and other 403(b) plans) cannot exceed \$22,500 per calendar year (unless you qualify for the catch-up contribution described below). This limit will be adjusted annually thereafter by the IRS.

“50 and over” Catch-up Contribution

A participant age 50 or over (by the end of the calendar plan year) may defer additional amounts to the Plan as an additional “catch-up” contribution. For 2023, the additional catch-up contribution is \$7,500.

Distributions

The law restricts the times when distributions are permitted from your accounts under the Plan. You may receive a distribution only if:

- You reach age 59 ½ and are working;
- Retire or Sever Employment*;
- Die – your beneficiary will have a right to distribution;
- Become disabled.

* = The IRS requires complete severance from the District upon retirement, which means that if you are rehired by the District after you have retired, you must stop receiving distributions from your account during the time you are employed by the District after retirement—unless you are age 59 ½ or over.

Taxes and Penalties

You will be taxed on your Pretax accounts upon distribution. The IRS will also assess a 10% penalty for early withdrawal. In other words, your distribution will incur the penalty unless you:

- Are age 59 ½ and are working;
- Retire or sever employment at age 55 or later; or
- Die/become disabled.

Your Roth account distributions may be withdrawn tax-free and penalty-free as long as the IRS’ conditions described on the opposite side of this brochure are met.

Hardship Withdrawals

The Plan permits you to withdraw money from your account while you are still employed with the District for reasons of financial hardship only. You will be taxed on this distribution and will also incur a 10% early withdrawal penalty from the IRS. You must first receive District authorization before requesting a hardship distribution from your vendor. Please contact the District office for more information about what constitutes a hardship and for the appropriate forms.

Loans

Loans are not permitted under the Plan. Please see the Plan document for additional information.

CAUTION

The information in this leaflet summarizes the terms of the District’s 403(b) Plan and the Internal Revenue Code as of January 1, 2018, and is not to be constructed as legal, tax or investment advice. This leaflet cannot, and does not, alter the terms of the Plan or the law. Changes in the Plan or the law hereafter may change this summary. Please consult with your accountant for additional information.

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CEDARBURG SCHOOL DISTRICT

403B TAX SHELTERED ANNUITIES

AXA/EQUITABLE

www.us.axa.com

1-800-628-6673

VOYA RETIREMENT INSURANCE

www.voya.com

1-800-584-6001

WEA INSURANCE TRUST

www.weabenefits.com

1-800-279-4030

457 PLAN

WISCONSIN DEFERRED COMPENSATION PROGRAM

www.wdc457.org

1-877-457-9327