CONSIDER THE BENEFITS!

BCPS NOW OFFERS YOU TWO GREAT WAYS TO SAVE FOR YOUR RETIREMENT!!

Presenting BCPS'

403(b) Tax-Sheltered Annuity/Tax-Sheltered Mutual Fund Investment Plan
and
457(b) Deferred Compensation Plan

This Brochure Contains Important Information About Your Optional Supplemental Retirement Benefits

THE BALTIMORE COUNTY PUBLIC SCHOOLS

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IT'S YOUR RETIREMENT!
Save Wisely

BCPS'403(b) and 457(b) Plans: Frequently Asked Questions

Baltimore County Public Schools now offers you **two** different ways to save for retirement. Eligible employees may participate in **either OR both** supplemental retirement plans. One is referred to as a 403(b)/(b/7) Plan. This plan is also often referred to as a "TSA" (i.e., **t**ax **s**heltered **a**nnuity). The other is called a 457(b) Deferred Compensation Plan. Both plans permit employees to supplement their retirement benefits by purchasing tax-sheltered annuities or tax-sheltered mutual funds through payroll deduction. Both plans are designed to:

$$ Help you save regularly on a tax-deferred basis
$$ Reduce your current taxable income
$$ Provide you with a choice of investment options
$$ Provide you with loan and hardship withdrawal options
$$ Provide for your beneficiary

Below are frequently asked questions about these two optional supplemental retirement plans.

Why is BCPS offering two supplemental retirement plans? What are the differences between a 403(b) Plan and a 457(b) Plan?

BCPS is offering two optional retirement plans so that eligible employees will be able to choose the plan that is best suited to their needs and their retirement goals. By using both plans, eligible employees can maximize the amount of money that they are saving for retirement. That is, employees may contribute to either the 403(b) Plan **OR** the 457(b) Deferred Compensation Plan. Employees also have the option of contributing to **BOTH** plans.

There are at least two significant differences between these two plans: the eligibility rules and withdrawal provisions are different in the two plans. Employees who are regularly scheduled to work 20+ hours per week may participate in the 403(b) Plan, while ALL employees may participate in the 457(b) Plan. Because the 403(b) Plan and 457(b) Plans are designed as a "retirement plans," access to one's money prior to retirement is severely limited. However, distributions from a 457(b) Plan are not subject to the 10% "early withdrawal" penalty that applies to the 403(b) Plan.

The chart below shows the major differences between the two plans.

Questions	403(b) Tax Shelter Annuity Plan	457(b) Deferred Compensation Plan
Who is eligible to participate?	All BCPS employees who are regularly scheduled to work 20+ hours/week are eligible.	All BCPS employees may participate.
Are payroll deductions for these plans taxed?	The money that is deducted is exempt from federal and MD income tax; however FICA tax is withheld.	Same
What is the minimum I may contribute?	$200.00/calendar year	Same
What is the maximum I may contribute?	$16,500 for calendar year 2009. After 2006, the limit will be adjusted by the IRS for changes in the cost of living in $500 increments.	Same
Are there "catch up" provisions?	Yes. There are 2. Employees who will be age 50 in 2009 may contribute up to an additional $5,500 in calendar year 2009. The second allows employees who meet the eligibility requirements to defer an additional $3,000/year, up to a maximum of $15,000. Contact your company for the details.	Yes. There are 2. The "Age 50 Catch Up" provision is a part of the 457(b) Plan. The second is a Special 457 Catch-Up Provision that allows eligible employees to double the amount of their contribution if they are within 3 years of normal retirement age. However, the Age 50 Catch-Up is NOT available if the Special 457 Catch-Up I is used. Contact Nationwide for details.
How often may I change my contribution amount?	Unlimited. Complete a new BCPS Salary Reduction Agreement to change the amount of your deduction.	Same
What are the costs to participate?	Contact your 403b company for details. Be sure to ask about commissions, management and administrative fees, 12b-1 fees, mortality and expense charges, and surrender charges. BCPS does NOT receive any money for providing this retirement benefit.	Contact Nationwide for a list of fees and expenses that are charged against your account. These will vary by the fund(s) you select. Be sure to ask about loads, commissions, investment fees, 12b-1 fees, and any other charges. BCPS does NOT receive any money for providing this retirement benefit.
What are the current investment options?	Annuities and mutual funds.	Same

Questions	403(b) Tax Shelter Annuity Plan	457(b) Deferred Compensation Plan
May I roll over or transfer money from one retirement plan to another?	Yes. Roll-overs /transfers are available among 401(k) plans, 403(b) plans, governmental 457(b) plans, and traditional IRAs.	Same
May I withdraw money from my account while employed?	Yes, but only if you are 59 1/2 or older, or qualify for a hardship withdrawal. Your 403b company administers hardship withdrawal requests. There is a 10% penalty for early withdrawal.	Yes, but only if you are 59 1/2 or older or qualify for an unforeseeable emergency. Unforeseeable emergency requests are administered by Nationwide.
When may I begin withdrawals from my account without a penalty?	If you leave BCPS employment at age 55 or older, or at age 59 1/2. Qualified withdrawals are taxed as ordinary income. There is a 10% penalty for early withdrawal.	When you leave BCPS employment, regardless of age. Qualified withdrawals are taxed as ordinary income.
May I change my withdrawal option, amount or frequency once I start my payout?	Yes, excluding purchased annuities. Contact your company for more information.	Same
Must I elect my payout date when I leave BCPS employment?	No.	Same
Are there loan and hardship provisions?	Yes/Yes. Visit the Office of Payroll’s website and access “Retirement Manager.” Complete the eligibility certificate and send it and your request to your 403b company for processing.	Yes/Yes. Contact Nationwide for information and process for obtaining a loan and/or hardship withdrawal.

What is the difference between a 403(b) tax-sheltered annuity and custodial account?

In simple terms, 403(b) refers to a tax-sheltered annuity or to a mutual fund custodial account. Typically, insurance companies sell annuities and mutual fund companies create custodial accounts. That is, the company is the “custodian” of the account that contains mutual funds purchased on the stock market. Each has its pros and cons. When selecting either an annuity company or mutual fund company, be sure you:

- **Compare fees and charges**. Ask about sales representative’s commissions, "sales charges," "front-end” vs. “back-end” fees, "fund expenses," "12b-1 fees," "mortality and expense fees," and "surrender charges." Make sure you know how much you are paying in fees. They can add up over the years.

- **Ask about loan provisions and hardship withdrawals.** Make sure you know when you can begin withdrawing money and what the tax consequences are for you. In general, you may withdraw money from your account when meeting any one of 3 criteria: age 59 ½ ; separation from service; or retirement. Contact your company for more information.

- **Ask about available investment options and historic returns.** Does the company offer a wide range of investment options? What is the return for 1 year, 3 years, 5 years, and 10 years for each investment option? Have there been any significant changes in fund management during these periods? How long has the investment fund been in existence? How do the investment options compare to other (similar) options available from other companies? Make sure you look at returns net of expenses and keep in mind that, while historical performance is an important factor, it is not a guarantee of future performance. In the event of your death, what will happen to your money?

It is your responsibility to determine which type of investment is best for you. Ask questions. Make sure you understand how your money is being invested.

Who may participate in a 403(b) Plan? In a 457(b) Plan?

Employees who are regularly scheduled to work 20 or more hours per week are eligible to participate in the 403(b) Plan. All employees are eligible to participate in the 457(b) Plan.

How do these plans work? How much money can I shelter?

Both plans work the same way. You decide the dollar amount that you want to contribute each calendar year. The minimum is $10.00 per pay or $200.00 per calendar year. Money is deducted from your regular biweekly salary. Temporary employees (e.g., substitutes, paid helpers) who regularly work 20 or more hours per week may participate in the 403(b) Plan. All employees may participate in the 457(b) Plan. Ten-month employees will have 20 payroll deductions and twelve-month employees will have 24 payroll deductions per calendar year. The money that is deducted is exempt from federal and Maryland income taxes (but not FICA tax), thereby reducing your current taxable income. However, when you retire and begin withdrawing money, it will be taxed, but usually at a lower rate.

The amount that you may shelter in each plan is governed by IRS regulations. These regulations limit the amount that you may shelter each year. Below are the contribution limits for 2009. After 2009, the limit will increase in $500.00 increments.

Calendar Year	Limit	Age 50+*	Total
2009	$16,500	$5,500	$22,000

* Employees who are age 50 or older (or will be by the end of the calendar year) may make an additional contribution to both the 403(b) plan and 457(b) plan.

Both plans also include "catch-up" provisions that affect the amount that you may shelter.

403(b) "Catch-Up." There is a special 403(b) "catch-up" rule that allows employees who meet the eligibility requirements (e.g., age, prior year contributions) to contribute up to an additional $3,000 per calendar year for 5 years (up to a maximum of $15,000). Discuss your eligibility for this provision with your company's sales representative.

457(b) "Catch-Up." There is a special 457(b) "catch-up" rule that allows employees who did not defer the maximum permitted amount in prior years to increase the amount of their contributions in the 3 years preceding normal retirement age to make up for their prior contribution shortfall. The limit on special catch-up contributions is the lesser of (1) the amount by which you underused the contribution limit in prior years or (2) DOUBLE the regular deferral limit. In 2009, this special catch-up limit is $33,000. However, the age 50 and special 457(b) catch-up cannot be done simultaneously. Contact Nationwide Retirement Solutions to discuss your eligibility for these provisions.

When may I begin withdrawing money from the 403(b) Plan? From the 457(b) Plan?

<u>403(b).</u> Because the 403(b) Plan is a retirement plan, access to your contributions while you are working for BCPS is severely limited. Under normal circumstances, you may not withdraw your money while you are working for BCPS before you reach age 59 ½. However, you may withdraw your money upon separation from service with BCPS or upon reaching age 59 ½ (even if you are still employed by BCPS). You may also withdraw your money if you meet certain "financial hardship" withdrawal requirements. If you meet these requirements, you may be able to borrow or withdraw money from your account. Your account representative can provide information about the withdrawal provisions available to you. While you can withdraw money from your account when you separate from BCPS, there is a 10% penalty for withdrawing money from a 403(b) account if you separate prior to age 55. However, you can withdraw money from the 403(b) Plan without penalty (even if you are still employed by BCPS) once you are 59 ½ or older. Contact your company representative for more information.

<u>457(b).</u> Because the 4057(b) Plan is a retirement plan, access to your contributions while you are working for BCPS is severely limited. Unlike the 403(b) Plan, the 457(b) Plan *does not* permit withdrawals while you are still employed with BCPS, even if you are 59 ½ or older. However, you may begin withdrawing money from your 457(b) account – without penalty – when you separate from BCPS employment, *regardless of age*.

Where and how do I sign-up for a 403(b)? For the 457(b)?

You may sign up for either or both plans at any time. However, if you decide to participate in the 457(b) Plan, then you may select only **ONE** 403(b) company. There is no “open enrollment period” for participating in these plans. And, there is no waiting period beyond that required to process the paperwork to set up your account and begin payroll deduction. Follow the instructions below to sign up for either or both of these plans.

403(b). There are 5 companies approved to market 403(b) products to BCPS employees. The companies are: IFS/Security Benefit (formerly NEA Valuebuilder), ING, Lincoln Financial Group, Met Life, and VALIC. To sign-up for either the 403(b) or 403 (b7) Plans, follow the steps below.

- Contact one or more of the 5 approved companies. The list of approved companies is available on the Office of Payroll’s web site.
- Decide which company best suits your financial objectives and retirement goals.
- Select your investment vehicle(s) and designate your beneficiaries. The list of funds/investment vehicles may be found on the Office of Payroll’s website (see “403b Plan”).
- Complete the company’s paperwork to open your account.
- Complete a BCPS "403(b) Salary Reduction Agreement" and send it to the Office of Payroll, Timonium. BCPS Salary Reduction Agreements are available on-line at the Office of Payroll’s web site, from your 403(b) company, and from the Office of Payroll, 410-887-4240. **In order to begin payroll deduction, you must complete both sets of forms: one for the company you’ve selected and one for BCPS.** We cannot begin payroll deduction until we receive a BCPS 403(b) Salary Reduction Agreement.

457(b). Nationwide Retirement Solutions is the plan administrator for the 457(b) Plan. To sign-up for the 457(b) Plan, follow the steps below:

- Contact one of the Nationwide Retirement Solutions’ sales representatives and discuss your eligibility to participate. The toll-free number is 1-877-677-3678. You may also log on to www.baltimorecountydc.com.
- Select your investment vehicle(s) and designate your beneficiaries.
- Complete the paperwork Nationwide requires. In addition, be sure to complete a “BCPS 457(b) Deferred Compensation Plan Salary Reduction Agreement” and send the completed form to the Office of Payroll, Timonium. Forms are available on-line at the Office of Payroll’s web site, from Nationwide, and from the Office of Payroll, 410-887-4240. **In order to begin payroll deduction, you must complete both sets of forms: one for Nationwide and one for BCPS.**

Can I change the amount that I am sheltering?

Yes. You may change the amount of your deduction for either plan at any time. To do this: notify your account representative; complete the necessary company forms; and complete a new BCPS Salary Reduction Agreement(s) and send it to the Office of Payroll.

Can I change my investments?

Yes. Contact your 403(b) company or Nationwide Retirement Solutions. You should review your investment choices at least once a year.

Can I cancel my payroll deduction?

Yes. You can cancel your payroll deduction at any time by completing the "Cancellation" section of the appropriate BCPS Salary Reduction Agreement and sending it to the Office of Payroll. Notify your account representative that you have cancelled your deduction.

Before you invest…

Ask a lot of questions! Be sure you understand exactly how the two plans work: who is administering it; what their track record is; what fees are involved; what guarantees are provided; and what risks are involved. Remember, this is your money and your supplemental retirement plan. Below are a few questions that you should know the answer to before you invest.

? What types of "financial vehicles" (funds) do you offer? Annuities? Mutual funds? What is the track record - the rate of return minus fees - of each fund since its inception? Will my statement show these fees? How often do the fees change? How long has the fund been in existence?

? What are the risks associated with each of these investments? Which is most appropriate for me given my age, salary, years to retirement, retirement goals, and current standard of living?

? What happens if I need money for an unforeseen emergency? Is a loan provision available? Can I withdraw money without a penalty? If so, how much and under what conditions?

? Tell me about your company: its size, assets, location, and years in business. What are your sales representative's professional qualifications? How often will we meet to review my investment objectives and fund performance? How is the sales representative compensated (e.g., by commission? Salary? Number of clients, funds sold?)

Next Steps…Ok, now what do I do?

1. Contact one or more of the approved companies, regarding the 403(b) Plan and/or Nationwide Retirement Solutions, regarding the 457(b) Deferred Compensation Plan. Ask the company representative to send you their literature related to these plans. After reviewing this material, ask for a prospectus for the funds you are considering. Ask if they will send someone to meet with you at work or at home. Consider your options and make sure you understand the various fees and charges that apply. Review their material and make your decision.

2. Complete the company's forms and return them to the company representative. Complete the appropriate BCPS Salary Reduction Agreement and return it to the Office of Payroll, Timonium. It takes at least 2 weeks for us process the paperwork to set up your payroll deduction.

3. Review your pay stub and make sure that the deduction appears correctly. If it is incorrect, notify the Office of Payroll immediately at 4240.

4. Review and re-evaluate your investments at least once a year, preferably in January.

5. Review your W2 in January to make sure that your deduction for the tax year is correct. If it is incorrect, contact the Office of Payroll at 4240.

Additional questions? Contact the Office of Payroll at 410-887-4240.