



## What is a 403(b) Plan?

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A 403(b) is a tax-deferred retirement program for employees of educational institutions, and certain other not-for-profit organizations. 403(b) plans provide a means to maximize retirement savings. All employees of the San Mateo County Community College District are eligible to participate in a 403(b) plan through payroll deduction. The district maintains a list of approved vendors for 403(b) plans and employees have the option of selecting from plans offered by these vendors.

These plans allow employees to reduce current taxable income while setting aside funds to supplement retirement benefits. Taxes on investment earnings are also deferred, allowing for long-term investment growth. Withdrawals are taxed as ordinary income, but many retirees find themselves in a lower tax bracket than when they were working. (A 10% penalty may apply for early withdrawal.)

Of the many IRS rules and regulations governing 403(b) plans, there are a few fundamental principles:

- The amount that can be contributed in pre-tax dollars to 403(b) retirement plans is limited by both an overall maximum and your income.
- Even if an employer's retirement plan allows cash withdrawals, you can't take distributions before age 59 1/2 as long as you are still working for that employer. If you leave your employer and take distributions before 55, you may be subject to an additional 10 percent tax penalty in addition to regular income taxes.
- Most people in 403(b) retirement and Tax Deferred Annuity plans must start receiving minimum distributions by April 1st following the year they turn 70 1/2 or retire, whichever is later. 403(b) funds accumulated prior to 1987 aren't subject to mandatory federal minimum distribution rules, but are subject to other distribution requirements.



## How Can I Participate in the San Mateo County Community College District 403(b) Plan?

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The San Mateo County Community College District 403(b) plan currently has seven approved vendors through which employees can participate in 403(b) tax deferred investment options.

- CalSTRS Pension II Program
- Fidelity
- Franklin Templeton
- Great American
- Life Insurance of the Southwest (LSW)
- Metlife
- Corebridge (VALIC)

For detailed plan information such as investment options and fees go to [www.403bcompare.com](http://www.403bcompare.com). To participate in the 403(b) plan you must establish an account with one of the approved vendors by contacting them directly, obtaining an account number, and completing a [403\(b\) Salary Reduction Form](#).

Submit the 403(b) Salary Reduction form to the following District Payroll personnel:

- Sarita Lopez – faculty
- Christopher Luo – administrators and classified staff

Forms need to be submitted by the 15<sup>th</sup> of the month in order for contributions to be processed in the current month's payroll.

## Annual Contribution Limits

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The IRS imposes contribution limits for employees participating in a 403(b) plan. These are total contribution limits for **all** 403(b) plans an employee may participate in. The chart below details the annual contribution limits

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### 403(b) Retirement Plan Annual Contribution Limits

403(b) Plan Dollar Limits						
Rule	2019	2020	2021	2022	2023	2024
Limit on employee contributions	\$19,000	\$19,500	\$19,500	\$20,500	\$22,500	\$23,000
"Catch-Up" contributions for participants 50 or over	\$6,000 additional	\$6,500 additional	\$6,500 additional	\$6,500 additional	\$7,500 additional	\$7,500 additional

**Note:** \* = Limits subject to annual review by the IRS.

**The 15-Year Rule** catch-up provision applies only to the 403(b) Retirement Plan. Based on contribution history beginning in 1987, the 15-year rule may allow any employee to exceed the annual limit if they have at least 15 years of service. Additional contributions made under the 15-year rule cannot exceed \$3,000 per year, up to a \$15,000 lifetime cap.

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As indicated in the chart above, here are certain catch-up limits that allow contributions above the established limitations. You may want to consult a tax advisor to seek additional guidance if you plan on taking advantage of any of these catch-up provisions.

- **Age 50+ Catch-up:** You are eligible to make additional annual "Age 50+ Catch-up" contributions to your 403(b) plan beginning in the year you turn age 50. If you're already contributing the maximum to your 403(b) plan, you may be eligible to use these pre-tax, catch-up contributions to save even more for retirement. You should check IRS guidelines for the current restrictions on the "Age 50+ Catch-up" provisions.



- 403(b) Lifetime Catch-up: This is available to employees who have completed 15 or more years of service. This catch-up provision allows participants to contribute up to \$3,000 per year (subject to a \$15,000 lifetime limit) in addition to the regular contribution limit. To qualify, you must be a long-term employee who has contributed on average less than \$5,000 a year to your 403(b) plan. Your 403(b) vendor must verify you have not exceeded the contribution limit to qualify.

## Questions:

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If you have questions about the 403(b) plans available through the San Mateo County Community College District please contact David Feune at (650) 358-6775 or [feune@smccd.edu](mailto:feune@smccd.edu).