



## **IMPORTANT ANNOUNCEMENT ON 403(b) REGULATIONS AFFECTING CURRENT AND FUTURE PARTICIPANTS**

The majority of the required changes become effective on January 1, 2009, there are a few changes that have an immediate impact to your 403(b) accounts.

### **Life Insurance within 403(b) Annuity Accounts:**

Beginning September 25, 2007, term and permanent life insurance and endowment contracts, even in incidental amounts, are no longer permitted within a 403(b) annuity account. Annuity contracts written and in place as of September 24, 2007, are grandfathered and can remain in place as long as the contracts meet the 25% incidental rule for life insurance and 50% incidental rule for endowment contracts. Annuity death benefit provisions are still permitted.

Due to this change, there will be revisions to the Salary Reduction Agreement (SRA) form. Beginning September 25, 2007, for any salary reduction request for an annuity product, the broker will also be required to sign and agree that there is no life insurance component of the annuity purchase. The updated SRA form will be on the Envoy website at [www.envoyplanservices.com](http://www.envoyplanservices.com), within the next few days.

### **Contract Exchanges:**

According to the IRS the transfer of 403(b) funds among vendors of the same employer are considered Contract Exchanges. According to the final 403(b) Regulations, exchanges made on or after September 25, 2007, have specific requirements that must be met in order for the exchange to be considered a permitted exchange, with the benefit of a tax free status on the transfer. If the exchange takes place and these new requirements are not met, the exchange would be considered an operational error and would therefore be considered a taxable event for you as the 403(b) participant. These requirements include a written agreement between the vendor and your employer that specific information will be shared including; separation from service, loan provisions and hardship withdrawal provisions.

### **Procedure Changes:**

In order to ensure that all contract exchanges are processed and in compliance with these new regulations, beginning September 25, 2007, **ALL** transfer, rollover and exchange requests must be sent directly to Envoy Plan Services for handling. Envoy's mailing address is: 901 Calle Amanecer, Suite 200 San Clemente, CA 92673. Envoy will be ensuring that any request for transfer will only be permitted for those vendors that have signed a written agreement with the District.

Please remember that if after September 25, 2007, a contract exchange is processed that is not considered a permissible exchange and is not in compliance with current Internal Revenue Service Regulations, the exchange could be considered a taxable event to you as the participant. If this occurs, you will be responsible for any taxes or penalties that may be due.

If you have questions regarding any of the issues addressed here, please contact Envoy Plan Services at 1-800-248-8858.