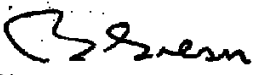


Date: December 17, 2007 Code: TECHNICAL LETTER  
HR/Benefits 2007-15

To: Human Resources Directors  
Benefits Officers

From: Bruce Gibson   
Interim Senior Director  
Human Resources

Subject: 2008 Tax Year Update of the Economic Growth and Tax Reconciliation Relief Act (EGTRRA) and the Pension Protection Act

### Overview

**Audience:** Benefits Officers or campus designee responsible for 403(b) tax sheltered annuity (TSA) administration

**Action Item:** Provide information regarding new requirements for 403(b), 401(k) and 457 plans, and begin using new forms by no later than January 1, 2008

**Affected Employee Groups/Units:** All employees eligible to participate in one or more of the above three savings plans

### Summary

This technical letter provides campuses with pertinent information with regard to the following:

- Final Internal Revenue Service (IRS) 403(b) Regulations;
- 2008 Internal Revenue Code (IRC) elective deferral limits for 403(b), 401(k) and 457 plans;
- 2008 compensation limits for retirement withholding and defined benefits;
- Coordination of catch-up allowances;
- Plan transfers; and
- Refunds.

In addition, the following documents have been updated to assist campuses in the administration of the California State University (CSU) 403(b) Tax Sheltered Annuity (TSA) Program:

- Comparison Chart of 403(b), Department of Personnel Administration (DPA) Savings Plus 401(k) and 457(b) Plans
- CSU 403(b) Tax Sheltered Annuity (TSA) Salary Reduction Request Form and Agreement
- Maximum Contribution Allowance Worksheet (previously named the "15 Year Catch-Up Allowance Worksheet")

This technical letter should be reviewed in its entirety by Benefits Officers and any designated campus designees responsible for administration of the CSU TSA Program.

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#### Distribution:

CSU Presidents  
Interim Vice Chancellor, Human Resources  
Payroll Managers

Lupe Vela, DPA Savings Plus Program  
Debbie Green, State Controller's Office  
Pam Keegan, State Controller's Office

### **Final 403(b) Regulations**

The Internal Revenue Service (IRS) published the new 403(b) regulations on July 26, 2007, consolidating over 40 years of regulatory guidance regarding several legal and administrative requirements for all 403(b) plans. These regulations replaced the prior regulations that were issued in 1964 and finalized the changes that were proposed by the IRS in 2004.

The majority of the new rules are effective beginning January 1, 2009, providing the CSU time to incorporate key changes into the CSU 403(b) TSA program. However, specific sections of the regulations regarding 90-24 transfers and refund processing deadlines are being implemented prior to January 1, 2009, and the impacts on the TSA Program are discussed in later sections of this technical letter.

Any additional changes to the CSU 403(b) TSA Program that are implemented as a result of the 403(b) regulations will be communicated to campuses in forthcoming technical letter(s) and Systemwide e-mails.

### **2008 Internal Revenue Code (IRC) Limits**

The 2008 Internal Revenue Code (IRC) limits have been updated to reflect cost-of-living adjustments (COLA), with the exception of the 402(g), 457(e) (15) and 414(v) limits, which remain unchanged for 2008. A summary of the 2008 IRC limits is listed below:

<b>Internal Revenue Code Limit</b>	<b>Tax Year 2008</b>
402(g) elective deferral limits for 401(k) and 403(b) plans	\$15,500
457(e)(15) contribution limit for 457 plans	\$15,500
415(c) "percentage of compensation limit" – 100% of adjusted gross salary up to:	\$46,000
414(v) Age Based (50) catch-up contribution limit	\$5,000
401(a)(17) Compensation Limit	\$230,000
415(b) Defined Benefit Plan Limit	\$185,000

### **Compensation Limit Increase – IRC 401(a) (17)**

IRC Section 401(a)(17) caps the annual compensation that can be taken into account in determining contributions and benefits under tax qualified plans. In 2008, this amount increases to \$230,000. Please be advised that CSU employees who first became members of CalPERS prior to July 1, 1996, are exempt from the 401(a) (17) compensation limit.

### **Defined Benefit Plan Limit Increase – IRC 415(b)**

IRC Section 415(b) places a dollar limit on the annual benefit an individual can receive from a tax qualified pension plan, such as CalPERS. In 2008, this amount is increased to \$185,000. A reduction occurs if benefits start before age 62, and an increase occurs if benefits begin after age 65. CalPERS offers "Replacement Benefits Plan," which will, to the extent allowed by federal and state law, replace any benefits that exceed IRC Section 415(b) limits.

### **Elective Deferral Limits**

The Internal Revenue Code (IRC) establishes specific limits that govern amounts an individual can contribute to pre-tax salary reduction retirement plans, such as 403(b), 401(k) and 457(b) plans. Two limits determine the amount that an employee may contribute on an annual basis. Effective 2008, the employee may contribute the **lesser** of:

- 1) The IRC Section 402(g) "elective deferral limit" for 403(b) and 401(k) plans, which is \$15,500; or
- 2) The IRC Section 415(c) "percentage of compensation" limit, which is defined as 100% of adjusted gross salary up to a maximum of \$46,000. (See Attachment A for the definition of adjusted gross salary.) Plus:
- 3) The IRC section 457(e)(15) "deferred compensation deferral limit" for 457 plans, which is \$15,500.

For the 2008 tax year, a participant can elect to contribute up to \$15,500 to a 403(b) or 401(k) plan, subject to the 415(c) limit, AND \$15,500 to a governmental 457(b) plan, for a total contribution of up to \$31,000.

Please note, participants may contribute to both a 403(b) and 401(k) plan in the same tax year, however, combined contributions across both plans cannot exceed \$15,500. For example, a participant may contribute \$7,750 in each plan, or any numeric combination that is equal to or less than \$15,500.

An updated 2008 Plan Comparison Chart specifying these amounts is attached (see Attachment A).

#### **Coordination of Additional Catch-Up Contributions**

Provisions of EGTRRA and the Pension Protection Act allow the following "catch-up" allowances available as an addition to the IRC Section 402(g) "elective deferral limit," and apply to all or specific retirement savings plans as follows:

- IRC Section 402(g)(7): 15 Year Catch-Up Allowance Exclusive to the 403(b) Plan
  - IRC Section 414(v): Age 50 Catch-Up Allowance Available for 403(b), 401(k), and 457 Plans
  - IRC Section 457(e)(15): Deferred Compensation Deferral Limit Exclusive to the 457 Plan
- 1) IRC Section 402(g)(7) provides a special "catch-up" election for 403(b) tax sheltered annuities (TSA), which permits certain long-term employees to increase their elective deferrals over the 402(g) limit. Under this catch-up election, employees with 15 or more years of service with the same employer may be eligible to contribute an additional \$3,000 per year beyond the IRC Section 402(g) limit for up to 5 years, or a lifetime maximum of \$15,000.

**For 2008, contributions made under the 402(g)(7) catch-up provision cannot exceed \$18,500 (\$15,500 402(g) limit, plus \$3,000).**

Employees who wish to contribute using this catch-up provision must demonstrate eligibility by completing the new CSU Maximum Contribution Allowance Worksheet (Attachment B). The participant must complete a Worksheet for each year he/she wants to contribute more than the annual 402(g) limit. For more improved tracking of these catch-up allowances, the updated form now requires employees to disclose the following information:

- Any prior ROTH 403(b) or 401(k) contributions from other employers; and
- Which portion(s) of contributions represent either the 15 year catch-up, or the Age 50 catch-up, and any excess deferrals.

An additional version of the CSU Maximum Contribution Allowance Worksheet can automatically calculate the maximum contribution amount by completing several required fields, and will be released to campuses in an upcoming e-mail.

For most employees, the years of service requirement can be documented from the CalPERS annual membership statement, which can be downloaded from the My CalPERS website at: <https://my.calpers.ca.gov/>. Registration is required.

- 2) The Age-Based Contribution "catch-up" allowance under IRC Section 414(v), available to employees age 50 and over, remains at \$5,000 in the 2008 tax year. Individuals with a birth year of 1958 or earlier are eligible to participate, and can use this provision in a 403(b), 401(k) or 457(b) plan, provided that they have deferred the maximum amount available to the 403(b), 401(k) or 457(b) plan.

In accordance with IRS guidance regarding the coordination of catch-up allowances in 403(b) plans, if an employee meets the qualifications for both the 15 Year and Age 50 catch-up allowances, the 15 Year catch-up must be exhausted before the Age 50 catch-up allowance is applied. Campuses are required to coordinate the available catch-up allowances as described in this technical letter. To assist campuses with this process, the 403(b) Tax Sheltered Annuity (TSA) Salary Reduction Request Form has been updated with a number of questions so that campuses can readily identify those individuals who qualify for either one or both of the catch-up allowances (see Attachment C).

- 3) The 457(b) plan, administered by the Department of Personnel Administration (DPA) Savings Plus Program, has a special provision that allows eligible participants to exceed the maximum annual elective deferral limit during the last three years ending before the plan's normal retirement age. Generally, participants may contribute up to twice the maximum annual contribution amount to a 457(b) plan for each of the three years. (Certain restrictions apply.) In 2008, this amount remains unchanged at \$31,000. To enroll in the 457(b) plan, or take advantage of this provision, participants must contact the Savings Plus Program directly. Please note: participants of the Savings Plus 457(b) plan cannot participate in this special catch-up provision and the age based catch-up allowance at the same time.

#### **Information Regarding In-Plan 90-24 Transfers**

Revenue Ruling 90-24 allowed 403(b) participants to make in-service transfers to another 403(b) vendor without incurring a taxable event, provided that distribution restrictions under the new contract were no more liberal than those under the old contract.

Under the new regulations, if a transfer is made after September 24, 2007, the transfer could be deemed a taxable event adversely impacting the participant. The transfer is at risk because the new regulations require CSU to have agreements in place with all of its TSA vendors and they, in turn, have to agree to share information with other vendors. CSU has 98 TSA vendors in its program and since this requirement is new, no information sharing agreements exist.

As a result, the CSU suspended 90-24 transfers as of September 25, 2007, to provide CSU time to study the available options under the new rules. Campuses were previously notified of this decision and the following actions taken by the CSU regarding the suspension:

- Notified all TSA companies in the CSU's TSA program of its decision to suspend 90-24 transfers for all CSU TSA participants.
- Notified all CSU TSA participants by letter from the Chancellor's Office of CSU's decision to suspend 90-24 transfers until further notice.

#### **TSA Participants continue to be able to:**

- Stop contributions with their current TSA vendor and enroll with a different TSA vendor on CSU's list of approved TSA vendors.
- Request a cash distribution or a rollover, if a distributable event occurs (e.g., age 59-1/2 or termination of CSU employment).

#### **DPA Savings Plus Program Update**

Beginning in December, the following program changes will be implemented by the Savings Plus Program:

- The monthly administrative fee will be reduced to \$1.50 per plan;
- Participants will be able to enter and/or update beneficiaries online;
- The Savings Plus Program enrollment agreement form will be eliminated; and
- 403(b) plan assets can be accepted into the DPA Savings Plus Program 401(k) Plan.

Employees may only enroll in the Savings Plus Program by one of three options: online enrollment at: <http://www.sppforu.com>, via customer service toll-free at (866) 566-4777, or by completing an enrollment document at an in-person seminar sponsored by the Savings Plus Program.

The eligibility criteria for the DPA Savings Plus Program will be expanded to include rehired annuitants. This change will coincide with the 2008 tax year and processing details will be announced in an upcoming DPA Personnel Management Liaison (PML) Memorandum.

Effective immediately, the DPA Savings Plus Program will accept a transfer of an employee's 403(b) plan assets into the Savings Plus 401(k) plan, if the employee already has an established 401(k) plan with assets prior to the transfer, and the employee has a distributable event (e.g., age 59-1/2 or termination of CSU employment).

### TSA Refunds

Campuses are responsible for correcting TSA errors as soon as possible upon discovery so that an appropriate refund can be processed on behalf of an affected employee in a timely manner. As a guideline, refunds in any given tax year must be processed no later than April 15<sup>th</sup> of the following tax year. Therefore, refunds for tax year 2007 must be processed by April 15, 2008.

Generally, there are two (2) types of refunds:

- Over-contribution beyond eligible deferral limits; and
- Mistake of fact.

If it is determined that an over-contribution has occurred, the campus should contact Human Resources Administration (HRA) so that the TSA company can be notified. Refunds for over-contributions will be refunded directly to the employee with a 1099 from the TSA company for purposes of tax filing. Refunds should be processed by campuses upon discovery of over-contribution.

Mistake of fact transactions usually occur for one of the following reasons:

- 1) Previous TSA deductions are erroneously reactivated and deducted from an employee's pay who has been separated and recently rehired; or
- 2) The campus has inadvertently used an incorrect deduction code; or
- 3) The employee is separated and subsequent pay and TSA deductions are generated in error.

When a mistake of fact transaction occurs as described in situations "1" and "2" above, funds are typically refunded back to the employee with taxation via the State Controller's Office (SCO) payroll process.

However, in situation "3" where pay was generated in error, once the campus strips the warrant, an Accounts Receivable (A/R) is created for the erroneous TSA deduction, and consequently, the SCO deducts the amount from the campus' revolving fund. In order to satisfy the A/R, HRA must request that the TSA deduction(s) be refunded in the employee's name but without taxation, so that the campus can apply the refund to the respective A/R. In addition, campuses must ensure that an active Direct Deposit request for a separated employee is cancelled prior to the SCO releasing the refund. This will eliminate the campus from having to collect a refund that has been deposited into a separated employee's personal bank account.

It is imperative that campuses contact HRA regarding these matters so that the refunds can be processed appropriately and in a timely manner.

**New TSA Authorized Provider List**

An updated TSA authorized provider list will be released in a separate technical letter.

**Benefits Portal**

A TSA section on the CSU Benefits Portal provides information for employees, including forms, 90-24 transfer information, TSA Authorized list, etc., and can be located on the CSU Benefits Portal at: <http://www.calstate.edu/hr/benefitsportal/>.

**CMS Processing Instructions**

This technical letter has no impact on the CMS baseline.

Questions regarding this technical letter may be directed to Michelle Hamilton at (562) 951-4413. This Technical Letter is also available on Human Resources Administration's Web site at: <http://www.calstate.edu/HRAdm/memos.shtml>.

BG/mh

**2008 COMPARISON CHART  
TAX SHELTERED ANNUITY (403[b]), STATE DEFERRED COMPENSATION (457) AND STATE THRIFT (401[k]) PLANS**

*Eligibility: Generally, all employees are eligible to participate in the 403(b) program with the exception of certain student classifications. The following employees are prohibited from joining the 457 and 401(k) plans: Faculty Early Retirement Program (FERP) employees and seasonal or temporary employees required to be enrolled in the Part-time, Seasonal and Temporary Employees Retirement Program (PST Program).*

TSA PLAN (403[b])	DEFERRED COMP (457)	THRIFT PLAN (401[k])
Deferred tax on investment	Deferred tax on investment	Deferred tax on investment
\$15 min. contribution per warrant	Initial investment: \$50 minimum; thereafter, \$20 min. contribution per warrant	Initial investment: \$50 minimum; thereafter, \$20 min. contribution per warrant
Variety of annuities and custodial funds	Variety of investment choices	Variety of investment choices
Assets held by vendor through insurance contract or by custodial bank	Assets held in trust	Assets held in trust
The lesser of \$15,500/yr, or 100% of adjusted taxable income*	100% of compensation up to \$15,500/year*	100% of compensation up to \$15,500/year*
Hardship withdrawal for severe financial hardship	Hardship withdrawal for unforeseeable financial emergency	Hardship withdrawal for severe financial hardship
Choice of payout method	Choice of payout method	Choice of payout method
Eligible roll over distribution to an IRA or to another employer's 403(b), 401(k)**, or governmental 457(b)** plan, or to a 401(a) plan (In-service within plan 403(b) transfers were suspended as of September 24, 2007.)	Eligible roll over distribution to an IRA, or to another employer's governmental 457(b), 401(k) plan, or to a 401(a), or 403(b) plan	Eligible roll over distribution to an IRA, or to another employer's 401(k) plan or 457(b) governmental plan, or to a 401(a), or 403(b) plan
Eligible rollover in from another employer's 403(b), 401(k) or governmental 457(b) plan	Eligible rollover in from another employer's governmental 457(b) plan only	Eligible rollover in from another employer's 401(k) plan only; or from 403(b)** plan
Surviving spouse of participant may roll over distributions. Non-spousal beneficiary may roll over distributions to an inherited IRA	Surviving spouse of participant may roll over distributions. Non-spousal beneficiary may roll over distributions to an inherited IRA	Surviving spouse of participant may roll over distributions. Non-spousal beneficiary may roll over distributions to an inherited IRA
No tax averaging available	No tax averaging available	See #3 under Notes
15-year "Catch-up" provision may be available for up to \$3,000 per year, for a lifetime maximum of \$15,000. Participants must prove eligibility by submitting a completed Maximum Contribution Calculation Worksheet.  Additional \$5,000 age based catch-up deferral for 2008 available to participants who have reached age 50 by the end of the calendar year and who have hit plan or dollar limit, including 15 year catch-up, if eligible.	Special 457 "Catch-up" provision available. Contact the Savings Plus Program for details.  Additional \$5,000 age based catch-up deferral for 2008 available to participants who have reached age 50 by the end of the calendar year and who have hit plan or dollar limit.  Participants in this plan cannot utilize both catch-up provisions listed above in the same calendar year.	15-year "Catch-up" provision is not available.  Additional \$5,000 age based catch-up deferral for 2008 available to participants who have reached age 50 by the end of the plan year and who have hit plan or dollar limit.
At least age 55 and retired, or 59 1/2 (regardless of employment status) - receive plan payout without tax penalty	Plan payout upon retirement or separation from from State service without tax penalty. (No age requirement)	Distributions prior to age 59 1/2 may be subject to an early withdrawal tax penalty

\*403(b) plans apply the 100% limit to the employee's taxable income PLUS employee pre-tax contributions to 403(b), 132(f) (pre-tax parking) and 125 plans (Dependent Care Reimbursement Account, Health Care Reimbursement Account, and Tax Advantaged Premium Plan). Employee pre-tax contributions to CalPERS retirement are not included. For 401(k) and 457(b) plans, limits are based on 100% of compensation up to \$15,500, for tax year 2008.

\*\*Please note: The Savings Plus Program 457(b) plan does not accept rollovers from 403(b) plan distributions. 403(b) rollovers into the 401(k) plan can only be accepted if the employee has an existing 401(k) plan with assets and has a distributable event (reaches age 59-1/2 and/or separates from CSU employment).

**NOTES:**

- Maximum contribution limits for these plans are all interrelated.** If an individual participates in more than one plan in the same calendar year, he/she may be limited by the lowest maximum. Please note: 401(k) and 403(b) deferrals do not count against the 457(b) dollar limit and 457(b) deferrals do not count against the 401(k) and 403(b) dollar limit.
- These statements are general comparisons only.** For specific information refer to your tax advisor. For the Deferred Compensation and Thrift Plans, additional information is available from the Department of Personnel Administration's Savings Plus Program (SPP) Office at (866) 566-4777 or [www.sppforu.com](http://www.sppforu.com).
- Averaging treatment is still available for lump sums paid from a 401(k) plan to grandfathered participants born before January 2, 1936.**

**403(b) TAX SHELTERED ANNUITY MAXIMUM CONTRIBUTION WORKSHEET – 2008 TAX YEAR  
IRC SECTIONS: 402(g)(7) (15 YEAR) AND 414(v) (AGE 50) CATCH-UP ALLOWANCES**

If you have been employed with the CSU for at least fifteen (15) years or more, and wish to contribute more than the 402(g) limit (\$15,500 in 2008), you must demonstrate your eligibility to participate in either the 15 Year Catch-Up Allowance and/or the Age 50 Catch-Up Allowance by completing this worksheet for each tax year that you wish to contribute a higher amount.

Last Name, First Middle	*Social Security Number	Telephone Contact (Work or Home) and/or e-mail	*Birth Year
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Contributions to the 403(b) program must be no greater than the lesser of two different IRS limits. These limits are under Internal Revenue Code (IRC) §415(c) and §402(g). For 2008, the 402(g) limit is \$15,500; the 415(c) limit is 100% of compensation (up to \$46,000). The 402(g) limit is an annual limit; it is reduced if you contribute to a §401(k) plan or a Simplified Employee Pension (SEP) during the year, even if those plans are sponsored by a different employer. However, it is not reduced by your State of California Deferred Compensation Plan (457(b)) or CalPERS retirement contribution.

**15 Year Catch-Up Allowance (IRC 402(g)(7))**

IRC §402(g)(7) provides a "catch-up" provision for the 402(g) limit, which permits eligible employees to contribute up to an additional \$3,000 during the year, if you have at least fifteen (15) years of service with the same employer (i.e., CSU).

**Age 50 Catch-Up Allowance (IRC 414(v))**

If you are or will be age 50 by the end of the calendar year, and you have contributed the lesser of 100% of pay or the maximum permitted under 402(g) and 402(g)(7) (if eligible), you are eligible to defer an additional \$5,000 to the amount shown in Step 9. You must confirm that your date of birth is December 31, 1958 or earlier. Age 50 catch-up contributions to a 403(b) or 401(k) plan do not count against the age-50 catch-up contributions to a governmental 457 plan.

**Step 1:** Enter your years of service at CSU (complete attached "Years of Service Worksheet"). If you have less than 15 years of service, you are not eligible to use the catch-up provision. \_\_\_\_\_ Years (1)

**Step 2:** Enter your maximum 2008 403(b) contribution under the lesser of the 415(c) "100% of compensation" or \$46,000. (Compensation for the percentage calculation is taxable income plus pre-tax employee contributions to an IRC 403(b), 457, 401(k), 132(f) (pre-tax transportation reimbursement) or section 125 cafeteria plan (flexible spending account(s) but does not include pre-tax contributions to CalPERS retirement.) The 402(g) limit is not considered in Step 2 of the calculation. \$ \_\_\_\_\_ (2)

**Step 3:** 403(b) contributions prior to 1987 may be ignored for Step 3.

(A) Year	(B) 403(b) Contributions	minus	(C) 402(g) Limit	(D) (B) minus (C), but not less than \$0	(E) Portion of (D) designated as 15 Year Catch-Up	(F) Portion of (D) designated as Age 50 Catch-Up	(G) Portion of (D) that is an excess deferral
1987	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1988	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1989	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1990	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1991	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1992	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1993	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1994	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1995	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1996	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1997	\$ _____	-	\$9,500	= \$ _____	\$ _____	N/A	\$ _____
1998	\$ _____	-	\$10,000	= \$ _____	\$ _____	N/A	\$ _____
1999	\$ _____	-	\$10,000	= \$ _____	\$ _____	N/A	\$ _____
2000	\$ _____	-	\$10,500	= \$ _____	\$ _____	N/A	\$ _____
2001	\$ _____	-	\$10,500	= \$ _____	\$ _____	N/A	\$ _____
2002	\$ _____	-	\$11,000	= \$ _____	\$ _____	\$ _____	\$ _____
2003	\$ _____	-	\$12,000	= \$ _____	\$ _____	\$ _____	\$ _____
2004	\$ _____	-	\$13,000	= \$ _____	\$ _____	\$ _____	\$ _____
2005	\$ _____	-	\$14,000	= \$ _____	\$ _____	\$ _____	\$ _____
2006	\$ _____	-	\$15,000	= \$ _____	\$ _____	\$ _____	\$ _____
2007	\$ _____	-	\$15,500	= \$ _____	\$ _____	\$ _____	\$ _____

TOTAL FROM COLUMN (E) ONLY = \$ \_\_\_\_\_ (3)

\*Your Social Security number is required because it is your payroll identification number and your 403(b) contribution affects payroll transactions. \*\*Date of Birth is required to permit additional contributions for employees age 50 or over.

Step 4: TOTAL ROTH (403(b) and 401(k) contributions from any employer = \$ \_\_\_\_\_  
 (4)

Step 5: ADD TOTALS FROM STEPS 3 AND 4: \$ \_\_\_\_\_  
 (5)

Step 6:  
 If total equals or exceeds \$15,000, you are not eligible for the 15 year catch-up provision.  
 If total is less than \$15,000, subtract total from **\$30,500\*\*\***: \$30,500 minus total above (5) = \_\_\_\_\_ Enter RESULT: \$ \_\_\_\_\_ (6)

**\*Note: Column (B) should include contributions made by you to any Section 401(k) plan or Simplified Employee Pension (SEP).  
 (Do not include your 457(b) or CalPERS retirement contributions.)**

Step 7: a) Years of Service entered in Step 1 \_\_\_\_\_ years  
 b) Multiply by \$5,000 This equals: \$ \_\_\_\_\_  
 c) Subtract your prior 403(b) and 401(k) contributions for the entire period of your CSU employment. Do not include age 50 catch-up amounts. - \_\_\_\_\_  
 This equals: \$ \_\_\_\_\_  
 If the answer to 4(c) is less than zero, you are not eligible for the 15 year catch-up provision.  
 d) If 7(c) is greater than zero, add \$15,500 + \$15,500  
 RESULT: \$ \_\_\_\_\_ (7)

Step 8: Enter \$15,500 \$ \_\_\_\_\_ (8)

Step 9: Enter the least of the amounts from steps (2), (6), (7) and (8). This is the maximum amount you are permitted to contribute using the 402(g)(7) catch-up provision. \$ \_\_\_\_\_ (9)

Step 10: If you were born in 1958 or earlier, **add an additional \$5,000 to the amount in Step 9**. This is the maximum you are permitted to contribute for tax year 2008. \$ \_\_\_\_\_ (10)

My signature certifies that I have at least 15 years of CSU service and to the best of my knowledge the information used in completing this worksheet is accurate. I understand that I (and/or my financial advisor) is/are solely responsible for the accuracy of the information supplied on this form.

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Received by Campus Representative: \_\_\_\_\_ Date: \_\_\_\_\_

\*\*\*\$30,500 is the combined total of the 402(g) limit (\$15,500) plus the 402(g)(7) limit (\$15,000)



**403(b) TAX SHELTERED ANNUITY (TSA) SALARY REDUCTION REQUEST FORM**

Complete and return this form to Campus Benefits Representative. Retain attached Salary Reduction Agreement for your records. Please note: You may contribute to no more than two (2) TSA companies at a time. The minimum monthly salary deferral is \$15.

Last Name, First /Middle Initial	SSN*:	Year of Birth:
Indicate Full-Time, Part-time or FERP Participant	Telephone Contact (Work or Home)	E-mail Address (Optional)

**Section A. Please Answer the Following Questions Regarding Your Contributions:**

- What is your projected total amount of contributions to the following plans for the current tax year?**

  - CSU 403(b) Tax Sheltered Annuity (TSA) Program \_\_\_\_\_.
  - Department of Personnel Administration (DPA) Savings Plus Program 401(k) plan \_\_\_\_\_.

**Total annual projected contribution:** \_\_\_\_\_.
- Are your projected contributions to the 403(b) and 401(k) plans for this tax year over the current annual maximum?**

YES  NO? If **NO**, proceed to sections B - E. If **YES**, proceed to question 3.
- Do you have 15 years or more of CSU service?**  YES  NO? If **NO**, proceed to question 4. If **YES**, a completed Maximum Contribution Allowance Worksheet is **required**, and must be submitted for each tax year that you plan to contribute beyond the annual maximum. If you previously submitted a Worksheet for the current year, proceed to sections B - E.
- Will you be age 50 in the current year?**  YES  NO? If **NO**, you may not exceed the annual maximum. Proceed to sections B - E. If **YES**, you may participate in the Age 50 catch-up allowance. Proceed to sections B - E.

**Section B. To make changes to current TSA Investments, complete items 1 and/or 2 below to indicate current salary deferral(s) and changes:**

<p><b>1) Name of TSA Company:</b></p> <p>_____</p> <p style="text-align: right;">Deduction Code: _____ - _____</p> <p>Change Requested:</p> <p><input type="checkbox"/> CANCEL    <input type="checkbox"/> NO CHANGE    <input type="checkbox"/> CHANGE AMOUNT</p> <p>Current Deferral Amount: \$ _____</p> <p>New Deferral Amount:    \$ _____</p>	<p><b>2) Name of TSA Company:</b></p> <p>_____</p> <p style="text-align: right;">Deduction Code: _____ - _____</p> <p>Change Requested:</p> <p><input type="checkbox"/> CANCEL    <input type="checkbox"/> NO CHANGE    <input type="checkbox"/> CHANGE AMOUNT</p> <p>Current Deferral Amount: \$ _____</p> <p>New Deferral Amount:    \$ _____</p>
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**Section C. For new TSA investments, complete items 1 and/or 2 below to begin salary deferral(s) and/or restart previously canceled deferrals:**

<p><b>1) Name of TSA Company:</b></p> <p>_____</p> <p style="text-align: right;">Deduction Code: _____ - _____</p> <p style="text-align: right;">Deferral Amount: \$ _____</p> <p>Account Number: _____</p> <p><i>(Proof of established TSA account is required.)</i></p>	<p><b>2) Name of TSA Company:</b></p> <p>_____</p> <p style="text-align: right;">Deduction Code: _____ - _____</p> <p style="text-align: right;">Deferral Amount: \$ _____</p> <p>Account Number: _____</p> <p><i>(Proof of established TSA account is required.)</i></p>
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**Section D. Total Salary Reduction\*\*. Please provide the total dollar amount of the deferral(s) requested, and the month it should begin:**

The CSU shall reduce each regular monthly installment of salary due you, the Employee, under the terms of your appointment by a total reduction amount of \$\_\_\_\_\_ per month, as allocated above, beginning with the pay warrant issued on \_\_\_\_/\_\_\_\_ (month/year) for the \_\_\_\_/\_\_\_\_ (month/year) pay period. I understand that if this request is not submitted to the campus Benefits Representative in a timely manner, the effective date of this request may be delayed. This Agreement will not be effective for any salary made available prior to the date this Agreement is signed.

**Section E: Employee Certification.**

**I certify that I have read the complete CSU Salary Reduction Agreement** and that my salary reduction(s) does not exceed contribution limits as determined by applicable Internal Revenue Code. I understand my responsibilities as an Employee under the CSU 403(b) Tax Sheltered Annuity (TSA) Program, and I make application to the CSU pursuant to Education Code Section 89505 for purchase of a 403(b) plan contribution and reduction in salary under the terms of this agreement.

The CSU and Employee agree to the foregoing terms of this agreement.

Employee Signature \_\_\_\_\_

Date \_\_\_\_\_

Accepted by Authorized Campus Representative \_\_\_\_\_

Date \_\_\_\_\_

\*Your Social Security number is required because it is your payroll identification number, and this agreement affects payroll transactions.

\*\*Please note: The annual tax year begins with the December pay period and ends with the November pay period of the following year.

## 403(b) Tax Sheltered Annuity (TSA) Salary Reduction Agreement

1. **Authority:** Title 26, United States Code Section 403(b), Education Code Section 89505, and California Code of Regulations, Title 5, Sections 42850-42854.
2. **Eligibility:** With the exception of certain student classifications, eligible employees can participate in the 403(b) program, including rehired annuitants (regardless of age). Please contact the campus Benefits Office for eligibility guidelines.
3. **Parties:** The parties to this Agreement are the Board of Trustees of The California State University, hereinafter sometimes referred to as the "CSU," and you, hereinafter sometimes referred to as the "Employee."
4. **Agreement:** In consideration of the potential advantages to each, the CSU and you, the Employee, make this Agreement under the terms provided. This Agreement shall be effective beginning with the salary warrant payable as specified on the 403(b) Salary Reduction Request Form, in accordance with State Controller's Office (SCO) processing guidelines.
5. **Salary Reduction and 403(b) Investment:**

- A. **Type of Salary Reduction Agreement.** You can contribute to no more than two 403(b) companies at one time. You may make changes at any time throughout the year, subject to any allocation change restrictions imposed by your current company(ies).

*Please note: If you wish only to change the allocation of your current contributions or existing fund balance(s) among your current company's funds, you must do that directly with the company. There is no need to complete this form for an allocation change.*

The CSU has contracts with companies that offer plans qualifying under the provision of Internal Revenue Code Section 403(b) and California Revenue and Taxation Code Section 17512 (although the CSU makes no warranty of such qualification). These plans are either 403(b) tax sheltered annuities (TSA) or mutual fund custodial accounts. ***The CSU assumes no responsibility for the financial security, investments or other operations of these plans.***

From among these plans indicated on the 403(b) TSA Authorized List, you have selected the designated Company plan(s) and the amount of funds as stated on the 403(b) Salary Reduction Request Form, which the CSU agrees to remit to the designated Company plan(s), on your behalf.

In handling these funds, the CSU acts as an employer, and not as a Trustee. The CSU assumes no responsibility for any investment loss nor claim to any gain, based upon any delays in making the contributions agreed to herein. It shall be your responsibility to notify the designated Company so that any necessary follow-up actions may be taken.

- ✓ **Change/cancel existing 403(b) salary reduction amount.** **Complete sections B, D and E** on the 403(b) Salary Reduction Request Form, if you want to change the amount or cancel your current salary reduction, and indicate changes you wish to make.
- ✓ **New 403(b) Investment.** **Complete sections C, D and E** on the 403(b) Salary Reduction Request Form to start new deferral(s), or restart previously canceled reductions. ***Please note, if you are restarting previously canceled reductions, please make certain that the TSA account is not closed.***

- B. **Reduction.** The CSU shall reduce each regular monthly installment of salary due you, the Employee, under the terms of your appointment by the amount you request, beginning with the salary warrant as indicated in Section D of the 403(b) Salary Reduction Request Form, if the request is submitted to the campus Benefits Representative in a timely manner. This Agreement will not be effective for any salary made available prior to the date this Agreement is signed.
6. **Minimum Reduction.** At no time is a 403(b) salary reduction to be less than \$15.00 per month.

7. **Reduction Change.** This reduction shall continue to be made until such time as the Agreement is terminated by whichever of the following events occurs first:
- A. By termination of your employment, or
  - B. By either party giving 30-day advance written notice of termination to the other. Termination by such notice may only be made effective on the first day of a pay period. Notice by you, the employee, shall be sent to the campus Benefits Office or to other such office, as the Benefits Office shall require. Notice to you shall be sent to your home address or to other such address as designated by you, or
  - C. By your filing a new Agreement with the CSU, or
  - D. By the CSU if the Company's contract with the CSU is terminated. You may not continue having contributions made to a terminated Company, but you may arrange to substitute another company which has a current contract with the CSU, or you may terminate participation under the procedures in Section 7B.
8. **Annuities Non-forfeitable.** Any annuity purchased under Section 5 shall be non-forfeitable except for failure to pay future premiums expressly required by the contract between you and the Company(ies).
9. **Release of Earnings.** You, your spouse, heirs, administrators, executors and representatives, hereby release all rights, present and future, to receive in any form other than payments from the designated Company, the amount to be applied as designated in Section 5.
10. **Computations.** You assume full responsibility for all computations and for the maintenance of all data required to carry out such computations in connection with the salary reduction and demonstrating that such salary reduction complies with Internal Revenue Code Section 403(b) and related sections and to corresponding provisions of the California Revenue and Taxation Code (see, for example, Authority, Section 1) and regulations thereunder, including amendments which may be made to such codes or regulations or both, subsequent to the date of this Agreement.

Internal Revenue Service Publications provide information on the maximum amounts, which may be contributed to the plan by participating employees. In addition, there can be lower limits for those employees who also participate in the State Savings Plus (401k) Plan. You may consult with your Company, its agents, or the Internal Revenue Service for advice on these matters. The CSU has no responsibility for any advice given or computations made.

11. **Proof of Computations.** The CSU, at its discretion, may require proof that you have performed or have had performed all required computations in connection with the salary reduction pursuant to Internal Revenue Code Section 403(b) and related sections and regulations thereunder. Such computations may be required as evidence to support the amount of salary reduction. Lacking such evidence, or if such evidence does not support the amount of salary reduction, the CSU has the authority to reduce the amount of salary reduction.

By signing and dating the 403(b) Salary Request Form, you certify that all computations have been performed in connection with the requested salary reduction pursuant to Internal Revenue Code Section 403(b) and related sections and regulations thereunder and that you will maintain proof of such computations.

12. **Participation in Other Plans.** You can defer the annual maximum toward both a 403(b) account and a governmental 457 plan\* (administered by the Department of Administration Savings Plus Program). If, however, you contribute to both a 403(b) and a 401(k) plan in the same tax year, your 401(k) annual limit will be reduced by the amount you contribute to your 403(b) plan. You cannot defer maximum contributions to both a 403(b) and a 401(k) during the same tax year.
13. **Employee Releases The CSU From Any Damages.** You assume full responsibility for the tax, processing, and investment consequences which result from the salary reduction hereby agreed to, and hereby release the State of California, the members of the Board of Trustees of the California State University, both individually and together acting as a board, their employees, agents, and the successors of each of the foregoing, and any combination thereof, from any liability including, but not limited to, any financial loss resulting from failure to carry out or inaccuracies in any of the computations referred to in Section 10, from selection or performance of Company(ies) or of any particular plan, from incorrect evaluation of tax-deferred status, from processing delays or errors, from discontinuance of present legislation effecting such benefits, and from incorrect advice you may have received or may receive in the future from the CSU, the Company(ies), any of their employees or agents, or any other plan respecting the plans and the benefits that may be received as a result of the salary reduction agreement hereby agreed upon.

14. **Company Status.** You understand and agree that for the purposes of this Agreement, no Company is an agent or employee of the State of California or of the CSU; and the State of California, the CSU and their employees are not agents of any Company.
15. **Company Account Required.** You understand and agree that this Agreement is between you and the CSU and does not establish an account with the company(ies). You assume full responsibility for filing appropriate documentation to establish an account with the designated company(ies). You shall provide proof of company-established account(s) to the Benefits Office at the time this Agreement is presented.

*If for any reason your account is not established at the Company(ies) you have designated, the Company(ies) will return the money to the SCO/CSU for delivery to you via payroll. All returned money will be considered taxable income.*

16. **Irrevocable Commitments.** This Agreement shall be legally binding and irrevocable with respect to salary amounts received while the Agreement is in effect.
17. **Processing Fee.** The CSU reserves the right to assess you with a processing fee to cover the costs of administering the 403(b) program, including the payroll deduction and investment transactions. You may contact the Benefits Office to determine the current fee schedule, if any.
18. **Effect of Agreement Execution.** Execution of this Agreement by you, the Employee, shall constitute application by you to the CSU pursuant to Education Code Section 89505 for purchase of a 403(b) plan contribution and reduction in salary under the terms of this agreement.

**The CSU and Employee agree to the foregoing terms of this Agreement.**

<b>Note to Employee: Record Your Actions from the 403(b) Salary Reduction Request Form below:</b>	
<b>Change And/or Cancellation of Current TSA Investments</b>	
<p>1) TSA Company: _____</p> <p>Deduction Code: _____</p> <p>Agent's Name _____</p> <p>Telephone: _____</p> <p>Change Requested:  <input type="checkbox"/> CANCEL    <input type="checkbox"/> NO CHANGE    <input type="checkbox"/> CHANGE AMOUNT</p> <p>Current Amount: \$ _____      New Amount: \$ _____</p> <p>Date Request Submitted _____</p>	<p>2) TSA Company: _____</p> <p>Deduction Code: _____</p> <p>Agent's Name _____</p> <p>Telephone: _____</p> <p>Change Requested:  <input type="checkbox"/> CANCEL    <input type="checkbox"/> NO CHANGE    <input type="checkbox"/> CHANGE AMOUNT</p> <p>Current Amount: \$ _____      New Amount: \$ _____</p> <p>Date Request Submitted _____</p>
<b>New TSA Investments</b>	
<p>1) TSA Company: _____</p> <p>Deduction Code: _____</p> <p>Agent's Name _____</p> <p>Telephone: _____</p> <p style="text-align: right;">Amount to be deferred: \$ _____</p> <p>Date Request Submitted _____</p>	<p>2) TSA Company: _____</p> <p>Deduction Code: _____</p> <p>Agent's Name _____</p> <p>Telephone: _____</p> <p style="text-align: right;">Amount to be deferred: \$ _____</p> <p>Date Request Submitted _____</p>

*\*Some employee classifications are not eligible to enroll in a 457 Plan (administered by the Savings Plus Program). Refer to the "Getting Started In Savings Plus" Brochure for additional information.*