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November 2002
1.1 Introduction

Under the authority of Title 26, United States Code Section §403(b), Education Code Section 89505, and California Code of Regulations, Title 5, Sections 42850-42854, the California State University (CSU) offers the 403(b) program to provide eligible employees opportunity to build retirement savings. Section 403(b) arrangements, commonly referred to as tax sheltered annuities, or TSAs, are a form of defined contribution plan available to employees of educational institutions, 501(c)(3) non-profit organizations and churches. Subject to various limitations and restrictions, Section 403(b) of the Internal Revenue Code (IRC) allows tax-deferred contributions to be made through an employee’s voluntary salary reduction. These contributions are referred to as elective deferrals.

In conjunction with the State Controller’s Office (SCO), the California State University (CSU), Office of the Chancellor, provides systemwide TSA program administration. The TSA program investment vehicles include tax sheltered annuities and mutual fund custodial accounts. Participation in the TSA program is voluntary. There is no requirement to participate. All employee contributions are made by payroll deduction on a pre-tax basis; the CSU does not make employer contributions to a participant’s TSA account. Employees who participate in TSAs elect to contribute a portion of their salaries on a monthly basis through payroll deductions. Currently, the CSU pays payroll processing fees for this program.

By participating in the TSA program, employees can save for retirement by investing pre-tax contributions. Pre-tax savings allow participants to lower their taxable income because contributions are made through payroll deduction before federal and state income taxes are calculated. Investment earnings are tax deferred as long as they remain in the TSA account.

Employees have a variety of investment companies from which to choose. The Internal Revenue Service (IRS) restricts how much income can be tax-deferred in a calendar year and mandates employers to monitor contributions.

The CSU 403(b) program is maintained purely on a salary reduction basis. The CSU incurs no funding cost because the arrangement is a voluntary retirement savings program for employees.

1.2 Legislative History

Section 403(b)(2) was enacted in 1958 establishing the first of the annual limits on the maximum amounts that could be excluded from taxable income under a Section 403(b) tax-deferred annuity. In 1974, Congress enacted the Employee Retirement Income Security Act (ERISA), which imposed additional limits under Section 415(c). The Tax Reform Act (TRA) of 1986
added the third set of limits, governing salary reduction contributions. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA), signed into law on June 7, 2001, and effective January 1, 2002, made major changes to rules governing tax-qualified retirement plans, such as the CSU Section 403(b) plan, and the State of California Savings Plus 401(k) Thrift Plan and Savings Plus 457 Deferred Compensation Plan. Please refer to Technical Letter HR/Benefits 2002-08 for additional information on EGTRRA provisions, which is available on Human Resources Administration’s web site under Coded Memoranda at: http://www.calstate.edu/HRAdm/memos.shtml.

1.3 Tax Treatment of Contributions

Contributions to a Section 403(b) program are excluded from an employee’s gross income under the Internal Revenue Code (IRC) regulations and most state income tax laws provided applicable annual limits are not exceeded. Additionally, earnings credited to an employee’s account accumulate on a pre-tax basis. Upon distribution, contributions and earnings are taxable as ordinary income, unless rolled over to another qualified plan.

1.4 Deduction Processing

Payroll deductions for TSA program participation are processed using payroll deduction codes 026 and 027 and various organization codes, each representing a different TSA investment company. (Refer to the CSU Authorized List of Companies for payroll deduction codes.) TSA contributions are deducted automatically from the employee’s payroll warrant and remitted by the SCO to the employee’s selected TSA investment company(ies) on a monthly basis.

For additional information on deduction processing, refer to Section 9 of this guide and the following sections in the Payroll Procedures Manual (PPM), available in campus Payroll Offices and on the SCO’s website at: http://www.sco.ca.gov/psd/ppm/index.htm.

- Deduction Cutoff Dates – D200
- Deduction/Organization Codes B016-022
- Redeposits - I310-318
- Salary Reductions - H500

1.5 CSU 403(b) Plan Master Contract

The CSU establishes a 403(b) Plan Master Contract (“Contract”) with TSA investment companies, which allows them to market and sell their TSA products to CSU employees. CSU employees have access to all companies on the CSU Authorized List. Investment companies that wish to offer their products to CSU employees must meet certain requirements. One important requirement is the completion of the CSU Contract. The Contract contains detailed requirements and company responsibilities. (See Sample Contract in Appendix A.)
Listed below are steps involved in approving a new TSA company for inclusion on the CSU Authorized List:

1. The company must submit written request to the CSU, Office of the Chancellor, Human Resources Administration (HRA).
2. Upon receipt of the written request, HRA forwards the request to Chancellor’s Office Contracts Services Department, who then mails the Contract, along with specific instructions to the TSA company.
3. Once the company completes and returns the documents to the Contracts Department, the documents are forwarded to HRA for review.
4. If the TSA company meets contract requirements, it is notified of the approval. Inclusion on the CSU Authorized List is also contingent upon the TSA company complying with the SCO enrollment requirements.
5. HRA contacts the SCO for a new deduction code.
6. HRA adds newly approved TSA companies to the CSU Authorized list each January 1 and July 1 (with enrollment deadlines of November 30th and May 31st respectively).
7. HRA updates the CSU Authorized List and distributes it to campuses each January and July.

SECTION 2 – ADMINISTRATION

2.1 Employer Responsibility

The campus TSA administrative responsibility is limited. An employee who participates in a 403(b) program is the direct owner of the TSA annuity contract or investment fund he/she has selected and is entitled to exercise all policyholder rights without intervention of the employer. The Benefits Offices must provide employees with the CSU Authorized TSA List and a Salary Reduction Agreement (SRA) to allow employees to choose investment companies and establish payroll deductions. Campuses are encouraged to provide employees the TSA benefits brochure that provides employees with general information about the CSU TSA program. The Benefits Officer is responsible for obtaining verification that the employee has established an account at the TSA company, prior to accepting the SRA. The Benefits Officer is not responsible for providing investment or tax advice, or for determining the employee’s annual elective deferral limit. Campuses do need to monitor employee contributions on a monthly basis to make sure employees do not exceed annual deferral maximums and to allow sufficient time for corrections if necessary.

Section 7.2 of this guide lists Campus Information Retrieval System (CIRS) Compendium reports available to assist campuses with tracking contribution limits. Individuals who are contributing at levels higher than the standard annual maximum must document eligibility for a catch-up provision. (See “Catch-up Options” in Section 5.) If an employee is unable to show proof of eligibility for the catch-up provision, the campus must administratively cancel the SRA and restrict the employee from contributing to the plan for the remainder of the tax year or until proof is provided. (See Section 7 “Monitoring Contributions.”)
2.2 Employee Responsibility

The employee must establish a 403(b) account with a selected TSA company from the CSU Authorized TSA List and then obtain a Salary Reduction Agreement (SRA) from the campus Benefits Office. Failure to establish a qualified 403(b) account prior to payroll deductions being sent to the TSA investment company will result in funds being returned to the State Controller’s Office (SCO) and refunded through the payroll system, which may adversely impact the employee’s tax situation. The employee shall provide proof to the campus Benefits Officer that the 403(b) account has been established before the SRA is presented. The employee is responsible for completing computations in connection with the SRA, pursuant to Internal Revenue Code (IRC) Section 403(b) and related regulations, including amendments, which may be made to such codes, to ensure annual contributions do not exceed legal maximums. Employees should contact their TSA company, financial planner or tax advisor to ensure compliance with federal and state laws affecting TSA maximum contributions and for investment advice. In the event of a tax audit, it will be the employee’s responsibility to justify the deferred amounts.

The employee should provide the TSA company or his/her tax advisor accurate data including total contributions to this and other plan(s), years of service, and annual income so the employee’s annual elective deferral limit can be accurately calculated to ensure compliance with federal and state laws affecting the employee’s individual income tax.

The employee communicates directly with the 403(b) company for such things as account questions, loans, distributions, hardship withdrawals, etc. The CSU is not directly involved with the employee’s 403(b) arrangement.

2.3 Eligibility

With the exception of certain student classifications, all employees are eligible to participate in the 403(b) program, including rehired annuitants (regardless of age).

Only the following student classifications are ineligible for 403(b) participation:

- Resident Assistant (class code 1869)
- Student Assistant (class code 1870)
- Student Trainee, On-Campus Work Study (class code 1871)
- Student Trainee, Off-Campus Work Study (class code 1872)
- Graduate Assistant (class code 2355)

2.4 Steps of Enrollment

An employee’s eligibility to participate in the 403(b) plan needs to be established prior to enrollment. (See Section 2.3 “Eligibility.”)

1. The employee should obtain a copy of the CSU Authorized List to select a TSA company. An employee may elect a maximum of two companies at any one time. The employee
should contact the campus Benefits Officer for a Salary Reduction Agreement (SRA) and a copy of the CSU Authorized List.

2. Once a company is selected, the employee must establish a qualified 403(b) account with the company(ies).

3. Then, the employee needs to complete an SRA indicating the investment company selected and the amount to be invested. The employee may request a new SRA transaction no more than once per month. The SRA must be submitted to the Benefits Officer at least 30 days before the salary reduction is to be effective. Agreements received by the SCO by the 15th of any given month will be effective the next pay period. For example, an SRA received by January 31ST will be effective the month of February and reflected on the employee’s March 1st pay warrant (February pay period).

4. The Benefits Officer must receive proof of established account before processing the SRA. It is not acceptable for the employee to supply only a copy of the investment application or account number. (See Section 2.5 “Account Verification Process.”)

5. A “Catch-up Calculation Worksheet” (see Section 6) must be completed for participants who plan to contribute more than the annual 402(g) limit. Employees should ask their TSA company to perform a maximum contribution calculation to verify that the amount they intend to invest does not exceed their maximum annual permissible amount.

6. The employee must submit the following documents to the campus Benefits Officer:
   - Completed SRA,
   - Proof of established account, and
   - Catch-up Calculation Worksheet, if planning to contribute at an amount that exceeds the 402(g) limit.

7. To complete enrollment, the Benefits Officer will complete the SCO’s Form STD. 650 (“Miscellaneous Deduction Change Report”) and submit it to the SCO for processing (see sample Form STD. 650 in Appendix G). For instructions on completing the form, see Section 9.

It may be helpful for the Benefits Officer to ask the employee if the account being established is new or already in existence. Specifically, the campus should verify that the employee has established a 403(b) account (versus another type of investment account).

2.5 Account Verification Process

The SCO processes a tremendous number of refunds for (1) employees who have not established accounts prior to the time funds are sent to the TSA companies and (2) incorrect use of payroll deduction code(s). Refunds create an inordinate amount of additional work for the SCO, the Chancellor’s Office and campus personnel. Considerable time is spent researching and resolving these situations, and in most cases, the employee loses the benefit of the tax shelter for the
affected pay period(s). Often, a TSA company will receive contributions representing several pay periods for an employee whose account has not been established.

Campuses are required to obtain proof that an account has been established before accepting the Salary Reduction Agreement (SRA). Without proof, the SRA should not be accepted. Acceptable proof includes one of the following:

- a signed CSU Certification of Established Account form (see Appendix D),
- a letter from the company showing the employee’s policy or account number, or
- a copy of the policy face sheet.

It is not sufficient for the employee to submit only a copy of the application. Once confirmation is received, the selected TSA company’s name and payroll deduction code should be verified against the SRA and the company name and payroll deduction code on the CSU Authorized List to ensure that the appropriate information is used on the Form STD. 650. Finally, campuses should match the payroll deduction code supplied on the SRA against the CSU Authorized List.

Employees should be reminded that the SRA is a contract between the campus and the employee, not between the employee and the TSA company. The SRA does not establish the account. The employee’s account is established through a separate contract or application with the TSA company.

If the employee’s account is not established at the TSA company prior to the SCO’s remittance of the employee’s monthly salary reduction, the company will return the funds to the SCO. Returned contributions will be reissued to the employee via the payroll system as taxable income. This situation could cause adverse tax consequences for the employee.
The Salary Reduction Agreement (SRA) is an agreement the employee signs to establish payroll deductions. It is a contract between the employer and the employee. The employee may terminate the SRA at any time. Using the SRA, the employee can change the amount of the SRA and/or change providers. SRAs CANNOT be effective retroactively. Campuses are responsible for ensuring SRAs are signed prior to the date the applicable salary deduction becomes effective.

The SRA requires employees to acknowledge salary reduction contributions do not exceed limits under applicable law. Employees are responsible for the accuracy of the information provided. The SRA also requires employees to acknowledge that they understand tax consequences of 403(b) plan participation.

The CSU minimum monthly SRA 403(b) contribution is $15. Refer to Section 4 for additional information regarding contribution limits.

Employees should be informed that if SRA contributions are returned to the SCO because a 403(b) account has not been established at a TSA provider, the TSA contributions will be returned to the employee via the payroll system as taxable income. This may have adverse tax consequences for the employee.

The Small Business Job Protection Act (SBJPA) of 1996 made it permissible to have multiple SRAs within a tax year. Employees are permitted to change their SRA at any time during the year and since CSU has a monthly payroll, employees may submit a new SRA each pay period, if desired. This flexibility would allow a person who retires mid-year to complete an SRA to take a larger 403(b) contribution out of the accrued vacation termination paycheck. Caution: this does not mean that pay for prior years can be included in compensation for purposes of the IRC Section 415 limit.

3.1 Making Salary Reduction Agreement Changes

Internal Revenue Service (IRS) regulations permit employees to change their SRA any time during the year; therefore, because CSU has a monthly payroll, employees may submit a new SRA each pay period, if desired.

Employees also may change their TSA investment company as often as once per month. Changes should be requested at least 30 days prior to the effective date of the salary reduction. (See sample SRA in Appendix D and Form STD. 650 in Appendix G.)

Employees select investment products directly with their TSA company or agent. Employees can change the particular investment product without changing companies or investment amounts. This type of change would not require a new SRA or assistance of the Benefits Office staff. In this case, the employee would contact the TSA company directly to change the investment election.
### Instructions for Completing and Making Changes to the Salary Reduction Agreement (SRA)

<table>
<thead>
<tr>
<th>ITEM #</th>
<th>Initial SRA</th>
<th>Changing Amount</th>
<th>Changing Company</th>
<th>Cancel SRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Complete</td>
<td>Complete</td>
<td>Complete</td>
<td>Complete</td>
</tr>
<tr>
<td>4</td>
<td>Complete</td>
<td>Complete</td>
<td>Complete</td>
<td>Complete</td>
</tr>
</tbody>
</table>

(The SRA must be dated at least 30 days prior to pay date. For example, if employee requests deductions to begin with the 9/2002 pay period (warrant payable Oct. 1st), the first date listed will be 10/2002; the second date listed will be 9/2002.

| 5A | Mark first box | Mark first box | Mark second box | Not applicable |
| 5B | List amount to be deducted | List new amount | List dollar amount | Indicate “0” dollar amt and company name |
| 5C | Not applicable | List up to 2 companies | Complete | Not applicable |
| 5D | List up to 2 companies | Not applicable | Complete | Not applicable |
| 12 | Complete, if applicable | Complete, if applicable | Complete, if applicable | Complete, if applicable |
| 18 | Complete | Complete | Complete | Complete |

Univ. Action

Mark appropriate box

Mark box indicating “Change Co. $”

Mark box indicating Company to be added/deleted

Mark “Delete Company” box(es)

Agent Info

Complete

Complete

Complete

Complete
Various factors determine an employee’s annual TSA contribution limit. The Internal Revenue Code (IRC) establishes specific limits an individual can contribute to pre-tax 403(b), 457 or 401(k) salary reduction retirement plans and mandates employers to monitor contributions. The TSA Brochure and Salary Reduction Agreement can assist employees in understanding their 403(b) contribution limits. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA), effective January 1, 2002, made major changes to rules governing retirement plans. Technical Letter HR/Benefits 2002-08 provides detailed information regarding EGTRRA changes affecting plans available to CSU employees. This document is available on the Human Resources Administration’s web site, under Coded Memoranda at: http://www.calstate.edu/HRAdm/memos.shtml.

*The Benefits Officer is not responsible for determining or calculating employee contribution limits or providing employees financial or tax advice.* (See “Monitoring Contributions” in Section 7 for more information.)

The total annual amount an employee can contribute to a 403(b) plan is based on the tax year, which at the CSU includes December through November pay periods. For example, tax year 2002 includes the December 2001 pay period (warrant payable January 1, 2002) through November 2002 (warrant payable December 1, 2002) pay period.

### 4.1 Minimum Contribution

The CSU minimum monthly 403(b) contribution is $15 per company. Some 403(b) companies may require a monthly contribution greater than $15; therefore, a lower level of contribution may limit investment company choices. For specific requirements, employees should contact the company directly.

Employees can contribute to a maximum of two TSA companies at any one time.

### 4.2 Annual Contribution Limit

Effective January 1, 2002, two different Internal Revenue Code (IRC) Sections determine 403(b) annual contribution limits: the 402(g) elective deferral limit and the 415 percentage limit. For the 2002 tax year, the maximum contribution is the lesser of the following IRC limits:

<table>
<thead>
<tr>
<th>IRC Limit</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRC §402(g) “Elective Deferral” Limit</td>
<td>$11,000 for 2002</td>
</tr>
<tr>
<td>IRC §415 “Percentage of Compensation” Limit</td>
<td>100% of adjusted gross salary</td>
</tr>
</tbody>
</table>

The percentage of compensation limit refers to adjusted gross salary. Adjusted gross salary includes all pre-tax employee contributions to retirement, medical insurance, health care reimbursement accounts, dependent care reimbursement accounts, etc. plus your W-2 taxable income.
EGTRRA also provides that the 403(b) maximum elective deferral limits will increase incrementally over the next four years, as follows:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>402(g) Elective Deferral Limit</th>
<th>415 Percentage of Compensation Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$12,000</td>
<td>100% of adjusted gross salary</td>
</tr>
<tr>
<td>2004</td>
<td>$13,000</td>
<td>100% of adjusted gross salary</td>
</tr>
<tr>
<td>2005</td>
<td>$14,000</td>
<td>100% of adjusted gross salary</td>
</tr>
<tr>
<td>2006 and thereafter</td>
<td>$15,000</td>
<td>100% of adjusted gross salary</td>
</tr>
</tbody>
</table>

In no case should a campus allow an employee to contribute more than the 402(g) or 415 limit in a tax year unless the employee can document his/her eligibility for a catch-up provision. IRC Section 402(g)(8) provides exceptions to the 402(g) limit and permits eligible employees to contribute at a higher level through a catch-up option. Provisions of this option are explained in more detail in Section 5. Unless the employee has provided Catch-up documentation, the campus must administratively cancel the employee’s participation in the 403(b) plan for the remainder of the tax year once the 402(g) (or 415) limit is reached.

For 2002 and subsequent years, EGTRRA repealed the maximum exclusion allowance (MEA) limit. It no longer applies.

Additional Information:

In addition to CSU’s TSA plan, the State of California Savings Plus 401(k) Thrift Plan and 457 Deferred Compensation Plan are available to CSU employees. 2002 annual maximum contribution limits for 457 and 401(k) plan are summarized below for reference:

- **457**: the lesser of $11,000 per year or 100% of includible income.
- **401(k)**: the lesser of $11,000 per year or 100% of adjusted gross salary.

Different plans apply the percentage limits to different earnings figures. For the 401(k) and 403(b) plans, the percentage takes into consideration taxable income PLUS employee contributions to IRC Section 457, 401(k), 403(b), 125 and 132(f) plans. For these plans, the employee can add to W-2 taxable income contributions to the State of California Savings Plus 457 Deferred Compensation Plan, the State of California Savings Plus 401(k) Thrift Plan, the CSU TSA plan, the CSU Dependent Care Reimbursement Account and the Health Care Reimbursement Account, the Tax Advantaged Premium Plans and the CSU Pre-tax Parking Program.

For the 457 Deferred Compensation Plan, the percentage is applied to taxable (W-2) income.

Employee pretax contributions to CalPERS retirement are not included when calculating the percentage limitations for any of the three plans.
4.3 Participation in Multiple Plans

EGTRRA provides that contributions to a 457 deferred compensation plan do not have to be offset by contributions to a 403(b) tax sheltered annuity plan or a 401(k) thrift plan. For example, for tax year 2002, a participant could elect to contribute up to $11,000 to a 403(b) plan AND up to $11,000 to a 457 Plan, subject to 415 limits, for a total contribution of $22,000. However, contributions to a 403(b) plan continue to offset contributions to a 401(k) plan.

An example of multiple plan participation is illustrated below:

<table>
<thead>
<tr>
<th>Plan Participation</th>
<th>Total Limit Without Catch-up Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>403(b) only</td>
<td>$11,000</td>
</tr>
<tr>
<td>401(k) only</td>
<td>$11,000</td>
</tr>
<tr>
<td>457 only</td>
<td>$11,000</td>
</tr>
<tr>
<td>403(b) and 401(k)</td>
<td>$11,000</td>
</tr>
<tr>
<td>403(b) and 457</td>
<td>$22,000</td>
</tr>
<tr>
<td>403(b), 401(k) and 457</td>
<td>$22,000</td>
</tr>
</tbody>
</table>

4.4 Tax Treatment of Elective Deferrals

As long as applicable maximum annual elective deferral limits are not exceeded, contributions to a 403(b) program are excluded from an employee’s gross income under the Internal Revenue Code (IRC) and most state income tax laws. Earnings credited to an employee’s account under the 403(b) program accumulate on a pre-tax basis. Contributions and earnings become taxable only upon fund distribution. Once distributed, accumulated funds are taxable as ordinary income unless rolled over to another 403(b) program or qualified plan. For Social Security (FICA) purposes, salary reduction contributions under a 403(b) arrangement are treated as “wages” and are, therefore, subject to FICA tax at both the employee and employer levels [IRC Section 3121(a)(5)(D)]. Therefore, amounts distributed from a 403(b) fund are not subject to FICA tax upon distribution.

4.5 Tax Years

The chart below shows examples of CSU pay periods and corresponding tax years.

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Pay Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>December 2001 through November 2002</td>
</tr>
<tr>
<td>2003</td>
<td>December 2002 through November 2003</td>
</tr>
<tr>
<td>2004</td>
<td>December 2003 through November 2004</td>
</tr>
<tr>
<td>2005</td>
<td>December 2004 through November 2005</td>
</tr>
</tbody>
</table>
SECTION 5 - CATCH-UP OPTIONS

The Internal Revenue Code (IRC) provides for certain catch-up options.

5.1 IRC 402(g)(8) Catch-up Election

IRC Section 402(g)(8) provides for a catch-up election, 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.

The 15-year catch-up election is directly tied to the 402(g) limit, and is the lesser of the 402(g) limit plus $3,000 or $15,000 minus all prior years’ catch-up amounts. Employees who have deferred more than $5,000 per year (i.e., at least $75,000 over their 15 years of service) are not eligible for this catch-up election. Contributions under this catch-up election cannot exceed $14,000 for 2002 ($11,000 402(g) limit plus $3,000).

Employees who wish to contribute under the catch-up option must demonstrate eligibility by completing a Catch-up Calculation Worksheet (See Section 6 and Appendix C). The Catch-up Calculation Worksheet determines an employee’s eligibility for a “catch-up” provision. The worksheet must be completed every year for which a participant wishes to contribute more than the annual 402(g) limit. Changes in salary, time base and pre-tax contributions for programs such as dependent care and medical reimbursement accounts may decrease or increase an employee’s maximum contribution limit. Therefore, a new 403(b) Catch-up Calculation Worksheet may be warranted when these types of changes occur.

If the employee was enrolled in the plan prior to this worksheet requirement, he or she must submit a worksheet if his or her existing salary reduction exceeds the 402(g) limit.

The employer must ensure the employee has completed a CSU 403(b) Catch-up Calculation Worksheet if the employee wants to contribute more than the 402(g) limit.

5.2 IRC Section 414(v) Catch-up Election

IRC Section 414(v), added under EGTRRA, creates a new catch-up provision available to individuals age 50 and older before the end of the plan year, and allows them to make additional pre-tax elective deferrals to a 403(b), 401(k), or 457 plan, over and above the regular contribution limits, without regard to previous contributions. This new catch-up provision does not require a calculation worksheet.

EGTRRA makes this new catch-up an optional provision and it is applicable for eligible participants in the CSU 403(b) plan and the State of California’s Savings Plus 401(k) and 457 Plans. These catch-up contributions do not count toward any dollar limitation, or qualified plan discrimination tests, except that the total of all elective deferrals cannot exceed 100 percent of an employee’s total compensation (including deferrals).
The maximum amount of these additional contributions is phased-in from 2002 through 2006 in $1,000 increments until it reaches $5,000. In 2002, a participant can defer $1,000 to the 403(b) or 401(k) and an additional $1,000 to a governmental 457(b) plan. In other words, the age-50 “catch-up” amount for a governmental 457(b) plan is separate from the age-50 catch-up amounts to 403(b) and 401(k) plans. Thereafter, it will be indexed to inflation in $500 increments for later years. Unlike the 402(g)(8) “15-year” catch-up provision for 403(b) plans, the new catch-up provision is available to all individuals over the age of 50 by the end of the plan year, who meet the criteria, regardless of whether or not they qualified for the IRC Section 402(g)(8) catch-up exceptions under the old law.

To qualify for this new catch-up provision, individuals must first maximize the elective deferral limit allowed under the plan, or law for that year. Additional catch-up contributions are limited as follows:

- $1,000 beginning in 2002
- $2,000 for 2003
- $3,000 for 2004
- $4,000 for 2005
- $5,000 for 2006 and thereafter.

Please note: Previously, EGTRRA had a non-duplication rule preventing 457 plan participants from combining the IRC Section 414(v) “age-50” catch-up with the IRC Section 457(b) “times two elective deferral” catch-up during the last three years before retirement. In accordance with the Job Creation and Worker Assistance Act of 2002, this rule has been modified and 457 participants are now entitled to make catch-up contributions up to an amount equal to the greater of (i) the age-50 catch-up limit or (ii) the 3-year catch-up limit.

The timing and availability of this catch-up election may vary by investment company.

**SECTION 6 – CATCH-UP CALCULATION WORKSHEET**

The CSU Catch-up Calculation Worksheet (see Appendix C) can assist employees and TSA companies in determining eligibility for contributions over the 402(g) limit. A copy of the employee’s 403(b) Catch-up Calculation Worksheet should be kept on file at the campus.

**Important note:** The CSU does not provide tax advice. Employees requiring further explanation should be referred to their TSA agent or qualified tax adviser. Employees must contact the Savings Plus Program Administrator to obtain information on prior 457 or 401(k) contributions. In the event of a tax audit, it is the employee’s responsibility to justify the deferred amounts.
SECTION 7 - MONITORING CONTRIBUTIONS

The Internal Revenue Service (IRS) limits calendar year employee pre-tax contributions to a 403(b) plan. The IRS also mandates that employers monitor contributions.

Employees should be referred to their TSA company or personal tax/financial advisors with 403(b) questions and to verify the amount they may contribute to a TSA Program. Employees also should monitor their contributions on a monthly and annual basis. In the event of a tax audit, it is employee’s responsibility to justify the deferred amounts.

The campus is required to monitor contributions for 402(g) and 415 limits and provide the 403(b) Catch-up Calculation Worksheet to employees, as needed. Employees requiring further explanation should be referred to their TSA companies, or personal tax advisors.

Note: In many instances, the employer has been required to pay under-withheld taxes to the federal government (and state income tax where applicable) for excess contributions made by employees. Participation in another 403(b) or 401(k) plan may impose further limits on the employee. (See “Plan Comparisons” in Appendix E.) Questions regarding the Savings Plus 457 and 401(k) plans should be directed to the Department of Personnel Administration (DPA), Savings Plus Program.

7.1 Tracking Contribution Limits

The campus benefits office should routinely monitor amounts individual employees are contributing to their 403(b) plans to ensure compliance with the Internal Revenue Code specified guidelines. Campuses are responsible for tracking the following:

1. IRC Section 415 percentage of compensation limit and/or Section 402(g) maximum elective deferral limit;
2. IRC Section 402(g)(8) catch-up allowance limit;
3. IRC Section 414(v) Age 50 catch-up allowance limit; and
4. Employees participating in multiple plans.

Refer to Section 5 for information on catch-up options.
7.2 **CIRS Contribution Tracking Reports**

To assist campuses in monitoring and tracking contribution limits, the following CIRS Compendium reports have been developed. Your campus CIRS Administrator may assist you in accessing these reports.

<table>
<thead>
<tr>
<th>Report #</th>
<th>Name of Report</th>
<th>Information Contained in Report</th>
</tr>
</thead>
</table>
| A70      | Deduction Detail By Employee Name | - Alpha sort List of Employees  
- SSN  
- Agency/Unit  
- Pay Period  
- TSA Deduction Code  
- TSA Amount  
- Deferred Compensation Amount  
- Warrant Number |
| A72      | TSA Payroll Deductions, Summary by Campus | - Number of Participants per TSA Deduction Code  
- Total Contribution Amount for all Participants |
| G04      | Deductions Withheld by TSA Carrier, Amount and Warrant # | - TSA Companies sorted by Deduction Code/Name and Alpha sorted by Employee Name  
- SSN  
- Agency/Unit  
- Pay Period  
- TSA Amount  
- Deferred Compensation Amount and Warrant Number |
| G90      | Tax Sheltered and Deferred Compensation Deductions Withheld | - Alpha Sort List of Employees  
- SSN  
- Position Number  
- Pay Period  
- Deduction Code  
- Carrier Name  
- Contribution Amounts |
| G91      | TSA and Deferred Compensation Deduction Totals Exceed 402(g) Monthly Maximum | - Alpha Sort List of Employees  
- SSN  
- Position Number  
- Pay Period  
- Monthly Contribution Amount  
- Flags for 403(b), 401(k) and 457 Participation |
| G92      | TSA and Deferred Compensation Deductions Tax YTD Contributions | - Alpha Sort List of Employees  
- SSN  
- Current Monthly Contribution  
- Year to Date Total Contributions  
- Projected Contributions for the Year  
- Flags for Concurrent Contributions to 403(b), 401(k) and 457  
- Projected Date Participant Will Exceed Maximum Yearly contribution  
- Flags those reaching age 50 and over by tax year end |
8.1 Returned Contributions

When a TSA company is not able to match a contribution to a valid investment account number, the company normally returns the funds to the State Controller’s Office (SCO), along with the employee’s name and social security number, for identification purposes, and the reason the funds are being returned.

Contributions returned to the SCO are refunded to the employee via the payroll system as taxable income, which may adversely affect the employee’s tax situation. If funds are rejected by the TSA Company due to a campus administrative error, every effort will be made to resolve the situation in the employee’s favor.

8.2 Excess Contributions

The correction procedure for contributions in excess of Internal Revenue Code (IRC) limits will depend on the limit exceeded. Regardless of the limit exceeded, the IRS has generally looked to the employer to pay for the under withheld federal income taxes. Campuses can minimize the risk of excess deferrals by requiring that excess contributions (those going over the 402(g) or 415 limit) be justified. If excess contributions occur, the excess can be returned to the employee by April 15 of the year following the year of the excess. In this case, there is no consequence other than taxation of the excess amount for the tax year of the excess, plus taxation of the earnings in the year of distribution.

If an employee is in danger of exceeding the IRC 402(g) limit, with no documentation of eligibility for a catch-up option on file, campuses should discontinue salary reductions. Cancelled Salary Reduction Agreements can be restarted the following tax year.

Employees should be directed to the Department of Personnel Administration (DPA), Savings Plus Program to enroll, cancel or makes changes to their 457 Deferred Compensation Plan or 401(k) State Thrift Plan.

8.3 Account Discrepancies

The Chancellor’s Office (CO) provides systemwide support to campuses for TSA administration. When funds are “missing” from a participant’s account, the CO may assist in resolving the problem. Prior to contacting the CO, however, campuses should attempt to resolve the problem by following the steps outlined below:

1. Obtain detailed information regarding the problem (i.e., company name, pay period, amount),
2. Confirm that the funds in question were deducted from the employee’s pay,
3. Contact the TSA Company for confirmation that the contribution is missing, and
4. Request the company to initiate an investigation to locate the missing funds.
If CO assistance is required, campuses should supply as much detailed information about the problem as possible. Please be aware that there is considerable coordination necessary in order to investigate and resolve 403(b) account problems. Consequently, the timeframe involved in this process has increased in direct proportion to the problems themselves. Many of the problems are complex, and require that we work closely with the SCO to resolve discrepancies in an expedient manner.

Top priority is given to situations involving missing SCO warrants (e.g., “the entire contribution warrant”), which affects all participants of a given company. All other problems are handled in the order they are received. On average, it takes 2-4 weeks to research and resolve a TSA account discrepancy.

### 8.4 TSA Company Solicitation

The CSU 403(b) Plan Master Contract prohibits TSA companies from submitting list bills, billing notices, account statements, etc., to CSU campuses. Any such correspondence campuses receive should be forwarded to the Chancellor’s Office for proper handling. TSA agents that represent companies on the CSU Authorized List may request permission to visit campuses to market their products and services. Campuses may choose to regulate access of these companies to campus employees. Problems related to solicitation from TSA vendors should be reported to the Chancellor’s Office.

### 8.5 Contributions Received by Campuses

Occasionally, a TSA company may inadvertently return an employee’s TSA contribution to the campus. This represents a violation of the CSU 403(b) Plan Master Contract. Neither the Chancellor’s Office nor the campus is authorized to receive returned contributions. If this occurs, please forward the funds to the SCO and contact the Chancellor’s Office immediately.

Return funds to the address listed below:

- State Controller’s Office
- Division of Disbursement
- Attention: Business Month Desk
- P. O. Box 942850
- Sacramento, CA 94250-5871
8.6 Complaints

The State Board of Control is an agency that can address concerns of employees who believe they have been harmed by the TSA program process. Employees may contact the State Board of Control to file a government claim. The contact information is listed below:

State Board of Control
Government Claims Unit
P. O. Box 3035
Sacramento, CA  95812-3035
(916) 323-3564

8.7 Loans

Some TSA plans allow loans from a 403(b) account. Loans must meet requirements of Internal Revenue Service Code Section 72(p). Loans that do not meet these requirements are treated as taxable distributions at the time the loan is made and are included in an individual’s gross income for taxation. TSA companies may have restrictive limits to provide sufficient funds in the event of loan default. Employees should be referred to their TSA company for information about loans.

8.8 Distributions and Withdrawals

Withdrawals from 403(b) plans are referred to as distributions. Generally, when an employee withdraws money from his/her account, the withdrawal is taxable and, under certain circumstances, a penalty tax may apply. Additionally, the TSA company may impose surrender charges or other restrictions.

There are four circumstances under which an individual, prior to retirement, may withdraw money from their account:

- Reaching age 59 ½,
- Financial hardship,
- Leaving CSU employment, or
- Taking a loan.

Employees should be referred to their TSA Company, agent or qualified tax advisor for information regarding withdrawals from their 403(b) account.

8.9 Qualified Domestic Relations Order (QDRO)

In the case of divorce or legal separation, the spouse or former spouse of an employee may have a legal right to receive a portion of the employee’s TSA account. The parties must obtain a court order, called a qualified domestic relations order or QDRO, confirming the spouse’s rights. The order should be sent to the employee’s investment company(ies) for review that the order is “qualified” and for segregation of the employee’s accounts and transfer to the spouse’s name, as
required. Campuses should contact the Chancellor’s Office for assistance if presented with a QDRO.

8.10 Leaves of Absence

TSA salary reductions will continue for employees on a paid leave of absence, if there is sufficient pay to make a deduction. Employees wishing to discontinue TSA participation upon return from leave of absence or at the commencement of a leave need to complete a Salary Reduction Agreement (SRA) to cancel the deduction and the campus must complete a Form STD. 650. Campuses should counsel employees regarding the impact a leave of absence will have on their account.

1. **Sabbatical** – The SRA may need to be adjusted in situations where an employee goes on a sabbatical leave of absence and there is insufficient net pay to cover the TSA deduction. If the employee returns from sabbatical leave within 30 days (less than one pay period), the SRA may continue uninterrupted. Campus Benefits Officers should monitor the leave to ensure the appropriate transaction takes effect, if required.

2. **Nonindustrial Disability Insurance** - The TSA salary reductions will be automatically withheld for employees on Nonindustrial Disability Insurance (NDI) if there is sufficient gross pay, unless the SRA is canceled.

3. **Unpaid Leave** – Salary reductions cease upon commencement of an unpaid leave of absence and should automatically restart upon return to pay status.

8.11 Separation/Termination

When the SCO PPBD receives notice of a “temporary” separation (e.g., NDI, military leave) annuities are retained in the deduction file and the TSA deduction will be restarted automatically upon the employee’s return or reinstatement, unless cancelled by the campus. TSA deductions will cease when an employee is permanently separated (e.g., resignation, death), and the final deduction will be withheld from the regular separation payment if net pay is sufficient.

1. **Final Settlement** - Annuity amounts will be withheld from academic final settlement pay ONLY if documentation to report the separation indicates the amount of the annuity, as the amount will vary depending upon whether the employee worked on an academic year, semester or quarter basis.

If an employee’s net pay is not sufficient to withhold the TSA deduction, the entire gross then becomes subject to federal and state withholding taxes. In such situations, the salary reduction plans will not be applied to the final settlement payment.

2. **Disposition of Account** - If an employee leaves CSU employment, the following options are available for the TSA account:

   a) Receive a lump sum payment. If this option is chosen before attaining age 59 1/2, the account will be subject to normal income taxes and possibly a penalty tax. The penalty
tax may be avoided if an employee retires and takes payments. The employee needs to contact his/her TSA company, or tax advisor for guidance.

b) Transfer savings directly to another TSA program. There is no tax penalty for this option.

c) Transfer the account into a rollover Individual Retirement Account (IRA), a 401(a) qualified plan, a governmental 457 deferred compensation plan, or another 403(b) program. There is no tax penalty for these options. If this option is selected, the employee will need to establish a separate account.

d) Leave the funds invested in the current TSA account until mandatory distribution age is reached. There is no tax penalty for this option.

Employees should be referred to their TSA company agent or tax advisor to answer questions regarding these options.

8.12 Retirement

Upon retirement, employees will have the same options available as stated in Section 8.11 “Separation/Termination” above. If an employee has retired and the campus subsequently reappoints the individual, it is critical that the campus completes the SCO’s Form STD. 650 to cancel the Salary Reduction Agreement. This is to ensure that the SCO’s system picks up the retirement and does not override it with the new appointment. There may be an automatic restart of shutdown contributions (when a retirement document is submitted soon after a reappointment) if the SRA is not canceled and Form STD. 650 is not submitted.

The Small Business Job Protection Act (SBJPA) of 1996 made it permissible to have multiple SRAs within a tax year. Thus, a person who is retiring mid-year and who is receiving a terminal paycheck containing accrued vacation pay may use that check to make a 403(b) contribution. Caution: the change does not mean that pay for prior years can be included in compensation for purposes of the IRC Section 415 limit.

8.13 Faculty Early Retirement Plan (FERP)

For purposes of TSA administration, it is important for Benefits Officers to know how the employee plans to participate in the Faculty Early Retirement Program (FERP). For example, if the FERP appointment will be for the full academic year, the SRA can be started just once, and revised accordingly. For semesters beginning in August (6-month appointments), for employees who plan to continue TSA participation, campuses would restart the Salary Reduction Agreement (SRA) each August and February. For example, for campuses with semesters beginning in August, the SRA for the first period of pay would be September. In this example, the SRA would have to be authorized in August. For FERP employees who have separated from active service and returned to retiree status with no break in salary, campuses must restart the SRA each time to ensure the TSA deduction is picked up.
8.14 **Effects of Payroll/Personnel Transactions**

1. **Employee Transfers** - When an employee transfers within the same CSU campus, or is appointed to another campus, the TSA deduction will continue to be applied unless the campus submits a Form STD. 650 to cancel the deduction.

2. **Lump Sum Payments** - With the recent passage of AB 1684, Labor Code Sections 201, 202 and 219 were amended which reinstated the ability to defer lump sum pay under certain conditions. TSA deductions can also be withheld from lump sum pay.

3. **Insufficient Net Pay** - If an employee’s gross wages are not sufficient to withhold the TSA deduction, the entire gross then becomes subject to federal and state withholding taxes. In this situation, the salary reduction will not be applied to the payment.

4. **Non-pay Status** - TSA deductions cannot be taken when an employee is on non-pay status (i.e., leave of absence, suspension, temporary disability, unpaid sabbaticals, or lack of scheduled work for intermittent employee) during a pay period. TSA deductions will however, be withheld from supplemental temporary disability payments if the net pay is sufficient.

8.15 **Employer Identification Number**

The CSU does not have a “Taxpayer Identification Number,” which many TSA companies may request. The CSU is assigned an “Employer Identification Number” (EIN), which is 946001347G.

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**SECTION 9 - SCO PROCESSING**

The State Controller’s Office (SCO) is the pay and disbursing agent for CSU. The SCO processes the payroll and remittance of salary reduction contributions directly to each TSA company via the direct disbursement method.

CSU 403(b) program contributions are withheld from an employee’s master payroll warrant and forwarded by the SCO’s Division of Disbursements to the TSA company immediately after the close of the pay period. The SCO has implemented an electronic remittance process. The SCO requires TSA companies to access and retrieve monthly remittance data via the Internet, and salary reduction contributions through a direct deposit process.

The description of the selected TSA company and the deduction amount are reflected on the employee’s master payroll warrant for the pay period. Employees generally receive posting to their TSA accounts within two weeks of the pay period.
9.1 Form STD. 650 Miscellaneous Deduction Change Report

A Miscellaneous Deduction Change Report (Form STD. 650) is used to submit the TSA deduction information to the SCO’s Payroll Operations Division. It is the only form that may be submitted to add, change or delete TSA deductions and must be received in Payroll Operations by the 15th of the month. If the 15th falls on a weekend or holiday, the following workday is the cutoff. Form STD. 650 can be ordered from Department of General Services (DGS). The form is also available on their website at: http://www.osp.dgs.ca.gov/StandardForms/Default.htm.

One Form STD. 650 may be used for multiple changes for an employee. Instructions for completing Form STD. 650 are listed below.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>INSTRUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Number</td>
<td>Enter the employee’s SSN</td>
</tr>
<tr>
<td>Name</td>
<td>Enter first/middle initial(s) and last name</td>
</tr>
<tr>
<td>Position Number</td>
<td>Must be entered</td>
</tr>
<tr>
<td>Deduction Code</td>
<td>Enter 026 or 027</td>
</tr>
<tr>
<td>Organization Code</td>
<td>Must be completed</td>
</tr>
<tr>
<td>Deduction Amount</td>
<td>Leave blank for Delete, otherwise complete. (When completed, must be equal to or greater than $15.00.)</td>
</tr>
<tr>
<td>Type of Change</td>
<td>Check the appropriate box</td>
</tr>
<tr>
<td>Pay Period</td>
<td>Enter month/year</td>
</tr>
<tr>
<td>Remarks</td>
<td>Describe the status of the employee’s TSA account(s), i.e., cancel 026-023, Fidelity Investments. Employee still has code 026-025 Putnam Investments for $200.00.</td>
</tr>
<tr>
<td>Form Completed by/Telephone number</td>
<td>Must be completed</td>
</tr>
<tr>
<td>Agency Name</td>
<td>Must be completed</td>
</tr>
<tr>
<td>Authorized Signature/ Date Signed</td>
<td>Must be completed</td>
</tr>
</tbody>
</table>

9.2 Deduction Cutoff Dates

The SCO Form STD 650 used to add, change or delete a TSA deduction must be received in the SCO’s Payroll Operations Division by the 15th of any given month in order to be processed for the next month. If the cutoff date falls on a Saturday, Sunday or holiday, the following workday will be cutoff.
9.3 Returned Contributions

When a TSA company is unable to match a contribution to a valid account, the procedure is for the company to return the funds to the State Controller’s Office (SCO), along with the employee’s name, social security number and the reason the funds are being returned.

Contributions returned to the SCO will be refunded to the employee via the payroll system as taxable income, which may adversely affect the employee’s tax situation. If funds are rejected by the TSA Company due to a campus administrative error, efforts will be made to resolve the situation in the employee’s favor whenever possible. Upon receipt of the returned funds, the SCO will refund the monies via separate warrant usually issued within 2 pay periods (depending on the situation).

9.4 Redeposit of Warrants

Payroll Letter CSU 91-01, dated April 8, 1991, updates instructions presented in Technical Letter 84-11, dated April 12, 1984. Current instructions state that both warrants and certain direct deposit payments may be redeposited if the State Controller’s Office (SCO) Personnel/Payroll Services Division (PPSD) can issue subsequent payments or adjustments, with corresponding TSA deductions in the same business month. (Refer to the SCO’s Payroll Procedures Manual, Section I 318 for instructions.)

If an employee’s pay warrant is redeposited, the TSA contribution amount will be recovered from the proper company; a credit entry will appear on the payroll report. If the redeposited payment is subsequently reissued, the TSA contribution amount will be withheld if gross wages are sufficient. The following procedures apply:

1. Document Process for Warrants
   a. Submit Form STD. 674 to return a warrant for redeposit and request appropriate action.
   b. Request that the warrant be redeposited and the payment rescheduled with the TSA if sufficient net pay is available. If there is insufficient net pay to withhold the TSA or there is no payment due, request that the warrant be redeposited and a Payment Type “K” Account Receivable (A/R) be established via agency collection. The A/R will cover the amount of the TSA.

2. Document Process For Direct Deposit Payments

Campuses may call the SCO’s Direct Deposit Unit to initiate a reversal or stop payment for either a retroactive separation or a garnishment that was not withheld. Direct deposit payments with TSA’s (for both the above conditions) may be stopped or reversed and subsequently redeposited. Campuses must contact the Direct Deposit Unit before the appropriate deadline to initiate the process. Refer to the Payroll Procedures Manual (PPM) Section J013. Immediately after calling, campuses must submit the SCO’s Form STD. 674 requesting the payment be rescheduled with the TSA or if there is insufficient net pay,
request that an A/R be established. The redeposit and subsequent payment/adjustment will not be processed until the SCO receives Form STD. 674. (See sample Form STD. 674 in Appendix H.)

Note: Campuses are responsible for collection of accounts receivable.

9.5 Completing Form STD. 674

The Payroll Adjustment Notice, Form STD. 674, a multi-use document, is used to return payroll warrants for redeposit. The form can be ordered from the Department of General Services “State Store” and is also available on their web site at: http://www.dgs.ca.gov/ContactUs/default.htm.

Across the top of the form, print in RED INK, “Warrant with TSA” or “Direct Deposit Payment with TSA” depending on how the payment was issued. In the Remarks Section, reference Payroll Letter 91-01 and indicate the appropriate action required. The instructions for completing Form STD. 674 are outlined on the next page.
<table>
<thead>
<tr>
<th>ITEM</th>
<th>INSTRUCTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Select appropriate Division and/or Unit destination - “X” Disbursements and Support or “X” PPSD/Payroll Services</td>
</tr>
<tr>
<td>2</td>
<td>Complete social security number</td>
</tr>
<tr>
<td>3</td>
<td>Complete employee name (first, middle initial, last) per Payroll Warrant Register CD 38</td>
</tr>
<tr>
<td>4</td>
<td>Complete employee’s position number(s) (agency, reporting unit, class and serial) for the payment(s) being requested or adjusted</td>
</tr>
<tr>
<td>5</td>
<td>Correct/Issue Payment as Indicated Below – “X” applicable box (es)</td>
</tr>
<tr>
<td>6A</td>
<td>Complete for the warrant being returned per the Payroll Warrant Register, CD 38</td>
</tr>
<tr>
<td></td>
<td><strong>POSITION</strong> Enter position identifier from Item 4 – Position #, if the request affects more than one position number</td>
</tr>
<tr>
<td></td>
<td><strong>ISSUE DATE</strong> Complete</td>
</tr>
<tr>
<td></td>
<td><strong>PAY PERIOD</strong> Complete pay period type, month and year</td>
</tr>
<tr>
<td></td>
<td><strong>SALARY TYPE</strong> May be completed</td>
</tr>
<tr>
<td></td>
<td><strong>TIME WORKED</strong> Complete if applicable</td>
</tr>
<tr>
<td></td>
<td><strong>APPT. FRAC.</strong> Complete if applicable</td>
</tr>
<tr>
<td></td>
<td><strong>GROSS TYPE</strong> Complete</td>
</tr>
<tr>
<td></td>
<td><strong>PMT TYPE</strong> Complete</td>
</tr>
<tr>
<td></td>
<td><strong>PAY SUFFIX</strong> Complete if applicable</td>
</tr>
<tr>
<td></td>
<td><strong>ADJ. CODE</strong> Complete</td>
</tr>
<tr>
<td></td>
<td><strong>EARNINGS ID</strong> Complete if applicable</td>
</tr>
<tr>
<td></td>
<td><strong>SHIFT CODE</strong> Complete if applicable</td>
</tr>
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<td></td>
<td><strong>GROSS</strong> Complete</td>
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<td></td>
<td><strong>NET PAY</strong> Complete</td>
</tr>
<tr>
<td></td>
<td><strong>ACCT. REC. OR WARRANT NO.</strong> Complete</td>
</tr>
<tr>
<td></td>
<td><strong>“RELEASED” BOX</strong> Complete for released warrants only if the “Released” box is “X’d” and the warrant is attached, Division of Disbursements will return the documentation for verification</td>
</tr>
<tr>
<td></td>
<td><strong>“RETURNED” BOX</strong> Complete for the warrant being returned only if the “Returned” box is “X’d” and the warrant is not attached, the Division of Disbursements will return the documentation for verification. Do not complete “Payment Per Controller Warrant Register” for previously returned warrants</td>
</tr>
<tr>
<td></td>
<td><strong>“HELD BY - CONTROLLER” BOX</strong> Only complete if the warrant was held by the SCO</td>
</tr>
<tr>
<td>6B</td>
<td>Do not complete if pay is decentrally keyed</td>
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<td>6C</td>
<td>May be completed</td>
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<td><strong>FORM COMPLETED BY</strong> Complete</td>
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<td><strong>PHONE</strong> Complete</td>
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<td><strong>FROM</strong> Complete</td>
</tr>
<tr>
<td></td>
<td><strong>AUTHORIZED SIG.</strong> Complete</td>
</tr>
</tbody>
</table>
The completed Form STD. 674 should be returned to the State Controller’s Office as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Redeposit</th>
<th>Direct Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Redeposit</strong></td>
<td>Form STD. 674 returning warrants for redeposit and requesting subsequent activity.</td>
<td>Form STD. 674 requesting subsequent activity for a direct deposit payment.</td>
</tr>
<tr>
<td><strong>Cutoff Date</strong></td>
<td>Form must be received by the 10th of the month. (If the 10th falls on a weekend or holiday, the following workday is acceptable)</td>
<td>Form must be received by the 10th of the month. If the 10th falls on a weekend or holiday, the following workday is acceptable.</td>
</tr>
<tr>
<td><strong>Address</strong></td>
<td>State Controller’s Office Disbursements/Redeposits P. O. Box 942850 Sacramento, CA 94250-5878</td>
<td>State Controller’s Office PPSD/Payroll Operations P. O. Box 942850 Sacramento, CA 94250-5878 Attention: CSU Supervisor</td>
</tr>
</tbody>
</table>

### 9.6 Retroactive Cancellations

If a salary reduction amount must be refunded because of a retroactive cancellation, the entire gross then becomes subject to federal and state taxes. Such refunds must be by credit issue warrants for each pay period with taxes withheld from the warrants. Refunds will be recovered from the proper TSA company and a credit entry will appear on the Payroll Deduction Report.

### 9.7 Unidentified Accounts

There are a considerable number of refunds for employees who have not established an account with a TSA company and/or when incorrect payroll deduction codes have been used. Refunds create an inordinate amount of additional work for the State Controller’s Office (SCO), the Chancellor’s Office and campus personnel. Additionally, in many cases, the employee loses benefits of the tax shelter for the affected pay period. TSA companies are instructed to return funds to the SCO for any individual they are unable to match with an account.

TSA contributions that are returned by a company for lack of an established account will be refunded as taxable income to the employee via the payroll system. This may adversely affect the employee’s taxes.

### 9.8 Refund of Excess Contributions

TSA companies are responsible for refunding contributions employees make in excess of Internal Revenue Code (IRC) prescribed limits.

#### 1. Refunds within the same tax year as the excess contribution

For these refunds, a check will be sent to the employee, which includes excess contributions plus any earnings. Employees will receive a 1099R report from the TSA company for tax purposes. (Note that the W-2 will not change as a result of refunded contributions and should be filed in
conjunction with the 1099R.) The State Controller’s Office (SCO) will not issue an amended W-2. If the TSA company returns the excess contributions to the SCO, the SCO will refund the money to the employee via the payroll system, minus applicable taxes.

2. **Refunds in the tax year following the excess contribution:** The TSA company should refund excess contributions and any interest earnings directly to the employee, along with a 1099R for tax purposes. Occasionally, the TSA company will return excess contributions to the SCO. If monies representing an excess contribution are received by the SCO after the close of the tax year, the SCO will refund the money to the employee in the current year. The refund will be issued via the payroll system, minus applicable taxes. Any taxes withheld apply to the tax year in which the excess was refunded. There will be no prior year adjustments. The TSA company will issue a 1099R to the employee for tax purposes.

Employees should be referred to their TSA company or tax advisor for questions regarding the refund of excess contributions.
9.9 Deduction Priority Order

TSA deduction amounts are not subject to federal or state withholding tax, however, they are subject to retirement and Social Security/Medicare deductions. They are also subject to garnishments, tax levies, and child support court orders. If an employee’s net pay is not sufficient to make all authorized deductions, the TSA deduction will be applied according to the “deduction priority order.” If the employee’s net pay is sufficient to apply a deduction and there is a lower priority deduction with a lower amount, the lower priority deduction will be applied. One-time credit deductions are applied first, then fixed and one-time deductions. The order in which deductions are applied to payments is listed below. (The list does not include mandatory deductions (i.e., taxes, Social Security, Medicare and retirement) since they are withheld first when applicable.)

| Deduction Priority Order | | |
|--------------------------|--------------------------|
| 1. Additional Withholding Taxes | 22. Health Insurance |
| 2. Social Security Adjustment (SS) | 23. Dental Insurance |
| 3. Medicare Tax (Hospital Insurance) | 24. Pre-Tax Dental Insurance |
| 4. Member Retirement Contribution | 25. Pre-Tax Health Insurance |
| 5. Survivor Benefit | 26. Pre-Tax Vision Insurance |
| 6. Maintenance | 27. Flex Employer-Paid Admin. Fee |
| 9. Account Receivable | 30. Flex Administrative Fee |
| 10. Flex Cash Option | 31. Deferred Compensation |
| 11. CoBen Cash Excess | 32. Deferred Compensation Admin. Fee |
| 12. CAHP Dental Incentive Offset | 33. Tax Shelter Annuity |
| 15. Voluntary Child Support Admin. Fee | 36. Credit Union, Bank, Savings & Loan |
| 16. Voluntary Spousal Support | 37. Basic Life Insurance |
| 17. Voluntary Spousal Support | 38. Insurances |
| 19. Calif State Library (Delinquent Materials) | 40. Parking |
| 20. CoBen Benefit Allowance | 41. Bonds |
| 21. Health Insurance | 42. Charitable Contribution |

The remaining deductions have no specific priority order. (Refer to the Payroll Procedures Manual (PPM), Section H 001.)
SECTION 10 – PLAN COMPARISON

Employees have the option of participating in the CSU TSA (403[b]) plan and/or the State of California Savings Plus Program 457 Deferred Compensation Plan or Savings Plus 401(k) Thrift Plan. The Department of Personnel Administration (DPA) administers the 457 and 401(k) plans. These plans have different features. (See “Plan Comparison Chart” in Appendix E.) Contribution limits for the CSU 403(b) and Savings Plus 401(k) Thrift plans are interrelated. Employees who participate in both of these two plans are limited by the lowest annual contribution maximum. That is, participation in a 403(b) and 401(k) plan is limited to total annual contributions of $11,000 (for 2002) for both plans combined, before any catch-up option.

Effective January 1, 2002, with the passage of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), the 457 Deferred Compensation Plan has separate limits, which are not affected by contributions to the 403(b) or 401(k) plans. (See “Contribution Limits,” Section 4.)

The State Controller’s Office (SCO) provides salary reduction services for the CSU 403(b), 457 and 401(k) plans. CIRS Compendium reports (see Section 7) allow campuses to monitor participation and contributions to these plans. Employees should be referred to the Savings Plus Program administrator for questions regarding the 457 and 401(k) plans.

SECTION 11 - HARDSHIP WITHDRAWAL

In cases of extreme financial need, employees may be permitted to access some or all of their elective deferral contributions. A withdrawal qualifies as a hardship distribution under the federal rules if it meets two conditions. First, the participant must have an “immediate and heavy financial need.” Second, the withdrawal must be necessary to satisfy the need. Under a regulatory “safe harbor,” an individual who obtains a hardship distribution of elective deferrals generally must be suspended from participation in the plan(s) for a specified amount of time after receipt of the hardship distribution.

Effective for years beginning after December 31, 2001, Treasury regulations reduce from 12 months to six months the period during which an employee must be prohibited from making elective contributions following a hardship withdrawal. For hardship withdrawals taken during 2002, the penalty suspension period would expire six months following the withdrawal. For example, a participant who takes a hardship withdrawal in May 2002 would be restricted from participating until November 2002.

Upon notification of a hardship withdrawal, campuses are required to cancel Salary Reduction Agreements for the specified penalty period. Hardship withdrawals cannot be rolled over to any other tax-deferred plan or Individual Retirement Account (IRA).
11.1 Qualification

Participants may only make a hardship withdrawal because of an immediate and heavy financial need. Most companies allow participants to make financial hardship withdrawals. The withdrawal amount must be just enough money to meet the hardship need. Participants should check with their TSA representative to determine if hardship withdrawals are permitted for their particular investment. Withdrawals are subject to ordinary income taxes and may be subject to a penalty tax as well. The Internal Revenue Service (IRS) has identified certain circumstances that qualify as a hardship. They are:

- Post-secondary school education expenses for employee or their dependents.
- Medical expenses that are not covered by insurance for employee and their dependents.
- Money for a down payment on employee’s home or to prevent foreclosure on or eviction from employee’s residence.

11.2 Eligibility

Hardship withdrawals may be made if the TSA company determines that money is not reasonably available from other sources. Funds are eligible for withdrawal if:

1. The amount requested does not exceed the amount needed to meet the hardship;
2. All other available distributions and loans from all plans have been used first; and
3. Contributions to all plans will be suspended for 6 consecutive months after the distribution.

Note: Per IRS regulation, for calendar years beginning after December 31, 2001, it is no longer required that the employee’s elective deferral limit under IRC Section 402(g) be reduced in the year following a hardship withdrawal.

11.3 Penalty Period

Pursuant to IRS regulations, once an employee has taken a hardship withdrawal, the employee’s participation in the plan is prohibited for a specified period. TSA companies are required by law to notify the employer once an employee has taken a hardship withdrawal. Upon notification, the campus Benefits Officer must administratively cancel all Salary Reduction Agreements in place and the employee is prohibited from participating in the 403(b), 401(k) and 457 retirement plan(s) for a consecutive six-month period.

11.4 Certification of Hardship

Financial hardship withdrawals are usually handled between the employee and his or her TSA company. Historically, the CSU has refrained from signing TSA company hardship withdrawal forms. Some TSA companies are not willing to permit qualified hardship withdrawals without an employer signature on their withdrawal form. If the employer reasonably relies upon the employee’s representation that the employee’s need cannot be relieved through other remedies, the withdrawal can be treated as necessary to satisfy a financial need.
The CSU Certification of Financial Hardship form will assist employees who want to pursue a financial hardship withdrawal from their 403(b) account. (See Appendix F.) After the employee signs the certification, the campus Benefits Officer will be authorized to sign a TSA company’s withdrawal request form. If it becomes necessary to sign a company’s withdrawal request form, careful review of the form is critical to ensure that the employer signature request is for a financial hardship withdrawal only.

Prior to signing a TSA company’s hardship withdrawal request form(s), campuses must ensure that procedures are in place to:

- Flag when a 403(b) financial hardship withdrawal request form is signed (elective contributions for all plans must be administratively cancelled for the following 6 consecutive pay periods);
- Monitor suspended contribution timeframe requirements; and
- Maintain appropriate documentation pertinent to the financial hardship.

Occasionally, the Chancellor’s Office (CO) will be made aware by the TSA company that an employee has taken a hardship withdrawal. In these situations, the CO will contact the campus and request that appropriate action be taken.

These hardship withdrawal rules apply to salary reduction contributions (excluding earnings) made to past mutual funds held by a custodial bank and to insurance annuity products made on or after January 1, 1989. They do not apply to amounts accumulated in insurance annuity products before January 1, 1989. Those funds are freely withdrawable under the law, subject to any contractual restrictions by the insurance company. (This “grandfather” rule may not apply if the employee had transferred their investment from an annuity contract to a mutual fund, even if they later transferred the assets back to an annuity contract.)

Withdrawals of pre-1989 contributions remain subject to provisions of law in effect before January 1989, with possible carrier limitation and/or surrender charges. Monies withdrawn may be subject to an Internal Revenue Code (IRC) penalty unless certain conditions are met.
SECTION 12 - ROLLOVERS

Previously, 403(b) funds could only be transferred directly to another 403(b) plan, or an Individual Retirement Account (IRA). The Economic Growth and Tax Relief Reconciliation Act (EGTRRA), provides more asset portability between the 403(b), 457 and 401(k) plans. Under EGTRRA, employees are able to roll over distributions from a 403(b) to an IRA, or to/from another 403(b), 401(a)/401(k) or governmental 457(b) plans. For distributions made after December 31, 2001, eligible rollover distributions from a qualified retirement plan, 403(b) annuity, IRA and governmental 457(b) plan can generally be rolled over to any of these plans. The direct rollover and withholding rules will apply to distributions from a governmental 457 plan, not a tax-exempt 457 plan.

Similarly, employee after-tax distributions from an IRA generally can be rolled over into a 403(b), 401(k) or governmental 457(b) (defined contribution plans). This provision does not require plans to accept rollovers of after-tax contributions unless the plan provides separate accounting for such contributions (and earnings thereon). Not all plans will have the ability to offer this feature. Employees should be encouraged to contact their investment companies with questions regarding this provision.

Additionally, under previous law, unless a rollover was done directly from one plan to another, a participant had 60 days from the date of receiving a distribution to roll it over. If the rollover was not done within the 60-day limit, the distribution was subject to taxation. There are two exceptions that apply: the participant is on military service in a combat zone, or the President has declared a disaster. For distributions made on or after January 1, 2002, the new law permits the Secretary of the Treasury to waive the 60-day limit if its application “would be against equity, or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to the requirement.”

Always refer employees to their tax advisors to answer their rollover questions.

SECTION 13 - MISCELLANEOUS

13.1 Purchase of Service Credit

Effective 2002, employees who are eligible to purchase additional service credit in their defined benefit plan (e.g., CalPERS retirement system) may do so using funds from a 403(b) or 457 plan. Under this provision, funds can be transferred to purchase service credit, or to repay the defined benefit plan for a prior refund of employee contributions, effective for trustee-to-trustee transfers made after 2001. Employees should be referred to CalPERS, or their tax advisor to determine whether this option will be beneficial.
I. PARTIES

THIS CONTRACT, dated ________________________________ is made between ________________ (date) ________________________________

(name of company offering 403(b) plan)

Company,” and the Board of Trustees of the California State University, hereinafter sometimes called “the Trustees.” The California State University includes twenty-three campuses and a headquarters office. As used elsewhere in this Contract, the term “campus” refers to both a campus and the headquarters office.

II. AUTHORITY AND PURPOSE

This Contract is being made in order to permit the Trustees’ employees to avail themselves of the provisions of United States Internal Revenue Code Section 403(b) and California Revenue and Taxation Code Section 17512, as each may from time to time be amended.

In making this Contract, the Trustees are acting under the authority provided by Education Code Section 89505 and successor sections and other authority, and pursuant to the Trustees’ regulations (Title 5, California Administrative Code, Section 42840 et seq.).

III. CONSIDERATION

In consideration of the mutual undertakings and conditions herein contained, and in consideration of the Company being authorized to participate in the California State University 403(b) program, the Company and the Trustees agree to the following provisions.

IV. AGREEMENT

1. 403(b) plans.

1) State and Federal Requirements. The Company shall provide for purchase by the Board of Trustees for its employees, only plans complying with the provisions of Section 403, subdivision (b) of the Internal Revenue Code of 1954, as from time to time amended, of the United States, and regulations issued thereunder, Section 17512 of the California Revenue and Taxation Code, as from time to time amended, and regulations issued thereunder, and any other pertinent federal and state law, and regulations issued thereunder, applicable at the time such plans are issued or operating. The Company warrants that all such plans satisfy the provisions of said laws and regulations, and each of them. The Company undertakes to agree insofar as is legally possible to any amendments necessary in order to comply with future applicable provisions of federal and state law and regulations issued thereunder, in order to continue such plans in operation. Such plans shall be available for purchase by the Trustees for its participating employees (hereinafter such employees of Trustees shall sometimes be called “Participant(s)”).

2) No Incidental Life Insurance Or Other Taxable Feature. Company further warrants that its plan does not include any taxable feature which would require Trustees to report any of Participant’s salary reduction as taxable income notwithstanding federal allowance of such benefits and features as incidental components of a 403(b) plan.

(b) Participant selection and plans covered. The parties recognize that Company and its 403(b) plan have been selected by Participant. The terms “plan” and “403(b) plan” as used in this Contract refer to fixed annuities, variable annuities and mutual fund custodial accounts qualifying under Internal Revenue Code Section 403(b) and California Revenue and Taxation Code Section 17512, as described in subsection (a), above.

(c) Nontransferable annuities. As required by Title 26, Code of Federal Regulations Section 1.401 -9(b)(1)(i), annuities covered by that section shall be nontransferable.

(d) Payroll deductions, premiums, contributions. The terms “premiums” and “contributions” are used in this Contract to refer to the funds transferred from the Trustees to the Company on behalf of the Participants for investment in the plans. These may be funded through salary reduction under which payments will be made through payroll deductions.

(e) Variable annuities. The term “variable annuity” refers to an annuity supported by investments such as stocks, bonds and financial instruments and where the value of the annuity may vary from time to time to reflect, wholly, or in major part, the value of the underlying investments.

(f) Fixed annuities. The term “fixed annuity” refers to an annuity which has its rate of return set by the company providing the plan. Depending upon the terms of the annuity, the rate of return may be periodically adjusted by the company. The rate of return is not directly linked to an identifiable portfolio of Securities, as is the case with a variable annuity.

(g) Mutual fund custodial accounts. Mutual fund custodial accounts are plans in which the contributions are invested in designated mutual funds which are held in a custodial account for the Participant.

2. Nonforfeitable Contributions. The rights of the plan Participants shall be nonforfeitable, except for failure to meet expressly contracted annuity terms requiring future premium payments. Any forfeiture for failure to pay contracted-for premiums shall be limited to express provisions for forfeitures and the provisions of Internal Revenue Code Section 403(b)(1) (c).

 Solicitation Restrictions. The Company, its agents and representatives shall comply with all applicable regulations and written directives of the Trustees and their designees, as revised from time to time, regarding the solicitation of Trustees’ employees to be Participants, including but not limited to regulations and directives pertaining to personal, mail and telephone solicitations. Neither the Company nor its agents shall telephone or visit employees while at work to solicit their participation in the plans, except as expressly permitted by Trustees. Such regulations shall not restrict the Company in the normal conduct of its operations in matters other than those involving negotiations leading to the sale of 403(b) plans. Copies of such directives shall be sent to the Company as provided in
The current systemwide rules on solicitation, which are subject to change by Trustees upon written notice to Company, are:

(a) No agent, broker or other representative of Company may contact an employee, either in person or by phone, at the employee’s worksite unless requested to do so by the employee.

Employees, at the employee’s request, shall be allowed to meet with Company representatives at their worksite, provided such meetings occur during the employee’s free time and do not interfere with the work of others. The appropriate campus administrator shall make a final determination as to whether this condition is met since meeting at the worksite is a privilege and not a right.

(b) Eligible agents, brokers or other representatives of Company may use the campus mail system to distribute materials to employees, provided they comply with campus procedures for such distribution and pay any applicable charges.

(c) Representatives of Company shall be eligible to use appropriate campus facilities to meet with individuals or groups of employees provided they follow campus procedures governing the use of facilities. Normally, campus facilities should be provided without charge unless there are direct costs (campus mail system, etc.).

(d) It is the responsibility of the selling agent, broker or other Company representative to complete or ensure completeness of all forms required by the Company and to provide the employee and the appropriate campus office with the information required for the campus to complete and initiate the salary reduction agreement.

The salary reduction agreement is a contract between the Participant and the Trustees of the California State University, not between the Company and the Participant.

(e) The Company shall provide each agent or broker requesting to sell its 403(b) plans at a campus with a copy of these procedures.

(f) Penalty for abuse of procedures:

For the first violation of these procedures, the Company shall be notified in writing citing the specific violation. Such letter shall contain a warning that continued violations may jeopardize the Company’s contract with the Trustees. An egregious violation, however, may constitute grounds for immediate cancellation of this Contract.

For a second violation of these procedures, the campus may deny any further access to campus facilities for three months following the violation.

For a third violation, the selling agent may be permanently barred from further use of campus facilities.

Any subsequent violations or any egregious violations shall result in termination of the contract between the Company and the Trustees.

Any agent or broker suspended or barred from the use of campus facilities under the above procedures on account of that agent’s or broker’s own misconduct shall not be eligible to act on behalf of any other 403(b) plan company while barred or suspended.

4. **Indemnification and Defense.** The Company hereby agrees to indemnify and hold harmless the State of California, the Board of Trustees of the California State University, each Trustee individually, each individual university, college or office forming part of the California State University, the officers, agents and employees of each and every of the above, their successors, and any combination thereof (collectively referred to elsewhere in this in and Sections 5 and 6 of this Contract as the Board of Trustees), from all claims, demands, or causes of action except those based solely upon acts or omissions of the Board of Trustees which may be made by reason of the purchase of Company’s plans by the Trustees for its employees pursuant to this Contract.

The Company at its own expense and risk shall defend any legal proceedings that may be brought against the Board of Trustees on any claim or demand effected for any reason, including but not limited to the following:

- **Payments and Company Inquiries.** Payment by Trustees through the California State Controller and Treasurer as fiscal agents of the Trustees.

- **Employees appointed for noncontiguous academic quarters.**

- **Job-connected injury.**

- **Disciplinary suspension.**

- **Leave of absence.**

- Any other required salary reductions, the Trustees shall not be obligated to pay plan premiums or contributions if Trustees determine the salary remaining is not adequate.

Nonpayment of all or part of any premium or contribution, without other notice, will be accepted by the Company as notice of suspension of payment of plan premiums or contributions for the affected employee until such time as Trustees resume payments for premiums or contributions.

(b) **Company cancellation rights.** If no premium or contribution is paid on a particular employee’s plan, as provided in this section, for a consecutive period of at least 24 months, the Company may, at its discretion, give notice to the employee and the employing campus’ personnel office that as of 30 days after the date of said notice, the Company will refuse to receive further premiums or contributions.

(c) **Participants’ Salary Interruptions (Garnishment, etc.).**

(a) **Interruptions.** Employees, at the employee’s request, shall be allowed to meet with Company representatives at their worksite, provided such meetings occur during the employee’s free time and do not interfere with the work of others. The appropriate campus administrator shall make a final determination as to whether this condition is met since meeting at the worksite is a privilege and not a right.

(b) Eligible agents, brokers or other representatives of Company may use the campus mail system to distribute materials to employees, provided they comply with campus procedures for such distribution and pay any applicable charges.

(c) Representatives of Company shall be eligible to use appropriate campus facilities to meet with individuals or groups of employees provided they follow campus procedures governing the use of facilities. Normally, campus facilities should be provided without charge unless there are direct costs (campus mail system, etc.).

(d) It is the responsibility of the selling agent, broker or other Company representative to complete or ensure completeness of all forms required by the Company and to provide the employee and the appropriate campus office with the information required for the campus to complete and initiate the salary reduction agreement.

The salary reduction agreement is a contract between the Participant and the Trustees of the California State University, not between the Company and the Participant.

(e) The Company shall provide each agent or broker requesting to sell its 403(b) plans at a campus with a copy of these procedures.

(f) Penalty for abuse of procedures:

For the first violation of these procedures, the Company shall be notified in writing citing the specific violation. Such letter shall contain a warning that continued violations may jeopardize the Company’s contract with the Trustees. An egregious violation, however, may constitute grounds for immediate cancellation of this Contract.

For a second violation of these procedures, the campus may deny any further access to campus facilities for three months following the violation.

For a third violation, the selling agent may be permanently barred from further use of campus facilities.

Any subsequent violations or any egregious violations shall result in termination of the contract between the Company and the Trustees.

Any agent or broker suspended or barred from the use of campus facilities under the above procedures on account of that agent’s or broker’s own misconduct shall not be eligible to act on behalf of any other 403(b) plan company while barred or suspended.

4. **Indemnification and Defense.** The Company hereby agrees to indemnify and hold harmless the State of California, the Board of Trustees of the California State University, each Trustee individually, each individual university, college or office forming part of the California State University, the officers, agents and employees of each and every of the above, their successors, and any combination thereof (collectively referred to elsewhere in this in and Sections 5 and 6 of this Contract as the Board of Trustees), from all claims, demands, or causes of action except those based solely upon acts or omissions of the Board of Trustees which may be made by reason of the purchase of Company’s plans by the Trustees for its employees pursuant to this Contract.

The Company at its own expense and risk shall defend any legal proceedings that may be brought against the Board of Trustees on any claim or demand effected for any reason, including but not limited to the following:

5. **Company cancellation rights.** If no premium or contribution is paid on a particular employee’s plan, as provided in this section, for a consecutive period of at least 24 months, the Company may, at its discretion, give notice to the employee and the employing campus’ personnel office that as of 30 days after the date of said notice, the Company will refuse to receive further premiums or contributions.

6. **Payments and Company Inquiries.** Payment by Trustees through the California State Controller and Treasurer as fiscal agents of the Trustees.
The Company has the right, whenever it deems necessary, to request information it requires directly from a participating employee or the employing campus’ personnel office respecting the amounts of premiums or contributions that should have been paid on a 403(b) plan contract for the benefit of the employee.

8. **Fixed Annuities** Guarantee. For fixed annuity plans, the Company agrees that any annuity to be paid shall have a value at date of actual retirement which is not less than the net premiums actually paid, accumulated with interest and benefit of survivorship, if any, to the date of actual retirement.

Subsequent to the suspension provided for in Section 7 of this Contract, the net premiums contemplated by this section shall be identical to the net premiums which would have accrued with respect to the gross premium payments actually made by the policyholder if no suspension had occurred.

Also, the interest rate and the basis for computing benefit of survivorship contemplated by this section shall be identical to the rate and basis, respectively, which would have pertained with respect to the gross premium payments actually made for the policyholder if no suspension had occurred.

In this section, the term “benefit of survivorship” shall have its usual actuarial meaning.

9. **Variable Annuities** Guarantee. In the case of variable annuities, the Company agrees that the number of shares, however they be termed by the Company, credited to the participating employee prior to the suspension provided for in Section 7 of this Contract shall not be reduced because of the suspension.

10. **Termination by Trustees.** The Trustees reserve the right upon 30 days written notice to the Company to terminate this Contract or any other contract in which this Contract might be or is incorporated, but such termination shall in no manner affect any liability of the Company incurred prior to such termination.

11. **Company Plan Discontinuance.** The Company reserves the right upon 60 days written notice to the Trustees and Participants to discontinue making plans available for purchase by the Trustees or the employees of the Trustees. Such termination shall in no manner affect any liability of the Company incurred prior to such termination.

12. **Notice and Destination.**
   - **(a) Notice to Company.** Notice to the Company shall be sent to:
     - Name/Title and Office Address:

       
       
       
       or to such other address as the Company may designate by written notice to the Trustees. Company shall notify Trustees promptly of any name or address change by Company or Company’s custodian for payments.

   - **(b) Destination for Contributions.** If Company wants Trustees’ payment of contributions to be sent to an address other than the Notice address above (such as to a custodian or other fiscal agent), the address to which the contributions should be sent is:
     - Name/Title and Office Address:

       
       
       

(If contributions are to be sent to Notice address, mark this section N/A.)

   - **(c) Notice to Trustees.** Notice to the Trustees shall be delivered to: Director of Contract Services and Procurement, Office of the Chancellor, 401 Golden Shore, Long Beach, California 90802-4210, or to such other person(s) and address(es) as Trustees shall require by Notice to Company.

13. **Master Contract.** The provisions of this Contract govern over any other conflicting provision in any document or contract in which this Contract might be or is incorporated, whether by reference or otherwise.

14. **Employment Practices.** The Nondiscrimination Clause (State Standard Form 17B) required by California law is attached to this Contract as Attachment No. 1 and is hereby incorporated as a part of this Contract.

15. **Waiver.** Any waiver at any time by either party hereto of any right with respect to any matter arising in connection with this Contract shall not be deemed to be a waiver with respect to any subsequent matter.

16. **Amendment or Alteration.** No alteration or variation of the terms of this Contract shall be valid unless made in writing and signed by the parties hereto.

The parties may amend this Contract by written amendment executed by their authorized representatives.

17. **California Business.** Company warrants that it is entitled to do business and to offer the plans provided under this Contract to Trustees and Participants in California. Company shall provide Trustees with proof of eligibility to provide the plans in California.

18. **Solvency and Bankruptcy.** Company warrants that it is solvent. Trustees reserve the right to cancel this Contract in the event of Company’s insolvency. Company shall provide Trustees with prompt notification of any filing by Company under the United States Bankruptcy Act.

19. **Custodial Agreement, Group Contract, Rollover.** The form of any Custodial Agreement, Group Contract, or Rollover Agreement or other ancillary agreement affecting the contributions made under this Contract is subject to approval by Trustees and is also subject to the terms of this Contract.

20. **Returned Payments.** If for any reason the Company returns payments transmitted to it, it shall return such payments to Trustees’ transmitting agent, the Controller of the State of California, to the following address, or to such other address as the Trustees may designate by written notice to the Company:
Company shall promptly return contributions which it refuses to deposit for Participants’ accounts. Such return shall identify the returned payment, the Participants involved and the reason for its return.

21. **Reimbursed Costs.** Trustees reserve the right pursuant to California Education Code Section 89700 to set and collect a reimbursement charge from Company. Any such charge may be set or the amount adjusted upon 60 days notice. The amounts of such charge shall be limited to the approximate amount necessary to recover the cost of administration of the Trustees’ plan. Such costs may include, but are not necessarily limited to, such charges as the State Controller may set for Trustees to reimburse the State Controller and State Treasury for the costs of administering the payroll deduction part of the Trustees’ 403(b) program. Such charge shall not be increased more than one annually. If such charge is established, the Company will be billed twice annually for these charges, with payment required within 30 days of the date the Trustees’ invoices are mailed to Company.

22. **Investment of Contributions and Premiums.** Where establishment of a Company account for Participant is handled by an agent of Company, and the agent or Company fails to establish an account before first contribution is made by Trustees, Company agrees to credit such contributions effective with Trustees’ first tender of payment, even if such contribution is initially returned for want of an identifiable account. Company or its custodian shall promptly handle all funds delivered or held by them.

23. **Confirmation of Participant Account.** Company shall promptly send to the Participant and Participant’s campus personnel office a Statement acknowledging the establishment of Participant’s account with Company and any account designation and number.

V. **EXECUTION**

(Seal of the Company if located outside California)

(Name of Company)

(Office duly designated to execute this Contract: Name and Title) (Date executed by Company)

For the Board of Trustees of the California State University

(Date executed by Trustees)
THE CALIFORNIA STATE UNIVERSITY
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, all employees are eligible to participate in the 403(b) program, including rehired annuitants (regardless of age).

Only the following student classifications are ineligible for 403(b) participation:

• Resident Assistant (class code 1869)
• Student Assistant (class code 1870)
• Student Trainee, On-Campus Work Study (class code 1871)
• Student Trainee, Off-Campus Work Study (class code 1872)
• Graduate Assistant (class code 2355)

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:”

Name____________________________________________ Soc. Sec. No.* _______________________
Address: ____________________________________________
Home Phone:________________________________________ Office Phone: ______________________

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 on or after ______________ 20__, for the ___________ 20___ pay period.

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.

☐ Establish/change salary reduction amount. This box should be checked upon initial enrollment in the CSU 403(b) Program or if you want to change the amount of your current salary reduction. If you checked this box, also complete items B, C and D below.

☐ This box should be checked if the only modification you wish to make to your 403(b) is to change your Company(ies). If you checked this box, complete only items C and D below.

If you wish only to change the allocation of your current contributions or existing funds 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.

You may make changes at any time throughout the year, subject to any allocation change restrictions imposed by your current Company(ies).

B. Reduction. The CSU shall reduce each regular monthly installment of salary due you, the Employee, under the terms of your appointment by $____________ beginning with the salary warrant indicated in Section 4 above. This Agreement will not be effective for any salary made available prior to the date this Agreement is signed.
C. Current 403(b) Investment. Complete this section only if you are modifying an existing Agreement. Indicate the Investments currently in effect under your Salary Reduction Agreement:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Full Name of Current Company: __________________________</td>
</tr>
<tr>
<td></td>
<td>Investment Amount: $__________ (Campus to complete Payroll Code: __________)</td>
</tr>
<tr>
<td>b)</td>
<td>Full Name of Second Company (if any): ___________________</td>
</tr>
<tr>
<td></td>
<td>Investment Amount: $__________ (Campus to complete Payroll Code: __________)</td>
</tr>
<tr>
<td></td>
<td><strong>Total Investment: $__________ (Amount deducted from monthly paycheck)</strong></td>
</tr>
</tbody>
</table>

D. New 403(b) Investment. Complete this section showing new investments to be made:

The CSU has contracts with companies which 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 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, you have selected the following designated Company plan(s) and the amount of funds, which the CSU agrees to remit to the designated Company plan(s), on your behalf:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Full Name of Company: _______________________________</td>
</tr>
<tr>
<td></td>
<td>Investment Amount: $__________ (Campus to complete Payroll Code: __________)</td>
</tr>
<tr>
<td>b)</td>
<td>Full Name of Second Company (if any): ___________________</td>
</tr>
<tr>
<td></td>
<td>Investment Amount: $__________ (Campus to complete Payroll Code: __________)</td>
</tr>
<tr>
<td></td>
<td><strong>Total Investment: $__________ (Amount deducted from monthly paycheck)</strong></td>
</tr>
</tbody>
</table>

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.

6. Minimum Reduction. At no time is a total 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 Nonforfeitable.** Any annuity purchased under Section 5 shall be nonforfeitable 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 this Agreement, 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.** Check the box below if you have or will have participated in the State Savings Plus (IRC 401k) Plan during any portion of the calendar (tax) year to which this Salary Reduction Agreement applies:

   - [ ] State Savings Plus Plan (IRC 401(k))

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 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 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.

Employee’s Signature: ___________________________ Date: _______________
Please Print Name: ___________________________ Soc. Sec. No.* ______________
Accepted by Campus Representative: ___________________________ Date: _______________

This Agreement is in a form approved by the Board of Trustees of the California State University, through its delegated contracting officer:

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

---

**University Action:**

COMPANY #1:
Agent’s Name: ___________________________ Action: □ Add Co. #1 □ Delete Co. #1 □ Change Co. $  
Business Address: ___________________________  
Telephone Number: ___________________________

COMPANY #2:
Agent’s Name: ___________________________ Action: □ Add Co. #2 □ Delete Co. #2 □ Change Co. $  
Business Address: ___________________________  
Telephone Number: ___________________________
Note to employee: 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 2002, the 402(g) limit is $11,000; the 415(c) limit is 100% of compensation. The $11,000 limit is an annual limit; it is reduced if you contribute to a §401(k) plan or a Simplified Employee Pension during the year, even if those plans are sponsored by a different employer. However, it is not reduced by your 457(b) or PERS retirement contribution.

There is a IRC §402(g)(8) “catch-up” rule for the $11,000 limit, which may permit some employees to contribute up to $14,000 during the year. If you wish to contribute more than $11,000 under this provision, you must demonstrate your eligibility for the catch-up rule by completing this worksheet.

Information you will need before completing this worksheet:
⇒ Your years of service with CSU.
⇒ The maximum contribution you would be eligible to make during 2002 to the 403(b) program before considering the 402(g)(8) catch-up rule. Contact your 403(b) vendor representative or tax advisor if you need assistance with these calculations.
⇒ The 403(b) contributions you made each year while employed by the CSU.

Step 1: Enter your years of service at CSU (complete attached “Years of Service Worksheet”). If you have less than 15 years of service, STOP -- you are not eligible to use the catch-up rule.

Step 2: Enter your maximum 2002 403(b) contribution under the lesser of 100% of compensation or $40,000. (Compensation for the percentage calculation is taxable income plus pretax employee contributions to an IRC 403(b), 457, 401(k), 132(f) (pre-tax transportation reimbursement) or 125 plan but does not include pretax contributions to CalPERS retirement.) The $11,000 402(g) limit is not considered in Step 2 of the calculation. Only the 415(c) limit (100% of adjusted gross income or $40,000) is considered. If your answer is less than $11,000, STOP -- you are not eligible for the catch-up rule and your limit for 2002 is the amount entered for this step.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>(A) 403(b) Contributions</th>
<th>(B) 402(g) Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>minus</td>
<td>$9,500</td>
</tr>
<tr>
<td>1988</td>
<td>minus</td>
<td>$9,500</td>
</tr>
<tr>
<td>1989</td>
<td>minus</td>
<td>$9,500</td>
</tr>
<tr>
<td>1990</td>
<td>minus</td>
<td>$9,500</td>
</tr>
<tr>
<td>1991</td>
<td>minus</td>
<td>$9,500</td>
</tr>
<tr>
<td>1992</td>
<td>minus</td>
<td>$9,500</td>
</tr>
<tr>
<td>1993</td>
<td>minus</td>
<td>$9,500</td>
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<td>1994</td>
<td>minus</td>
<td>$9,500</td>
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<tr>
<td>1995</td>
<td>minus</td>
<td>$9,500</td>
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<tr>
<td>1996</td>
<td>minus</td>
<td>$9,500</td>
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<tr>
<td>1997</td>
<td>minus</td>
<td>$9,500</td>
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<tr>
<td>1998</td>
<td>minus</td>
<td>$10,000</td>
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<tr>
<td>1999</td>
<td>minus</td>
<td>$10,000</td>
</tr>
<tr>
<td>2000</td>
<td>minus</td>
<td>$10,500</td>
</tr>
<tr>
<td>2001</td>
<td>minus</td>
<td>$11,000</td>
</tr>
</tbody>
</table>

TOTAL= __________________

If total exceeds $15,000, STOP -- you are not eligible for the catch-up rule.
If total is less than $15,000, subtract total from $26,000:

$26,000 Minus total above= __________________

Enter RESULT: $____________(3)

Note: Column (B) should include contributions made by you to any Section 401(k) plan or Simplified Employee Pension. (Do not include your 457(b) or CalPERS retirement contributions.)
Step 4: Enter the RESULT from Step 3:
   a) Years of Service entered in Step 1 ________ years
   b) Multiply by $5,000 $__________ x $5,000
       This equals $__________
   c) Subtract your prior 403(b) or 401(k) contributions for
      the entire period of your CSU employment __________
       This equals $__________
       If the answer to 4(c) is less than zero, STOP -- you are
       not eligible for the catch-up rule and your limit for 2002
       is $11,000.
   d) If 4(c) is greater than zero, add $11,000
       $__________ + $11,000
       RESULT: $__________

Step 5: Enter $14,000 $__________

Step 6: Enter the least of the amounts from steps (2), (3), (4), and (5). This is the
maximum amount you are permitted to contribute in 2002 considering the
catch-up rule. $__________

Note: If you are or will be age 50 by the end of the plan year, and you have contributed the lesser of 100% of pay or $11,000, you are eligible
to defer an additional $1,000 to the amount shown in Step 6. You must confirm your date of birth below (it must be December 31,
1952 or earlier).

REMINDER FOR EMPLOYEES CONTRIBUTING TO THE STATE DEFERRED COMPENSATION (457) PLAN: In general, the limit
on your annual contribution to the State Deferred Compensation Plan is the lesser of $11,000, or 100% of your taxable compensation. Any
amounts you contribute to the 403(b) plan no longer have to be subtracted from the 457 limit. In addition, 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.

I certify that to the best of my knowledge, the information used in completing this worksheet is accurate.

Employee Signature: ___________________________________________ Date: ________________

Please Print Name: ___________________________ Date of Birth * ______________________ Soc. Sec. No. ** __________________

* Required to permit additional $1,000 contribution for employees age 50 or over.
** Your Social Security number is required because it is your payroll identification number and your
403(b) contribution affects payroll transactions.

Accepted by:
Campus Representative: ___________________________ Date: ________________
Years of Service Worksheet

This worksheet will help you determine your years of service with the CSU. You count service from when you first became an employee of the CSU projected until December 31, 2002.

Service is based on full time employment, or its equivalent. Full time employment means the usual time at work for employees in the position you hold (or held) at CSU. If you worked that much or more in a year, then you earn a full year (1.0 years) of service. If you worked half that much in a year, then you earn a half year (.5 year) of service. The percent of time worked will usually provide a good indication of how much service you earn.

If you work for less than a full year, (for example in the year you are hired or if you had a period of unpaid leave or severance), then you must prorate your service in those years. For example, if you work full time for three months in a year in a position normally requiring 12 months of full time work in a year, then you earn .25 years (3 months divided by 12 months) of service.

<table>
<thead>
<tr>
<th>Year (Start with your first year at CSU)</th>
<th>Service Credit</th>
<th>Year (Start with your first year at CSU)</th>
<th>Service Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>____</td>
<td>____</td>
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<td>____</td>
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<td>____</td>
</tr>
</tbody>
</table>

TOTAL YEARS OF SERVICE: _________

Note: If you have less than 15 years of service with the CSU, you are not eligible to use the catch-up rule to determine your maximum 403(b) contribution.
The California State University Certification of Establishment of 403(b) Tax Sheltered Annuity Account

The California State University’s policy mandates that the Salary Reduction Agreement (SRA) cannot be processed until proper proof that the 403(b) account has been established is obtained.

To be completed by TSA Company Representative:

I certify that a 403(b) account has been established for

(Name of Employee)

with

(name of Company)

for the purpose of 403(b) TSA account salary reduction contributions.

I understand that if funds for this employee’s account are returned by the Company because the 403(b) account has not been established, the following will occur:

1. Returned funds will be refunded to the employee via the payroll system as taxable income.
2. The Salary Reduction Agreement will be administratively cancelled.
3. The refund of returned contributions may adversely impact the employee’s tax situation.
4. I may be personally liable to the employee for any loss occasioned by this certification.

<table>
<thead>
<tr>
<th>Account Number:</th>
<th>Please indicate the following</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☐ New Account ☐ Existing Account</td>
</tr>
<tr>
<td>Agent/Representative’s Name:</td>
<td>Telephone Number</td>
</tr>
<tr>
<td>Agent/Representative’s Signature:</td>
<td>Date:</td>
</tr>
<tr>
<td>Witness (campus personnel):</td>
<td>Date:</td>
</tr>
</tbody>
</table>

Employee Acknowledgment: I understand that if my qualified 403(b) account is not established prior to my contributions being sent to the TSA Company, the funds will be returned to the State Controller’s Office and refunded to me through the payroll system. I further understand that this could adversely affect my tax situation.

<table>
<thead>
<tr>
<th>Employee Name (first, middle, last)</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
</table>
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: seasonal or temporary employees required to be enrolled in the PST Retirement Plan and rehired annuitants (employees receiving a retirement allowance from CalPERS).

<table>
<thead>
<tr>
<th>TSA PLAN (403[b])</th>
<th>DEFERRED COMP (457)</th>
<th>THRIFT PLAN (401[k])</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax on investment</td>
<td>Deferred tax on investment</td>
<td>Deferred tax on investment</td>
</tr>
<tr>
<td>$15 min. contribution per month</td>
<td>$20 min. contribution per month</td>
<td>$20 min. contribution per month</td>
</tr>
<tr>
<td>Variety of annuities and custodial funds</td>
<td>Variety of investment choices</td>
<td>Variety of investment choices</td>
</tr>
<tr>
<td>Eligible roll over distribution to an IRA or to/from another 403(b) program, a 401(a) or governmental 457 plan; surviving spouse of participant may also roll over distributions</td>
<td>Eligible roll over distribution to an IRA or to/from another employer’s 457, 401(a) or to another 403(b) program; surviving spouse of participant may also roll over distributions</td>
<td>Eligible roll over distribution to an IRA or to/from another employer’s 401(k), 403(b), governmental 457 or 401(a) plan; surviving spouse of participant may also roll over distributions</td>
</tr>
<tr>
<td>Choice of payout method</td>
<td>Choice of payout method</td>
<td>Lump sum payment or partial lump sum with IRA rollover or annuity</td>
</tr>
<tr>
<td>No tax averaging available</td>
<td>No tax averaging available</td>
<td>No tax averaging available</td>
</tr>
<tr>
<td>15-year “Catch-up” provision available</td>
<td>“Catch-up” provision available</td>
<td>No 15-year “Catch-up” provision available</td>
</tr>
<tr>
<td>Additional $1,000 catch-up deferral for 2002 available to participants who have reached age 50 by the end of the plan year and who have hit plan or dollar limit</td>
<td>Additional $1,000 catch-up deferral for 2002 available to participants who have reached age 50 by the end of the plan year and who have hit plan or dollar limit</td>
<td>Additional $1,000 catch-up deferral for 2002 available to participants who have reached age 50 by the end of the plan year and who have hit plan or dollar limit</td>
</tr>
<tr>
<td>At least age 55 and retired, or 59 1/2 (regardless of employment status) - receive plan payout without tax penalty</td>
<td>Plan payout upon retirement or separation from State service without tax penalty. (No age requirement)</td>
<td>At least age 55 and retired, or 59 1/2 (regardless of employment status) - receive plan payout without tax penalty</td>
</tr>
</tbody>
</table>

* 403(b), 401(k) and 457 plans apply the 100% limit to the employee’s taxable income PLUS employee contributions to 403(b), 457, 401(k), 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.

NOTES:

1. **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. Effective January 1, 2002, 401(k) and 403(b) deferrals do not count against the 457(b) dollar limit. In addition, 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 457(b) plan.

2. **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 (916) 322-5070 or www.dpa.ca.gov.
THE CALIFORNIA STATE UNIVERSITY (CSU)
Statement of Certification For 403(b) Tax Sheltered Annuity
Financial Hardship Withdrawal

(To be completed by employee and returned to the campus with the 403(b) vendor withdrawal request form.)

| Employee Name: (print first, middle, last) | Social Security Number¹: |
| Company Name: | 403(b) Account Number: |

I hereby certify that I have incurred a financial hardship so as to need a withdrawal of the amount of $_________ based on the following need (check one):

☐ Costs related to unreimbursed medical expenses (including the past 12 months, these costs exceed $_________).

☐ Costs related to purchase of a principal residence (excluding mortgage payments). These costs will exceed $_________.

☐ Payment of tuition and related educational fees as well as room and board expenses for the next 12 months of postsecondary education for myself, my spouse or dependents, which are estimated to exceed $_________.

☐ Payment necessary to prevent my eviction from my principal residence or to avoid foreclosure on the mortgage on that residence, the cost of which shall exceed $_________.

I further certify that the withdrawal amount designated on the attached 403(b) distribution form (which form is from your 403(b) Plan, not the CSU) is necessary to meet my financial need created by the hardship to the extent that no other funds are reasonably available. Moreover, I acknowledge that the amount necessary to meet my financial need may include the amount of any federal, state or local income taxes or penalties reasonably anticipated to result from my withdrawal. Furthermore, I have determined that the amount of my financial hardship cannot be satisfied by any other distributions and nontaxable loans currently available to me under any benefit plans maintained by my employer, the Trustees of the California State University, an agency of the State of California acting in its higher education capacity.

I understand that I am responsible for retaining the original documentation necessary to verify that a financial hardship exists at the time I make this request for a financial hardship 403(b) Plan distribution. I acknowledge that, upon my receipt of the hardship distribution, I will instruct my CSU payroll department to suspend for a period of 6 months any elective contributions and employee contribution to any plan maintained by my employer. I understand that I cannot roll over the hardship distribution to any other tax-deferred retirement plan or Individual Retirement Account or Annuity (IRA). Further, I indemnify and hold the CSU and my tax shelter annuity/mutual fund provider harmless from any losses or financial obligation, which may arise by reason of processing such financial hardship request with respect to my 403(b) arrangement.

I certify under penalty of perjury that all of the foregoing statements are true and correct. This statement is made in __________________, California.

| Employee’s Signature | Date: |

¹ Listing of the Social Security Number (SSN) is required since the CSU uses the SSN as an employee identification of its computerized payroll and benefits system, which must be used in this transaction.
APPENDIX G

STATE OF CALIFORNIA

MISCELLANEOUS DEDUCTION CHANGE REPORT
STD 450/REV 5-90

TO:  STATE CONTROLLER—PPSD/PAYROLL SERVICES

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<th>(8) CHANGE TYPE</th>
<th>(9) PAY PERIOD</th>
<th>(10) NUMBER OF TIMES DEDUCTION IS TO BE TAKEN (IF APPLICABLE)</th>
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REMARKS

FORM COMPLETED BY __________________________ TELEPHONE NUMBER __________________________

Payroll information certified in accordance with Board of Control Rule 660.

AUTHORIZED SIGNATURE __________________________ DATE SIGNED __________________________

FOR CONTROLLER'S USE ONLY

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**PAYROLL ADJUSTMENT NOTICE**

**STATE OF CALIFORNIA**

**TO: STATE CONTROLLER**

☐ DIVISION OF DISBURSEMENTS  ☐ PPSD/PAYROLL SERVICES

**CORRECT/ISSUE PAYMENT AS INDICATED BELOW:**

☐ PAYMENT REQUEST  ☐ ACCOUNT RECEIVABLE

☐ RETURN WARRANT ONLY  ☐ INQUIRY REGARDING

☐ ADJUSTMENT REQUEST  ☐ FORM_____  

☐ SALARY  ☐ TIME  ☐ TRANSFER OF FUNDS

**DATES/HOURS ON DOCK:**

| ISSUE DATE | PAY PERIOD | SALARY RATE | TIME WORKED | APPT. | FRAC. | GROSS TYPE | PAY TYPE | ADJ. CODE | EARNINGS ID | GROSS | NET PAY | ACCT. REC. Warrant No. |  |
|------------|------------|-------------|-------------|-------|-------|------------|----------|-----------|-------------|-------|---------|------------------------|  |
|            |            |             |             |       |       |            |          |           |             |       |         |                        |  |

**A. PAYMENT PER CONTROLLER WARRANT REGISTER**

**B. PAYMENT SHOULD BE**

**C. OVERPAYMENT UNDERPAYMENT**

**OVERPAYMENT TO BE RECOVERED BY:**

☐ AGENCY COLLECTION  ☐ PAYROLL DEDUCTION (SPECIFY TYPE):  ☐ NO DEDUCTIONS TO START WITH NEXT APPLICABLE PAY PERIOD

☐ DEDUCTION FROM NEXT APPLICABLE PAY PERIOD  ☐ % OF SALARY RATE OR % OF ACCOUNT RECEIVABLE NET.

**FORM COMPLETED BY:**

**AUTHORIZED SIGNATURE**

**DATE**

I HEREBY CERTIFY THAT THE EMPLOYEE NAMED ABOVE WAS NOTIFIED OF THE IMPENDING ACCOUNTS RECEIVABLE (A/R). PRIOR TO SUBMITTING THIS STD. 874, THE EMPLOYEE WAS GIVEN A REASONABLE TIME TO RESPOND, AGREES TO THE A/R AND REPAYMENT SCHEDULE OR THE EMPLOYEE FAILED TO RESPOND TO NOTIFICATION OF THE IMPENDING A/R.