1. Annual Deferral Limitation

The first limitation applies to all of your elective deferrals (both pre-tax and Roth added together) from your salary to this Plan. Elective deferrals are contributions that you make instead of receiving all of your pay at that time.

For the current 2025 tax year, all of your elective deferrals to this and all other plans (including 401k plans and other 403(b) plans) cannot exceed $23,500 per calendar year (unless you qualify for one of the catch-up contributions described below). This limit will be adjusted annually thereafter by the IRS.

2. "50 and over" Catch-up Contribution

A participant age 50 or over (by the end of the calendar plan year) may defer additional amounts to the Plan as an additional "catch-up" contribution. For 2025, the additional catch-up contribution is $7,500.

Distributions

The law restricts the times when distributions are permitted from your accounts under the Plan. You may receive a distribution only if:

- You reach age 59½ and are working;
- Retire or sever employment*;
- Die—your beneficiary will have a right to distribution; or
- Become disabled.

*The IRS requires complete severance from the District upon retirement, which means that if you are rehired by the District after you have retired, you must stop receiving distributions from your account during the time you are employed by the District after retirement—unless you are age 59½ or over.

Taxes and Penalties

You will be taxed on your pre-tax accounts upon distribution. The IRS will assess a 10% penalty for early withdrawal. In other words, your distribution will incur the penalty unless you:

- Are age 59½ and are working;
- Retire or sever employment at age 55 or later; or
- Die/become disabled.

Hardship Withdrawals

The Plan allows hardship withdrawals to be taken from your account.

Loans

The Plan does not allow loans to be taken from your account.

For More Information and Forms:
Call (920) 565-4454

CAUTION
The information in this leaflet summarizes the terms of the District's 403(b) Plan and the Internal Revenue Code as of January 1, 2017, and is not to be construed as legal, tax or investment advice. This leaflet cannot, and does not, alter the terms of the Plan or the law. Changes in the Plan or the law hereafter may change this summary. Please consult with your accountant for additional information.

Howards Grove School District

Employee Savings Plan

403(b) Plan

Investing in Your Future

Howards Grove School District
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Revised 2019

Your Plan

The Howards Grove School District (the "District") offers a 403(b) Plan to help you and other employees save money for your retirement. The 403(b) Plan is a type of tax-deferred retirement savings program. Future benefits from the 403(b) Plan will reflect the amount of a participant's voluntary salary deferral contributions plus earnings. Vesting is immediate. Whether you choose to participate in the Plan is entirely up to you.

Although the Plan is offered by the District, the Plan is not established or maintained by the District for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Accordingly, the Plan and the District are not subject to ERISA.

Tax Treatment

The District intends to ensure that the Plan is qualified for preferential tax treatment under Internal Revenue Code ("IRC") §403(b). There are two ways you can elect to have a portion of your current pay saved and invested via salary deferral. You may contribute pre-tax 403(b) deferrals and/or Roth after-tax 403(b) deferrals.

Pre-Tax Deferrals Because you do not have to pay taxes on the amount you contribute to a 403(b) plan for the year in which you contribute to the plan, investing in a 403(b) plan can lower your overall tax burden—at least in the present. You can defer the income tax on your contributions until you begin making withdrawals from your account—typically when you retire. The earnings on your account also grow tax-free until withdrawal. Contributions to the 403(b) Plan are reported annually on your W-2 forms, but are not included in income subject to taxation. Your 403(b) contributions are deducted from your gross salary and income taxes are calculated on your remaining pay.

Roth After-Tax Deferrals With Roth deferrals, you must pay current income tax on your deferral contribution. This means that the amount you defer under the Roth portion of the 403(b) Plan is subject to income taxes in the year of the deferral, but the deferral amount and its earnings are distributed to you tax-free if certain conditions are met. These conditions are met if you follow the distribution rules of the Plan and at least 5 years have passed between your first Roth deferral and the date of your first distribution.

As described below, there are legal restrictions that limit how much you can contribute to the Plan each year. Someone from the District may need to ask you for information to show that your contributions are within these limits. You should consult with your own investment, tax and/or legal advisor about the ability to participate in the Plan. The District cannot provide you with this type of advice.

Participation

Every District employee is eligible to participate in the Plan, with the exception of (a) employees who work normally fewer than 20 hours per week, (b) non-resident aliens, (c) those who do not have sufficient income to be eligible to contribute at least $200 per year, or (d) student employees/student teachers. To participate, you need only: (1) fill out a Salary Reduction Agreement and (2) select your investment desired from a variety of mutual funds, from the list of District approved vendors. Employees can change, or re-start their deferral election once each pay period. You may cease contributions at any time.

Salary Reduction Agreements

To participate in the Plan (or to change an existing contribution election), you must provide the District with a signed Salary Reduction Agreement. Employees paid year-round (24 payrolls) may choose either a whole dollar amount or whole percentage amount to contribute each payroll period. Employees paid less than 24 payrolls per year must elect a whole percentage amount. The Agreement must be signed by you and returned to the District before the start of the payroll period when your election or change will become effective.

Vendors

You can invest your deferral monies in a variety of different investment options. The Vendors through which the investment vehicles are available are approved by the District. Beginning January 1, 2008, you may only invest new deferral monies in those Vendors who have agreed by contract to conduct business with the District and the Plan. These Vendors are listed on the Approved Vendor List available from the District Office. After January 1, 2008, you will no longer be permitted to transfer monies between Approved and Unapproved Vendors.

Contributions and Limitations

While you may choose how much of your salary you wish to contribute to the Plan, your contribution must comply with all of the following legal limitations.