

New 403(b) Regs are here. What they mean for members.

For the first time in 40 years, the IRS has made significant changes to 403(b) regulations—the rules by which school districts administer 403(b) savings plans (also referred to as TSA plans) for district employees.

Although the changes regarding TSAs are focused on the administration of plans, they will have some impact on plan participants as well. The general effective date for the new regulations is January 1, 2009; however, an important change regarding member choice of 403(b) plan providers occurred on September 24, 2007.

Effective immediately, new regulations restrict 403(b) transfers

The exchange of 403(b) assets is now limited to 403(b) providers within the same employer plan. The old transfer rules that allowed transfers to any 403(b) contract whether the provider was listed with your employer or not no longer apply. Effective September 25, 2007, active employees with 403(b) accounts may not transfer money to a 403(b) provider outside of the approved employer list.

If you are considering a tax-free exchange during the interim period—September 25, 2007, through January 1, 2009—you should obtain assurance from your employer that the receiving plan can accept your request for an exchange. Failing to do so could result in a taxable distribution, which may be subject to penalties.

Overall new regulations good for members

Because IRS rules are placing more responsibility on the employer for administering the plan, many districts are likely to significantly reduce the number of vendors offering plans in order to comply with the required oversight. For members, fewer choices make it easier to enroll by reducing the amount of up-front research needed to make a sound decision. Studies show that too many options are immobilizing. Some districts have over 40 providers—too many to thoroughly evaluate.

The new regulations also emphasize the importance of employer due diligence in determining the retirement savings plan most suitable for employees. Fewer plans make it easier for districts to ensure members have quality plans available to them.

Many districts are now reviewing their plans and vendor offerings. You may receive a letter from your employer announcing the selected vendors before the January 1, 2009, effective date. All WSC bargaining units are addressing this issue during contract negotiations and the teams will keep the membership informed of any changes.

Contact a WEA Trust Member Benefits retirement consultant at 1-800-279-4030 if you have questions regarding these new transfer/exchange rules or if you would like information regarding their nationally recognized WEA Tax Sheltered Annuity Trust program or the WEAC IRA program. You can also visit their Web site at weabenefits.com. There you will find information on their insurance and retirement services, as well as a three-minute video about Member Benefits.