

**Jackson County
School District 9**

Code: **DLB-AR**
Adopted: 2/9/98
Revised/Readopted: 11/14/01
Orig. Code(s): AP 6501

Salary Deductions

I. Voluntary Employee Contributions

A. Salary Reduction Agreements

Each eligible employee of the district may elect to reduce his/her salary by a specified amount (the “salary reduction”) by completing and returning a written “Salary Reduction Agreement” which is available from the district. Salary reduction agreements are only effective on a prospective basis and, except for the employee’s right to change or revoke the election as described below, each agreement is irrevocable.

B. Amount of Salary Reduction

Each salary reduction agreement must specify the amount of the individual salary reduction that the employee elects to have the district contribute toward the purchase of an annuity contract or to a custodial account on his/her behalf. An employee’s salary reduction for a calendar year may not exceed:

1. The annual deferral limitation provided in Internal Revenue Code (IRC) Section 402(g);
2. The maximum exclusion allowance provided under IRC Section 403(b)(2); or
3. The annual addition limitation provided under IRC Section 415(c).

C. Change or Revocation of Election

An employee may change, discontinue the amount of his/her salary reduction, or select a different eligible provider only two times per calendar year. Any changes submitted to the payroll office prior to the 7th of a month will take effect during that payroll period. Changes submitted after the 7th of any month will take place the following month. The employee is solely responsible for obtaining, completing and executing all required application forms of an eligible provider, as well as all district forms required to initiate, change or terminate a salary reduction election and deliver those forms to the payroll office of the district. Except as provided in this section, each salary reduction agreement and the amount of the salary reduction selected by an employee is irrevocable while the employee is employed by the district.

D. Payroll Deduction

The district may make regular payroll deductions in lieu of the payment of compensation to an employee to pay for the selected salary reductions. Through a salary reduction agreement, an

employee releases any and all rights, present and future, to receive payment of the sums from the district resulting from such salary reductions.

E. Certification of Deferral

Each vendor selected by the employee as the recipient of the salary reductions shall provide the employee and the district with a calculation which demonstrates, to the satisfaction of the district, that the salary reductions selected satisfy the limitations of law (as summarized in Section 2. above). This calculation shall be required only for employees who elect to defer an amount equal to or in excess of the lesser of: (a) 10 percent of gross wages; or (b) \$2,500 in a calendar year. The certification shall be provided annually if the employee experiences a change in employment status, employment compensation, and/or with the first change in deferral, other than a revocation.

F. Tax Withholding

Salary reductions are subject to applicable FICA withholding. Salary reductions are not, to the extent they are within applicable legal limits, subject to federal or state income tax withholding.

G. Oregon Public Employees Retirement System

The amount of salary reductions, other than amounts deferred by the waiver of the employee to receive fringe benefits, shall be included in computing contributions and benefits under the Oregon Public Employees Retirement System.

II. Annuity Contracts and Custodial Accounts

A. Eligible Annuity and Custodial Account Providers

The district will allow vendors to participate in the program subject to the terms of an agreement negotiated with the employees' bargaining unit or as established by the district's business office for other employees. The eligible providers will make available to employees participating in the program, annuity contracts and/or custodial accounts which qualify for preferential tax treatment under IRC Section 403(b).

To be eligible for consideration as an eligible provider, each vendor must be on the current list of accepted providers. Any vendor listed as of July 1, 1997 shall be allowed to continue to service each employee who has already elected to work with that vendor provided the vendor complies with the terms and conditions of district policy.

When any vendor has no current contracts with district employees, that vendor may be replaced on the list of accepted providers when any new vendor is selected by a minimum of 10 employees of the district.

B. Remittance by District

Salary reductions made pursuant to a valid election by an employee will be remitted by the district to the appropriate eligible provider no later than the 15th day of the month following the month in which the payment would have been paid to the employee but for the salary reduction agreement.

C. Provider Election

Each employee making salary reductions pursuant to the district's TSA program must select one of the eligible providers. The list of eligible providers will be made available to interested employees. Any election of a vendor who is not an eligible provider shall be invalid. An employee may select another eligible provider by completing and returning a salary reduction agreement consistent with rules provided in Section I. above.

III. Responsibilities of Participating Employees

A. General Responsibility

Each employee is solely and exclusively responsible for the selection of an eligible provider, the evaluation of the investment quality of any annuity contract or custodial account offered by that eligible provider, and the selection of any investment options offered within the annuity contract or custodial account selected by that employee. The district shall have no liability whatsoever for any loss suffered by an employee arising out of or related to any selection of an eligible provider or due to the financial insolvency of or loss of benefits provided by the eligible provider.

B. Cooperation with Providers

Participating employees must cooperate with the eligible provider that they select to calculate the employee's annual deferral limitation, maximum exclusion allowance and annual addition limitation. This may require that the employee provide the eligible provider with accurate salary and deferral information for current and past years, information relating to the employee's years of service with the district, and other information as designated by the eligible provider.

C. Notice of Change of Status

As soon as reasonably possible, participating employees must provide written notice to the eligible provider which they have selected as to any change in employment status including, but not limited to, a reduction from full-time to part-time employment, a leave of absence or a decrease in annual compensation.

IV. Responsibilities of the District

A. General Responsibilities

The sole and exclusive responsibility of the district with respect to the TSA program is limited to:

1. Collecting salary deferrals as required by a valid salary reduction agreement and remitting such salary reductions to eligible providers in accordance with each employee's election;
2. Maintain a list of eligible providers;
3. Distribute or make available information that the district receives from eligible providers; and
4. Maintain district forms required under this policy.

B. No Fiduciary Relationship

No action taken by the district under the TSA program shall be construed to create a trust of any kind or any fiduciary relationship between the district and participating employees, designated beneficiaries or any other person.

C. Tax Qualification

The district makes no warranty or representation to employees that any annuity or custodial contracts offered by eligible providers are qualified under IRC Section 403(b) or that salary reductions applied to the purchase of annuity contracts or invested in custodial accounts will be excluded from the gross income of employees under IRC Section 403(b). The district will, however, use its best efforts to comply with any applicable provisions of law relative to the TSA program.

V. Responsibilities of Eligible Providers

A. Annuity Contract and Investment Information

Eligible providers will provide information to requesting employees regarding the annuity contracts and/or custodial contracts offered and the investment performance thereof. Eligible providers will also provide to requesting employees all applications, forms, elections and documents necessary to apply salary reductions toward the purchase of annuity contracts and/or custodial accounts offered under the district's TSA program.

B. Qualified 403(b) Contracts

Eligible providers will make available to employees participating in this program, only annuity contracts or custodial accounts that meet the requirements of IRC Section 403(b). Eligible

providers and their agents must adhere to all applicable federal and state laws, rules and regulations which govern tax deferred annuity programs.

C. Contribution Limitations

Each eligible provider will maintain records necessary to assure compliance with the annual deferral limitation under IRC Section 402(g), the maximum exclusion allowance under IRC Section 403(b), the annual addition limitation under IRC Section 415(c) and any other limitations on salary reductions which may be imposed by law.

D. Annual Reporting

Each eligible provider will provide employees who purchase annuity contracts or who invest in custodial accounts under the district's TSA program with information concerning those salary reductions and investment performance of such contracts and accounts. Each eligible provider shall also provide assistance to employees in calculating the employee's maximum exclusion allowance on at least an annual basis.

E. Indemnification

As a condition to be an eligible provider, each vendor must agree, in writing, to their responsibilities under the district's TSA program and to indemnify and hold the district harmless with respect to any liability, including fines or penalties, costs or fees, imposed upon the district by a court, administrative agency, or otherwise as a result of a violation of this policy or a violation of the federal or state laws, rules and regulations governing tax deferred annuity programs or as otherwise incurred by the district as a result of such violation.

VI. Amendment and Termination

A. Amendment

The district may amend these administrative regulations at any time using the prescribed district process.

B. Termination

The district may terminate its TSA program if required by law, or as it deems advisable, provided that the district will not terminate the TSA program with regard to employees who are represented by a collective bargaining agreement, unless the termination is required by law or the termination is consented to by the employees' bargaining representatives.