

## **Annuity Policy/Custodial Agreement Program**

PROGRAM: The Board of Sherwood School District 88J, Washington, Clackamas and Yamhill Counties, Oregon hereby records the basic features of the district's policy with respect to the purchase of annuity contracts or custodial agreements for the benefit of those participating employees of the district under the provisions of Section 403 (b) (26 USCS 4093) (b) and Internal Revenue Service regulations and rulings issued pursuant thereto. Annuity contracts or custodial agreements are subject to the limitations of Section 415, Section 402 (g) of the Internal Revenue Code. To qualify for tax benefits, the annuity contract or custodial agreement must be purchased by the employer for the employee.

### 1. Participation

Only persons who qualify as "employees" of the district may participate in the district's 403(b) annuity contract or custodial agreement program. This includes administrators, classified, confidential and licensed staff, but excludes elective and appointive public officers and independent contractors for professional services.

### 2. Procedural and Policy Requirements

The district as an employer will purchase individual annuity contract or custodial agreement benefits for each participating employee within the following rules and limitations:

- a. The employee must enter into a salary reduction agreement with the district, using a form approved by the Board, which shall be irrevocable while in effect.
- b. The employee's rights shall be nonforfeitable (except for failure to pay future premiums). The employee can, however, terminate the entire agreement with respect to the compensation not yet paid. If Employer elects to cease all salary reduction contributions to its Section 403(b) program or plan, this agreement shall automatically terminate. This agreement shall automatically terminate upon the Employee's separation from service with the employer.
- c. The district will purchase an annuity contract or custodial agreement pursuant to a salary reduction agreement with an employee only at a fixed monthly or annual premium or a percentage of salary basis, neither of which shall exceed the limitations allowable by federal law or IRS regulations.
- d. The district as employer reserves the right to amend, supplement or change its policy and program at any time, provided that same shall have no retroactive effect and shall be applicable only to transactions thereafter arising.
- e. The salary-reduction agreement must be received by the 10th of the month to take effect for that month.

3. Selection of Insurer and Annuity Contract or Custodial Agreement Arrangement

The participating employee shall designate from the district's list of eligible vendors, the company with whom the annuity contract or custodial agreement premiums are to be deposited by the district, and no liability shall arise against the district by reason of the employee's selection of company, annuity contract or custodial agreement plan, benefits or financial responsibility of the insurer, the district's responsibility being limited to the purchase of the annuity contract or custodial agreement and payment of the premiums from the employee's salary-reduction agreement.

The district shall not be obligated to purchase an annuity contract or custodial agreement for an employee from any insurer or company with whom there shall at any time be in effect fewer than 10 employee annuity contracts or custodial agreements. If the participants drop below ten individuals, the vendor will be removed from the district's eligible list. For reinstatement of the vendor, the number of participants needs to be raised to ten.

For a new vendor to be eligible, the vendor must present ten new employee annuity contracts or custodial agreements.

These limitations are necessary to preclude unreasonable costs and burden being imposed on the District as an employer for administration of the program.

4. Minimum Reduction

No reduction in salary or premium paid by the district shall be less than \$15.00 monthly or \$180.00 annually.

5. District's Obligation

Payment will be made to the annuity contract or custodial agreement companies three days after payday.

The district as a participating employer assumes no obligation to the employee with respect to the eligibility or qualifications of any annuity contract or custodial agreement or its issuer to attain the deferment benefits any time, the employer's participation being limited to the functions and purposes herein expressly stated.

The district's policy requires that the employee conduct all matters with the insurer or insurer's agent outside the normal duty hours of the employee.

END OF POLICY

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**Legal Reference(s):**

[ORS 332.505](#)  
[ORS 332.018](#)

[ORS 332.505](#)  
[ORS 332.534](#)

[ORS 342.930](#)