

**Section 125 Cafeteria Plan**

Section 125, also known as cafeteria plan, allows employees to receive qualified benefits on a pre-tax basis through a salary deferral.

**Qualified Benefits:**

- Health insurance premiums/benefits
- Accident benefits (life, disability, cancer)
- Flexible Spending Account , FSA (dependent care, unreimbursed medical)

Example Health Insurance Premium: Employee may elect to have their dependent health, life and dental premium deducted from their earnings on a pre-tax basis, therefore reducing their reported taxable earnings on IRS Form, W-2 *Wage and Tax Statement*.

Example Dependent Care Assistance: Employee may elect to have their earnings reduced by their estimated daycare costs on a pre-tax basis, therefore reducing their reported taxable earnings on IRS Form, W-2 *Wage and Tax Statement*. These contributions are automatically withheld from the employee’s paycheck and forwarded to the plan by the employer. The employee then submits daycare receipts to the plan and is reimbursed the cost.

Investment Provider:  
 Security Benefit  
 P.O. Box 750600  
 Topeka, KS 66675-0600  
 (888) 662-3646  
 ebdept@securitybenefit.com

Agent/Contact:  
 Rand, Williams & Associate  
 Bill Rand or Mike Williams  
 60 Garden Court, Suite 130  
 Monterey, CA 93940  
 (831) 648-4248 or 648-4249



Monterey County Office of Education Payroll Department Contact Information 901 Blanco Circle ▪ P.O. Box 80851 ▪ Salinas, CA 93912-0851	
Supervisor, Payroll Services	Suzette Burns (831) 755-0305 sburns@monterey.k12.ca.us
Payroll Clerk (Alphabet A-L)	Sophia Preciado (831) 755-0317 spreciado@monterey.k12.ca.us
Payroll Clerk (Alphabet M-Z)	Susan Scheuermann (831) 784-4212 sscheuer@monterey.k12.ca.us

# Monterey County Office of Education



## Employee Tax Deferred Products

- 403(b) Tax Sheltered Annuity
- 457 Deferred Compensation
- Section 125, Cafeteria Plan

**MCOE Employees Only**

## Tax Sheltered Annuity / 403(b)

A 403(b) plan, also known as a tax-sheltered annuity (TSA) plan, is a retirement plan that allows an employee of a public school 501(c)(3) organization or minister to pre-tax contributions. Employees can select an approved 403(b) vendor from the Monterey County Office of Education Investment Provider List.

Fee: \$2.50 per month

Benefits:

- Contributions are non-taxable until the employee begins making withdrawals from the plan.
- Investment gains on a 403(b) account are not taxed until withdrawn.
- Contributions are withheld from employee's earnings through a salary deferral and contributions are automatically forwarded to the investment provider by the employer.
- Contributions reduce taxable earnings reported on IRS Form, W-2 *Wage and Tax Statement*.

Third Party Administrator:  
Central Valley Support Services  
2440 Stanwell Drive, Suite A  
Concord, CA 94520  
(877) 734-6653  
info@cvsupportservices.org  
www.cvsupportservices.org

Agent/Contact:  
Rand, Williams & Associates  
Bill Rand or Mike Williams  
60 Garden Court, Suite 130  
Monterey, CA 93940  
(831) 648-4248 or 648-4249

## 457 Deferred Compensation Plan

A 457 plan, also known as deferred compensation plan, is a retirement plan that allows employees of a state or local government agency to make pre-tax contributions.

Benefits:

- Contributions made to a 457 plan are non-taxable until the employee begins making withdrawals from the plan.
- Investment gains on a 457 account are not taxed until withdrawn.
- Contributions are withheld from employee's earnings through a salary deferral and contributions are automatically forwarded to the investment provider by the employer.
- Contributions reduce taxable earnings reported on IRS Form, W-2 *Wage and Tax Statement*.

Investment Provider:  
Tax Deferred Services  
6939 Sunrise Blvd., Suite 250  
Citrus Heights, CA 95610  
(866) 446-1072  
planadministrator@tdsgroup.org

Agent/Contact:  
Rand, Williams & Associates  
Bill Rand or Mike Williams  
60 Garden Court, Suite 130  
Monterey, CA 93940  
(831) 648-4248 or 648-4249

403(b) vs. 457		
	403(b)	457
Contribution Limits	\$18,000 maximum plus catch-up <b>2015</b>	\$18,000 maximum plus catch-up <b>2015</b>
Early Withdrawal Penalty Tax	10% early withdrawal penalty tax may apply under age 59 1/2, plus normal income tax	None (normal income tax only), except for funds rolled over from another qualified plan, then the same rule for the 403(b) applies to those funds
Age 50 Catch-up Option	Total of \$6,000 for retirement plans of same employer (other than 457) even if special catch-up option used <b>2015</b>	Total of \$6,000 for 457 plans of same employer (not available if special catch-up option used) <b>2015</b>
Special Catch-up Option	Fifteen years of service increases limited by the lesser of: <ul style="list-style-type: none"> <li>• \$3,000</li> <li>• \$15,000 less additional limit used in past years; or</li> <li>• Excess of \$5,000 times years of service less past elective deferrals</li> </ul>	Three years prior to normal retirement age allows the lesser of: <ul style="list-style-type: none"> <li>• Two times current year's normal contribution limit; or</li> <li>• Underutilized limits from past years</li> </ul>
Purchase Additional Service Credit	Available through transfer of funds	
Distribution Restrictions	Funds can't be distributed until: <ul style="list-style-type: none"> <li>• Age 59 1/2 and termination from employment</li> <li>• Age 55+ if retiring in the same year</li> <li>• Plan termination</li> <li>• Disability</li> <li>• Death</li> <li>• Financial Hardship</li> </ul>	Funds can't be distributed until: <ul style="list-style-type: none"> <li>• Age 70 1/2 if still working</li> <li>• Termination from employment at any age</li> <li>• Disability</li> <li>• Death</li> <li>• Unforeseeable emergency</li> </ul>
Portability of Plan Funds After Qualifying Event	Funds can be rolled over to: <ul style="list-style-type: none"> <li>• Another 403(b)</li> <li>• Governmental 457</li> <li>• IRA (Traditional, SEP, SAR-SEP)</li> <li>• 401(a) Plan (Pension 401(k), Profit Sharing)</li> </ul>	Funds can be rolled over to: <ul style="list-style-type: none"> <li>• Another Governmental 457</li> <li>• 403(b)</li> <li>• IRA (Traditional, SEP, SAR-SEP)</li> <li>• 401(a) Plan (Pension, 401(k), Profit Sharing)</li> </ul>
Hardship Distributions	Contributions (but not earnings) may be distributed to the extent required for a financial hardship even if foreseeable and voluntary, such as: <ul style="list-style-type: none"> <li>• Medical care</li> <li>• Payments needed to prevent eviction from or foreclosure on home</li> <li>• Payment of tuition</li> <li>• Purchase of a home</li> </ul>	Contributions and earnings may be distributed to the extent required for an unforeseeable emergency beyond control of participant, such as: <ul style="list-style-type: none"> <li>• Medical care</li> <li>• Casualty loss</li> <li>• Payments needed to prevent eviction from foreclosure on home</li> </ul>
Loans	Permitted, with loans from all qualified plans limited to the lesser of: <ul style="list-style-type: none"> <li>• \$50,000</li> <li>• One-half of vested benefits (or \$10,000, if greater)</li> </ul>	
Required Minimum Distribution	Applies at age 70 1/2 or later, termination from service, and also after death	Applies at age 70 1/2 or later, termination from service, and after death
Frequently Asked Questions		
<b>Q. How will a 403(b) and/or 457 benefit me?</b>		
A. Employees can make pre-tax contributions from their payroll earnings towards their retirement in the future.		
<b>Q. What do I need to do if I want to sign-up for a 403(b), 457 or Cafeteria Plan?</b>		
A. Contact the Investment Provider or the MCOE Payroll department at 755-0317 or 784-4212.		