

TAX SHELTERED ANNUITIES

The district shall make available to Management Team members the provisions of Internal Revenue Code Section 403 (b) relative to tax sheltered annuities. In adopting this policy, the Board does not necessarily recommend the use of the provisions of said Internal Revenue Code by an individual and further, if the member chooses to take advantage of this policy, the decision will be left up to his/her discretion.

TAX SHELTERED ANNUITIES

- I. Each management team member shall be given the opportunity of entering into an amendment to such member's contract of employment for the purpose of effecting a reduction in the salary paid to him/her.
- II. For each member who voluntarily elects to reduce his/her salary, the district will, as directed by such member, take either one or both of the following actions:
 - A. Purchase, with an amount equal to such reduction in salary, a nontransferable Annuity Contract issued by a life insurance company in which the employee's rights are non-forfeitable except for failure to pay future premiums.
 - B. Deposit with the State Teachers Retirement System of California an amount equal to such reduction in salary as shelter contributions within the meaning of the provisions of Section 22154 of the California Education Code.
- III. The Board hereby authorizes any life insurance agent licensed by the State of California be eligible to write annuity contracts. However, each insurance company shall designate a single agent as the representative to the district.
- IV. The Board hereby authorizes the Superintendent/designee to act in its behalf in respect to the purchase, termination and administration of these Annuity Contracts and to sign the Amendment of Employment Contract.
- V. The insurance company writing the policy shall agree to transfer the policy to another school district if the employee changes employment and the insurance company has such Annuity Contract in both school districts.
- VI. If a broker, insurance company, or servicing agency handles policies on behalf of more than one insurance company, there shall be only one consolidated billing submitted for payment each month.
- VII. Each insurance company or agency shall execute the agreement to comply as provided by the school district.
- VIII. The responsibility for correctness of the computation of the deduction shall be the responsibility of the party making such computation.
- IX. Amendments shall be delivered to the district once each month on the sixth day or closest working day thereafter.
- X. Each insurance company shall sign, or shall have on file, an Indemnity Agreement on the form provided by the school district, signed by an authorized company official.

TAX SHELTERED ANNUITIES (continued)

- XI. Each insurance company shall be required to use the Board approved form and the procedures as follows:
- A. The district will not enter into an Amended Contract with an insurance company unless the eligibility requirements are met. If there are questions as to eligibility of a member, contact with the business office should be made before consummation of the Tax Sheltered Annuity Contract.
 - B. The Amended Contract form must be delivered, in duplicate, to the Business Office, with the proper signatures, no later than the sixth day of the month for which the deduction is to be made.
 - C. The Amended Contract must show the name of the insurance company, the annual deduction, the monthly amount to be deducted from the member's payroll check and the computation for the maximum annual deduction.
 - D. The annual Tax Sheltered Annuity deduction may be based on ten equal deductions from September 1 to June 30 with no deduction to be made in July or August, or, at the member's option, based on twelve equal monthly deductions.
 - E. In the event that the Tax Sheltered Annuity Contract is entered into at a time other than the beginning of the school year, the amount applicable to each succeeding school year must be entered in the appropriate space under Item 2 of the Amended Contract. All Tax Sheltered Annuity Contracts with Management Team members of the El Rancho Unified School District will be continuing contracts from year to year unless: (1) The member is no longer an eligible employee; (2) The member terminated the amended contract in writing; (3) The member's annual deduction exceeds the computed maximum; (4) There is not sufficient salary due the member for premium to be paid therefrom.
 - F. The Amended Contract must be written on the form provided by the district.
 - G. In the event this amendment is entered into at a time other than the beginning of the school year, the monthly deduction as shown on the Amended Contract will be continued in succeeding school years unless a new Amended Contract is submitted.

TAX SHELTERED ANNUITIES (continued)

- H. In the event the member changes (increases or decreases) the amount of the annuity payment, a new Amended Contract showing the total monthly deduction must be submitted.
- I. If a contract is cancelled, the insurance agent will be responsible for submitting to the school district a signed statement from the member and the insurance company requesting the cancellation. This applies to cancellation of a contract other than by termination of employment with the school district. One month's notice is required for cancellations.