Blinn College

Overview of Voluntary Supplemental Retirement Savings Programs

The 403(b) Tax-Deferred Account Program

Regardless of the mandatory retirement program you participate in (TRS or ORP), you can choose to save additional money for retirement on a tax-deferred basis through a Tax-Deferred Account (TDA) Program. All Blinn College employees are eligible to participate in this voluntary supplemental pre-tax savings program at any time.

The TDA program allow you to save money for retirement and postpone paying federal income tax on your savings and investment earnings until you begin receiving the money. This will generally be after retirement, when your income may be less and your tax bracket is likely to be lower. While employed, you may make financial hardship withdrawals. Upon termination of employment or retirement, you can rollover your TDA account to another retirement plan (including an IRA) if you meet the requirements for a rollover distribution.

You decide how much you want to save, from a $15 minimum monthly contribution for the TDA to the maximum allowed by federal law. Contributions are processed through convenient payroll deductions. You can change the amount you save once each month. You may also choose to defer part or all of a lump sum payment of annual leave upon termination of employment or retirement. However, you must enroll in the TDA prior to your final day of employment in order to defer your annual leave lump sum payment. Under the TDA Program, you must choose an investment vendor from the Blinn College list of active vendors. You are responsible for choosing investment vendors and investment options and for any gains or losses on your account. There are no employer matching contributions under either plan.

Enrollment

The Tax-Deferred Account Program is subject to Internal Revenue Code section 403(b), which allows you to defer a portion of your current pre-tax income until retirement.

When you enroll in a TDA, you agree to have a specific amount of gross pay deducted from each paycheck and sent to the vendor you choose from the Blinn College list of active vendors, available on the Human Resources Benefits web site at http://www.blinn.edu/personnel/ORP_list.htm. You may enroll in a TDA at any time. To enroll, you complete a TDA Salary Reduction Agreement (SRA) and turn it in to your Human Resources Office, along with a copy of your completed vendor application. The TDA form is available from the Human Resources Office or online at http://www.blinn.edu/personnel/Forms/forms.htm.

Your TDA contribution will be deducted from your pay during or after the effective month you state on the SRA form, depending on when your Human Resources office receives your form. SRA forms are due the 10th of the month.

IMPORTANT: If your TDA deduction amount is greater than your net pay for any pay period, no TDA deduction will be taken.

Distribution Options

Because the purpose of a TDA is to provide retirement income, you may begin receiving distributions from your account without penalty any time after you reach age 59½. You must pay federal income tax on your TDA savings when you receive payments. Federal law requires that you begin receiving payments by age 70½, unless you are still employed. You choose how your benefit will be paid from the payment options offered by your investment vendor(s). Your beneficiary will receive your account balance if you die before payment begins or will receive any survivor benefits you choose if you die after you begin receiving payments.

Under the TDA Program, if you withdraw money before age 59½, you generally must pay a 10% penalty tax in the year in which the money is withdrawn unless you withdraw because you become disabled and unable to work, you die, you leave Blinn College employment after age 55, or elect an annuity payout upon termination or retirement at any age.

While you are employed at Blinn College, you may withdraw money from your TDA account only for one of the above reasons unless you have a financial hardship as defined by federal law. This includes major unreimbursed medical expenses, college costs for immediate family members, purchase of your primary residence or payments to prevent eviction from or foreclosure on your primary residence. If you receive a financial hardship withdrawal, federal law requires that contributions to the plan be suspended for six months. Some investment vendors allow you to take a loan from your TDA account, some do not. Contact your TDA vendor to determine loan availability.

If you leave Blinn College employment before retirement, you may leave your account invested, but you may make no further contributions. You may also choose to withdraw your funds and pay any taxes due (including the penalty tax in most cases) or roll your account balance into a similar plan at a new employer or an individual retirement account.

Additional Resources

For additional information, review the following documents on the Human Resources Benefits web site http://www.blinn.edu/personnel/benefits.html.

Authorized Companies for Tax Deferred Annuities and Optional Retirement Plans
Retirement Manager
Retirement Manager Quick Reference Guide
TDA Salary Reduction Agreement/Change of Vendor Form

Participation in the 403(b) Tax-Deferred Account Program entails certain responsibilities for the participant, including selection and monitoring of the vendor and individual investments. Blinn College has no fiduciary responsibilities for the financial stability of the vendor or the market value of individual investments chosen by the participant. Each employee bears the risk of the performance of the product(s) of his/her choosing under these voluntary retirement programs, and Blinn College is not liable for any tax consequences occurring under these retirement programs.

The contents of this document are intended for informational purposes only and should not be construed as tax or legal advice, which can be rendered only when related to specific fact situations. In all cases, you should consult your attorney or tax adviser if you have questions about your individual situation.