Consider the Benefits!

BCPS OFFERS YOU TWO GREAT WAYS TO SAVE FOR YOUR RETIREMENT!!

- 403(b) Tax-Sheltered Annuity/Tax-Sheltered Mutual Fund Investment Plan
- 457(b) Deferred Compensation Plan

This Brochure Contains Important Information about Your Optional Supplemental Retirement Benefits
It’s Your Retirement!
Save Wisely
BCPS’ 403(b) and 457(b) Plans:
Frequently Asked Questions (FAQ)

Baltimore County Public Schools offers you two different ways to save for retirement. Eligible employees may participate in either or both supplemental retirement plans. One is referred to as a 403(b) Plan. The plan is referred to as a “TSA” (i.e. tax sheltered annuity). The other is called a 457(b) Deferred Compensation Plan. Both plans permit employees to supplement their retirement benefits by purchasing tax-sheltered annuities or tax-sheltered mutual funds through payroll deductions. Both plans are designed to:

- Help you save regularly on a tax-deferred basis
- Reduce your current taxable income
- Provide you with a choice of investment options
- Provide for your beneficiary

Below are frequently asked questions about these two optional supplemental retirement plans.

Why is BCPS offering two supplemental retirement plans? What are the differences between a 403(b) Plan and a 457(b) Plan?

BCPS is offering two optional supplemental retirement plans so that eligible employees will be able to choose the plan that is best suited to their needs and their retirement goals. By using both plans, eligible employees can maximize the amount of money that they are saving for retirement. That is, employees may contribute to either the 403(b) Plan OR the 457(b) Deferred Compensation Plan. Employees have the option of contributing to BOTH plans.

There is at least one significant difference between the two plans: the withdrawal provisions are different. Because these plans are designed as “retirement plans,” access to one’s money prior to retirement is severely limited. However, distributions from a 457(b) Plan are not subject to the 10% “early withdrawal” penalty that applies to the 403(b) Plan.

The chart shows the major differences between the two plans:
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<tr>
<th>Questions</th>
<th>403(b) Tax Shelter Annuity Plan</th>
<th>457(b) Deferred Compensation Plan</th>
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</thead>
<tbody>
<tr>
<td>Who is eligible to participate?</td>
<td>All BCPS employees may participate</td>
<td>Same</td>
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<tr>
<td>Are payroll deductions for these plans taxed?</td>
<td>The money that is deducted is exempt from federal and MD income tax; however FICA tax is withheld.</td>
<td>Same</td>
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<td>What is the minimum I may contribute?</td>
<td>$200.00 per calendar year</td>
<td>Same</td>
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<tr>
<td>What is the maximum I may contribute?</td>
<td>$19,500 for calendar year 2021</td>
<td>Same</td>
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<td>Are there “catch up” provisions?</td>
<td>Yes. These are 2. Employees who will be age 50 or older in 2021 may contribute up to an additional $6,500 in calendar year 2021. The second allows employees who have at least 15 years of service with a public school system to remit additional catch-up contributions. Contact your 403(b) provider for additional details.</td>
<td>Yes. There are 2. The “Age 50 Catch up” provision is a part of the 457(b) Plan. The second is a Special 457 Catch-up Provision that allows eligible employees for 3 years prior to the normal retirement age to remit additional catch-up contributions. However, the Age 50 Catch-up is NOT available if the Special 457 Catch-up is used. Contact Nationwide for details.</td>
</tr>
<tr>
<td>How often may I change my contribution amount?</td>
<td>Unlimited. Complete a new BCPS Salary Reduction Agreement to change the amount of your deduction</td>
<td>Same</td>
</tr>
<tr>
<td>What are the costs to participate?</td>
<td>Contact your 403(b) company for details. Be sure to ask about commissions, management and administrative fees, 12b-1 fees, mortality and expense charges, and surrender charges. BCPS does NOT receive any money for providing this retirement benefit.</td>
<td>Contact Nationwide for a list of fees and expenses that are charged against your account. These will vary by the fund(s) you select. Be sure to ask about loans, commissions, investment fees, 12b-1 fees, and any other charges. BCPS does not receive any money for providing this retirement benefit.</td>
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<tr>
<td>What are the current investment options?</td>
<td>Annuities and mutual funds. See BCPS website.</td>
<td>Same. Contact Nationwide for fund information.</td>
</tr>
<tr>
<td>May I roll over or transfer money from one retirement plan to another?</td>
<td>Yes, Roll-overs/transfers are available amount 401(k) plans, 403(b) plans.</td>
<td>Same</td>
</tr>
<tr>
<td>Questions</td>
<td>403(b) Tax Shelter Annuity Plan</td>
<td>457(b) Deferred Compensation Plan</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
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<tr>
<td>May I withdraw money from my account while employed?</td>
<td>Yes, but only if you are 59 ½ or older, or qualify for a hardship withdrawal requests. There is a 10% penalty for early withdrawal.</td>
<td>Yes, but only if you are 59 ½ or older or qualify for an unforeseeable emergency. Requests for unforeseeable emergencies are administered by Nationwide.</td>
</tr>
<tr>
<td>When may I begin withdrawals from my account without a penalty?</td>
<td>If you leave BCPS employment at age 55 or older, or at age 59 ½. Qualified withdrawals are taxed as ordinary income. There is a 10% penalty for early withdrawal</td>
<td>When you leave BCPS employment, regardless of age. Qualified withdrawals are taxed as ordinary income.</td>
</tr>
<tr>
<td>May I change my withdrawal option, amount or frequency once I start my payout?</td>
<td>Yes, excluding purchased annuities. Contact your company for more information</td>
<td>Same</td>
</tr>
<tr>
<td>Must I elect my payout date when I leave BCPS employment?</td>
<td>No</td>
<td>Same</td>
</tr>
<tr>
<td>Are there loan and hardship provisions?</td>
<td>Yes/Yes. Contact the Office of Benefits Website and access “Retirement Manager.” Complete the eligibility certificate and send it and your request to your 403(b) company for processing</td>
<td>Yes/Yes. Contact Nationwide for information and process for obtaining a loan and/or hardship withdrawal.</td>
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What is the difference between a 403(b) tax-sheltered annuity and custodial account?

In simple terms, 403(b) refers to a tax-sheltered annuity or to a mutual fund custodial account. Typically, insurance companies sell annuities and mutual fund companies create custodial accounts. That is, the company is the “custodian” of the account that contains mutual funds purchased on the stock market. Each has its pros and cons. When selecting either an annuity company or mutual fund company, be sure you:

1. **Compare fees and charges.** Ask about sales representative’s commissions, “sales charges,” “front-end” vs. “back-end fees, “fund expenses”, “12b-1 fees,” “mortality and expense fees,” and “surrender charges.” Make sure you know how much you are paying
in fees. They can add up over the years. 403(b) Company Expense fees are available on the Benefits web site.

2. **Ask about loan provisions and hardship withdrawals.** Make sure you know when you can begin withdrawing money and what the tax consequences are for you. In general, you may withdraw money from your account when meeting any one of 3 criteria: 59 1/2; separation from service; or retirement. Contact your company for more information.

3. **Ask about available investment options and historic returns.** Does the company offer a wide range of investment options? What is the return for 1 year, 3 years, 5 years, and 10 years for each investment option? Have there been any significant changes in fund management during these periods? How long has the investment fund been in existence? How do the investment options compare to other (similar) options available from other companies? Make sure you look at returns net of expenses and keep in mind that, while historical performance is an important factor, it is not a guarantee of future performance. In the event of your death, what will happen to your money?

*It is your responsibility to determine which type of investment is best for you. Ask questions. Make sure you understand how your money is being invested.*

**Who may participate in a 403(b) Plan? In a 457(b) Plan?**
Both plans work the same way. You decide the dollar amount that you want to contribute each calendar year. The minimum is $10.00 per pay or $200.00 per calendar year. Money is deducted from your regular bi-weekly salary. ALL employees may participate in the plans. Ten-month employees will have 20 payroll deductions and twelve-month employees will have 24 payroll deductions per calendar year. The money that is deducted is exempt from Federal and Maryland income taxes (but not FICA tax), thereby reducing your current taxable income. However, when you retire and begin withdrawing money, it will be taxed, but usually at a lower rate.

The amount that you may shelter in each plan is governed by IRS regulations. These regulations limit the amount that you may shelter each year. Below are the contribution limits for 2021.

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Limit</th>
<th>Age 50+*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$19,500</td>
<td>6,500</td>
<td>$26,000</td>
</tr>
</tbody>
</table>

*Employees who are age 50 or older (or will be by the end of the calendar year) may make an additional contribution to both the 403(b) and 457(b) plan.

Both plans also include “catch-up” provisions that affect the amount that you may shelter.

**403(b) “Catch-up.”** There is a special 403(b) “catch-up” rule that allows employees who meet the eligibility requirements (e.g., age, prior year contributions) to remit additional catch-up contributions. Discuss your eligibility for this provision with your company’s sales representative.

**457(b) “Catch-up.”** There is a special 457(b) “catch-up” rule that allows employees who did not defer the maximum permitted amount in prior years to remit additional catch-up contributions.
However, the age 50 and special 457(b) catch-up cannot be done simultaneously. Contact Nationwide Retirement Solutions to discuss your eligibility for these provisions.

When may I begin withdrawing money from the 403(b) Plan? From the 457(b) Plan?

403(b). Because the 403(b) Plan is a retirement plan, access to your contributions while you are working for BCPS is severely limited. Under normal circumstances you may not withdraw your money while you are working for BCPS before you reach age 59 ½. However, you may withdraw your money upon separation from service with BCPS or upon reaching age 59 ½ (even if you are still employed by BCPS). If you meet certain requirements, you may be able to borrow or withdraw money from your account. Your account representative can provide information about the withdrawal provisions available to you. While you can withdraw money from your account when you separate from BCPS, there is a 10% penalty for withdrawing money from a 403(b) account if you separate prior to age 55. However, you can withdraw money from the 403(b) Plan without penalty (even if you are still employed by BCPS) once you are 59 ½ or older. Contact your company representative for more information.

457(b). Because the 457(b) Plan is a retirement plan, access to your contributions while you are working for BCPS is severely limited. Unlike the 403(b) Plan, the 457(b) Plan does not permit withdrawals while you are still employed with BCPS, even if you are 59 ½ or older. However, you may begin withdrawing money from your 457(b) account-without penalty-when you separate from BCPS employment, regardless of age.

Where and how do I sign-up for a 403(b)? For the 457(b)?

You may sign up for either or both plans at any time. However, if you decide to participate in the 457(b) Plan, then you may select only ONE 403(b) Company. There is no “open enrollment period” for participating in these plans. And, there is no waiting period beyond that required to process the paperwork to set up your account and begin payroll deduction. Follow the instructions below to sign up for either or both of these plans.

403(b). There are 5 companies approved to market 403(b) products to BCPS employees. The companies are:

- IFS/Security Benefit
- VOYA
- Lincoln Financial Group
- MetLife
- VALIC

To sign-up for any of the 403(b) Plans, follow the steps below:
• Contact one or more of the 5 approved companies. The list of approved companies is available on the Office of Benefits and the Office of Payroll’s Web sites.
• Decide which company best suits your financial objectives and retirement goals.
• Select your investment vehicle(s) and designate your beneficiaries. The list of funds/investment vehicles may be found on the Office of Benefits and Office of Payroll’s Websites (see “403(b) Plan”)
• Complete the company’s paperwork to open your account
• Complete a BCPS “403(b) Salary Reduction Agreement” and send it to the Office of Benefits, Greenwood. BCPS Salary Reduction Agreements are available on-line at the Office of Benefits Web site, from your 403(b) company, and from the Office of Benefits, 443-809-8943. In order to begin payroll deduction, you must complete both sets of forms: one for the company you’ve selected and one for BCPS. We cannot begin payroll deduction until we receive a BCPS 403(b) Salary Reduction Agreement.

457(b). Nationwide Retirement Solutions is the plan administrator for the 457(b) Plan. To sign-up for the 457(b) Plan, follow the steps below:

• Contact one of the Nationwide Retirement Solutions’ sales representative and discuss your eligibility to participate. The toll-free number is 1-443-417-4302. You may also log on to Baltimore County Employees Deferred Compensation Plan.
• Select your investment vehicle(s) and designate your beneficiaries.
• Complete the paperwork Nationwide requires. In addition, be sure to complete a “BCPS 457(b) Deferred Compensation Plan Salary Reduction Agreement” and send the completed form to the Office of Benefits, Greenwood. Forms are available on-line at the Office of Benefits’ Web site, from Nationwide, and from the Office of Benefits, 443-809-8943. In order to begin payroll deductions, you must complete both sets of forms: one for Nationwide and one for BCPS.

Can I change the amount that I am sheltering?  
Yes. You may change the amount of your deduction for either plan at any time. To do this, notify your account representative; complete the necessary company forms; and complete a new BCPS Salary Reduction Agreement(s) and send it to the Office of Benefits.

Can I change my investments?  
Yes. Contact your 403(b) Company or Nationwide Retirement Solutions. You should review your investment choices at least once a year.

Can I cancel my payroll deduction?  
Yes. You can cancel your payroll deduction at any time by completing the “Cancellation” section of the appropriate BCPS Salary Reduction Agreement and sending it to the Office of Benefits. Notify your account representative that you have cancelled your deduction.

Before you invest…
**Ask a lot of questions!** Be sure you understand exactly how the two plans work: who is administering it; what their track record is; what fees are involved; what guarantees are provided; and what risks are involved. Remember, this is your money and your supplemental retirement plan. Below are a few questions that you should know the answer to before you invest.

- What types of “financial vehicles” (fund) do you offer? Annuities? Mutual funds? What is the track record (the rate of return minus fees) of each fund since its inception? Will my statement show these fees? How often do the fees change? How long has the fund been in existence?
- What are the risks associated with each of these investments? What is most appropriate for me given my age, salary, years to retirement, retirement goals, and current standard of living?
- What happens if I need money for an unforeseen emergency? Is a loan provision available? Can I withdraw money without a penalty? If so, how much and under what conditions?
- Tell me about your company: its size, assets, location, and years in business. What are your sales representative’s professional qualifications? How often will we meet to review my investment objectives and fund performance? How is the sales representative compensated (e.g. by commission? Salary? Number of clients, funds sold?)

**Next steps….Ok, now what do I do?**

1. Contact one or more of the approved companies, regarding the 403(b) Plan and/or Nationwide Retirement Solutions, regarding the 457(b) Deferred Compensation Plan. Ask the company representative to send you their literature related to these plans. After reviewing this material, ask for a prospectus for the funds you are considering. Ask if they will send someone to meet with you at work or at home. Consider your options and make sure you understand the various fees and charges that apply. Review their material and make your decision.

2. Complete the company’s forms and return them to the company representative. Complete the appropriate BCPS Salary Reduction Agreement and return it to the Office of Benefits, Greenwood. It takes at least 2 weeks for us to process the paperwork to set up your payroll deduction.

3. Review your pay stub and make sure that the deductions appears correctly. If it is incorrect, notify the Office of Benefits immediately at 443-809-8943.

4. Review and re-evaluate your investments at least once a year, preferably in January.

5. Review your W-2 in January to make sure that your deduction for the tax year is correct. If it is incorrect, contact the Office of Payroll at x4240.