<u>457 Plan Highlights</u>

- 457 Plan can be offered alongside the current 403b Plan through the district
- Contribution maximums can be met for both plans if chosen as limits are totally separate
- With a 457 Plan, you can contribute up to $19,500 pre-tax and an additional $6,500 if you are age 50 or older
- There is <u>NO</u> early withdrawal penalty of 10% for a 457 Plan unlike a 403b for a withdrawal prior to 59 ½
- A Roth 457 option is available for contributions post-tax. Once withdrawn in retirement, no tax is due, including gains/interest made in the account. This is not currently offered with the current 403b plan.
- Any employee is eligible – whether full-time or part-time
- There is no set up cost/fee or annual cost to the district for the 457 Plan

Rationale 457 (b) Offering for District Employees

More school districts and other non-profits that qualify are offering 457(b) employee retirement savings plans to their employees. This can be in place of or in addition to current 403(b) plan. In other words, some employers possess a 403(b) and 457(b), which means employees can contribute the maximum amount to <u>both</u> plans and thereby save a tremendous sum of money for their retirement in a single calendar year. You may open and fund both accounts, which grants you a special advantage: 457(b) and 403(b) plan contribution limits are totally separate.

With a 457(b) account, you can contribute up to the lesser of $19,500 or 100% of your compensation in 2021. If you are 50 or older, you can contribute an additional $6,500 per year toward your retirement, bringing the total 457(b) contribution limit to $26,000.

Additionally, there is <u>NO</u> 10% early withdrawal penalty with a 457 plan, unlike a 403(b). So, this is definitely an advantage for any employee wanting to retire prior to 59 ½ as is more commonly seen in a school district setting with educators. With the <u>403(b)</u>, an early withdrawal fee of 10% <u>would</u> be assessed to any money taken out prior to 59 ½.

Also, one key component missing from the current 403(b) plan through the district is a Roth option. A Roth 457 option would be available and is another great advantage, especially when it comes to attracting and retaining younger staff members. The Roth 457 option allows for contributions to go into the account <u>POST</u>-tax. Once withdrawals are taken down the road in retirement, no taxes are due, including any gains made within the accounts over the years. This works very similar to a regular Roth IRA that most are familiar with, but with much higher contribution limits, the ability to have it deducted from a paycheck, and no phase out restrictions because of an earning limit on income.

Any employee of the district is eligible. Unlike many 403(b) plans, there is no full-time or minimum hours of employment to be met for eligibility. So, another advantage over the current 403(b) if a part-time employee is wanting to save for retirement through an employer provided plan.

There is no cost or annual fee to the district for setting up the 457 plan being recommended. What should be considered is the cost of not setting it up? Retaining and attracting quality staff/educators continues to become a challenge along with the unfunded liabilities to the TRS pension system in the state. Why not offer an additional benefit to all staff members that will allow them to save towards their retirement goals. This is especially true of the younger Tier II staff members, both TRS certified and IMRF participants, who need to more than ever take the responsibility of retirement saving into their own hands and not simply depend on their pensions.