

## **Sparta Area School District**

### Article 610 – Employee Salary Deferrals

*A vendor is defined as an investment fund, and not a financial agent (“representative”). The District does not restrict against the number of personal financial representatives; the District does however restrict the number of investment funds available for investing employee contributions by an employee’s representative.*

### **ESTABLISHMENT OF THE PROGRAM**

The Sparta Area School District sponsors a Tax Sheltered Annuity Program (“TSA Program”) intended to qualify under Section 403(b) of the Internal Revenue Code and Deferred Compensation Programs (“DC Programs”) intended to qualify under Section 457 of the Internal Revenue Code (“Internal Revenue Code Sections”) for the benefit of its eligible employees. The administration and operation of the TSA Program and DC Program shall be governed by the rules and procedures as set forth herein, subject to any modifications required for compliance with the Internal Revenue Code Sections.

### **VOLUNTARY EMPLOYEE SALARY REDUCTION**

#### **1. Employee Eligibility**

All employees of the Sparta Area School District who are at least 18 years of age and regularly scheduled to work 20 hours or more per week, excluding temporary employees, students and substitute teachers, are eligible to participate in the TSA Program and DC Program.

#### **2. Salary Reduction Election**

Each eligible employee of the District may elect to reduce his/her salary a specified amount (“salary reduction”) by executing the salary reduction agreement provided by the District.

The salary reduction will specify the amount of the salary reduction for each eligible vendor selected.

Such salary reduction agreements will remain in effect until revoked or changed by the employee or employment is terminated with the District. Each salary reduction agreement must be accompanied by a “Maximum Exclusion Allowance” calculation completed by a selected vendor and signed by the employee. Elections must be filed on or before the third business day of the month to be effective for that month’s paycheck.

#### **3. Amount of Salary Reduction**

The salary reduction agreement must specify the amount of the salary reduction, which the employee elects to have the District contribute toward the purchase of a qualified investment or an annuity contract on behalf of the employee. An employee’s salary reductions for a calendar year may not exceed the maximum amounts specified in the Internal Revenue Code Section.

On or before March 1st of each year District selected employees must submit a “Maximum Exclusion Allowance” calculation for the current year completed by each vendor and signed by the employee whether or not the employee is changing the amount of the salary reduction.

4. Changes or Revocation of Election

Employees may revoke or enter into a new salary reduction agreement on or before the third business day of the month in order to be effective for that month’s pay checks. Teachers and all other non twelve (12) month employees may not initiate changes for the June, July or August paychecks after the third business day in May. Each change in the salary reduction agreement must be accompanied by a “Maximum Exclusion Allowance” calculation completed by a selected vendor and signed by the employee.

5. Noncompliance

The District shall have the authority to discontinue a Salary Reduction Agreement if it determines that the Employee’s salary reduction amounts may exceed the maximum allowable exclusions or if the Employee fails to comply with this Policy.

## TSA CONTRACTS

1. Eligible TSA and DC Vendors (“Investment Funds”)

The District will select TSA and DC vendors who meet the following criteria:

\* The vendor must meet all applicable requirements to receive, hold and invest funds as received as Internal Revenue Code Section 403(b) or Code Section 457 contributions or to issue annuity contracts pursuant to Internal Revenue Code Section 403(b) or Code Section 457.

\* The vendor shall provide to employees maximum exclusion allowance calculations upon submission of salary reduction agreements.

\* The vendor is willing to enter into and abide by the District’s standard vendor agreement.

\* New vendors seeking eligibility must have a minimum of (5) employees who have signed salary reduction agreements selecting said vendor.

or

If the District has less than twenty (20) eligible vendors, the District will allow vendors to be eligible with less than the minimum of five (5) employees needed to be eligible.

If a new vendor has the minimum of five (5) employees and the District currently

has twenty (20) eligible vendors, then the District will review the list of eligible vendors with less than five (5) employees for the purpose of selecting the vendor with the least amount of employees to discontinue.

If a new vendor has the minimum of five (5) employees and the District currently has twenty (20) eligible vendors with the minimum of five (5) employees, then the new vendor will have to wait until one of the District's current eligible vendors falls below the minimum of five (5) employees and is discontinued.

2. Loss of Vendor Eligibility

A vendor may become ineligible if it fails to comply with the vendor agreement or is selected to be discontinued by the District. In the event of either of these contingencies, the vendor will be notified and given a reasonable period to correct the cause of the disqualification. Employees with current contributions to such vendors will receive copies of such notices.

3. Remittance by District

Salary reductions made pursuant to a valid salary reduction agreement will be mailed to the appropriate, eligible vendor within five (5) business days after the salary reduction is taken.

#### DISTRICT RESPONSIBILITY

1. The District shall annually review the TSA program and DC Program for nondiscrimination compliance.
2. The District shall notify all eligible employees of the TSA program and DC Program upon employment and periodically provide the list of vendors to all eligible employees.
3. The District shall notify employees whose salary reductions may not be in compliance with the Internal Revenue Code Sections or this Policy and advise the employee to review the salary reduction agreement and maximum exclusion allowance calculations.
4. The District makes no representation to the employee regarding the advisability, appropriateness or tax consequences of a salary reduction agreement, participation in a tax sheltered annuity, or the vendor which issues the annuity contract or which invests the employee's salary reduction funds.
5. No action taken by the District under this program shall be construed to create a trust of any kind or a fiduciary relationship between the District and the employee, any designated beneficiary or any other person.
6. The District makes no warranty or representation to the employee that any annuity contracts or investments offered by eligible annuity vendors are qualified under Section 403(b) or Section 457 of the Internal Revenue Code Sections.

#### ADMINISTRATIVE AUTHORITY

The Superintendent or designee shall be authorized to act for and on behalf of the Board of Education to enter into salary reduction agreements, vendor agreements and take such steps as are appropriate to assure compliance with this Policy and the Internal Revenue Code Sections.

Legal Reference:

Cross Reference:

Approved:

Revised: January 27, 2004