FILE: DLBA

MEDFORD AREA PUBLIC SCHOOL DISTRICT

DATE ADOPTED:	**October 17, 2002**	**FILE SECTOR:**	**FISCAL MANAGEMENT**
DATE REVISED:	**October 21, 2004**	**POLICY TITLE:**	**DEFERRED COMPENSATION**
DATE REVISED:	**November 15, 2007**		**VENDORS - 403(b) & 457(b)**

403(b)

Plan

The Medford Area Public School District offers a 403(b) Plan to help employees save money for retirement. The 403(b) Plan is a type of tax-deferred retirement savings program. Future benefits from the 403(b) Plan will reflect the amount of a participant's voluntary salary deferral contributions plus earnings. Vesting is immediate. Whether employees choose to participate in the Plan is entirely voluntary.

Although the Plan is offered by the District, the Plan is not established or maintained by the District for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Accordingly, the Plan and the District are not subject to ERISA.

Participation

Every District employee is eligible to participate in the Plan, with the exception of (a) non-resident aliens, (b) those who do not have sufficient income to be eligible to contribute at least $200 per year or (c) those who regularly work under 20 hours per week for the District. To participate, employees need only: (1) fill out a Salary Reduction Agreement and (2) select the investment desired from a variety of mutual funds, from the list of District approved vendors. Employees are limited to changing their salary reduction amount to a maximum of five (5) changes per calendar year. However, employees may cease contributions at any time.

Vendors

Employees can invest deferral monies in a variety of different investment options. The Vendors through which the investment vehicles are available are approved by the District. Beginning September 1, 2007, employees may only invest new deferral monies in those Vendors who have agreed by contract to conduct business with the District and the Plan. These Vendors are listed on the Approved Vendor List available from the District Office. After September 24, 2007, employees will no longer be permitted to transfer assets to accounts of Vendors outside of the Plan; only those transfers received by District-Approved Vendors will be permitted.

457(b)

Plan

The Medford Area Public School District (the "District") allows its employees to participate in the Wisconsin Deferred Compensation Plan (the "Plan"). Whether employees choose to participate in the Plan is entirely voluntary.

The Wisconsin Department of Employee Trust Funds ("ETF") maintains the Plan in compliance with Internal Revenue Code §457(b). The Plan is not established or maintained by the District for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Accordingly, the Plan and the District are not subject to ERISA.

Participation
To participate in the Plan (or to change an existing contribution election), employees must provide the District with a signed Salary Reduction Agreement. Employees must choose the whole dollar amount that employees wish to contribute each payroll period. The Agreement must be signed by the employee and returned to the District before the start of the payroll period when the election or change will become effective. The employee can always decide to stop contributing to the Plan–such changes must also be made, in writing, using a Salary Reduction Agreement.

ETF may require additional paperwork to be completed in order to participate in the Plan.

Vendors
ETF selects the investment vehicles that are available under the Plan. There are a variety of investment options ranging from conservation to aggressive. It is entirely up to the employee to determine which approved Vendor and investment options to use, provided that a Vendor must also agree to certain limitations that ETF and the District applies to all Vendors. Additional information on investment options and Vendors is available from ETF at www.wdc457.org.

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403(b)

Tax Treatment
The District intends to ensure that the Plan is qualified for preferential tax treatment under Internal Revenue Code ("IRC") §403(b). There are two ways employees can elect to have a portion of their current pay saved and invested via salary deferral. Employees may contribute pre-tax 403(b) deferrals and/or Roth after-tax 403(b) deferrals.

- **Pre-tax Deferrals.** Because employees do not have to pay taxes on the amount contributed to a 403(b) plan for the year in which it was contributed to the plan, investing in a 403(b) plan can lower the overall tax burden–at least in the present. Employees can defer the income tax on their contributions until they begin making withdrawals from their account–typically when they retire. The earnings on the account also grow tax-free until withdrawal. Contributions to the 403(b) Plan are reported annually on employees W-2 forms, but are not included in income subject to taxation. Employees 403(b) contributions are deducted from employees gross salary and income taxes are calculated on the remaining pay.

- **Roth after-tax deferrals.** With Roth deferrals, employees must pay current income tax on their deferral contribution. This means the amount that is deferred under the Roth portion of the 403(b) Plan is subject to income taxes in the year of the deferral, but the deferral amount and its earnings are distributed tax-free if certain conditions are met. These conditions are met if employees follow the distribution rules of the Plan and at least 5 years have passed between the first Roth deferral and the date of the first distribution.

As described below, there are legal restrictions that limit how much employees can contribute to the Plan each year. The Business Office may need to ask employees for information to show that the contributions are within these limits. Employees should consult with their own investment, tax and/or legal advisor about the ability to participate in the Plan. The District cannot provide employees with this type of advice.

Salary Reduction Agreements
To participate in the Plan (or to change an existing contribution election), employees must provide the District with a signed Salary Reduction Agreement. Employees must choose the whole dollar amount that they wish to contribute each payroll period. The Agreement must be signed by the employee and returned to the District before the start of the payroll period when the election or change will become effective.

Contributions and Limitations
Employees may choose how much of their salary to contribute to the Plan, the contribution must comply with all of the following legal limitations:

1. **Annual Deferral Limitation**
   The first limitation applies to all elective deferrals (both pre-tax and Roth added together) from the employees salary to this Plan. Elective deferrals are contributions that are made instead of receiving all of the pay at that time. The elective deferrals under this Plan are not considered in conjunction with deferrals made under the 457 Plan of the District.

2. **Special Catch-up Contribution**
   If employees have worked for the District for at least 15 years and have not contributed all of the excess contributions available under this, employees can elect to make "catch-up" contributions, in addition to the salary deferrals employees may otherwise be eligible for. The following box summarizes the rules that apply to "catch-up" contributions: