

Wisconsin Deferred Compensation - 457 (b) Plan

Medford Area Public School District

124 West State Street

Medford, WI 54451

Phone: 715-748-4620

Fax: 715-748-6839

www.medford.k12.wi.us

Investing in Your Future

Your Plan

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

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.

Tax Treatment

The ETF, not the District, is responsible for maintaining compliance with §457(b). If the Plan maintains its tax preferred status, you will not pay income tax on the money that you elect to save or on your investment earnings until you take your money out of the Plan.

Contributions to the 457(b) Plan are reported annually on your W-2 forms, but are not included in income subject to taxation. Your 457(b) contributions are deducted from your gross salary and income taxes are calculated on your remaining pay.

As described below, there are legal restrictions that limit how much you can contribute to the Plan each year. Someone from the District may need to ask you for information to show that your contributions are within these limits.

You should consult with your own investment, tax and/or legal advisor about the ability to participate in the Plan. The District cannot provide you with this type of advice.

Participation

To participate in the Plan (or to change an existing contribution election), you must provide the District with a signed Salary Reduction Agreement. You must choose the whole dollar amount that you wish to contribute each payroll period. The Agreement must be signed by you and returned to the District before the start of the payroll period when your election or change will become effective. You 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 conservative to aggressive. It is entirely up to you to determine which approved Vendor and investment options you want 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.

Contributions and Limitations

While you may choose how much of your salary you wish to contribute to the Plan, your contribution must comply with all of the following legal limitations:

1. Annual Deferral Limitation

The first limitation applies to all of your elective deferrals from your salary to this Plan. Elective deferrals are contributions that you make instead of receiving all of your pay at that time. The elective deferrals under this Plan are not considered in conjunction with deferrals you make under the 403(b) Plan of the District.

For the 2016 tax year, all of your elective deferrals to this and all other plans cannot exceed \$18,000 per calendar year (unless you qualify for one of the catch-up contributions described below). This limit will be adjusted annually thereafter by the IRS.

2. “Last Three-Year” Catch-up Contribution

In addition, may be eligible to contribute more than the elective deferral limit. For any one or more of your last three (3) taxable years before your normal retirement age, you may make additional contributions to the Plan. The amount of additional contributions will be the lesser of:

- (a) two times the amount of elective deferrals allowed; or
- (b) the amount of the elective deferral allowed plus any portion of the elective deferral which was allowed but which you did not contribute.

<p><u>Example</u> 3 Year Rule (As of January 2016)</p> <p>If you will be 65 in 2019, you may contribute the lesser of the following in 2016:</p> <ul style="list-style-type: none">(a) \$36,000; or(b) \$18,000 plus underutilized basic annual limit in prior years

3. “50 and over” Catch-up Contribution

A participant age 50 or over (by the end of the calendar plan year) may defer additional amounts to the Plan as an additional “catch-up” contribution. For 2016, the additional catch-up contribution is \$6,000. Please Note: This adjustment does not apply in any year in which the participant utilizes the “Last Three-Year” Catch-Up described above. If you are eligible for both Catch-Up contributions, you may only use the one that provides the greater deferral opportunity. You should work with ETF and your own advisor to determine which deferral adjustment to utilize.

ETF also establishes its own rules to comply with these limitations and certain state law requirements.

Distributions

You will be eligible for distributions from the Plan under the following circumstances:

- (a) Separation from Employment with the District;
- (b) Attainment of age 70 ½; or
- (c) In the event of a financial hardship due to an unforeseeable emergency.

Hardship Withdrawal

In the event of an unforeseeable emergency, a Participant or Beneficiary may request a distribution of his or her benefits at any time.

Benefits paid under a Hardship Withdrawal shall be limited strictly to the amount necessary to meet the unforeseeable emergency constituting financial hardship. Such a financial hardship must first be relieved by: (1) Reimbursement from insurance; (2) liquidation of Participant's assets not held in the Plan; or (3) by cessation of deferrals under the Plan.

A Participant's deferrals will automatically be terminated upon approval of a Hardship Withdrawal and the Participant must wait six months before re-enrolling in the Plan.

For more information about what constitutes an unforeseeable emergency, please contact the District or ETF.

For more Information and Forms: Call 715-748-4620 x526

CAUTION

The information in this leaflet summarizes the terms of the District's 457(b) Plan and the Internal Revenue Code as of January 1, 2016, and is not to be constructed as legal, tax or investment advice. This leaflet cannot, and does not, alter the terms of the Plan or the law. Changes in the Plan or the law hereafter may change this summary. Please consult with your accountant for additional information.