

## FREQUENTLY ASKED QUESTIONS ABOUT TAX-DEFERRED ANNUITIES FOR ADMINISTRATIVE STAFF AND FACULTY

### Q. What is a Tax-Deferred Annuity (TDA)?

A. Under the IRS Code 403(b) or 403(b)(7), you are permitted to set aside retirement funds on a tax deferred basis in addition to the amounts being contributed by the College to your regular retirement account. These voluntary salary reductions are sheltered from Federal and State taxes. (Money directed through salary reduction into one of these accounts is is subject to Social Security (FICA) taxation.)

### Q. What are my options for TDAs?

A. All benefits-eligible employees may enroll in a TDA plan with either TIAA-CREF SRA, Fidelity or Calvert.

### Q. What do I have to do to start a tax-deferred annuity account?

A. If you have never had a tax-deferred annuity account, you will need to complete an application for the account to which you want your money directed as well as a reduction agreement, which will allow the College to deduct this money from your pay. Application packets and reduction agreement forms are available in The Human Resources Office. For further assistance with this process, please call x2212.

### Q. Is there a maximum amount by which I may reduce my pay?

A. The amount that may be sheltered is governed by IRS guidelines. However, as a result of the Tax Reform Act and the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), that process has been greatly simplified. The former MEA (maximum excludible allowance) was eliminated, as well as Alternative limits A, B, and C. The contribution amount is now limited only by the IRS 402(g) limit, which will be **\$15,500 in 2008**. Employees may contribute up to \$15,500 in 2008 (or their entire salary, whichever is lower) to a tax-deferred annuity. Employees wishing to contribute more than \$15,500 can take advantage of catch-up provisions that specify higher limits if the employees are age 50 or older or have 15 or more years of service. Employees who are 50+ can annually make additional "catch-up" contributions as follows:

<b>Year</b>	<b>402(g) limit</b>	<b>Over 50 Catch-Up Amount</b>
2002	\$11,000	\$1,000
2003	\$12,000	\$2,000
2004	\$13,000	\$3,000
2005	\$14,000	\$4,000
2006	\$15,000	\$5,000
2007	\$15,500	\$5,000
<b>2008</b>	<b>\$15,500</b>	<b>\$5,000</b>

### Q. How often may I make changes to my salary reduction agreement?

A. The laws about this have changed. Since August of 1996, more than one salary reduction agreement may be entered into in a calendar year, as long as the employee does not exceed the maximum permissible reduction amount.

### Q. Is there a deadline for TDAs to be effective the first of any month?

A. Yes. The deadline for salary reduction agreements for both new and existing TDA Accounts is the 15th of any month in order to be effective on the first of the following month.

**Q. How does the match work?**

A. The College will match amounts of 1% or more, up to 3% of your salary in additional contributions. For those who already contribute to existing tax-deferred annuities (TDAs) through Wellesley College, those contributions will count towards the College's matching amounts. Others may open a new TDA with TIAA-CREF, Fidelity or Calvert in order to qualify for the College's matching funds. The match will occur in even increments up to 1% as follows:

<b>Employee Voluntary Contribution</b>	<b>College Match</b>
1%	1/3 of 1%
2%	2/3 of 1%
3%	1%

The employee contribution will be made to the employee's own tax-deferred annuity (TDA), either with TIAA-CREF's Group Supplemental Retirement Annuity (GSRA) or to the Supplemental Retirement Annuity (SRA) (for those with older supplemental accounts) or to Fidelity or Calvert. The employer contribution will be made to the employee's own TIAA-CREF Regular Retirement Account. Employees are fully and immediately vested in the benefits arising from contributions made under the Plan, meaning that the employee owns the contributions and they are non-forfeitable.

In summary, employees who take full advantage of the match will be able to receive an additional 1% contribution from the College to their Regular Retirement Accounts.

**Q. If I contribute 1.5% to a tax-deferred annuity, how much will the College contribute?**

A. The College will contribute 1/3 of 1%.

**Q. If I have a tax-deferred annuity with Fidelity or Calvert, will I get the match?**

A. Yes. The College's match will go into your TIAA-CREF Regular Retirement Account, while your contributions go to Fidelity or Calvert.