

## POLICY 2051

### Deferred Compensation/Tax Sheltered Annuity Programs

- A. In addition to the requirements listed in this Policy, deferred compensation and tax shelter annuity programs must meet the requirements of [Policy 2050 Payroll Deductions](#).
- B. The Board of Education, as a service to employees, will make available “Deferred Compensation or Tax-Sheltered Annuity Programs” to the extent and within the limits herein described. It is the desire of the Board that employees have an opportunity to invest in a range of qualified and reliable programs. It is the intent of the Board that such programs be provided by sound companies who offer their best products through agents with a demonstrated commitment to serving their clients. The purpose of these programs is to provide a retirement supplement, and employees are encouraged to carefully consider programs and select sound and reliable products.
  - 1. The Board of Education will allow for payroll deductions from no more than five (5) deferred compensation program(s) or tax-sheltered annuity(ies) (e.g., 401k, 403b, or 457) as described under provisions of the U.S. Internal Revenue Guidelines. When the existing number of programs drops below the five allowed a committee (see paragraph C) determine which new program to add.
  - 2. The 403b programs provided to its employees by the Box Elder School District are hereby modified to permit each employee, in addition to the investment options currently available, to purchase life insurance on his or her life with amounts contributed to the plan or already held under the plan to the extent permitted under the incidental death benefit rules developed by the Internal Revenue Service with reference to such purchases. Such a purchase shall be permitted only if the employee establishes a trust agreement which contains the restrictions on distributions required under section 403b of the Internal Revenue Code, and further restricts the trustee from borrowing from any life insurance policy held in the trust, or surrendered the policy or otherwise distributing its value to the participant prior to the time permitted under the Internal Revenue Code for distributions from a 403b plan. The trust agreement must also require that the policy be surrendered or distributed to the participant at or before his or her retirement.
  - 3. The board does not and will not warrant either the purported tax benefits or the financial soundness of any individually selected plan, nor the validity of adopted payroll procedures, as they relate to deferred compensation or tax-sheltered annuity programs.

4. Responsibility for the selection of a specific program, maintaining individual tax records, determination of the amount of premium payments excludable from gross income and filling and proving tax returns, will rest solely upon each individual employee concerned and the applicable company. Inquiries other than those concerned with payroll matters will be directed to the appropriate companies.
5. Each agreement will be accompanied by:
  - a. A signed statement by an authorized company representative that “to the best of his/her knowledge and belief the requested program is qualified for tax exemption benefits under provisions of the appropriate IRS Guidelines.”
  - b. A second statement signed by both the individual employee and the company’s agent setting for the details of the tax credit computation, based on data furnished by the employee.

#### C. Eligibility of Companies

1. A committee consisting of a representative from each of the employee associations, a representative from the Personnel Office and the Business Administrator (the committee) will determine which vendor(s) may be eligible to become a “participating” company. The committee may establish selection criteria they deem appropriate and in accordance with paragraph B shown previously.
2. Vendor(s) providing such products must have an A.M. Best rating or A+ or better or similar rating from Barron’s Annual Review or Morningstar.
  - a. Participating companies will provide:
    - 1) To each participating employee directly, a report setting forth the financial status of his/her account not less than annually.
    - 2) To the payroll department a monthly billing listing the names of employees, the amount of the deduction, and total amount to be remitted to the company.
  - b. Companies who fail to comply with provisions in C.1. and C.2.a. above will have 30 days to comply; if they still fail to comply, the company’s “participating” status will be revoked.

#### D. Agents

1. The committee will, at its sole discretion, designate an “agent of record” for any eligible company, program, or product.

2. Agents of record will furnish a complete disclosure of the fees or commissions that may be paid for every program or product offered upon the request of district employees. Agents who fail to respond to the needs of the district or its employees or participate in any unethical activities will be denied “agent of record” designation at the sole discretion of the committee. Any unethical activities will also be reported to the appropriate regulatory agencies.
3. The committee may also require documentation of appropriate disclosure of commissions, fees, and administrative changes, or any switching or replacement of products. The form of such disclosures will be approved by the committee.