

**Eugene School District 4J
Classified Employees
403(b) TSA Program**

This handout was made available at two meetings of Classified employees at Eugene School District 4J on April 13, 2006. A presentation was made by Harvey Carruth of Carruth Compliance Consulting, Inc. and the Power Point slide show is available on the web at the following URL:

<http://www.ncompliance.com/client/eugene/ee-info/classified-employees-presentation-04-13-2006.htm>

District Vendor Fairs are to begin on May 9, so the presentation and this handout were designed to be helpful to employees as they evaluate their options for supplemental retirement savings.

Every Classified employee should seriously consider participating in the Mandatory Employee Contribution and District Paid Contribution program beginning July 1, 2006. It is mandatory that the employee contribute .625% of pay in order to be eligible for a District Paid Contribution of 1.25%, twice the size of the Employee Contribution.

In addition, employees **MAY** elect to contribute additional amounts on a tax-deferred basis, over and above the mandatory .625% required for District Paid Contributions of 1.25%. Additional contributions are **OPTIONAL**.

Mandatory Employee Contributions and District Paid Contributions may only be invested in the funds of the following three Vendors:

AIG VALIC (Fixed and Variable Annuity Products Only)
ING Life Insurance and Annuity Company (Fixed and Variable Annuity Products Only)
American Century (Mutual Fund Custodial Account Products Only)

Optional additional employee contributions may be invested in the funds of any of the twenty Vendors on the Authorized Vendor List for the Regular 403(b) TSA Program, including the three Vendors specified above. The full list of twenty Vendors is available at the following web URL:

http://fsweb.lane.edu/docs/pdf/pr_tsalist.pdf

Much useful information is available on the Carruth Compliance Consulting (CCC) website at:

<http://www.ncompliance.com>

Some questions you might ask as you discuss investment options with Vendor representatives are as follows:

1. Are there early withdrawal penalties? If there are and you decide that you are dissatisfied with investment performance, there may be severe penalties for transferring to another Vendor.
2. What are the fees and/or loading charges (front-end, back-end, etc.)? High fees can result in unsatisfactory investment performance, but sometimes high-fee funds are so well managed that you come out ahead anyway.
3. What are the agent commissions? Be alert for agent encouragement to transfer funds out of your current account(s) into theirs, especially if there are early withdrawal penalties on your existing accounts.

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Illustrations – 15% Federal Tax Bracket – No Voluntary Contribution				
Gross Pay	.625% Mandatory Contribution	1.25% District Paid Contribution	Total Contribution	Reduction in Take-Home Pay *
\$1,000	\$6.25	\$12.50	\$18.75	\$5.47
\$2,000	\$12.50	\$25.00	\$37.50	\$10.94
\$3,000	\$18.75	\$37.50	\$56.25	\$16.41
\$4,000	\$25.00	\$50.00	\$75.00	\$21.88

* Approximate, based on a 10% Federal withholding rate and a 9% Oregon withholding rate.

Illustrations – 25% Federal Tax Bracket – No Voluntary Contribution				
Gross Pay	.625% Mandatory Contribution	1.25% District Paid Contribution	Total Contribution	Reduction in Take-Home Pay **
\$1,000	\$6.25	\$12.50	\$18.75	\$4.44
\$2,000	\$12.50	\$25.00	\$37.50	\$8.88
\$3,000	\$18.75	\$37.50	\$56.25	\$13.32
\$4,000	\$25.00	\$50.00	\$75.00	\$17.76

** Approximate, based on a 20% Federal withholding rate and a 9% Oregon withholding rate.

Illustrations – 15% Federal Tax Bracket – With 10% Additional Voluntary Contribution					
Gross Pay	Additional Voluntary Contribution	.625% Mandatory Contribution	1.25% District Paid Contribution	Total Contribution	Reduction in Take-Home Pay *
\$1,000	\$100.00	\$6.25	\$12.50	\$118.75	\$86.06
\$2,000	\$200.00	\$12.50	\$25.00	\$237.50	\$172.13
\$3,000	\$300.00	\$18.75	\$37.50	\$356.25	\$258.19
\$4,000	\$400.00	\$25.00	\$50.00	\$475.00	\$344.25

* Approximate, based on a 10% Federal withholding rate and a 9% Oregon withholding rate.

Illustrations – 25% Federal Tax Bracket – With 10% Additional Voluntary Contribution					
Gross Pay	Additional Voluntary Contribution	.625% Mandatory Contribution	1.25% District Paid Contribution	Total Contribution	Reduction in Take-Home Pay **
\$1,000	\$100.00	\$6.25	\$12.50	\$118.75	\$75.44
\$2,000	\$200.00	\$12.50	\$25.00	\$237.50	\$150.88
\$3,000	\$300.00	\$18.75	\$37.50	\$356.25	\$226.31
\$4,000	\$400.00	\$25.00	\$50.00	\$475.00	\$301.75

** Approximate, based on a 20% Federal withholding rate and a 9% Oregon withholding rate.