



TOWN OF BELLINGHAM

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Notice to Employees Regarding Changes to 403b/TSA Plans

On July 26, 2007 the Internal Revenue Service (IRS) approved the first major overhaul of 403(b) programs in more than four decades. New regulations for 403(b) programs have been published with a general effective date of January 1, 2009. These rules are aimed at bringing 403(b) programs more closely into line with other salary reduction retirement –savings programs, which limit the number of investment providers and require employers to take a greater responsibility for these plans.

According to informed sources, although the general effective date of the final regulations is January 1, 2009, one area of the new final regulations does take effect September 24, 2007. This area involves voluntary employee initiated transfers from one 403(b) provider to another 403(b) provider. These sources have indicated to school districts that if an employee initiates a transfer between providers after September 24, 2007 and certain requirements are not met, that employee's account and all 403(b) accounts maintained by the employee with the employer may be disqualified and subject to applicable taxes under the new 403(b) regulations.

Exchanges Processed After September 24, 2007:

If you are planning to transfer money from one 403(b) provider to another, prior to making the transfer, please check with the Chief Financial Office (508-657-2807) to make sure the company to which you are transferring will be part of our approved vendor list and is willing to sign an Information Sharing Agreement with our district.*

*Exchanges are subject to new restrictions that require the receiving product provider have in place a written Information Sharing Agreement with the employer that is sponsoring the 403(b) plan to share certain compliance related information. The district has until January 1, 2009 to actually establish the Information Sharing Agreement with the receiving companies and to establish a written plan document that permits such transfers. In addition, the Information Sharing Agreement must be retroactive to include any exchanges processed after September 24, 2007. Failure to have an Information Sharing Agreement in place by January 1, 2009 could create adverse tax consequences for your account.

This message is offered merely as a courtesy to our affected employees and does not constitute tax or legal advice. You are officially advised to consult a tax or legal expert to obtain appropriate advice on this and any other 403(b) matters.