

Universal Availability Notice

Southern Illinois University Carbondale - 403(b) & 457(b) Plans

This notice contains some general information related to SIUC's Supplemental Retirement 403(b) Plan and the State of Illinois' 457(b) Deferred Compensation Plan. The Plans are a supplement to the State Universities Retirement System (SURS) pension.

Go to the [HR Benefits webpage](#) for more detailed information, a copy of the Plan Documents, and enrollment directions.

What is the 403(b) Plan?

The Supplemental Retirement 403(b) Plan is a tax-deferred retirement plan designed for employees of public schools and certain other tax-exempt organizations, similar to a 401(k). The Plan allows any SIUC employee, except student employees exempt from FICA, to save and invest for their retirement by voluntarily making contributions through payroll deduction on a pre-tax basis.

Approved Vendors

A list of the current approved vendors under the 403(b) Plan can be found [here](#). You should contact the vendor representative for information about the Plan investment options and services it offers.

Contributions and earnings on those contributions accumulate tax free until distributed from the 403(b) Plan. A participant can receive a distribution from the Plan at termination of employment, death, disability, age 59 ½ or financial hardship. A 10% early withdrawal penalty may apply if a participant requests a distribution before age 59 ½.

What is the Deferred Compensation Retirement Plan 457(b)?

The State of Illinois Employees' Deferred Compensation Plan is a supplemental retirement plan for state employees. Eligible employees may voluntarily make contributions to the Deferred Compensation Plan through payroll deduction on either a pre-tax or after-tax basis.

Pre-tax: Contributions and earnings accumulate tax-free until distributed from the Deferred Compensation Plan. A participant can receive a distribution from the Plan at termination of employment, death, or financial hardship. No early withdrawal penalty applies.

After-tax Roth: The Roth provision allows employees to make after-tax contributions to their account. Roth contributions provide a different tax advantage for retirement savings compared to traditional before-tax contributions. The balance of Roth contributions and any earnings are not taxed at the time of a qualified distribution.

Visit the Central Management Services (CMS) [Deferred Compensation](#) website for more detailed information.

Employees can choose to contribute to both 403(b) and 457(b) plans.

Contributions

When you enroll in either of the Plans, the amounts you designate as salary deferrals are withheld from your compensation and forwarded to the investment provider of your choice. With pre-tax contributions, both federal and state income taxes are deferred on the contributions and any earnings thereon until distributed from the Plan.

Contribution Limits

Annual contribution to the Plans are limited per IRS regulations. For 2019, the basic limit increased by \$500 to a maximum of \$19,000 for both the 403(b) and 457(b) plans. Employees age 50 or older can elect to defer an additional \$6,000 for the year, for a total maximum deferral of \$25,000. An employee can contribute up to the limit for each Plan.

Enrollment & Changes to Your Deferral Election

You may begin participating in the Plans at any time, as well as increase, decrease or stop your contributions to the Plans.

To enroll in the 403(b) Plan, complete both (1) an approved vendor's application to open an account and (2) a [Salary Reduction Agreement \(SRA\)](#) to elect the contribution amount. Contributions can be a percent of your salary or a flat dollar amount (whole dollars). Your contribution will continue until the SRA is modified or revoked.

To enroll in the 457(b) Plan, complete both (1) the [enrollment form](#) to open the account and elect your contribution amount and (2) the [beneficiary designation form](#).

Benefits

Participating in either the 403(b) or 457(b) plan can provide a number of benefits, including the following:

Lower taxes today

You contribute before income taxes are withheld, which means you're currently taxed on a smaller amount. This can reduce your current income tax bill. For example, if your federal marginal income tax rate is 25% and you contribute \$100 a month to a 403(b) plan, you've reduced your federal income taxes by roughly \$25. In effect, your \$100 contribution costs you only \$75. The tax saving increases with the size of your 403(b) contribution.

Tax-deferred growth and compounding interest

In a 403(b) or 457(b) plan, your interest and earnings accrue tax deferred. That means interest on your interest also grows tax deferred. The compounding interest can allow your account to grow more quickly than saving in a taxable account where interest and earnings are generally taxed each year.

Additional Savings

Contributing to a 403(b) or 457(b) retirement plan can help you take control of your future. These savings will supplement your SURS pension benefit and/or Social Security, if applicable.

What are the benefits of Roth Contributions?

Unlike before-tax contributions, Roth contributions are made with after-tax dollars, or money on which you've already paid taxes. The amount you contribute is included in the current income reported to the Internal Revenue Service (IRS) and on which you pay taxes. It's important to note that when you make Roth contributions, the amount of take-home pay in your paycheck will be less than when you make before-tax contributions. The good news is that the balance of your Roth contributions and any earnings are not taxed when you take a qualified distribution. The bottom line: You can potentially maximize your spendable income in retirement, even if it means giving up before-tax advantages now.

More information

Contact the Human Resource Benefits Office if you have additional questions, or for help enrolling in the Plan.

HR Employee Benefits

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