

# TEXAS SCHOOL FOR THE DEAF

## INSURANCE AND ANNUITIES MANAGEMENT DEFERRED COMPENSATION AND ANNUITIES

CRG

### DEFERRED COMPENSATION

For the purposes of deferred compensation programs, TSD is an agency of the State of Texas, and as such, participates in the State's Deferred Compensation Program which is administered by the Texas Employees Retirement System and which operates in accordance with Chapter 609, Subchapter C, Government Code.

#### **Gov't Code Ch. 609**

### ANNUITIES

Under the Texa\$aver<sup>SM</sup> Program there are two types of deferred compensation plans available: a 401(k) and a 457.

### 401 (K) PLAN

The 401(k) plan allows an employee to defer from 1 percent to 99 percent of 401(k) eligible compensation, with a minimum of 1 percent per month contribution (the maximum contribution amounts are established each year by the Internal Revenue Service (IRS)). An employee who has attained the age of 50 or over may defer more to the plan than younger employees but may not exceed the yearly maximum set by the IRS. This plan allows an employee to borrow against these funds, as well as roll them over to another investment vehicle such as an individual retirement account.

An employee who begins state employment on or after January 1, 2008, automatically participates in a 401(k) plan unless the employee elects not to participate in the plan. The contribution is made by automatic payroll deduction and represents 1 percent of an employee's pay. Unless otherwise directed by the employee, this contribution is placed in a default investment product selected by the Board of Trustees for ERS.

An employee participating in a 401(k) plan under this legislation may elect to end participation in the 401(k) plan, to contribute to a different investment product, or to contribute a different amount to the plan.

### 457 PLAN

The 457 plan is a voluntary retirement plan that allows an employee to defer a dollar amount of his/her salary toward retirement savings and pay taxes later on the contributions and earnings at the time of withdrawal. The employee decides how to invest his/her contributions among choices offered in the plan and must elect a dollar amount for a 457 plan with a minimum of \$20 per month. As with the 401(k) plan, an employee aged 50 and over may defer more to the plan than younger employees but may not exceed the yearly maximum set by the IRS. This plan allows an employee to borrow against these funds, as well as roll them over to another investment vehicle such as an individual retirement account.