

# Portland Public Schools 403(b) Plan

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PPS/CCC\* 403(B) PLAN WEBSITE: [WWW.NCOMPLIANCE.COM](http://WWW.NCOMPLIANCE.COM)

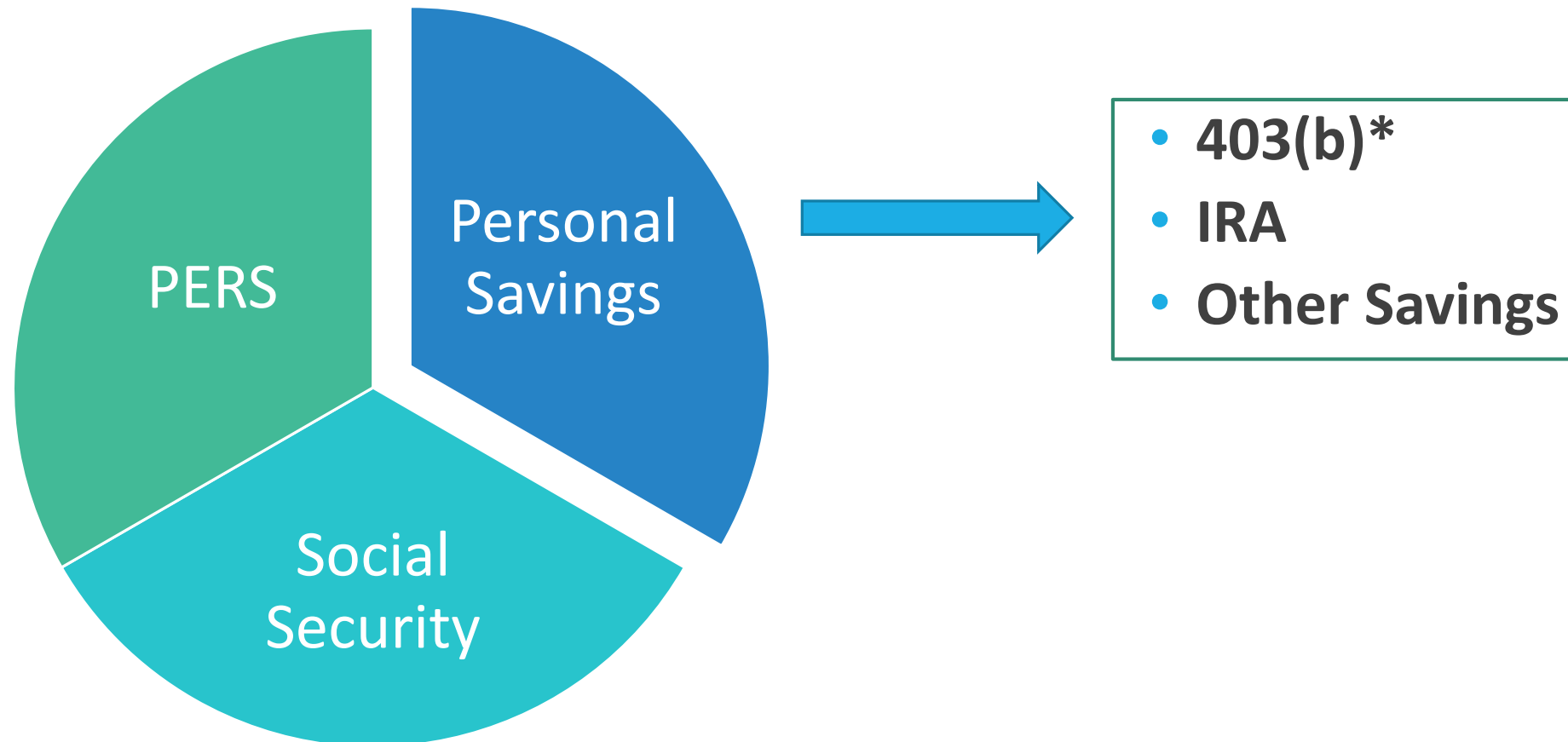
CCC helps PPS administer the 403(b) program -- Call CCC at 503-968-8961 with any questions

# 403(b) Audience

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- **Who is Eligible?**
  - Any PPS staff member with earned income
- **What is a 403(b) Plan?**
  - 403(b) Plans are voluntary supplemental retirement savings plans designed to supplement retirement benefits available from State pension plans and Social Security
- **What Contributions Types Are Offered?**
  - Pre-tax 403(b)
  - Roth 403(b)

# Use 403(b) to Increase Retirement Savings



\*Similar to a 401k.

# 403(b) Tax Benefits Illustration



<u>403(b) Roth</u>	
Salary	\$100
<u>Taxes (@20%)</u>	<u>(\$20)</u>
Contribution to 403(b)	\$80
Investment Earnings (@100%)	\$80
<u>Taxes (0% for Roth)</u>	<u>\$0</u>
Net Investment Earnings	\$80
Total After Tax \$ for Retirement	\$160

<u>403(b) Traditional</u>	
Salary	\$100
<u>Taxes (0% for Pre-Tax 403(b))</u>	<u>\$0</u>
Contribution to 403(b)	\$100
Investment Earnings (@100%)	\$100
Total Pre-Tax Amount in Account	\$200
<u>Taxes (@ 20%)</u>	<u>(\$40)</u>
Total After Tax \$ for Retirement	\$160

<u>Personal Savings Account</u>	
Salary	\$100
<u>Taxes (@20%)</u>	<u>(\$20)</u>
Deposit to Savings Account	\$80
Investment Earnings (@100%)	\$80
<u>Taxes (@ 20%)</u>	<u>(\$16)</u>
Net Investment Earnings	\$64
Total After Tax \$ for Retirement	\$144

# 403(b) Summary

<b>IRS Annual Contribution Limits (2022)</b>	\$20,500, under age 50 \$27,000, age 50 or older
<b>Special 15 Years of Service Catch-up Limit</b>	Up to \$3,000 per year (\$15,000 lifetime max)
<b>Pre-tax Deferrals</b>	Yes
<b>Roth After-tax Deferrals</b>	Yes
<b>Investment Options</b>	Mutual Funds and Annuities from 10+ Investment Product Providers
<b>Distributions*:</b> Based on Severance	Yes
Based on Age	at 59 ½
Based on Hardship	Yes
<b>Loans</b>	Yes
<b>Purchase Service Credit Transfers</b>	Yes

*\*Early withdrawal penalty of 10% before age 59 ½ unless due to disability, death or separation of service after age 55.*

# Pre-Tax Deferral vs. Roth (Pay Now or Pay Later)



	<b>Pre-tax 403(b)</b>	<b>Roth 403(b)</b>
Employee contributions	Pre-tax dollars	After-tax dollars
Employee withdrawals	Taxable upon withdrawal	Tax-free upon withdrawal*

\*Qualified Distribution required for tax-free investment gains:  
(Reach age 59.5, and, Roth 403(b) account has been opened for 5 years)

# Roth Benefits & Considerations

<p><b>Tax Flexibility in Retirement</b></p>	<p><b>Combined Roth &amp; Pre-Tax 403(b) Contributions Limit* (2022: \$20,500 + \$6,500 Age 50 Catch-Up)</b></p>
<p><b>Roth Contributions <u>Not</u> Available Under All Vendors or Plans</b></p>	<p><b>Higher Limits than Roth IRA (2022: \$6,000 + \$1,000 Age 50 Catch-Up)</b></p>

# 403(b) Vendor Comparison



Vendor (Investment Provider)	Products Offered		Type of Financial Advisor used to Educate Employees on Products and Services Offered			Commissions or Sale Charges? <sup>1</sup>	Roth
	Mutual Funds	Annuities	Company Affiliated Representative	Independent (work with multiple Vendors)	Do-It-Yourself (no financial advisor)		
American Funds	✓			✓		✓	
Equitable (AXA)		✓	✓			✓	✓
Fidelity	✓				✓		✓
Invesco	✓			✓		✓	✓
Security Benefit	✓	✓		✓		✓	✓
Vanguard	✓				✓		✓
Voya VRIAC		✓	✓			✓	✓

1. Typically all products are subject to account administration fees and investment management expenses. Some annuity contracts may have surrender charges.



# 403(b) Vendor Comparison (2)



Vendor (Investment Provider)	Products Offered		Type of Financial Advisor used to Educate Employees on Products and Services Offered			Commissions or Sale Charges? <sup>1</sup>	Roth
	Mutual Funds	Annuities	Company Affiliated Representative	Independent (work with multiple Vendors)	Do-It-Yourself (no financial advisor)		
<b>Penselect (Foresters)</b>	✓			✓		✓	✓
<b>Ameriprise</b>	✓	✓	✓			✓	
<b>AIG (VALIC)</b>		✓	✓			✓	✓
<b>Waddell &amp; Reed</b>	✓		✓			✓	
<b>Lincoln Financial</b>		✓		✓		✓	✓
<b>PlanMember</b>	✓			✓		✓	✓

1. Typically all products are subject to account administration fees and investment management expenses. Some annuity contracts may have surrender charges.

## What Is ESG?

Interest by public plans, foundations and endowments in ESG (environmental, social, and governance) issues has surged in recent years.

ESG is not just about climate change!



# ESG Options Finally Reaching 403(b) Plans

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- ❑ Good interest from employees but they were ahead of 403(b) vendors
- ❑ Equitable, Fidelity, Security Benefit, Vanguard & VOYA offer ESG-branded funds
- ❑ American Funds incorporates ESG across all investments

# 403(b) Life Cycle & CCC Engagement

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- Start Now!**
  - **Make time your friend**
  - **Salary Reduction Agreement (via PeopleSoft)**
  
- Accumulation Phase**
  - **Make changes to address retirement needs**
  - **Make investment & vendor changes / In(de)crease contributions**
  
- 'Decumulation'**
  - **Make spending decisions in retirement**
  - **Distributions, rollovers, loans, PSCTs**

# How to make 403(b) Contributions

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- ❑ **Open an account with a plan Investment Provider.**
- ❑ **Start your contributions through PeopleSoft Employee Self Service.**
- ❑ **Visit CCC website for 403(b) Plan Information**
  - **[www.ncompliance.com](http://www.ncompliance.com)**
  - **Call CCC at 503-968-8961**
  - **Submit a question at:  
<https://www.ncompliance.com/ask-ccc.aspx>**

## The chart below shows the comparison of savings for June and April.

June would have had to contribute much more out-of-pocket for her money to have grown to a million dollars. Her contributions had less time to grow, or compound.

\$300 monthly savings with 10% compounded earnings	April, who started saving early, yielded...			June, who started saving later, yielded...		
	contributions*	total accumulated contributions	account balance	contributions*	total accumulated contributions	account balance
Year 10	\$36,000	\$36,000	\$61,966	\$0	\$0	\$0
Year 20	\$0	\$36,000	\$167,743	\$36,000	\$36,000	\$61,966
Year 30	\$0	\$36,000	\$454,089	\$36,000	\$72,000	\$229,709
Year 40	\$0	\$36,000	\$1,229,236	\$36,000	\$108,000	\$683,798
Year 45	\$0	\$36,000	\$2,022,474	\$18,000	\$126,000	\$1,148,483

\*\$300 a month times number of years

Remember, April contributed \$36,000 in the 10 years she was employed. All subsequent year earnings are based on her initial contributions of \$36,000.

# Tools & Info

## (Links from CCC website)

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- [BrokerCheck](#)
- [Oregon's Insurance Resource Page – Check a License](#)
- [Vendor information & links including Fee Summary](#)
- [Choosing an Investment](#)
- [403\(b\) General Information](#)