



LINCOLN PUBLIC SCHOOLS

MARY ELLEN NORMEN
ADMINISTRATOR FOR BUSINESS AND FINANCE

June 7, 2024

To: Lincoln School Committee
Parry Graham, Superintendent of Schools
From: Mary Ellen Normen, Administrator for Business and Finance
Subject: The Town of Lincoln Public Schools 403(b) Retirement Plan Update

Lincoln Public Schools originally established its 403(b) Retirement Plan for employees in 2009. The plan allows employees to contribute a portion of their paycheck towards retirement on a tax-deferred basis. Since 2009, the plan has undergone periodic updates to keep it compliant with changing regulations. The last major plan update was in 2019. Now in 2024, the school district is proposing to update the plan again to incorporate recent changes from the SECURE 2.0 Act passed by Congress in 2022. The key changes in this proposed 2024 plan update include:

Adding a Roth Option

Currently, employee contributions go into a traditional tax-deferred account. The update will allow employees to also contribute to a Roth 403(b) account option. Roth contributions are made after-tax, but qualified withdrawals in retirement would be tax-free. The Plan currently does not offer this option to employees

Updating Investment Providers

The list of authorized investment providers (companies employees can invest their 403(b) contributions with) will be updated to reflect current names after any company mergers/acquisitions. One new investment provider option will also be added.

| New Vendor Request | Count |
|----------------------|---------|
| Fidelity Investments | Request |

| Approved Vendors | Count |
|-----------------------------|-----------|
| Equitable | 15 |
| Invesco Oppenheimer | |
| Funds | 3 |
| Lincoln Investment Planning | 3 |
| Vanguard Fiduciary Trust | |
| Co. | 17 |
| Victory Capital | 6 |
| Total | 44 |

| Grandfathered Vendors | Count |
|---------------------------|----------|
| Ameriprise Financial | 1 |
| Corebridge Financial | |
| Horace Mann Life Ins. Co. | |
| MetLife | 2 |
| New York Life | |
| Security Benefit | |
| Total | 3 |

Other Regulatory Updates

Several other legally required plan document changes will be made to incorporate new rules around:

- Allowing employer matching contributions on employee student loan payments
- Expanding hardship withdrawal provisions
- Requiring long-term part-time worker eligibility
- Increasing the age for required minimum distributions

By approving this 403(b) plan update for 2024, Lincoln Public Schools employees will have access to the latest retirement savings provisions and flexibility allowed by law. This helps provide expanded retirement preparedness opportunities for the district's teachers and staff.

Vote: Approve the Town of Lincoln, Lincoln Public Schools, 403(b) Plan document revised June 13, 2024.

Background

403(b) plans provide a tax-advantaged way for public school teachers and other eligible employees to save for retirement. It functions similarly to a 401(k) plan, allowing employees to contribute a portion of their pre-tax salary into a tax-deferred investment account or after tax salary into a Roth.

Under the SECURE 2.0 Act of 2022: Effective 2024, employers may amend their 403(b) plans to allow:

- Roth treatment for employer matching/nonelective contributions
- Matching contributions based on employee student loan payments
- Effective 2023, 403(b) plans can permit hardship withdrawals of earnings on elective deferrals, matching, and non-elective contributions.
- Effective 2023, 403(b) plans (except church plans) can join multiple employer plans (MEPs) and pooled employer plans (PEPs) to potentially reduce administrative costs.
- Effective 2025, ERISA 403(b) plans must allow long-term part-time workers to make elective deferrals after 2 consecutive years of 500+ hours of service.
- Additionally, the IRS recently expanded its determination letter program to include individually designed 403(b) plans, allowing employers to get formal approval of their plan document.
- Other Key Changes (Legislative Change)
 - Increases the required minimum distribution (RMD) age from 72 to 73 in 2023 and 75 in 2033.

Changes/Updates to the Plan Document:

The IRS has published a cumulative list of required amendments in Notice 2022-8 that must be incorporated into 403(b) pre-approved plan documents submitted for the second 6-year filing cycle opening on May 2, 2022. These include:

- Permitted mid-year reductions or suspensions of safe harbor nonelective contributions
- Elimination of certain safe harbor notice requirements
- Amended definitions of qualified matching/nonelective contributions
- Changes regarding in-plan Roth rollovers
- Changes to hardship distribution rules
- Rules on plan termination and distribution upon termination
- Qualified birth or adoption distribution exception
- Changes to required minimum distribution rules

403(b) Pre-Tax Contributions

403(b) plans provide a tax-advantaged way for public school teachers and other eligible employees to save for retirement. It functions similarly to a 401(k) plan, allowing employees to contribute a portion of their pre-tax salary into a tax-deferred investment account. The key features for public school employees include:

- Tax-deferred growth of investment earnings until withdrawal in retirement
- Ability to reduce current taxable income through pre-tax contributions
- Employer may offer matching contributions as an added benefit
- Catch-up contributions allowed for employees aged 50+ or with 15+ years of service
- Investment options typically limited to annuities and mutual funds
- Portability to roll over to a new employer's plan or IRA upon leaving their district

The IRS sets annual contribution limits for 403(b) plans, which are

- \$23,000 for 2024 plus an additional \$7,500 catch-up amount for those 50 and over.

Roth 403(b) Contributions

Roth 403(b) contributions provide an option for public school employees to save for retirement with after-tax dollars and potentially receive tax-free withdrawals later, as long as their employer's 403(b) plan permits designated Roth accounts. Currently Lincoln's plan does not allow Roth 403(b) options.

Contribution limits for Roth 403(b) are the same as traditional 403(b)

- \$23,000 for 2024 plus an additional \$7,500 catch-up amount for those 50 and over.

There are no income limits on who can make Roth 403(b) contributions, unlike Roth IRAs. Employers can allow Roth contributions, traditional pre-tax contributions, or both in their 403(b) plan.

Plan Modification History

| Year | Adoption Agreements | Plan Documents | Change/Update | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------|--|--------------------------------------|---|----------------------|---------|------------------|-------|-----------|----|---------------------------|---|-----------------------------|---|------------------------------|----|-----------------|---|-------|----|-----------------------|-------|----------------------|---|----------------------|--|---------------------------|--|---------|---|---------------|--|------------------|--|-------|---|--------------------------------------|---|
| 2024 | 403(b) Adoption Agreement <table><tr><th>New Vendor Request</th><th>Count</th></tr><tr><td>Fidelity Investments</td><td>Request</td></tr></table> <table><tr><th>Approved Vendors</th><th>Count</th></tr><tr><td>Equitable</td><td>15</td></tr><tr><td>Invesco Oppenheimer Funds</td><td>3</td></tr><tr><td>Lincoln Investment Planning</td><td>3</td></tr><tr><td>Vanguard Fiduciary Trust Co.</td><td>17</td></tr><tr><td>Victory Capital</td><td>6</td></tr><tr><td>Total</td><td>44</td></tr></table> <table><tr><th>Grandfathered Vendors</th><th>Count</th></tr><tr><td>Ameriprise Financial</td><td>1</td></tr><tr><td>Corebridge Financial</td><td></td></tr><tr><td>Horace Mann Life Ins. Co.</td><td></td></tr><tr><td>MetLife</td><td>2</td></tr><tr><td>New York Life</td><td></td></tr><tr><td>Security Benefit</td><td></td></tr><tr><td>Total</td><td>3</td></tr></table> | New Vendor Request | Count | Fidelity Investments | Request | Approved Vendors | Count | Equitable | 15 | Invesco Oppenheimer Funds | 3 | Lincoln Investment Planning | 3 | Vanguard Fiduciary Trust Co. | 17 | Victory Capital | 6 | Total | 44 | Grandfathered Vendors | Count | Ameriprise Financial | 1 | Corebridge Financial | | Horace Mann Life Ins. Co. | | MetLife | 2 | New York Life | | Security Benefit | | Total | 3 | 403(b) Plan Document | <ul style="list-style-type: none">• IRS Compliance Update;• Allow ROTH Investment Option by all Providers;• Update all Plan Provider Names to their current corporate names• Add Fidelity Investment to Authorized vendors; and• Grandfather providers with zero (0) participants at the time SC updates plan |
| New Vendor Request | Count | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fidelity Investments | Request | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Approved Vendors | Count | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equitable | 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Invesco Oppenheimer Funds | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lincoln Investment Planning | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vanguard Fiduciary Trust Co. | 17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Victory Capital | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 44 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Grandfathered Vendors | Count | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ameriprise Financial | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Corebridge Financial | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Horace Mann Life Ins. Co. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MetLife | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New York Life | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Security Benefit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2019 | TOWN OF LINCOLN – LINCOLN PUBLIC SCHOOLS 403(b) RETIREMENT PLAN | | <ul style="list-style-type: none">• IRS Compliance Update; and• Invesco Oppenheimer Funds added to Authorized Vendor List | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011 | 403(b) Plan Update | | <ul style="list-style-type: none">• IRS Compliance Update; and• Vanguard Fiduciary Trust Co added to Authorized Vendor Authorization | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2008 | | 403(b) Plan Document | IRS Compliance Update and Vendor Authorization | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |