

## Frequently Asked Questions

# 403(b) & 457(b) Plans



### What is the role of NBS?

National Benefit Services is a Third-Party Administrator (TPA) that has provided retirement and benefit administration to over 20,000 employers nationwide for over 30 years. We specialize in plan administration for government, education, not-for-profit, and church employers. We administer a wide variety of benefit plans including 401(k) retirement plans, 403(b) and 457(b) retirement plans, 457(b) FICA Alternative retirement plans, HSA plans, FSA/HRA plans, COBRA administration, and Identity Theft Protection plans. As an independent TPA, NBS does not sell investment products and works in the best interests of our Plan Sponsor clients.

NBS partners with brokers, financial advisors, and investment providers to design and service benefit packages that provide tax advantages to employers and their employees. We provide direct support to Plan Sponsors to ensure the day-to-day operations of retirement programs comply with current IRS rules and regulations.

### How does NBS help the employer stay compliant?

NBS helps the employer stay in compliance with IRS regulations by operating the plan in accordance with the plan documents set in place, tracking authorization transactions received, and monitoring maximum allowable contribution limits. These activities decrease the possibility of mistakes occurring in plan operations.

IRS 403(b) Resource: <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-403b-tax-sheltered-annuity-plans>

### What are the tax advantages of participating in a 403(b) or 457(b) plan?

There are substantial tax advantages when investing in a 403(b) or 457(b) plan. Earnings on the pre-tax 403(b) or 457(b) contributions are not taxed until they are distributed (there is a mandatory federal tax and state taxes are calculated based on individual state rates).

Roth contributions are taxed at the time of the contribution and earnings are distributed tax-free as long as the contributions were in the plan for a period of five years (the start date begins with the first contribution into the Roth account), otherwise, the earnings will be taxed.

If a distribution is made on a 403(b) account and the participant has not yet reached age 59½ there may be an additional 10% penalty on the distribution (in addition to the mandatory federal tax and applicable state taxes). There is no 10% penalty on distributions from the 457(b) account for participants under age 70½ (only the normal mandatory federal taxes and applicable state taxes).

### How can a participant determine which 403(b) or 457(b) investment alternatives are best for them?

A participant can always consult an investment provider or advisor for education on the vendor's specific investment choices.

## How does a participant choose and set up a retirement account with the investment provider or make changes to the amount or type of a contribution?

The employer has provided a listing of investment companies and contribution types that are approved for the plan. Please complete the following steps to ensure that contributions are processed timely:

**1** The participant must research the approved investment providers and pick the one in which he or she would like to invest their 403(b) or 457(b) contributions. The chosen provider must be on the employer's approved vendor list. The chosen contribution type must be part of the employer's retirement plan contract (it will be one or more of these types depending on the employer's plan options: 403(b) pre-tax, 403(b) Roth, 457(b) pre-tax, 457(b) Roth). The participant may choose to use an agent.

**2** The participant must set up an account with the investment provider of his or her choosing, making sure the account is in good order and able to receive 403(b) or 457(b) payroll-deducted contributions. The account must be set up under the employer through which the participant is making payroll contributions. Many times, a participant's account has not been completely set up and the contribution investment is delayed. Make sure the account is set up completely before starting payroll deductions. Keep in mind, Annuity Contracts made available through insurance companies or Custodial Accounts through a retirement account custodian are allowed in 403(b) and 457(b) plans. The participant will need to contact the vendor for a comprehensive listing and information regarding available investment options.

**3** The participant must complete a Salary Reduction Agreement form, also known as an SRA form. Complete and submit this form directly to NBS. This form can be found at [www.nbsbenefits.com/403b](http://www.nbsbenefits.com/403b). NBS will work with your employer to begin contributions once the form has been received and the account has been set up with the investment provider. This form is necessary to start, change, or cancel any 403(b) contributions and will overwrite previous SRA forms. Please make sure all providers are listed. SRA forms must be received by NBS 5 business days prior to the employer's SRA due date in order to give time for the verification of the form information.

## How many SRA changes can a participant make in a calendar year?

Typically, a participant can make a SRA contribution or account type change once per month. Please refer to the employer's 403(b) or 457(b) retirement plan document to see what the plan's SRA due dates are.

## Can a participant contribute to more than one 403(b) or 457(b) investment provider?

Yes, if the employer's plan has multiple approved investment providers available in the plan.

## Which investment providers are approved by my employer's plan?

Please refer to the NBS website for a full listing of the approved Investment Providers approved for the employer's 403(b) or 457(b) retirement plan:

[www.nbsbenefits.com/non-erisa-403b-forms](http://www.nbsbenefits.com/non-erisa-403b-forms)

## Can a participant exchange money between investment providers?

While still employed with the same employer, the participant may exchange 403(b) or 457(b) assets to an account of the same type with a different plan-approved vendor.

## How much money may a participant defer into their 403(b) or 457(b) plan each year?

The IRS sets the 403(b) limit each year based on the cost of living. The participant may elect to contribute 100% of their income, up to the current year limit into their 403(b) or 457(b) retirement account. The participant may be able to contribute more if he or she qualify for catch-up contributions, provided it is included as part of the employer's plan options. The yearly contribution limit for 403(b) is not included with the yearly limit for 457(b), and vice versa. Please reference the Universal Availability Notice or Plan Highlights page for current year contribution limits.

## What are the IRS regulations regarding 403(b) or 457(b) catch-up contributions?

In 2017, if a participant is age 50 or older, he or she may contribute an additional \$6,000 into the 403(b) plan. Additionally, if the participant has completed 15 years of service with the employer, he or she may also be eligible to make an additional \$3,000 catch-up contribution to the 403(b) plan. Catch-up contribution options may not be allowed in every employer's plan. Please refer to the employer's plan document to see if catch-up contributions are allowed. Please reference the Universal Availability Notice or Plan Highlights page for current year contribution limits.

### When will contributions be deposited into the participant's account?

Once NBS receives the employer's 403(b) or 457(b) payroll file and funding, NBS processing time is 3-5 business days for payrolls received in good order. Once NBS has processed the payroll, the contributions will be sent to the investment provider listed on the participant's Salary Reduction Agreement. To inquire about the investment provider processing time-frame, please contact them directly.

### When will a participant be eligible to withdraw money contributed to the retirement plan?

A participant will be able to receive a distribution or rollover their 403(b) assets when he or she terminates employment, retire, reach 59½ years of age (403(b) specific), reach age 70½ (403(b) or 457(b)), or become 100% disabled. The participant's beneficiary will be eligible to receive the distribution of assets after the participant's death. While a participant is still employed, he or she may be eligible to take out a plan loan, or may qualify for a financial hardship distribution or unforeseeable emergency withdrawal (provided their hardship meets IRS guidelines and proper documentation is provided). Please reference the appropriate authorization form's instruction page to see IRS guidelines).

### When must a participant start receiving distributions from his or her account?

A Required Minimum Distribution, also known as an RMD, must be taken at the age of 70½, unless the participant is still employed by the same employer. If a participant is still employed, he or she can defer their first RMD until after separation of service with the employer as long as the Plan Document provides that option.

### How does a participant obtain a 403(b) or 457(b) plan loan?

Check with the investment provider and the employer to verify if loans are allowed by the employer's plan and type. If loans are allowed, complete the loan paperwork from the investment provider as well as the NBS Loan Authorization form. The NBS form can be found on [www.nbsbenefits.com](http://www.nbsbenefits.com) or by calling NBS. Please read the NBS Instruction Page of the form carefully to ensure the form is completed and all needed paperwork has been obtained. Once complete, please send all paperwork to NBS to review and process by faxing to 800-597-8206.

### Where can NBS forms be found to complete a distribution, rollover, loan, hardship, or exchange?

Forms for the employer can be found at [www.nbsbenefits.com/non-erisa-403b-forms](http://www.nbsbenefits.com/non-erisa-403b-forms).

### What is the time-frame for processing authorizations?

Once NBS receives the completed authorization form in good order, it will be processed in 3-5 business days. NBS will send the completed authorization paperwork to the investment provider that the participant lists on the NBS Authorization Form. To inquire about the investment provider processing time-frame, please contact the investment provider directly.

For more information, please call  
**1(800) 274-0503**  
Option 5



National Benefit Services  
PO Box 6980  
West Jordan, Utah 84088  
[www.nbsbenefits.com](http://www.nbsbenefits.com)

Phone: 1-800-274-0503, option 5  
Monday - Friday, 8AM-5PM MST  
Fax: 1-800-597-8206  
[403bservice@nbsbenefits.com](mailto:403bservice@nbsbenefits.com)

