

Tax Sheltered Annuity Plan

A. Definitions

1. "Internal Revenue Code" means the Federal Internal Revenue Code of 1954 as amended to date.
2. "Plan" means this Tax Sheltered Annuity Plan.
3. "Annuity" shall have the meaning set forth in Article E hereof.
4. "State Teachers' Retirement System" means the California State Teachers Retirement System as set forth in the California Education Code.
5. "Participant" means any employee of the School College District who elects to participate in this Plan.
6. "Includible Compensation" shall have the meaning set forth in Internal Revenue Code Section 403 (b) (3).
7. "Years of Service" shall have the meaning set forth in Internal Revenue Code Section 403 (b) (4).
8. "Employee" means any regular contract employee employed full time in a regular assignment including college term and ten-month assignments. "Employee" does not mean employee employed on a part-time or hourly basis.

B. Purpose

The College District intends by this Plan to make available to its employees the provisions of Internal Revenue Code Section 403 (b), Public Law 87-370 and the California Revenue and Taxation Code Section 17512. It is not the purpose of the College District necessarily, by adoption of this Plan, to recommend its use by any individual employee. Use of the Plan by an individual employee shall be left to his own discretion.

C. Participation

Any employee of the College District may elect to become a Participant under this Plan by amendment of his employment contract as set forth in the example annexed hereto. (Administrative Regulations 3371 c and d)

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D. Contributions

1. The College District shall contribute to the annuity or annuities selected by the Participant on behalf of each Participant such amount as the Participant may elect in monthly deposits, but not in excess of his exclusion allowance.
2. Contributions by the College District with respect to any Participant shall be by means of reduction in his compensation otherwise payable under his employment contract, the amount of such reduction being that set forth in such Participant's amendment to his employment contract upon his election to participate in the Plan. Such reduction shall only be with respect to services to be rendered by the Participant to the College District subsequent to the date of his election to participate.
3. A Participant's "exclusion allowance" shall, for any taxable year of such Participant, be an amount equal to the excess, if any, of:
  - (a) The amount determined by multiplying (i) 20 percent of his Includible Compensation by (ii) the number of Years of Service, over
  - (b) The aggregate of the amounts contributed by the College District for Annuities and excludable from the gross income of the Participant for federal income tax purposes for any prior taxable year.
4. The foregoing notwithstanding, no contribution hereunder shall be made as a deposit to the State Teachers' Retirement System which exceeds ten percent (10%) of the Participant's salary before reduction for purposes of this Plan and which are not in multiples of Twenty-five Dollars (\$25.00). If for any taxable year of a Participant this Plan applies to two or more Annuities, such Annuities shall be treated as one Annuity for purposes of computing the maximum contribution on behalf of such Participant by the College District.

E. Annuities

1. All contributions to the Plan shall be invested in Annuities on the life of the Participant with respect to whom such contributions are made.

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2. For purposes of this Plan, the terms “Annuity” or “Annuities” shall mean either:
  - (a) A nontransferable contract issued by an insurance company without an insurance element and in which the Participant’s rights are nonforfeitable except for failure to pay future premiums; or
  - (b) An additional deposit for, and in the name of, the Participant to the State Teachers’ Retirement System in accordance with the provisions of the California Education Code Section 14034 and in accordance with the regulations and procedures adopted by the State Teachers’ Retirement Board.
3. Each Participant shall be entitled to elect which of the above forms of Annuity shall be purchased with contributions made on his behalf; provided that only those participants who are members of the State Teachers’ Retirement System may elect the second form. The College System administration shall determine that the companies are authorized under the State Insurance Code to issue annuity contracts when such contracts are utilized under this plan.
4. In accordance with the provisions of California Insurance Code Section 770.3 the employee shall have the right to designate the licensed agent, broker or company through whom the College District shall arrange for the placement or purchase of the tax sheltered annuity.
5. Properly licensed companies, agents and brokers shall be approved the Executive Vice President for Administrative Services to sell contracts only after they have:
  - (a) Provided evidence of California State License to sell this type of annuity insurance.
  - (b) The company, agent or broker has been designated by one or more employees of the College District to sell to them a contract.

Periodic reports shall be made to the Board of Trustees listing companies and agents approved to sell Annuities.

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F. Nonrecovery of Contribution

Contributions made by the College District to this Plan shall not be recoverable by it but shall irrevocably vest in the Participants through their Annuities.

G. Hold Harmless Agreement

Each insurance company, broker and agent, completing a questionnaire, and each Participant must submit an agreement to hold harmless the Board of Trustees and College District, their officers and employees, from every claim and demand which may be made by reason of the purchase of Tax Sheltered Annuities from the company by the Board of Trustees.

H. Sales Procedures

No telephone or personal contract of employees shall be made at the schools or on any other premises under the jurisdiction of the College District. Violations of the above rule will result in removal of the offending company from the approved list for purposes of any further sales of Annuities.

I. Administration

This plan shall be administered by the College District through its Board of Trustees which shall authorize its Executive Vice President for Administrative Services to act in its behalf. Such regulations may be adopted by the College District as may be necessary or advisable in effecting proper administration.

J. Amendment and Termination

This Plan may be amended or terminated by the College District at any time, except that no amendment shall be effective to recover for the College District any contributions made to the Plan.

K. Termination of Amendment of Employment Contract

Any employee requesting termination of participating in a plan must submit notice of termination on the approved form entitled "Notice of Termination of Amendment of Employment Contract."