

Regulation

VENDOR REQUIREMENTS FOR 403(b)
RETIREMENT PROGRAMS (TAX SHELTERED ANNUITIES)

In response to concerns about the Ventnor School District's responsibility for compliance with IRS requirements relating to Section 403(b) retirement programs, the Ventnor School District requires certain minimum standards and conditions applicable to any vendor selling, maintaining, or servicing any tax sheltered annuities or custodial accounts within the school system. Because our responsibilities as the employer are so significant, access to Ventnor School District employees is limited to those vendors which agree to act in accordance with these standards.

The standards were established after considering the rules relating to tax sheltered annuities and custodial accounts ("403(b) programs") and identifying which parties had access to information and control of the transactions. However, since the Ventnor School District can be held responsible for 403(b) program defects over which the Ventnor School district has no effective control, the Ventnor School District is requiring more service and support from vendors and will hold vendors responsible for their products, service, and support.

The following terms and conditions are required with respect to purchases, sales, transfers or other transactions related to the servicing of 403(b) contracts and/or accounts that are processed through vendors:

- A. Each employee that initiates contributions to a 403(b) program or modifies contributions to a 403(b) program serviced by the vendor shall have a maximum exclusion allowance calculated by the vendor for such year. Such calculation shall be based upon the information provided by the employee. The calculations shall be made available to the Ventnor School District upon request. To facilitate the performance of this obligation, the Ventnor School District agrees to cooperate with vendors by permitting reasonable access to employees for the purpose of collecting necessary information to perform the calculations.
- B. Vendor shall offer only custodial accounts or annuity contracts that comply with the provisions of Section 403(b) of the Internal Revenue Code of 1986, as amended, (the "Code"), any regulations issued thereunder, and any other relevant Federal or State law. Such custodial accounts and/or annuities shall be available to the Ventnor School District for any legally eligible employee electing to participate.
- C. Vendor shall monitor salary reduction contributions for each employee directing contributions in a vendor product and shall notify the Ventnor School District if any employee contributes in excess of the elective deferral limit of Section 402(g) of the Code, as applicable to 403(b) programs.
- D. To the extent required by law or regulation, vendors shall monitor each participating employee's salary reduction agreements received by the vendor and shall notify the Ventnor School District of any employee that has entered into more than one such agreement with the vendor in any calendar year. Vendor further agrees to fully cooperate with the Ventnor School District by providing such information as may be needed by the Ventnor School District to monitor this restriction on a district wide basis.
- E. Vendor will be responsible for the applicable rollover notice and withholding tax requirements related to the products offered by the vendor.
- F. Vendor will be responsible for restricting distributions in accordance with Section 403(b) of the Code and for properly withholding taxes on distributions, as appropriate.
- G. Vendor agrees that its agents and representatives shall comply with all pertinent written directives regarding solicitation of employees of the Ventnor School District and the purchase of 403(b) programs.

VENDOR REQUIREMENTS FOR 403(B) (continued)

- H. Vendor agrees that it shall sell and service all 403(b) programs offered by the vendor to the Ventnor School District employees in accordance with Sections 403(b), 402(g), 415 and any other relevant sections of the Code and regulatory guidance offered thereunder.
- I. Vendor agrees that it shall extend its full and complete cooperation in providing data to the Ventnor School District, including any and all necessary documents required in the event of an audit by the Internal Revenue Service. Vendor further agrees to cooperate in the correction of defects in the 403(b) program under Rev. Proc. 95-24 to the extent that those defects have been identified as involving participants specific to the vendor.
- J. Vendor agrees that it will indemnify and hold harmless the Ventnor School District, and any individual member of the Board of Education, representatives and employees from every claim, demand and suit which may arise out of, be connected with, or be made by reason of the negligence of the vendor or failure of the vendor to meet the requirements set forth above. Notwithstanding the preceding, this indemnification shall not cover any claim or demand based on erroneous information provided by the Ventnor School District, its representatives or employees. Vendor, at its own expense and risk, shall defend any court proceeding that may be brought against the Ventnor School District, any of its officers, representatives and employees on any claims or demands covered by this indemnification, and shall satisfy any judgment that may be rendered against any of them with respect to such claim or demand, provided that Ventnor School District notifies the vendor, in writing, within 10 business days of receipt of such claim or demand.

All 403(b) vendors are required to sign an agreement accepting the above terms and requirements in order to retain/gain access to Ventnor School District employees.

Board approved: May 16, 2018