CSTSA Administrative Guide for Personnel/Payroll

- Administration
- Agreements
- TSA Deduction Processing
- Steps of Enrollment
- Eligibility
- Establishing and Changing TSA Investments
- Employee Contribution Limits
  (Minimum, Maximum and Catch-up Options)
- State's Tax Year
- Participation in 403(b) and Other Plans
- 403 (b) Compliance Worksheet
- Personnel/Payroll Responsibilities
- Monitoring Contributions Using ViewDirect

Administration

The Controller's Office administers the Civil Service Tax-Sheltered Annuities (CSTSA) program in conjunction with state agencies and insurance and investment companies that offer tax-sheltered products. The Controller's Office acts in this capacity under the authority of California Government Code Sections 1153 and 12420.2.

The program provides employees the opportunity to invest in an Internal Revenue Code Section 403(b) plan, commonly referred to as a tax-sheltered annuity or TSA. The program is voluntary. Employees who want to participate designate a portion of their salary to contribute on a monthly basis.

Agreements

The Controller's Office establishes a Master Agreement with investment companies. This agreement enables a company to provide investments to employees in any state agency authorized to participate in the program.

Departments sign a Salary Reduction Agreement, which is a contract between the department and an employee. In addition to this agreement, a 403(b) Compliance Worksheet is completed by the employee and the employee's investment company, its designee, or a certified tax consultant.

TSA Deduction Processing

Civil Service TSA deductions are processed using payroll deduction code 040 and various organizations codes, each representing an investment or insurance company. Refer to the Company Listing provided by the Controller's Office for up-to-date information.

TSA deductions are pre-taxed and are automatically deducted from the employee's payroll warrant.

A deduction code 041 is automatically applied for each TSA participant, regardless of the number of 040 deductions. Code 041 deductions represent the Controller's Office administrative fee of $1 per month per participant.

For more information on deduction processing refer to the Payroll Procedures Manual or the Deduction Program Handbook.

Payroll Procedures Manual sections

B022 (Deduction/Organization Codes)
H 001 (Deduction Procedures Under USPS)
H012 (Payments subject to deductions)
H013 (Deductions allowed separation/ transfer/settlement)
H 510 (Salary Reductions)
I 310 – 316 (Redeposits)

Deduction Program Handbook

www.sco.ca.gov/ppsd/dedinfo/particip/ben.pdf

Steps of Enrollment

1) An employee's eligibility to invest in a 403(b) plan should be established prior to enrollment in the program (see Eligibility).

2) Each employee must select a company and investment product. The Controller's Office provides a list of companies authorized to provide annuity products through the CSTSA program. The department should provide this list to all interested employees.

3) Once a company is selected, an employee must establish an account with the company and show proof to the Employer. This must be completed before the Salary Reduction Agreement.

4) A 403(b) Compliance Worksheet must be completed for new participants, those that plan to contribute more than the 402(g) limit (currently $10,500) and for those that contribute to more than one plan.

5) A Salary Reduction Agreement must be completed and submitted to the Controller's Office at least 30 days before the reduction is to be effective.

6) To complete enrollment, submit a copy of page 5 of the Salary Reduction Agreement along with an STD.650 (Miscellaneous Deduction Change Report) to the Controller's Office (see sample STD.650 forms and Salary Reduction Requests).

Eligibility

A number of factors determine eligibility for participation in the CSTSA program, including 1) employing department, 2) job duties and 3) time base.

Internal Revenue Publication 571 (Tax Sheltered Annuity Programs for Employees of Public Schools and Certain Tax Exempt Organizations) states eligibility criteria for 403(b) plans. In short, employees working directly, or indirectly, for a public school or educational agency are eligible.

The Internal Revenue 403(b) Handbook (available at www.irs.ustreas.gov) states the following eligibility criteria:

1. A state or local government or any agency or instrumentality of one or more of these is an eligible employer only with respect to employees who perform services directly or indirectly for an educational organization.
2. To be an educational organization, the organization must normally maintain a regular faculty and curriculum, and have a regularly enrolled body of students in attendance at the place where it regularly carries on educational activities. Included in this category are…public schools, state colleges and universities.
3. Both non-academic staff (e.g. a custodial employee) and faculty may be covered but elected or appointed officials holding positions in which persons who are not education professionals may serve are not eligible (e.g. a member of the school board, university regent or trustee may not be eligible).

Examples of eligible employees include:

- Department of Education employees.
- Employees in bargaining units 03 and 21.
- Employees in all bargaining units whose position and job duties support the operation of education programs.

Example 1: Department of Education janitorial, custodial and clerical employees. They perform services for an educational organization and are therefore eligible.

Example 2: Teachers, analytical and clerical staff who support educational programs within a Correctional, Developmental, Mental Health or Youth facility. These are eligible employees.

Who verifies eligibility? A company representative verifies eligibility with the assistance of the employee and/or departmental personnel staff.

Are there any limitations? Employees must work at least 20 hours per week to qualify.

Changes in Eligibility

Participants who change positions must continue to meet eligibility requirements to maintain their salary reduction agreement. If an employee moves to a position that does not qualify for 403(b) investment, their 403(b)-salary reduction must be cancelled.

If an employee transfers within the same agency code, their TSA deduction will continue to be in effect unless cancelled by the employee or agency. However, if they transfer to another agency code, their TSA deduction will be cancelled and a new salary reduction must be enacted to continue the employee's 403(b) investment.

Establishing and Changing TSA Investments

Due to the payroll process, employees can change their salary reduction agreement once per month. Changes should be requested 30 days prior to the effective date of the reduction to ensure time for processing. TSA transactions are processed on the 10th workday of the month.

The following types of TSA transactions are possible.

START SAVINGS THROUGH THE PLAN	Employees can begin investing in the TSA program any time. All employees must meet eligibility and annual contribution limit requirements.
INCREASE OR DECREASE IN REDUCTION AMOUNT	Employees can change their existing reduction amount within the same company.
CHANGE INVESTMENT ELECTIONS	Employees select investment products with their TSA Company agent. They may change the particular investment product without changing companies or investment amounts. This type of change would not require a new salary reduction agreement or assistance of Personnel staff. In this case, an employee should contact the Company to change the investment election.
CHANGE INVESTMENT COMPANIES	Employees can contribute to two companies at any one time. If an employee elects to contribute to a new company, they must show proof that a company account has been established prior to completing a new salary reduction agreement.
STOP SAVINGS THROUGH THE PLAN	Employees can stop saving through the plan any time. They can also restart after a cancellation assuming they meet eligibility and annual contribution limit requirements.

Employee Contribution Limits

There are many factors in determining an employee's annual contribution limit. The Program Guide and Salary Reduction Agreement assist employees in understanding their contribution limits.

Departments are not responsible for advising employees, or determining or calculating employee contribution limits.

See "Personnel/Payroll Responsibilities" to understand the Department's role in monitoring employee contributions to the plan.

Minimum Contribution

Employees can contribute to two companies at any one time. They must contribute at least $25 to each Company.

Maximum Contribution

There are three Internal Revenue Code (IRC) Sections that determine 403(b) annual contribution limits. The employee's annual limit is the lesser of the 402(g), 415 or maximum exclusion allowance:

IRC 402(g) Tax Reform Act Limit: $10,500 (indexed in $500 increments).

IRC 415 Limit: $30,000 or 25% of adjusted gross salary.

Maximum Exclusion Allowance (MEA): (IRC 403(b)(2)): a complex calculation that considers an employee's contributions, includible compensation or 20% of adjusted gross salary, and state service.

Catch-up Option or Special Election

Employees may qualify for a catch-up or special election. Options A, B and C are mutually exclusive, once an employee elects one; they may never elect another.

Catch-Up Option: Employees with 15 years of service may qualify to contribute an additional $3,000 per year, beyond the IRC Section 402(g) limit, for up to 5 years or a maximum of $15,000.

Year of Separation from Service Limit (Option A): May be used once. Calculates a modified maximum exclusion allowance using only the last ten years of service.

Any Year Limit (Option B): Increases the regular IRC Section 415 limit by up to $4,000.

Overall Limit (Option C): Uses a special IRC Section 415 calculation in lieu of the regular maximum exclusion allowance.

State's Tax Year

The annual amount an Employee can contribute is based on the tax year. A tax year consists of payments and deductions issued from January 1st through December 31st. The State of California's tax year runs from the December pay period (e.g. pay issued beginning 01/01) through the November pay period (e.g. pay issued through 12/31).

TAX YEAR 2000 (PAY PERIODS)
DEC 1999
JAN 2000
FEB 2000
MAR 2000
APR 2000
MAY 2000
JUNE 2000
JULY 2000
AUG 2000
SEPT 2000
OCT 2000
NOV 2000

Participation in 403(b) and Other Plans

Contribution limits for 403(b), 401(k) and 457 are interrelated. Participation in more than one plan in a tax year makes an employee's total annual contributions subject to the lowest maximum limit. For instance, participation in a 403(b) and 457 plan reduces total annual contributions to $8,000 (the 457 maximum) for both plans combined.

ANNUAL LIMITS TAX YEAR 2000

403(b) only: $10,500
403(b) and 401(k) combined: $10,500
403(b) and 457 combined: $8,000
403(b), 401(k) & 457 combined: $8,000

403(b) Compliance Worksheet

The Controller's Office provides a 403(b) Compliance Worksheet that assists employees and companies in determining maximum annual contribution limits for individual employees.

This worksheet must be filled out for:

- Employees new to the plan.
- Employees whose contributions exceed the 402(g) limit (currently $10,500).
- Employees who contribute to more than one plan in the same tax year. For instance, an employee who contributes to the CSTSA and another 403(b), 401(k) or 457.

Employees who elect to defer more than the 402(g) limit must provide the department a new Compliance Worksheet each year by November 1st for every year they elect to defer more than the 402(g) limit.

IMPORTANT NOTE:
Changes in salary, time base, flex spending and medical reimbursement accounts may decrease or increase an employee's maximum contribution limit. Therefore, a new 403(b) Compliance Worksheet may be warranted when these types of changes occur.

A copy of the employee's 403(b) Compliance Worksheet is kept on file at the department.

Personnel/Payroll Responsibilities

Employees are advised to monitor their contributions on a monthly and annual basis. It is still essential that departments routinely monitor amounts individual employees are contributing to ensure compliance with Internal Revenue Code.

Departments should monitor employee contributions on a monthly basis for the following:

Annual Contribution Amount

Annual contributions are based on the tax year and are affected by participation in more than one plan. These limits can only be exceeded if the employee has a 403(b) Compliance Worksheet on file with the department that states the basis for a higher annual contribution.

Number of TSA Deductions

Employees are allowed no more than two active deductions at one time.

Time Base

Employees time base must be at least ½ (half time) to participate.

Discontinue Contributions

Discontinue salary reductions for employees whose contributions will go over the Internal Revenue Code 402(g) limit (currently $10,500), or $8,000 for 457 participants, unless they have shown proof of eligibility for a catch-up option or special election through the 403(b) Compliance Worksheet. Cancelled contributions can be restarted the following tax year.

Refund of excess contributions

Request a refund of excess amounts via the W2-C form, if over deferrals are found and the employee has not shown proof that they are eligible to contribute more than the 402(g) limit (currently $10,500) or $8,000 for 457 participants. Refunds are fully taxable and become part of the employee's gross income.

Monitoring Contributions Using ViewDirect

The Controller's Office provides a monthly report that can be used to monitor TSA contributions. This report is available on-line through the ViewDirect application. Departments should contact their Departmental Security Monitor to request ViewDirect access via the PSD125A decentralized security form.

The following TSA report is available on-line:

REPORT NAME	DESCRIPTION
PDL5711	Monthly report that identifies current and year-to-date TSA contributions, and projects future contributions for the current tax year.

LOGON

Logon to ViewDirect from the SCO MENU through SCOPROD or SCOVIEW.

```
                                  S C O M E N U

NOTICE: AUTHORIZATION TO ACCESS THIS SYSTEM IS LIMITED TO CALIFORNIA STATE
EMPLOYEES IN THE PROPER CONDUCT OF OFFICIAL STATE BUSINESS.  ALL OTHER
ACCESS IN UNAUTHORIZED AND UNLAWFUL.

PF   APPLICATION    CURRENT STATUS        PF   APPLICATION       CURRENT STATUS
1    SCOPROD        UNKNOWN               2    TSO3              UNKNOWN
3    SCOTRNG        UNKNOWN               4    TS1               XDOMAIN
5    PDTSTX         UNKNOWN               6    SY2KD4            UNKNOWN
7                                         8    PSTEST            UNKNOWN
9                                         10   PSTSTX            UNKNOWN
11   PDTEST         UNKNOWN               12   LOGOFF
13   SCOVIEW        UNKNOWN               14   VIEWTEST          UNKNOWN
15   SCOVDR         UNKNOWN               16   VDRTEST           UNKNOWN
```

Note: Logon instructions do not include directions unique to your environment such as security tokens, etc.

LOGON THROUGH SCOPROD

1) Logon to SCOPROD using standard logon procedures.

2) At the blank screen type REPT and press ENTER.

3) The VIEWING MENU appears, skip to 4 on next page.

LOGON THROUGH SCOVIEW

1) Press the PF13 key, or if using a PC, the appropriate keys (example: Shift and PF3 key).

2) The welcoming screen will appear. Proceed with standard logon procedures until the following screen appears.

```
PDXXX LAST ACCESS AT 13:57:49 ON MONDAY, FEBRUARY 7, 2000

SIGN-ON IS COMPLETE
```

3) After receiving the message “SIGN-ON IS COMPLETE”, type **REPT** and press ENTER.

```
REPT









PDXXX LAST ACCESS AT 13:57:49 ON MONDAY, FEBRUARY 7, 2000

SIGN-ON IS COMPLETE
```

4) The VIEWING MENU appears.

At the VIEWING MENU, press ENTER to continue to the REPORTS screen.

```
COMMAND ➔                                                    TIME:083228
                          *** INFOPAC-RDS ***
                              VIEWING MENU

RECIPIENT ID:                                                VERSION: 6.1
                                                       TAPE VOLSER: MC6474

             VIEW BY REPORT OR TOPIC:  R (R/T)
                     REPORT/TOPIC ID:  __________
                             VERSION:  __________
                             SECTION:  __________

      DISPLAY LIST OF REPORTS/TOPICS:  YES (YES/NO)
            DISPLAY LIST OF VERSIONS:  YES (YES/NO)
               DISPLAY SECTION INDEX:  YES (YES/NO)

PF01=HELP  PF02=PRINT  PF03=END  PF04=MENU  PF5=RFIND  PF06=MARK
PF07=UP    PF08=DOWN   PF09=     PF10=LEFT  PF11=RIGHT PF12=QUIT
```

REPORTS SCREEN

The REPORTS screen will appear listing reports available. Select a report by keying an **X** in the Option field next to the Report Id and pressing ENTER.

```
COMMAND ➔                                                    TIME:083228
                              *** REPORTS ***

OPTION     REPORT ID   REPORT NAME
------     ---------   -----------
   X       PDL5711     CSTSA 403(B) COMPLIANCE REPORT




PF01=HELP  PF02=PRINT  PF03=END  PF04=MENU  PF5=RFIND  PF06=MARK
PF07=UP    PF08=DOWN   PF09=     PF10=LEFT  PF11=RIGHT PF12=QUIT
```

The REPORT VERSIONS screen will appear reflecting the Date, Time and Device used to create the report, and the Status. Key an **X** in the Option field and press ENTER.

```
COMMAND ➔                                                    TIME:083223
                              *** REPORTS VERSIONS ***

REPORT: PDL5711  CSTSA 403(B) COMPLIANCE REPORT

OPTION     DATE        TIME     DEVICE     STATUS
------     ----        ----     ------     ------
   X       20000215    080352   DISK       AVAILABLE



PF01=HELP  PF02=PRINT  PF03=END  PF04=MENU  PF5=RFIND  PF06=MARK
PF07=UP    PF08=DOWN   PF09=     PF10=LEFT  PF11=RIGHT PF12=QUIT
```

The REPORT SECTION INDEX screen will appear listing your authorized agency codes and number of pages. Make your selection by keying an **X** next to the appropriate agency code and pressing ENTER.

```
COMMAND ➔                                                    TIME:094059
                        *** REPORT SECTION INDEX ***

REPORT: PDL5711  CSTSA 403(B) COMPLIANCE REPORT

OPTION     SECTION                                        PAGES DESCRIPTION
------     -------     ---------------------------------------- -----------
    X      109                                                  1
    _      116                                                  2
    _      133                                                  1
    _      140                                                  3
    _      143                                                  1
    _      144                                                  2
```

ON-LINE VIEWING

The report will appear on the screen. You can use the report in the following ways:

- View on-line using pf keys and on-line viewing commands
- Print a portion of the report
- Print the entire report

```
COMMAND ➔                                                SCROLL➔ SCREEN
PDL5711        20000215  080352  109                     P    1 R    1 C    1
03/02/00
PDL5711
        STATE OF CALIFORNIA – STATE CONTROLLER'S OFFICE – DATA MANAGEMENT SECTION
            SUMMARIZED DEDUCTION AMOUNTS FOR SPECIFIC PRE-TAX DEDUCTIONS
                FOR CIVIL SERVICE TAX SHELTERED ANNUITY PARTICIPANTS
                                AS OF 02/21/2000
AGENCY:   109
POSITION NUMBER        SSA     LAST NAME      E      EE     TIME    PROJECTED
                                              S      AGE    BASE     ANNUAL
                                                                     CONTRIB.

  109-100-2272-001  111-22-3333  SMITH       A      57.83   FT       6,000.00

  109-200-2273-076  444-55-6666  BARNES      A      42.17  001/002  9,000.00

**109-210-5393-002  777-88-9999  JOHNSON     A      43.08   FT      12,000.00
```

The report spans two screens. Use the PF10 (left) and PF11 (right) keys to move between the left and right hand sides of the report.

Second screen of report.

```
COMMAND ➔                                                    SCROLL➔ SCREEN
PDL5711        20000215  080352  109                         P    1 R    1 C    1
03/02/00
PDL5711
NIA – STATE CONTROLLER'S OFFICE – DATA MANAGEMENT SECTION
DUCTION AMOUNTS FOR SPECIFIC PRE-TAX DEDUCTIONS
SERVICE TAX SHELTERED ANNUITY PARTICIPANTS
    AS OF 02/21/2000
```

NAME	E S	EE AGE	TIME BASE	PROJECTED ANNUAL CONTRIB.	DED/ORG	CURRENT REDUCTION AMOUNT	CUMULATIVE TOTAL	PROJECTED YEARLY BY DED/ORG
	A	57.83	FT	6,000.00	040-006	500.00	1,000.00	6,000.00
S	A	42.17	001/002	9,000.00	040-010	750.00	1,500.00	9,000.00
ON	A	43.08	FT	12,000.00	040-069	600.00	1,200.00	7,200.00
					040-080	400.00	800.00	4,800.00

TIPS FOR REVIEWING PDL5711 REPORT DATA

- Review any records that show a double asterisk on the far left of the report. These records are automatically flagged for Projected Annual Contributions of $10,500 or more. The asterisks only indicate that the employee has the potential to contribute $10,500 or more if their Current Reduction Amount is not reduced during the tax year. Monitor these records on a monthly basis for over contribution and make sure that a 403(b) Compliance Worksheet is on file if the Cumulative Total column is near $10,500.
- Review any records that have a 457 deduction. If the Projected Annual Contribution is more than $8,000, verify a 403(b) Compliance Worksheet is on file and monitor on a monthly basis for contributions over $8,000.
- Review any records with more than two 403(b) deductions (e.g. three code 040 deductions). No more than two 403(b) deductions are allowed at one time.
- Review any records with a time base less than 001/002. Employees must work at least half-time to participate in the program.

PF KEYS & ON-LINE VIEWING COMMANDS

Screen navigation is accomplished by using pf keys or by typing on-line viewing commands at the command line.

Example: To go to the top of a report, key "**TOP**" (COMMAND ➔ TOP) and press ENTER.

```
COMMAND ➔      TOP                                          SCROLL➔ SCREEN
PDL5711        20000215  080352  109                        P    1 R    1 C    1
03/02/00
PDL5711
        STATE OF CALIFORNIA – STATE CONTROLLER'S OFFICE – DATA MANAGEMENT SECTION
            SUMMARIZED DEDUCTION AMOUNTS FOR SPECIFIC PRE-TAX DEDUCTIONS
                FOR CIVIL SERVICE TAX SHELTERED ANNUITY PARTICIPANTS
                                AS OF 02/21/2000
AGENCY:   109
POSITION NUMBER        SSA     LAST NAME      E       EE      TIME    PROJECTED
                                              S       AGE     BASE     ANNUAL
                                                                      CONTRIB.

  109-100-2272-001  111-22-3333  SMITH       A       57.83   FT       6,000.00

  109-200-2273-076  444-55-6666  BARNES      A       42.17  001/002  9,000.00

**109-210-5393-002  777-88-9999  JOHNSON     A       43.08   FT      12,000.00
```

FUNCTION	ON-LINE VIEWING COMMAND	PF KEY
HELP	H	PF1
PRINT (Print report or portion of report)	PR	PF2
END (Return to previous screen)	END	PF3
MARK (Mark specific pages to print)	MA	PF6
UP (Scroll up)	U	PF7
DOWN (Scroll down)	D	PF8
LEFT (Scroll left)	LE	PF10
RIGHT (Scroll right)	RI	PF11
QUIT (Exit)	Q	PF12
TOP (Go to top of report)	TOP	N/A
BOT (Go to bottom of report)	BOT	N/A
FIND (Find specific records, see example next page)	F	N/A

FIND COMMAND

The **F** or **FIND** command is used to search for a string of data up to 28 characters. It can be used with other commands such as ALL, FIRST, LAST, etc. to search for specific information. Below are examples of how the find command can be used.

COMMANDS	USE	EXAMPLE
F	Highlights the most recent occurrence of the string.	COMMAND➔ F SMITH Search for the most recent occurrence of the name SMITH
F ALL	Identifies all occurrences of the string. Use the PF5 key to locate additional occurrences.	COMMAND ➔ F 'INT' ALL Find all records with INT time base.
F FIRST	Locates the first occurrence.	COMMAND ➔ F '**' FIRST To find the first occurrence of double asterisks.
F LAST	Locates the last occurrence.	COMMAND➔ F '**' LAST To find the last occurrence of double asterisks.
F PREV	Locates the previous occurrence.	COMMAND ➔ F 'INT' PREV To find the previous occurrence of an INT time base.

SCALE AND FREEZE COMMANDS

The freeze command specifies rows and columns of data to be displayed continuously on the screen during scrolling. This is very useful for freezing column headings so that they remain stationary when using the PF7 (up) and PF8 (down) keys to scroll through a report.

First, use the SCALE command to identify row and column numbers.
Turn the scale on by keying **SC ON** at the command line and pressing enter.

```
COMMAND ➔      SC ON                                        SCROLL➔ SCREEN
(columns) ....+....1....+....2....+....3....+....4....+....5....+....6....+....7....+..
03/02/00                                                                          001  (rows)
PDL5711                                                                           002
        STATE OF CALIFORNIA – STATE CONTROLLER'S OFFICE – DATA MANAGEMENT SECT    003
          SUMMARIZED DEDUCTION AMOUNTS FOR SPECIFIC PRE-TAX DEDUCTIONS            004
              FOR CIVIL SERVICE TAX SHELTERED ANNUITY PARTICIPANTS                005
                                AS OF 02/21/2000                                  006
                                                                                  007
AGENCY:   109                                                                     008
POSITION NUMBER        SSA     LAST NAME      E       EE      TIME    PROJECTED  009
                                              S       AGE     BASE     ANNUAL    010
                                                                      CONTRIB.   011
                                                                                  012
                                                                                  013
  109-100-2272-001  111-22-3333  SMITH       A       57.83   FT       6,000.00   014
                                                                                  015
  109-200-2273-076  444-55-6666  BARNES      A       42.17  001/002  9,000.00    016
                                                                                  017
```

Next, use the Freeze command to freeze all column headings on the report.
Freeze rows 001 through 012 of the report. Key **FR R1-12** and press enter.

```
COMMAND ➔      FR R1-12                                     SCROLL➔ SCREEN
....+....1....+....2....+....3....+....4....+....5....+....6....+....7....+..
03/02/00                                                                          001
PDL5711                                                                           002
        STATE OF CALIFORNIA – STATE CONTROLLER'S OFFICE – DATA MANAGEMENT SECT    003
          SUMMARIZED DEDUCTION AMOUNTS FOR SPECIFIC PRE-TAX DEDUCTIONS            004
              FOR CIVIL SERVICE TAX SHELTERED ANNUITY PARTICIPANTS                005
                                AS OF 02/21/2000                                  006
                                                                                  007
AGENCY:   109                                                                     008
POSITION NUMBER        SSA     LAST NAME      E       EE      TIME    PROJECTED  009
                                              S       AGE     BASE     ANNUAL    010
                                                                      CONTRIB.   011
                                                                                  012
                                                                                  013
  109-100-2272-001  111-22-3333  SMITH       A       57.83   FT       6,000.00   014
                                                                                  015
  109-200-2273-076  444-55-6666  BARNES      A       42.17  001/002  9,000.00    016
                                                                                  017
```

(Optional) Turn the scale off for easier viewing. Key **SC OFF** (Scale Off) at the command line and press enter. Key **SC ON** (Scale On) to view the scale again.

PRINTING

The PRINTING MENU can be accessed by pressing the PF2 key or by typing **PR** in the command line.

```
COMMAND ➔ PR                                                TIME:083228
                          *** PRINTING MENU ***

                             REPORT ID: xxxxxxxx
                             VERSION:

FROM ➔ PAGE = 000001 OF SECTION: 109
  TO ➔ PAGE = 000001 OF SECTION: 109
   NUMBER OF PAGES TO BE PRINTED: 000001
               PAGE OUTPUT LIMIT: ______

                        PRINTER:  O (O – ONLINE/ B – BATCH)
               ONLINE PRINTER ID:  XXXX
                 BATCH DEVICE ID:
                 JCL (FOR BATCH PRINT ONLY)
RMT36     << BATCH PRINT ID
01        << NUMBER OF COPIES
```

You can specify which pages and agency codes you want to print.

Example: Printing more than one agency code. 999999 is a default that is meant to include all pages of the report. See sample below.

```
COMMAND ➔ PR                                                TIME:083228
                          *** PRINTING MENU ***

                             REPORT ID: xxxxxxxx
                             VERSION:

FROM ➔ PAGE = 000001 OF SECTION: 109        ←(Requesting agency codes
  TO ➔ PAGE = 999999 OF SECTION: 144          109 through 144; and all
   NUMBER OF PAGES TO BE PRINTED: 999999      pages of the report.)
               PAGE OUTPUT LIMIT: ______

                        PRINTER:  O (O – ONLINE/ B – BATCH)
               ONLINE PRINTER ID:  XXXX
                 BATCH DEVICE ID:
                 JCL (FOR BATCH PRINT ONLY)
RMT36     << BATCH PRINT ID
01        << NUMBER OF COPIES
```

PRINTING CAPABILITIES

Reports can be printed on 11 x 14-inch paper or on 8 ½ x 11-inch paper depending on the report size and your printer settings. Reports can be printed on 8 ½ x 11-inch paper by condensing print. Change the characters per inch (set to 15) and the line length (set to 220). Refer to your printer's owner's manual for further instructions on changing printer settings.

LOGOFF

If accessed through SCOPROD:

1) Press the PF12 key or key **Q** in the command line and press ENTER.
2) A blank screen will appear. Either key **LOGOFF** and press ENTER to return to the SCO Menu, or request access to another SCOPROD application by keying the desired system name (example PIMS, HIST, etc.).

If accessed through SCOVIEW:

1) Press the PF12 key or key **Q** in the command line and press ENTER.
2) A blank screen will appear. Key **LOGOFF** and press ENTER to return to the SCO Menu.

GOVERNMENT CODE
SECTION 1153

1153. The Controller shall provide for the administration of payroll deductions as set forth in Sections 1151, 1151.5, and 1152, salary reductions pursuant to Section 12420.2, and may establish, by rule or regulation, procedures for that purpose.

In administering these programs the Controller shall:

(a) Make, cancel, or change a deduction or reduction at the request of the person or organization authorized to have the deduction or reduction. All requests shall be made on forms approved by the Controller.

(b) Obtain a certification from any state agency, employee organization, or business entity requesting a deduction or reduction that they have and will maintain an authorization, signed by the individual from whose salary or wages the deduction or reduction is to be made.

(c) Provide for an agreement from individuals, organizations, and business entities receiving services to relieve the state, its officers and employees, of any liability that may result from making, canceling, or changing requested deductions or reductions. However, no financial institution receiving a payroll service pursuant to this section shall be required to reimburse the state for any error in the payroll service received by that financial institution after 90 days from the month in which the payroll service was deducted from an individual's paycheck.

(d) Determine the cost of performing the requested service and collect that cost from the organization, entity, or individual requesting or authorizing the service. Services requested which are incidental, but not necessary, to making the deduction may be performed at the Controller's discretion with any additional cost to be paid by the requester. At least 30 days prior to implementation of any adjustment of employee costs pursuant to Section 12420.2, the Controller shall notify in writing any affected employee organization.

(e) Prior to making a deduction for an employee organization or a bona fide association, determine that the organization or association has been recognized, certified, or registered by the appropriate authority.

(f) Decline to make salary services for any individual, organization, or entity if the Controller determines that it is not administratively feasible or practical, or if the Controller determines that the individual, organization, or entity requesting or receiving the salary service has failed to comply with any statute, rule, regulation, or procedure for the administration of salary services.

(g) Make, cancel, or change a deduction or reduction not later than the month subsequent to the month in which the request is received. Except as provided in subdivision (c), all cancellations or changes shall be effective when made by the Controller.

(h) At the request of a state agency, transfer employee deduction authorization for a state-sponsored benefit program from one provider to another if the benefit and the employee contribution remain substantially the same. Notice of the transfer shall be given by the Controller to all affected employees.

GOVERNMENT CODE
SECTION 12420.2

12420.2. The Controller may purchase annuity contracts for permanent employees of the State Department of Education, Department of the Youth Authority, Board of Governors of the California Community Colleges, Department of Corrections, State Department of Mental Health, California Maritime Academy, Commission for Teacher Credentialing, State Department of Developmental Services, California State Library, California Postsecondary Education Commission, Private Postsecondary Vocational Education Council, Department of Consumer Affairs, Board of Vocational Nurse and Psychiatric Technician Examiners, and the Board of Registered Nursing, and shall reduce the salary of each employee for whom an annuity contract is purchased by the amount of the cost thereof provided that all of the following conditions are met:

(a) The annuity contract is under an annuity plan which meets the requirements of subdivision (b) of Section 403 of the Internal Revenue Code and Section 17512 of the Revenue and Taxation Code.

(b) The employee makes application to the Controller for the purchase and reduction of salary.

(c) All provisions of the Insurance Code applicable to the purchase of those annuities are satisfied.

STATE CONTROLLER'S OFFICE
STATE OF CALIFORNIA
Tax Sheltered Annuity - 403(b) Master Agreement

Contract No. _____

I. PARTIES

This contract, dated _____, is made between
(Date)

_____, hereinafter called
(Name of company offering 403(b) plan)

The "Company", and the State Controller's Office, hereinafter called the "Controller's Office". The Controller's Office contracts for and administers 403(b) plan salary reductions for eligible state civil service departments and their employees.

II. AUTHORITY AND PURPOSE

This contract is made in order to permit State employees to avail themselves of the provisions of United States Internal Revenue Code Section 403(b) as it may from time to time be amended.

In making this Contract, the Controller's Office is acting under the authority provided by California Government Code Sections 1153 and 12420.2.

III. CONSIDERATION

In consideration of the mutual undertakings and conditions herein contained, and in consideration of the Company being authorized to participate in the California State 403(b) program, the Company and the Controller agree to the following provisions.

IV. AGREEMENT

1.(a). **403(b) plans**

1. **State and Federal Requirements**. The Company shall provide for purchase by the Controller's Office for its employees, only plans complying with the provisions of Section 403, subdivision (b) of the Internal Revenue Code of 1954, as from time to time amended, of the United States, and regulations issued thereunder. In addition, any other pertinent federal and state law, and regulations issued thereunder,

applicable at the time such plans are issued or operating. The Company warrants that all such plans satisfy the provisions of said laws and regulations. The Company undertakes to agree insofar as is legally possible to any amendments necessary in order to comply with future applicable provisions of federal and state law and regulations issued thereunder, in order to continue such plans in operation. Such plans shall be available for purchase by the Controller's Office for participating state employees (hereinafter such eligible state employees shall sometimes be called "Participants").

2. **No Incidental Life Insurance or Other Taxable Feature**. The Company further warrants that its plan does not include any taxable feature which would require the Controller's Office to report any of Participant's salary reduction as taxable income notwithstanding federal allowance of such benefits and features as incidental components of a 403(b) plan.

(b). **Participants Selection and Plans Covered**. The parties recognize that the Company and its 403(b) plan have been selected by the Participant. The term "plan" and "403(b) plan" as used in this contract refer to fixed annuities, variable annuities and mutual fund custodial accounts qualifying under Internal Revenue Code Section 403(b) as described in subsection 1. (a) above.

1. **Authorized Insurance Company and Annuity Contracts**. The Company assures that it is an insurance company authorized to purchase annuity contracts in accord with Internal Revenue Code Section 403(b) or a distributor of mutual funds for purchase in mutual fund custodial accounts in accord with Internal Revenue Code Section 403(b)(7).

2. **Participant Eligibility**. The Company will verify that Participants are eligible to participate in the plan per Internal Revenue Code Section 403(b).

(c). **Nontransferable Annuities**. As required by Title 26, Code of Federal Regulations Section 1.401-9(b)(1)(I), annuities covered by that section shall be nontransferable.

(d). **Payroll Deductions, Premiums, Contributions**. The terms "premiums" and "contributions" are used in this contract to refer to the funds transferred from the Controller's Office to the Company on behalf of the Participants for investment in the plans. These may be funded through a salary reduction under which payments will be made through payroll deductions.

(e). **Variable Annuities**. The term "variable annuity" refers to an annuity supported by investments such as stocks, bonds and financial instruments and where the value of the annuity may vary from time to time to reflect, wholly, or in major part, the value of the underlying investments.

~~In the case of variable annuities, the Company agrees that the number of shares, however they be termed by the Company, credited to the participating employee prior to the suspension provided for in Section 7 of this contract shall not be reduced because of the suspension.~~

(f). **Fixed Annuities**. The term "fixed annuity" refers to an annuity which has its rate of return set by the Company providing the plan. Depending upon the terms of the annuity, the rate of return may be periodically adjusted by the Company. The rate of return is not directly linked to an identifiable portfolio of securities, as is the case with a variable annuity.

For fixed annuity plans, the Company agrees that any annuity to be paid shall have a value at date of actual retirement which is not less than the net premiums actually paid, accumulated with interest and benefit of survivorship, if any, to the date of actual retirement.

~~Subsequent to the suspension provided for in Section 7 of this contract, the net premiums contemplated by this section shall be identical to the net premiums which would have accrued with respect to the gross premium payments actually made by the policyholder if no suspension had occurred.~~

~~Also, the interest rate and the basis for computing benefit of survivorship contemplated by this section shall be identical to the rate and basis, respectively, which would have pertained with respect to the gross premium payments actually made for the policyholder if no suspension had occurred.~~

(g). **Mutual Fund Custodial Accounts**. Mutual fund custodial accounts are plans in which the contributions are invested in designated mutual funds that are held in a custodial account for the Participant.

2. **Nonforfeitable Contributions**. The rights of the plan Participants shall be nonforfeitable, except for failure to meet expressly contracted annuity terms requiring future premium payments. Any forfeiture for failure to pay contracted-for premiums shall be limited to express provisions for forfeitures and the provisions of Internal Revenue Code Section 403(b)(1)(c).

3. **Participant Elective Deferral Limits**. In order to establish a Participant's 403(b)-salary reduction, an employer provided worksheet to calculate the Participant's annual elective deferral limit must be completed. The Participant will work with either the Company, its designee, or a certified tax consultant to complete the worksheet. If the Company completes the worksheet, the service will be provided free of charge.

4. **Plan Contribution Limits**. The Controller's Office will not remit more than $10,500 per Participant to the Company for any given year, unless the limit is raised due to amendment of Internal Revenue Code (IRC) or the Participant demonstrates in writing (via a worksheet provided by the employer) that they are eligible for an alternate contribution limit or catch-up election per IRC Section 403(b) and any other related IRC Sections such as 402(g) or 415.

5. **Minimum Participation Requirements**. Understanding that the Company's minimum participation requirements are subject to change, please state the minimum monthly amount a Participant is currently required to invest $_____. The Company agrees that the Controller's Office may provide this information directly to Participants.

6. **Certification of Distribution, Direct Rollovers and Eligible Distributions**.

   The Company shall require the Participant to certify in writing the reason for all distributions. The Company shall distribute funds in accordance with Internal Revenue Code Sections 403(b)(7), (b)(8) and (b)(11) and other applicable code, prohibiting improper transfers, ensuring appropriate rollovers and proper distributions.

   The Company will provide the Participant written notification of their right to elect a direct rollover or eligible rollover distribution. The Company will furthermore state any tax consequences to the Participant of not electing a direct rollover. All rollovers will be completed within 60 days of the Participant's receipt of the distribution and/or within Internal Revenue Code requirements.

7. **Solicitation of Employees**. Failure of the Company, or the Company's designee on its behalf, to comply with all pertinent written directives of the employing department regarding the solicitation of employees and the purchase of tax deferred annuities and custodial accounts, including but not limited to regulations pertaining to personal, mail and telephone solicitation, can result in the termination of this agreement.

8. **Indemnify and Hold Harmless***.* The Company shall indemnify and hold harmless the Controller's Office, its officers, agents and employees and the employing department, its officers, agents and employees from any and all claims, demands or causes of action that arise out of the negligence or claimed negligence of the Company and its employees, which may be made by reason of the purchase of these investments or arising out of this agreement. The Company at its own risk shall defend any legal proceeding that may be brought against the Controller's Office, any of its officers, agents and employees or the employing department and any of its officers, agents and employees on any claims, demands or causes of action that arise out of the negligence or claimed negligence of the Company and its employees which may be made by reason of the purchase of these investments or arising out of this agreement and shall satisfy any judgement that may be rendered against the Company with respect to any such claim, demand or cause of action. The Controller's Office or employing department shall notify the Company promptly upon receipt of any such claim or demand which it receives.

9. **The Controller's Office and Plans**. The Company further understands and agrees that the Controller's Office shall not be held to guarantee any plan purchased from the Company by the Controller's Office for Participants; nor does the Controller's Office guarantee the usefulness of any plans for income tax reduction or estate planning purposes or otherwise. Any claims alleging such a guarantee or similar responsibility by the Controller's Office shall be among the claims the Company shall handle under Section IV (8) of this Contract.

10. **The Controller's Office and Company**. The Company is not and shall not be regarded as the agent or employee of the Controller's Office. The Controller's Office is not and shall not be regarded as an agent of the Company.

11. **The Company Cancellation Rights**. If no premium or contribution is paid on a particular employee's plan, as provided in this section, for a consecutive period of at least 24 months, the Company may, at its discretion, give notice to the employee and the employing department personnel office that as of 30 days after the date of said notice, the Company will refuse to receive further premiums or contributions.

12. **The Company Inquiries**. The Company has the right, whenever it deems necessary, to request information it requires directly from a participating employee or the employing departments personnel office respecting the premiums or contributions that should have been paid on a 403(b) plan contract for the benefit of the employee.

13. **Termination by Controller's Office**. The Controller's Office reserves the right upon 30 days written notice to the company to terminate this contract or any other contract in which this contract might be or is incorporated, but such termination shall in no manner affect any liability of the Company incurred prior to such termination.

14. **The Company Plan Discontinuance**. The Company reserves the right upon 60 days written notice to the Controller and Participants to discontinue making plans available for purchase by the Controller's Office. Such termination shall in no manner affect any liability of the Company incurred prior to such termination.

15. **Custodial Agreement, Group Contract, Rollover**. The form of any Custodial Agreement, Group Contract, or Rollover Agreement or other ancillary agreement affecting the contributions made under this contract is subject to approval by the Controller's Office and is also subject to the terms of this contract.

16. **Confirmation of Participant Account**. In order to establish the Participant's 403-b salary reduction, the Company shall provide the Participant an account designation and number.

17. **Investment of Contributions and Premiums**. Where establishment of a Company account for Participant is handled by an agent of the Company and the agent or Company fail to establish an account before first contribution is made by the Controller's Office, the Company agrees to credit such contributions effective with the Controller's Office first tender of payment, even if such contribution is initially returned from want of an identifiable account. The Company or its custodian shall promptly handle all funds delivered or held by them.

18. **Master Contract**. The provisions of this contract govern over any other conflicting provision in any document or contract in which this contract might be or is incorporated, whether by reference or otherwise.

19. **Payee Data Record**. A Payee Data Record form STD.204 is attached to this contract and its completion is required.

20. **Employment Practices**. During the performance of this Agreement, the Company shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. The Company shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. The Company shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. The Company shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

    The Company shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

21. **Waiver**. Any waiver at any time by either party hereto of any right with respect to any matter arising in connection with this contract shall not be deemed to be a waiver with respect to any subsequent matter.

22. **Amendment or Alteration**. No alteration or variation of the terms of this contract shall be valid unless made in writing and signed by the parties hereto, and approved by the California Department of General Services. The parties may amend this contract by written amendment executed by their authorized representatives.

23. **California Business**. The Company warrants that it is entitled to do business and to offer the plans provided under this Contract to the Controller's Office and Participants in California. The Company shall provide the Controller with proof of eligibility to provide the plans in California.

24. **Solvency and Bankruptcy**. The Company warrants that it is solvent. The Controller's Office reserves the right to cancel this contract in the event of the Company's insolvency. The Company shall provide the Controller's Office with prompt notification of any filing by the Company under the United States Bankruptcy Act.

25. **National Labor Relations Board**. By signing this agreement, the Company swears under penalty of perjury that no more than one (1) final unappealable finding of contempt of court by a Federal Court has been issued against the Company within the immediately proceeding two year period because of a Federal Court which ordered the contractor to comply with an order of the National Labor Relations Board.

26. **Year 2000 Compliance**: The Contractor warrants and represents that the goods or services sold, leased, or licensed to the State of California, its agencies, or its political subdivisions, pursuant to this contract are "Year 2000 compliant." For purposes of this contract, a good or services is Year 2000 compliant if it will continue to fully function before, at, and after the Year 2000 without interruption and, if applicable, with full ability to accurately and unambiguously process, display, compare, calculate, manipulate, and otherwise utilize date information. This warranty and representation supersedes all warranty disclaimers and limitations and all limitations on liability provided by or through the Contractor.

V. EXECUTION

This agreement shall become effective only upon execution by the Company, the Controller's Office and approval by the State Department of General Services. The Controller's Office will deliver executed copies of the agreement to the Company by mail.

(Seal of the Company if located outside of California) _____
(Name of Company)

_____
(Officer duly designated to execute this Contract: Name and Title)

_____ (Date executed by Company)

For the State Controller's Office

_____

_____ (Date executed by Controller's Office)