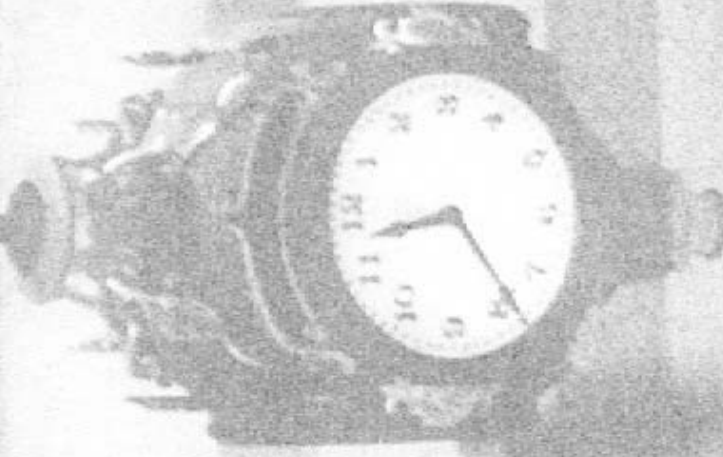


457(b) Deferred Compensation Plan



ELITE CHOICE
RETIREMENT SOLUTIONS

RSG
SECURITIES



EGTRRA Changes the Landscape

- June 2001 EGTRRA adopted in Washington DC
- May 2002 California adopts EGTRRA conforming legislation
- Affect on 457(b) plans:

NO COORDINATION

	<u>Basic</u>	<u>Age 50+</u>	<u>Total</u>
403(b) contribution (2005)	\$14,000	\$4,000	\$18,000
457(b) contribution (2005)	\$14,000	\$4,000	\$18,000
Total	\$28,000	\$8,000	\$36,000

Note: Additional catch-up options may be available.



Adding a 457 Program

• Positives

- Increased basic deferral limits (\$28,000 in 2005)
- Attractive investment options
- No 10% federal excise tax penalty for distributions at any age
- Portability to other retirement accounts like 403(b), IRA, etc.
- Fewer providers (usually one)

• Negatives

- Increased responsibility and liability for administration
- Fiduciary responsibilities for investment options & provider
- Differing compliance regulations from 403(b) plans; staff must be knowledgeable
- Increased involvement of staff with providers and participants
- Responsibility for employee education of the District sponsored 457(b) Plan



457(b) Plan Administration

It is YOUR PLAN and YOUR RESPONSIBILITY

- District is the Plan Sponsor and Administrator of the 457(b) Plan
- District selects investment provider and options offered for the investment options
 - Identify the District's fiduciary liabilities
- Process Salary Reduction Agreements
- Technical resource for employees
- Determine eligibility, and certify documentation for provider's processing and administration for:
 - Unforeseeable emergency withdrawals
 - In-service distributions
 - Loans
 - Separation from service distributions
 - Rollovers and transfers
 - QDRO distributions and transfers
 - Distributions to properly correct excess deferrals



Mitigate Your Fiduciary Liability

ELITE CHOICE

RETIREMENT SOLUTIONS

*Relieves Plan Sponsor's
Fiduciary Liability*

ELITE CHOICE
RETIREMENT SOLUTIONS

RSG
SECURITIES

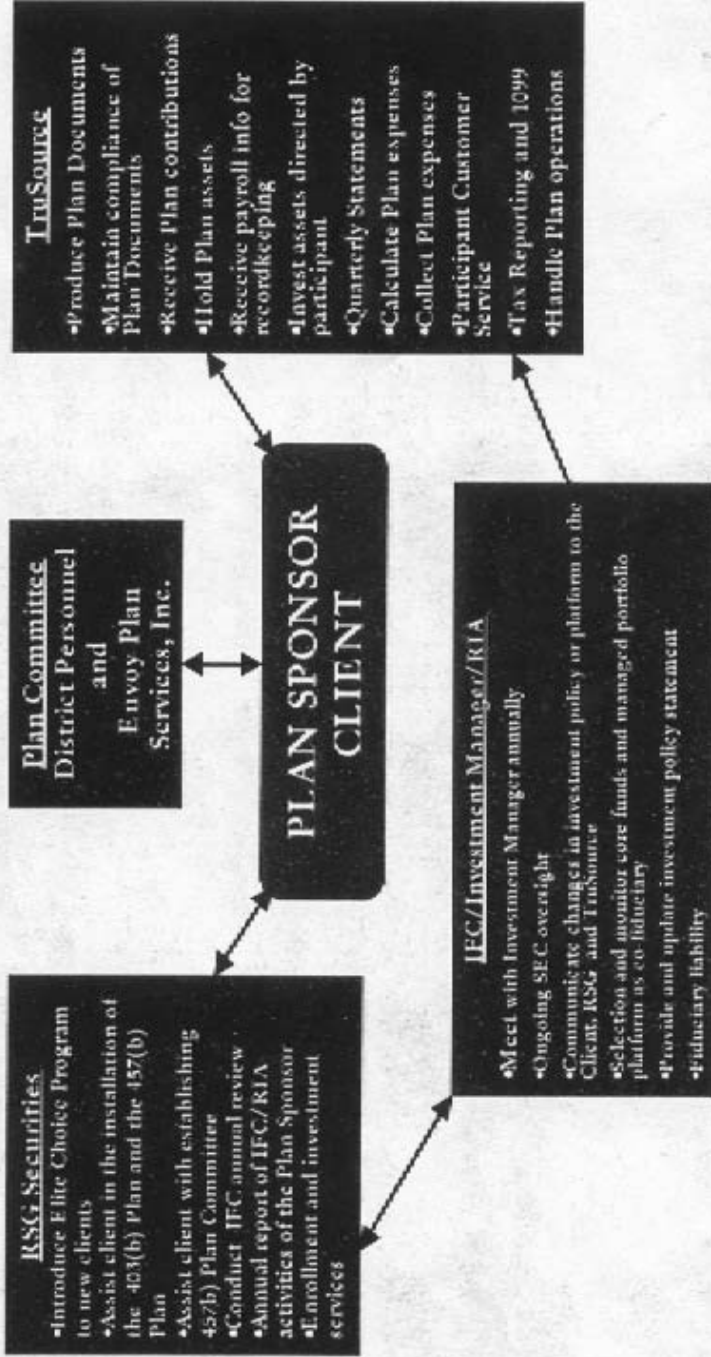


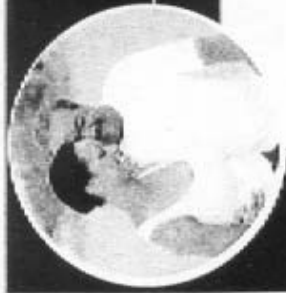
ELITE CHOICE

RETIREMENT SOLUTIONS

ELITE CHOICE

RETIREMENT SOLUTIONS





Pre-Tax vs. After-Tax

	After Tax Bank	Pre-Tax 457(b)/403(b)
Gross Pay	\$5,000	\$5,000
Savings Before Taxes	\$ 0	\$500
Taxable Income	\$5,000	\$4,500
Taxes (25% Federal, 8% State)	\$1,650	\$1,485
Savings After Tax	\$500	\$ 0
Take Home Pay	\$2,850	\$3,015

Tax Savings of \$165 monthly or \$1,980 annually



Comparison

Traditional 403(b)

Employer's 457(b)

Investment choices	Custodial Mutual Funds ('No-load' or 'load-waived' funds) Annuities (Fixed & Variable)	Custodial Mutual Funds ('No-load' funds) Annuity (Fixed)
Loan Provisions	Yes, with investment company approval	Yes, with plan sponsor (or designee's) approval
10% IRS early withdrawal penalty	Yes, if distributed prior to age 59½ or prior to age 55 and separated from service	No, for qualified distributions at any age or at age 70½ if working
Front-end Sales Charges or Back-end Surrender Charges	Class A mutual funds impose up-front sales charges Class B mutual funds impose rolling - declining surrender charges Most annuities impose surrender charges that vary by company	No front end charges No surrender charges* *Qualified distribution applies to Annuity option



Comparison

Traditional 403(b)

Employer's 457(b)

Liquidity	After age 59 1/2 or 55 and separated from service; may be subject to surrender penalties	Upon separation from service without surrender charges at any age or after age 70 1/2
Other Withdrawals (specific requirements must be met)	Hardship withdrawals as defined in the IRS Code	Unforeseeable Emergencies as defined in the IRS Code; and small account balance in-service distributions
Choices for ongoing contributions	Any approved annuity, custodial account or mutual fund investment company on your Employer's list and registered on the 403bCompare.com website	Only Employer-approved investment company
Transfer existing assets to other companies	May transfer assets to any investment company that offers a 403(b)	Limited to options available through the Employer's Plan



Envoy - an Independent TPA

Envoy Plan Services

Employer = Plan Sponsor Employer is Plan Administrator for All Plans

All Providers - All Options



Envoy's Services

Administration & Compliance 457(b) and 403(b) Plans

- Process new Service Provider Agreements (403bCompare/ IRS compliant)
- Receive and process all Salary Reduction Agreements
 - Envoy's staff works directly with your employees and their financial representatives
- Determine Maximum Allowable Contribution (MAC) limits
- Monitor and identify participant contributions that approach or are scheduled to exceed MAC limit



Envoy's Services 457(b) and 403(b) Plans

- Receive for review and approval all 457(b) Plan distributions
 - Retirement
 - Separation from service
 - Emergency hardship withdrawals
 - In-service
 - Rollovers
 - Excess deferrals
- Envoy coordinates with investment providers to ensure timely distributions and tax reporting
- Technical resource for staff and employees
- IRS and California state compliance protection
- Provide on-going monitoring of legislative and compliance environment



403bCompare Administration & Compliance

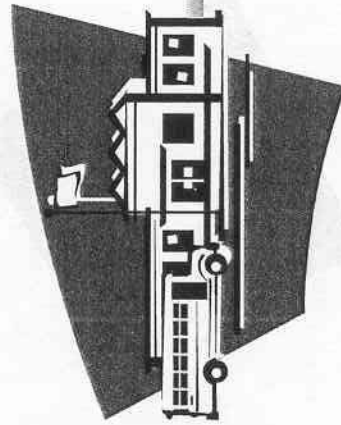
- Envoy will:
 - Inform employees about 403bCompare and Grandfathering
 - Continually verify 403(b) vendor registration
 - Upload to 403bCompare.com Salary Reduction Agreement and 403(b) provider list for the District
 - Process and track that the correct vendor ID number issued by CalSTRS is on each Salary Reduction Agreement
 - Terminate contributions to vendors with revoked registrations
 - Notify employees if vendor registration is revoked and assist employees in redirecting contributions
 - Formal liaison “back-up contact” between District and 403bCompare administrator



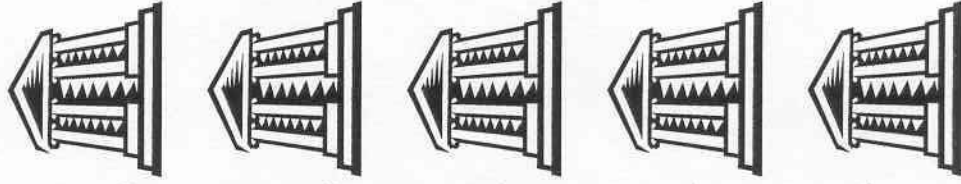
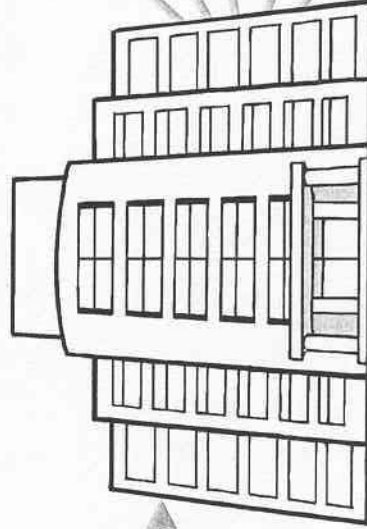
Envoy's Services 457(b) and 403(b) Plans

Envoy's Common Remitting Process

COE/District



ENVOY



INVESTMENT PROVIDERS

- ✓ Envoy remits contributions within 1 business day!
- ✓ Responsible for resolving employee/provider payroll issues.



457(b) Plan Administration

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