



# SAN DIEGO COMMUNITY COLLEGE DISTRICT

## Administrative Procedure

### Chapter 7 – Human Resources

#### 4860.1 - TAX-SHELTERED ANNUITIES

---

This procedure provides for salary reduction to be diverted to tax-sheltered annuities through voluntary payroll deductions for eligible District employees.

##### A. FUNCTION

1. Tax-sheltered annuity means: an investment program which defers a part of current salary and the taxes thereon, as authorized by section 403(b) of the Internal Revenue Code.
2. Eligible employees means all contract employees, and adjunct faculty.
3. Annuity provider means: insurance company, mutual fund, investment company, or other entity licensed by the State of California to conduct business in this state, which provides tax-shelter annuity investments as defined in section 403(b) of the Internal Revenue Code.
4. The District's approval of an annuity provider does not imply an endorsement. It is the employee's responsibility to assure that the provider and annuity plan are as represented. The District functions as agent for the employee limited to withholding and delivering that portion of pay authorized by the written instructions of the employee.
5. The "Amendment to Employment Contract" card, which authorizes the salary reduction for the TSA, must be in the Human Resources Office by the first business day of the month to be effective that month.
6. Employees may have no more than one tax-sheltered annuity deduction at a time. To change annuity providers, the employee must cancel the current deduction before executing a new one. Only one change in provider may be made in any calendar year.

##### B. IMPLEMENTATION

1. The Annuity Provider:
  - a. requests approval, in writing, to participate in the tax-sheltered annuity program; attaches a written statement from an officer or legal counsel of the company certifying that the company is licensed to do business in the State of California; and that the tax-sheltered annuity plan of the company meets the requirements of applicable federal and state law. The request

must also include a statement addressed to the District from five employees certifying their intent to enroll in that company's tax-shelter program.

- b. purchases "Amendment of Employment Contract" cards from Human Resources.
  - c. completes the card and "Tax Exclusion Allowance" form with the employee, obtains the employee's signature on all contracts, provides the employee with the card and form; the employee forwards the card and form to Human Resources.
  - d. understands all providers with no employee activity in their program for a period of one calendar year shall be deleted from the list of approved providers by action of the Assistant Chancellor.
  - e. provides investment counseling for employees.
  - f. insures that the employee's deductions is for no more than the tax-sheltered annuity and incidental life insurance authorized by existing law.
  - g. contacts employee only during non-duty hours, off the District premises.
  - h. complies with District administrative procedures and regulations contained herein.
2. Payroll Records and Benefits:
- a. certifies the original request of an annuity provider for participation in the District program.
  - b. processes the individual contracts and applications.
  - c. provides information regarding the payroll deduction and withholding procedures to the employee.
  - d. maintains a list of providers approved by the Assistant Chancellor. The list will be purged annually (see para. (B)(1)(d) above and Attachment II).
  - e. processes the payroll reduction for tax-sheltered annuity by the specified amount as a regular payroll deduction.
  - f. grants approval by signing the "Amendment to Employment Contract" card on behalf of the District.
  - g. signs the annuity provider's application form, if required.
  - h. uses the unreduced gross for mandatory contributions to the employee's retirement system and Social Security.
  - i. Prepares the W-2 form reflecting the reduced gross salary for income tax purposes and the unreduced gross salary for Social Security purposes.
3. Business Services/Accounting:
- a. prepares "Tax-Sheltered Annuity" deduction register and issues a warrant to remit the amount of deduction to authorized companies.
  - b. Remittance will be made within five.(5) days of the date pay warrants are issued.
  - c. sends warrant and deduction listing to the annuity provider.

## FORMS/REFERENCES

1. AMENDMENT OF EMPLOYMENT CONTRACT (see paragraph (B) (1) (b).
2. EDUCATION CODE (section 87040)
3. CALIFORNIA GOVERNMENT CODE (Sections: 1151, 1152, 1157, 1157.10)
4. CALIFORNIA INSURANCE CODE (Section 11491)
5. U.S. INTERNAL REVENUE CODE (Section 403(b))
6. ATTACHMENT I to this procedure contains samples of the following:
  - a. Letter of instruction to annuity providers;

- b. Annuity provider application;
- c. Certification/hold harmless agreement;
- d. Letter informing the annuity provider of the Assistant Chancellor's approval.

Approved: \_\_\_\_\_  
A. P. Gallego, Chancellor

Adopted: September 27, 2001

SUPERSEDES:  
Procedure 4860.1, 8/4/86, 3/15/93, 1/20/95