

December 12, 2008
Update from 11/24/08 letter

TO: All School District 403(b) Annuity Participants
FROM: First Financial Administrators, Inc.
RE: 403(b) Final Regulations and Important Changes

The Internal Revenue Service issued new Section 403(b) regulations for annuity plans in public school districts effective January 1, 2009. These regulations add cumbersome compliance responsibilities to employers and annuity vendors. As a result, many vendors currently offering 403(b) annuity plans are leaving the market and have notified clients. Examples include AIM, Merrill Lynch, Nationwide, and Van Kampen. Participants may be allowed to maintain balances with those carriers, but future contributions must stop before the January 1, 2009, deadline.

The IRS also stipulates that employers are responsible for tracking loans, transfers and exchanges, hardship withdrawals, etc. and must obtain an information sharing agreement from each vendor. As your school district third party administrator, it is our responsibility to contact each vendor on payroll and ensure that our Contract Provider Agreement is signed and in place before January 1, 2009. Vendors refusing to sign the agreement will not be allowed to receive contributions after that date.

Included in the new regulations is the requirement that a Plan Document be in place by the deadline. The Document must include options available (i.e. loans, hardship withdrawals, etc.) and must list vendors eligible to receive contributions from school district employees.

Please be aware that your current 403(b) annuity carrier may not sign our agreement, and contributions will cease effective January payroll. Please contact your financial advisor for direction. We continue to work with vendors to secure signed agreements, and new ones are added weekly.

The following vendors have signed our Contract Provider Agreement and are eligible to receive contributions after January 1, 2009, from all Texas school districts and – if approved for payroll – in Louisiana, New Mexico, North Carolina, Virginia, and Arizona.

American Funds (only if currently on payroll and ISA in place)
Americo Financial Life
American United Life/Transamerica

Annuity Investors
Axa Equitable
CM Life
Commonwealth Annuity
Federated Funds
Fidelity Security
First Investors
Great American Financial
Horace Mann
Industrial Alliance
ING Life Ins. and Annuity
ING Reliastar
Jefferson National
Kansas City Life
Kemper Investors
Life Ins. of the Southwest
Lincoln Financial Group
Mass Mutual Life
Metropolitan Life
Midland National
Modern Woodman of America
New York Life
North American Co. for Life and Health
Oppenheimer Funds
Pacific Life
Protective Life
Riversource Investment
Riversource Life
Security Benefit
Symetra Life Ins. Co,
Thrivent Investment
Thrivent Financial
USAA Investment
USAA Life
United Teachers Asso.
Waddell and Reed

GRANDFATHERED ACCOUNTS – Contributions continue but not eligible for new participants.

GREAT SOUTHERN LIFE
GWN SECURITIES
JACKSON NATIONAL LIFE
PRIMERICA FINANCIAL

515 North Sam Houston Parkway East, Suite 500
Houston, Texas 77060
P.O. Box 670329 Houston, Texas 77267-0329
(281) 847-8422 / (800) 523-8422 Fax: (281) 847-8423