MOTT COMMUNITY COLLEGE 403(b)
FREQUENTLY ASKED QUESTIONS

Q: How do I enroll with a vendor?

A: Contact information for each vendor is located on the HR website, as well as MidAmerica's website. You simply need to contact the vendor you are interested in and complete the applicable paperwork.

Q: How much can I contribute?

A: You can contribute up to $16,500 (in 2009). You may also be eligible for additional amounts through the Catch-up Provisions.

Q: What are "Catch-up" Provisions?

A: There are two different "Catch-up" provisions. The first is a 403(b) Lifetime Catch-up. If you have completed 15 or more years of service with Mott, as an employee of an educational institution, you may contribute up to an additional $3,000. The second Catch-up, the Age 50+ Catch-Up, states that any employee who obtains or is over the age of 50 in 2009 is eligible for an additional $5,500 "catch-up" contribution. There may be limitations on what you can contribute under the "Catch-up" Provisions.

Q: Is there a minimum contribution amount?

A: There is no minimum contribution. You may contribute to your 403(b) account via a fixed dollar amount or on a percentage basis.

Q: Can I take a loan on my 403(b) account?

A: Yes, you can borrow up to half of your invested amount, but not more than $50,000. Loans are repaid via payroll deduction, with a maximum payback period of 5 years (15 years if the loan was used to purchase a principal residence).

Q: What happens if I default on my 403(b) loan?

A: If you default on the loan, then the IRS will treat the entire distribution (not just the remaining balance) as a distribution. In that situation, a 10% early withdrawal penalty will apply.

Q: Under what circumstances can I take a distribution?

A: In most instances, a distribution from a 403(b) account may not be made until the employee:

- Reaches age 59 ½ ;
- Has a severance from employment;
- Dies;
- Becomes disabled;
- Encounters financial hardship; or,
- Has a qualified reservist distribution

Generally, distributions are taxable in full as ordinary income.

Q: Can I take a hardship withdrawal from my 403(b) account?

A. Yes, under certain circumstances you are entitled to take a hardship withdrawal. When electing to take a hardship withdrawal, you will be prohibited from making contributions to your 403(b) account for six months. Please contact MidAmerica for more information regarding hardship withdrawal eligibility and any taxes or penalties associated with hardship withdrawals.

Q: How long does it take for my money to reach the vendor?

A: Federal regulations require that plan sponsors transmit all contributions to 403(b) plans to the insurance company or other carrier as soon as is administratively feasible, typically within 15 business days. In February, Mott Community College will be utilizing a wire transfer that will, in most cases, transmit funds within 48 hours.

Q: What happens if I contribute more than the maximum allowed?

A: The College will suspend all deferrals upon reaching the maximum contribution amounts. However, should an excess deferral be made, the College will make a correction distribution and distribute excess funds no later than April 15th of the following year.

Q: What is the difference between a plan transfer and a plan exchange?

A: A plan transfer is the tax-free movement from one 403(b) Plan to another (such as in the case of a change in employers). A plan exchange is the tax-free movement from one 403(b) account to another within the employer's plan. For example, an exchange occurs if a participant stops elective deferrals with a current approved vendor under the plan and transfers that money to an account with another approved vendor under the same plan.

Q: What are minimum required distributions?

A: You must receive all, or at least a certain minimum, of your interest accruing after 1986 in the 403(b) plan by April 1 of the calendar year following the later of the calendar year in which you become age 70½ or the calendar year in which you retire.

However, on December 11, 2008, Congress passed the Worker, Retiree, and Employer Recovery Act of 2008 which permits participants over the age of 70 ½ to waive the minimum required distributions. **Note that this is for 2009 only.** Required minimum distributions would begin again in 2010 unless Congress extends the act.

Q: Can I rollover my 403(b) account into another retirement plan?

A: In general, you can rollover all or any part of a distribution from a 403(b) plan to a traditional IRA or an eligible retirement plan without paying any taxes. The maximum amount eligible for a 403(b) rollover is the amount that would be taxable. There are several rules regarding rollovers, so it's best to contact MidAmerica or your tax professional for guidance.

Q: What happens to my 403(b) account if I should die before I retire?

A: When you enroll in the plan, you will designate a beneficiary(ies) and the full value of your account will be payable to your beneficiary(ies). You may change the beneficiary designation at any time. It is important to remember to review your beneficiary designation whenever you have a change in your personal situation, e.g. marriage, divorce, or death.