

MHCC Tax Sheltered Annuity 403(b)
Retirement Plan Decision-Making Guide

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Introduction

The Tax Sheltered Annuity (TSA) 403(b) Plan allows you, on a voluntary basis, to accumulate savings to supplement your employer retirement plan to PERS/OPSRP and Social Security through your choice of annuities and mutual funds. Authority to offer the TSA is granted by the State of Oregon under ORS 243.820 - .803 and Section 403(b) of the Internal Revenue Code.

All MHCC employees are eligible to participate in the TSA program. This includes full and part-time employees. Student employees are excluded from participation if they are enrolled in six (6) credit or more and are exempt from Social Security and Medicare taxes.

This TSA Guide is a general overview of the Tax Sheltered Annuity 403(b) plan. It is not intended to be an exhaustive study of investments, nor does it provide investment or tax advice. The guide does not recommend that you participate in the TSA program. The decision to participate and selection of investment vehicles belongs to each participant, based on factors personal to the participant. In case of conflict between the Guide, official plan documents, and federal and state regulations on 403(b) plans, 403 (b) regulations will govern.

Notes to Participants

The TSA GUIDE describes the Tax Sheltered Annuity 403(b) Plan in general terms applicable to IRC 403(b) plans, and provides basic information you need to participate in the Tax Sheltered Annuity 403(b) Plan.

This Guide relies on Treasury and IRS regulations, but does not outline all of the requirements of these regulations. MHCC is not responsible for points not covered. MHCC maintains the right to amend the Tax Sheltered Annuity 403(b) plan to comply with regulations or changes in the law or policy to improve operation of the plan.

MHCC is not responsible in any way for an employee's choice to participate in the program or an employee's choices once in the program.

Occasionally, TSA participants have problems with the companies handling their accounts. These situations are rare, but if you experience any problems you should resolve them with the Investment Provider's representative. If the problem cannot be resolved in this way, contact the Benefits and Payroll Systems Manager in MHCC Human Resources' office at 503-491-7646.

For information on investments or tax implications of participating in the Tax Sheltered Annuity program, consult a financial or tax adviser.

Tax Sheltered Annuity at a Glance

Eligibility	All MHCC full-time employees, part-time instructors and part-time hourly employees. Students employees registered in 6 credit hours or more are not eligible to participate in MHCC TSA plan.
Waiting Period	None – eligible employees may enroll upon hire and any time thereafter.
Investments	Mutual funds and annuities provided by approved investment providers.
Enrollment	Enroll prior to 15 th day of the month in which contributions will begin. Permitted any month of the year – there is no waiting period. Both a Salary Reduction Agreement form and fund sponsor’s application are required to complete enrollment and submitted to Human Resources.
Changes	Contribution may be changed throughout the year. A new Salary Reduction Agreement must be filled out and submitted to Human Resources by the 15 th day of the month in which of contribution will change.
Stopping Contribution	Salary Reduction Agreement must be received in Human Resources no later than 15 th day of month in which of the contributions will stop.
Pre-Tax Contribution	Voluntary salary deferral, non-taxable as income in the year deferred. Not reported as W-2 wages, except for Social Security and Medicare. Taxed as ordinary income when account distribution received. Earnings plus contributions taxable to participant when distributed.
Roth Post-Tax Account	Available 1/1/2009 through available providers. Taxed as ordinary income when contributed. Earnings are not taxed when received as a qualified distribution.
PERS/OPSRP Contribution	Not reduced by Tax Sheltered Annuity contributions.
Annual Maximum	2015 General Limit: \$18,000 2015 15 Year Service Catch-up: \$3,000 (\$15,000 total maximum life-time catch-up) 2015 Age 50+ Catch-up: \$6,000
Minimum Contribution	Full-Time Employees: At least \$25.00 per month Part-Time Instructors and Part-time Hourly Employees: Percentage (%) of your salary only

– 1% minimum percentage.

Distributions	Allowed at service separation, death, or age 59 ½ 10% early withdrawal penalty before age 59 1/2 or age 55 retirement under PERS/OPSRP Minimum distribution required after age 70 1/2 or post-70 1/2 retirement.
Loans	One (1) outstanding loan per year, up to aggregated limit for all plans.
Hardship Withdrawals	Withdrawals permitted with proof of financial hardship as per IRS Safe Harbor rules. Six (6) month's suspension of contributions to 403(b) and 457 plans.
In-Service Withdrawals	Withdrawals permitted after age 59 ½.
Rollovers-tax free	Tax Free rollovers can only be done between 403(b) plans while currently employed by MHCC. Tax free rollovers between 403(b), 457, IRA and 401(a) can be done only after separation of service from MHCC and subject of approval of receiving plans.

SECTION 1

Tax Sheltered Annuity (TSA) - Roles and Responsibilities

MHCC's Role as Sponsor of TSA Program

MHCC's role in the TSA program is to send your payroll deduction contribution to an investment providers approved for participation in the Tax Sheltered Annuity 403(b) Plan. The College will:

- Deduct monies from your paycheck, based on your Salary Reduction Agreement instructions
- Forward your contribution to the investment provider you have designated
- Provide TSA guide, Salary Reduction Agreement and information on provider's website and telephone numbers

MHCC's role does not include:

- Recommending participation in the TSA program
- Advising employees about investments or the tax consequences of their investing decisions

Participant's Responsibilities

The TSA program allows you to exercise direction in your investments, and requires that you, as a participant, be solely responsible to:

- Decide whether to participate in the TSA program
- Decide which investment options to use, and how much to invest
- Research and understand the provision of investments you select
- Understand the tax impacts of investing through this program
- Correctly execute enrollment and change procedures

TSA Provider Responsibilities

TSA providers approved to offer investments through MHCC 403(b) TSA plan agree to abide by Mt. Hood Community College guidelines on campus solicitation, errors and omissions by insurance of agents representing them, and compliance with federal and state regulation applicable to IRC 403(b) plans.

SECTION 2

TSA Plan Provisions

The TSA plan offers, generally, the features of 403(b) program, as describe below.

Where this Guide varies from Internal Revenue Code, state and federal tax laws, participant contracts, or plan documents, those documents prevail. Provisions noted in this Guide are subject to change to comply with federal and state laws and as directed by Mt. Hood Community College Administration.

TAX Treatment

MHCC and its employees cannot advise you about the tax treatment of your TSA account. This Guide states only general rules and tax rules are subject to periodic changes. For reliable tax information you should consult your tax advisor.

The income you contribute as TSA contributions is subject to Social Security and Medicare taxes (FICA). Those taxes are withheld on your full compensation, before your payroll deduction to the TSA is made. Therefore, participation in the TSA program will not affect your Social Security or Medicare benefits.

No Effect on PERS/OPSRP Contributions

Participation in the MHCC TSA program does not affect your retirement benefits from other retirement plans including Oregon PERS/OPSRP. These retirement plans calculate your benefits using your gross income, which includes your tax deferred contributions to TSA program investments. Your TSA participation does not limit your participation or deferrals to the voluntary Oregon Savings Growth Plan through PERS.

Elective Contribution Limits

Internal Revenue Code (IRC) places limits on the amount you may invest through the TSA program on a tax-deferred basis. Maximum contribution limits are based on your includable compensation, which is your gross pay during a calendar year. Generally, your maximum contribution in any tax year is limited to the lesser of:

- a limit on your maximum elective contribution (General Limit plus Age 50 Catch-up)
- a limit on the total contributions you may make annually to all 403(b) contract you hold

Employee's Elective Contribution Limits

Employee Elective monthly contribution minimum amount:

- Full-Time Employees: At least \$25.00 per month.
- Part-Time Instructors & Part-Time Hourly Employees: Percentage (%) of your salary only – 1% minimum percentage.

Participants are responsible for verifying their maximum permissible contributions annually. If the total you contribute in a tax year exceeds the limits contained in IRC 402(g) and other tax law related to this IRC 403(b) plan, you must include the excess in your gross income for that year for tax purposes.

The maximum allowed elective contribution (salary reduction) is periodically adjusted for cost of living by the IRS, and you should check annually for the new limits that are generally announced in the last month of each calendar year.

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|-----------------------------------------|------------|--------------------------------|
| • General Limit IRS | Year: 2015 | Maximum Contribution: \$18,000 |
| • Special Election for 15+ Yrs. Service | Year: 2015 | Maximum Contribution: \$3,000 |

Individuals who have at least 15 years of service with MHCC who already made the maximum allowable contribution under the general limit in the tax year may make an additional contribution of \$3,000 under the Special Election for 15+ years of service. The overall lifetime maximum under the special election for 15+ Yrs. Service is \$15,000.

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| • Age 50+ Catch-Up Election | Year: 2015 | Maximum Contribution: \$6,000 |
|-----------------------------|------------|-------------------------------|

Individuals age 50 and older who already made the maximum allowable contribution under the general limit in the tax year may make an additional pre-tax catch-up contribution of up to \$6,000. Amounts in excess of the basic limit shall be allocated first to the "15-year rule" and next to the "Age 50 Catch-up provision."

The General Limit applies to your total pre-tax and post-tax (Roth) voluntary contributions. If you request an additional Age 50+ Catch-up, the additional contribution amount may be made on a combined pre-and post-tax (Roth) basis. This means that you pre-tax and Roth post-tax contributions, combined, may equal but may not exceed the pre-tax limits described above.

Monitor Total Contributions to Avoid Tax Penalties

If you contribute any amount in excess of the described Internal Revenue Code limits, you are responsible for taxes and penalties on the excess amount. MHCC strongly suggests that you work with a tax consultant if you plan to maximize your contributions to the extent that they begin to approach any of the described limits.

Roth Post-Tax Account

A post-tax "Roth" account is available through one or more investment provider. If having access to post-tax contributions is important to your saving plan, confirm which investment provider that they offer the Roth option before enrolling.

Generally, the Roth option may interest you if you think your taxes will be higher in retirement than they are now, because you are in a low tax bracket now or expect taxes to rise in the future. Consult a tax advisor or financial consultant to confirm if the Roth option would benefit you. A Roth contribution does not reduce your taxable income in the year you make the contribution.

A Roth account helps to reduce taxable income in retirement. A Roth elective contribution is treated as ordinary income at the time you make the contribution to your TSA account, and if your distribution is "qualified" when you request it, the earnings are distributed tax-free. (Because contributions were taxed before investment in the account, there is no further tax applied to contributions.) Qualification requires that investments be held in a Roth account that was established at least 5 years prior to distribution in order to receive tax-advantaged treatment of investment earnings.

Your total contributions, up to the General Limit and the Age 50+ Catch-up limit, may be made to your Roth post-tax account, or you may split your contribution between the pre- and post-tax options.

Some special rules apply to Roth account. For one, your Roth account can only be rolled over to another plan that offers the Roth option. In addition, your Roth contributions must be held for five years prior to being distributed tax-free.

Distributions

When you leave MHCC employment, the money in your TSA account(s) can be handled in various ways; depending on your circumstances at the time you leave, your TSA contract and current IRS regulations, some of the options that may be available are the following:

- You may begin to receive annuity benefits or withdraw your account balance. A 10% penalty tax is applied to distributions taken before age 59 ½. If you retire at or after age 55, however, you may take a penalty-free distribution.
- You may leave funds in your account for later distribution.
- You may roll TSA money into an IRS, another 401(a) or 457 plan, subjected to approval by those plans.
- If you become employed by another organization with a 403(b) plan, you may be able to transfer your money to that plan, subject to approval by the receiving plan(s).

Your tax or financial adviser will be able to help you determine the best option for your personal circumstances. For information about rollovers to other plans, contact the receiving fund sponsor first to verify that a rollover will be accepted.

Changing Contributions

Your Salary Reduction Agreement (SRA) may be changed at any time of the year. One SRA may be in effect at any one time, and the most recent SRA replaces all prior instructions to MHCC.

In the months that you receive no pay, there are no employee or employer contributions.

Changing Investment Providers

You may change your investment provider at any time of the year - there are no open enrollment periods. No more than one SRA may be in effect at any one time, and the most recent SRA replaces all prior instructions to MHCC.

When Changes Become Effective

All Salary Reduction Agreement (SRA) forms must be received in Human Resources by the 15th of the month in which you wish to begin, change, or cancel participation in the program. Forms received after the 15th of the month will be effective the following month.

In the months that you receive no pay, there are no employee or employer contributions.

Increase or Decrease the Amount of Your Salary Reduction

Full-Time Employees: Based on your Salary Reduction Agreement amount either on election of change in the flat monthly amount or % percentage of salary. If you elect to have a percentage (%) of gross salary contributed to your account, when your salary increases or decreases, your contribution amount will reflect that change. In the months that you receive no pay, there are no employee or employer contributions.

Part-Time Instructor &

Hourly Employees: Your salary reduction amount can be designated only as a whole percent of gross salary; for example, 2% of your monthly gross pay.

In the months that you receive no pay, there is no contribution.

When your pay increases through a job change or salary increase, your contribution increases proportionately, until you submit as new Salary Reduction Agreement.

Complete the Salary Reduction Agreement, keep a copy for your records and send the original to MHCC Human Resources' office.

New Enrollment/Change Investment Provider

Contact the investment providers you wish to invest funds by requesting an enrollment kit, or to enroll online. Investment provider information is in the Tax Sheltered Annuity provider section and on the Human Resources' website under Benefits.

Enrollment must be done between you and the investment provider with completing a contract with the company and a Salary Reduction Agreement with MHCC. A copy of the contract with your investment provider must be attached to the Salary Reduction Agreement.

Stop Your Contributions

You may terminate participation in the Tax Sheltered Annuity (TSA) program in any month. Termination does not mean withdrawal of funds, but stops future contributions. If you stop participating in the TSA program, you may begin again in any future month.

Loans

One outstanding loan per calendar year is permitted. A participant requesting a loan is required to disclose all other outstanding loans against retirement plan accounts held by the employer. This includes 403(b) accounts and Oregon Savings Growth (IRC 457) plan. Your Investment provider will provide loan terms and forms by your request.

Rollovers

Rollover to the Oregon Savings Growth Plan (IRC 457) and qualified IRAs are permitted after severance of employment or attainment of age 59 ½, subject to approval by the receiving plans.

Hardship Withdrawals

Hardship withdrawals are permitted to meet an immediate and heavy financial need, if a distribution is necessary to satisfy the financial need. An IRS safe harbor list of specific needs and distribution criteria generally apply. Contact your Investment Provider or Jeff Forbis in Human Resources at 503-491-7646 for additional information.

Minimum Distributions

Distributions must begin April 1 of the calendar year following the year in which you achieve age 70 ½ or retire after age 70 ½. Penalties are applied if you do not begin your distribution according to these rules.

SECTION 3

Managing Your Account

The performance and goals of the investment products you initially select, and your personal circumstances, may change over time. When considering an investment for your retirement savings, think forward to the day you want to transfer or withdraw your investments. Ask questions about moving your money before you invest.

Transferring From One Investment Provider to Another Provider

When transferring funds from one of the current Tax Sheltered Annuity investment providers to another, keeping in mind the following:

- Inquire if there will be any restrictions or fees involved. Some investment providers charge fees when you transfer your account.
- There are no federal tax consequences to most transfers as long as you follow prescribed procedures. Check with both the "sending" and "receiving" fund sponsor about their procedures. In this matter, and any other matters relating to taxes, you should consult a tax adviser as well.
- Determine if all or only a portion of your account may be moved at one time. Some funds restrict transfers to a certain percent per year.
- Transfers to and from insurance and mutual fund companies outside of MHCC's Tax Sheltered Annuity plan may be made as eligible rollover distributions at separation from employment or other distribution events.

Transfers Within an Investment Providers Funds

Each fund sponsor has its own rules for transferring (exchanging) funds amount different investment vehicles within its own investment menu. Sometime, fees are charged for transfers. Transfers and exchanges may be restricted by frequent trading policies of the funds or investment provider. You can determine the transfer rules for a plan before you invest in it by reading the investment provider's materials or by asking the investment provider's representative or customer service center. Among the questions you may wish to ask are the following:

- What is the procedure for transferring funds from one investment option to another?
- How often may I transfer among investment options?
- Do transfers involve any fees?
- Are there limits on the amount I may transfer at one time?

Withdrawals

Carefully review the investment provider's withdrawal provisions before selecting your investments. Discuss the tax consequences of withdrawing funds with your tax adviser if you are unsure what effect a withdrawal would have on your tax status. Generally, withdrawals before age 59 ½ are assessed a 20% income tax withholding and 10% early withdrawal penalty. Exception to the 10% penalty exist for withdrawal due to disability, medical expenses, alternate payees and beneficiaries, and retirement at age 55, amount other reasons. Among the questions you might ask are:

- What are the early withdrawal restrictions? When do these restrictions expire?
- If I am allowed to withdraw my money, will there be a penalty or fees?
- What withdrawal options are available to a participant upon retirement?

SECTION 4

Enrollment

Establishing your Tax Sheltered Annuity account is a two-part process.

Apply for an account through one of the Investment Providers listed below by contacting them directly or through a Financial Planner that has a license to offer the Tax Sheltered Annuity. A copy of the contract that is submitted to the Investment Provider must be submitted to Human Resources.

Fill out a Salary Reduction Agreement to authorize the deduction out of your payroll check. A copy of the Salary Reduction Agreement is attached to this Guide and a copy also can be downloaded on MHCC Human Resources' website under Benefits.

COMPANY NAME	PHONE	WEB SITE
American Fidelity	800-662-1106	www.americanfidelity.com
Ameriprise (American Express)	612-671-5704	www.ameriprise.com
American Funds Service	800-421-5475	www.americanfunds.com
Calvert	800-368-2745	www.calvert.com
AXA Equitable Life	800-628-6673	www.axa-equitable.com
Fidelity Group	800-835-5097	www.fidelity.com
First Investors	800-423-4026	www.firstinvestors.com
Great American Life	888-497-8556	www.gafri.com
Horace Mann	800-999-1030	www.horacemann.com
ING Life Ins & Annuity/Reliastar Life Ins/ AETNA	800-584-6001	www.ingretirementplans.com
Lincoln Financial Group	877-275-5462	www.lfg.com
Metropolitan Life (MetLife)/Travelers Life	800-638-5433	www.metlife.com
Oppenheimer	888-470-0862	www.oppenheimerfunds.com
TIAA-CREF	800-842-2252	www.tiaa-cref.com
Vanguard	877-662-7447	www.vanguard.com
Variable (Valic)/AIG	800-448-2542	www.valic.com
Waddell & Reed	888-923-3355	www.waddell.com