

The University of Mississippi

Supplemental Retirement Plans

Summary/Purpose: This policy provides an explanation of the provisions of Sections 403(b) and 457 of the Internal Revenue Code of 1954, as amended, for purchasing pre-tax and post-tax annuities and mutual funds for additional retirement benefits.

Under provisions of Section 403(b) of the Internal Revenue Code of 1954, as amended, employees of the University are offered an opportunity to contribute to a pre-tax supplemental retirement program. Certain tax advantages are associated with this program in that a portion of the gross compensation may be excluded from current income taxes when used to purchase an annuity for additional retirement benefits. The amount invested in an annuity under the provisions of this section of the Internal Revenue Code would be taxed at the time the annuity matures, and payment is made to the individual after retirement. This provision may result in considerable tax savings to the individual.

University employees are also offered an opportunity to participate in a post-tax Roth 403(b) program for supplemental retirement savings. Individuals can designate all or a portion of his/her elective deferrals as post-tax contributions. Earnings from these accounts accumulate on a tax free basis and all qualified distributions will be excluded from gross wages abiding Section 403(b) provision are followed.

The Department of Human Resources can advise employees enrolling in the pre-tax 403(b) and post-tax Roth 403(b) programs of the minimum and maximum amounts they may invest. Individuals who are interested in participating in this program must complete a Salary Reduction Agreement form available on the Human Resources web page or by contacting the Human Resources office. Participants must directly contact a representative of an authorized company to establish an account and select his/her invest vehicle.

The 1973 and 1974 Mississippi Legislatures passed legislation which allows any public employee in the State of Mississippi to participate in a Deferred Compensation Plan. Deferred compensation, like a tax-sheltered annuity, offers certain tax advantages in that a part of an employee's gross compensation may be excluded from current income taxes when invested. The Public Employees' Retirement System of Mississippi (PERS) is the state agency chosen to administer the program.

The amount of salary an employee may defer will be in accordance with Section 457 of the Internal Revenue Code. The Mississippi Deferred Compensation Plan & Trust offers a variety of investment options from stock funds to fixed accounts. Employees choose the options which are best for them based on their personal investment objectives and risk tolerance.

The maximum amount one may invest is subject to IRS guidelines. All faculty members, staff, student workers, and retirees are eligible to participate in 403(b), Roth 403(b), and 457 plans. Contact information is available on the Human Resources web page.