Kendall County Special Education Cooperative

201 Garden Street * Yorkville, IL 60560-9024
630-553-5833 * Fax: 630-553-5872
www.kcsec.org

Lynda Shanks
Director

Tedd W. McCauley
Assistant Director

Administrative Team

Terri Anderson
Opportunity School Principal

William T. Boyter
Coordinator

Deborah J. Brouman
Coordinator

Lori Coit
Coordinator

Patricia Gillen
Coordinator

Kim Hanson
Coordinator

Amy Lee
Coordinator

Linda Lenoff
Coordinator

Denise McCarthy
Coordinator

Linda McKee
Coordinator

Susan McNelis
Coordinator

Jessica Nicholson
Coordinator

Date: 10/10/07

Dear Section 403(b) Plan Participant:

Recently, the Internal Revenue Service issued new regulations for *Internal Revenue Code* Section 403(b) plans (also known as tax-sheltered annuity plans). **The new regulations will impact all 403(b) participants.**

Please note that the effective date for most provisions of the new regulations is the first taxable year beginning after **December 31, 2008 (or January 1, 2009).** By then, all 403(b) plans must satisfy a number of specific qualifications including several documentation requirements.

While most provisions of the new regulations have an effective date of January 1, 2009, the Cooperative wants to alert you of two provisions that have earlier effective dates; both may possibly impact your 403(b) accounts involving transactions with your service providers:

1. ***New regulations prohibit issuing separate life insurance contracts in 403(b) plans as of September 24, 2007*.**

2. ***New regulations apply to contract exchanges after September 24, 2007*.**

The new regulations identify a transition period beginning on September 25, 2007, and ending December 31, 2008. During this transition period, if participants move funds by exchanging one 403(b) contract for another, such exchange will become taxable income to the employee unless retroactively supported by an information sharing agreement between the Cooperative and the Service Provider receiving the funds and separately ratified by the Cooperative's plan document by January 1, 2009. Because the IRS has not yet published guidance or a draft plan document, the Cooperative is not in a position to know whether it will be able to enter into an information sharing agreement with a particular service provider or be able to ratify an exchange in its plan document by January 1, 2009. **Therefore, any exchanges occurring after September 24, 2007, are at the participant's own risk and may become taxable income**.

IF YOU ARE CONTEMPLATING MOVING FUNDS BY EXCHANGING ONE 403(b) CONTRACT FOR ANOTHER OR PURCHASING LIFE INSURANCE FROM YOUR 403(b) PLAN, PLEASE CONTACT YOUR FINANCIAL ADVISOR OR SERVICE PROVIDER. AS WITH ALL NEW IRS REGULATIONS, INTERPRETATION AND APPLICATION MAY CHANGE WITH THE RELEASE OF FUTURE REGULATORY GUIDANCE.