

Your CTA Retirement Savings Plan Handbook

Plan Handbook



CTA Voluntary
Retirement Plans
for Educators, LLC

Answers to common questions about investing in the CTA Retirement Savings Plan.

What is a 403(b)?

A 403(b) plan is a powerful savings tool. It is a retirement savings plan where you can set aside money either before or after you pay taxes so that your money grows tax-free during your work life.

Pre-tax contributions are made before your income is taxed, lowering your current taxable income. However, you'll pay taxes on the money when you withdraw it in retirement. This option is beneficial if you anticipate being in a lower tax bracket after retiring, as you'll pay less tax on withdrawals.

Post-tax contributions, or Roth*, are made after your income has been taxed. The advantage is that your withdrawals in retirement, including the earnings, are tax-free, provided certain conditions are met. This is particularly advantageous if you expect to be in a higher tax bracket in retirement or if tax rates rise, as it ensures tax-free withdrawals.

In summary, pre-tax contributions can reduce your taxable income now and offer tax-deferred growth, but you'll owe taxes upon withdrawal. Roth contributions don't lower your current taxable income but promise tax-free withdrawals in retirement. Your choice should consider your current tax situation, expected future tax bracket, and investment goals, helping you plan more effectively for your financial future.

**Roth eligibility is subject to your district's written plan. Check with your human resources or payroll department.*

Why would I join the CTA Retirement Savings Plan?

Someday we all stop working but our expenses go on and on. Your pension provided to you by CalSTRS or CalPERS is a great starting point to paying your living expenses in retirement, but it will only replace about half of what you will need to live on once you stop working.

To reach your goal of a financially secure retirement, it is important to put aside a portion of your salary each month into a 403(b) plan. The CTA Retirement Savings Plan was designed for educators and is the only plan endorsed by your union.

There are so many plans out there, what makes the CTA Plan better?

There are a lot of retirement savings plans you could select. However, many of those plans have high fees and surrender charges.

The CTA 403(b) Plan was designed by your union with only you in mind. The CTA Plan offers high-quality investment options at a low cost, so more of your money stays in your pocket. And all the details of your plan are completely transparent so there are no hidden fees or restrictions.

How much money should I set aside from each paycheck?

One of the smartest things you can do is to start saving at an early age, that way you have the power of compound interest to help your money grow. If you are not sure how much to start with, try \$100 per month as a starting point. You can always increase your savings rate as your situation changes, the important thing is to just start.

Does the CTA Plan give me a choice of where to invest my money?

When you sign up for the CTA Plan using the quick enrollment option, you will be automatically enrolled in a LifePath target date fund that corresponds to your age. This fund is managed by BlackRock, one of the largest mutual fund managers in the world.

If you prefer to create your own investment mix the CTA Plan has a variety of fund options. You can find them at enroll.CTaretirementplan.org.

And, you can change your investment options at anytime.

What is a LifePath target date fund?

A target date fund is a mix of investments that automatically adjusts over time to help make sure you are in a diversified portfolio that corresponds to your age.

This is a very popular choice with educators. 90% of educators in the CTA 403(b) Plan are using the target date fund.

Who is managing the CTA Retirement Savings Plan?

The investments in the plan are managed by some of the world's leading asset managers including firms such as Vanguard and BlackRock.

An independent investment consulting firm recommends and monitors the investment options evaluating factors such as performance, track record, fees and investment team stability.

It is CTA's practice to hire an independent recordkeeper for the Plan. Aspire/PCS Retirement (PCS) is the recordkeeper and responsible for managing the administrative aspects of the plan including providing account statements.

What are the fees in the CTA Plan?

Effective December 1, 2018 you pay a flat annual record keeping fee of \$95.00 and 0.05% for custodial services based on the assets in your account. These fees will be deducted from your account balance on a quarterly basis. Additionally, you pay an asset-based fee for the investments selected and certain transactions such as loans and distributions are subject to fees.

Enrollments that are received after October 15, 2018, will include a one-time enrollment fee of \$10. This one-time enrollment fee will be assessed with the first quarterly recordkeeping fee payment at the end of the quarter in which your account is funded.

All fees are clearly outlined in the annual fee disclosure statement, online at CTAretirementplan.org and will be reported as transactions on your quarterly statement.

CTA members who are new to teaching or have not opened a 403(b)/457 governmental plan may be eligible for lower administrative fees for two years to help them get started with their retirement plan.**

***To find out if you qualify, please visit enroll.CTAretirementplan.org.*

How do I keep track of my account?

You can check your account balance as often as you wish online at CTAretirementplan.org. Additionally, you will receive a quarterly account statement.

Can I get to my money if I need it before I retire?

If you have an emergency or urgent need you can borrow or possibly take your money out early. If you take your money out before you are 59.5 years of age you will pay a penalty and regular taxes.

What happens if I change school districts?

The money you have saved is yours and will stay in your account. When you start your new job you will need to open a new account and complete a new salary reduction agreement so new money can be invested in the plan. You can roll over the original account into the new district account or keep them separate. Unlike some 403(b) plans, there are no fees or charges for rolling over your CTA Plan to a new account.

What happens to my money if I leave teaching?

You can keep your money in the CTA 403(b) plan where it can keep growing until you retire or roll it over to an IRA. If you are over age 55 when you leave teaching, you can take the money out of the account as cash. The money you take out is taxed as salary but you will not pay a tax penalty. If you are under age 55 when you leave teaching, any amounts you withdraw as cash are taxed as salary and you will incur a tax penalty unless you wait until you turn age 59.5 to take a withdrawal.

Steps to Enrolling in the CTA Retirement Savings Plan

All CTA members are eligible to participate in the CTA Retirement Savings Plan.

If you are currently participating in a retirement savings plan that is not endorsed by CTA, you can switch to the CTA Plan. Contact the CTA Enrollment Center at 916-235-9800.

Here are the simple steps to enrollment:
(or go to enroll.CTAreirementplan.org)

1.

Enroll online at enroll.CTAreirementplan.org.

2.

Complete the salary reduction form that comes from your district's retirement plan administrator.

If you need help enrolling online, call the CTA Enrollment Center at 916-235-9800.

**For more information about the
CTA Retirement Savings Plan, or for
enrollment help, contact the CTA
Enrollment Center at 916-235-9800
from 5 am to 5 pm, M-F.**

**Or go online any time:
enroll.CTaretirementplan.org.**