

TIAA-CREF Selected as Retirement Plan Provider For Two LA Education Organizations

Los Angeles, CA (September 4, 2003) — TIAA-CREF has been chosen as the exclusive 457(b)* retirement plan provider for the Los Angeles Community College District and the Los Angeles County Office of Education.

The LA Community College District comprises nine campuses spread throughout the county. The Los Angeles County Office of Education is the largest such office in California, and provides a variety of administrative services to K-12 school and community college districts. Each organization has more than 5,000 eligible employees.

“A 457(b), much like a 401(k) and 403(b), can help employees plan for retirement in a tax-advantaged way,” said Brian Cressey, director of TIAA-CREF’s Southern California office. “TIAA-CREF has served public educational institutions nationwide and locally for over 80 years, and we are especially excited by this opportunity to work closely with the LA Community College District and the LA County Office of Education to bring a tax-deferred savings opportunity of significant value to their employees.”

In 2001, federal legislation changed the tax code to make 457(b) plans more attractive. First, annual contribution limits were made the same as for 401(k) and 403(b) plans -- \$12,000. Second, maximum contributions to a 457(b) and a 401(k) or 403(b) in the same year are now permitted. This could mean tax-deferred savings of up to \$24,000 annually.

“Because 457(b) plans do not have a 10 percent early withdrawal penalty, as do 401(k) and 403(b) plans, I believe that over time 457(b) plans will become the more popular, and first-dollar choice, for educational employees wishing to save on a tax-deferred basis to augment the retirement benefits that they will receive from California State Teachers Retirement System,” Cressey said.

Richard Shafer, TIAA-CREF’s California-based regional vice president, added, “Recruitment and retention of top talent is a major issue facing educational and government institutions. Offering a 457(b) to employees, at no direct cost to the participant or institution, adds another powerful tool to the benefits kit.”

About TIAA-CREF

TIAA-CREF, with \$286 billion in assets under management, is a Fortune 100 company and a national financial services organization, including the premier pension system for education and research employees. Further information can be found at <http://www.tiaa-cref.org>.

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*** About the 457(b)**

457(b) refers to the IRS code that addresses deferred compensation and tax-deferred savings. 457(b) plans are sponsored by a state or local government entity, their political subdivisions and their instrumentalities. That means only employees of state and local governments and tax-exempt organizations (including K-12, higher education, etc.) may participate in a 457(b) plan through payroll deduction.

Most school districts have always been able to offer such a plan (subject to state statutes), but many did not because the advantages of a 403(b) plan outweighed those of a 457(b) plan. Some school districts have offered both, but participation in the 457(b) plan has generally been limited to classified staff.

The current eligible deferred compensation contribution limit for 457(b) plans is now the same as 403(b) and 401(k) plans, which is 100% of earnings or \$12,000, whichever is less.

A unique aspect of the 457(b) is that individuals who have both a 457(b) and either a 401(k) or 403(b) can now contribute up to the maximum amount permissible under each plan, for a total of up to \$24,000 annually on a tax-deferred basis.

Catch-up provisions allow as much as \$24,000 to be contributed to each plan by people within three years of normal retirement age as defined by their specific retirement plan.

Recent changes in tax law allow individuals with 457(b) plans at termination of employment to roll over their funds into an IRA, 401(k), 403(a), 403(b) or 401(a) plan.