



UNDERSTANDING TAX-SHELTERED ANNUITIES (TSA/403(B) PLANS)

Information You Need Today to Help Make Informed Choices for Tomorrow



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What Is a TSA/403(b) Plan?

With so many choices about how to save for retirement, making informed and appropriate decisions isn't always easy. A Tax Sheltered Annuity (TSA)/403(b) is a retirement savings plan typically available to employees of certain tax-exempt organizations, such as schools, hospitals and nonprofit organizations.

Here's a general look at what a TSA/403(b) plan is and the benefits it can provide.

- **A Convenient and Consistent Way to Save:** It's convenient because you can make the arrangements through payroll deduction with your employer. Employers automatically forward your contributions to the TSA/403(b) investment of your choice. It's consistent because it can be a disciplined way to make retirement savings contributions.
- **A Tax-Deferred Strategy:** Depending on the election made by the 403(b) plan, you may be able to contribute to your TSA/403(b) plan with either pretax or after-tax funds. An after-tax contribution would be to a Roth 403(b). Making your TSA/403(b) contributions on a pretax basis may allow you to lower your current taxable income. On the other hand, making your TSA/403(b) contributions on an after-tax basis may allow you to have tax-free income when accessing your funds during retirement. Please check with your plan to determine the salary reduction contribution options that are offered by your employer's 403(b) plan.

Currently, Pacific Life does not offer the Roth 403(b) option for contributing toward your TSA/403(b) account.

- **A Flexible Selection of Retirement Income Options:** At retirement, a TSA/403(b) plan can offer annuity options (in addition to systematic withdrawals) to obtain your retirement income. There are also certain annuity options that will provide lifetime guaranteed payments to you.

Prior to establishing your TSA/403(b) contract, please verify with your employer that Pacific Life is an approved 403(b) provider.

All guarantees, including optional benefits, are subject to the claims-paying ability and financial strength of the issuing insurance company.

Early Planning Can Help Brighten Your Financial Outlook

Making the Investment

If you participate in a TSA/403(b) plan, you may have regular contributions deducted from your salary up to the limit shown in the following paragraphs.

Employee-Only Annual Contribution Limits¹

Your maximum contribution limit is the lesser of your gross income or the contribution limit specified below:

Tax Year	Contribution Limit	Additional Catch-Up Contribution Amount if You Are	
		Age 50 or Older	Age 60, 61, 62, 63
2025	\$23,500	\$7,500	\$11,250

Employees with 15 years or more of service with their current employers may be able to contribute an additional \$3,000 per year. This contribution is in addition to the catch-up contribution that is allowed to employees who are ages 50 and older, or ages 60, 61, 62, 63.

Pacific Life accepts employee salary-deferral contributions only for plans that are not subject to the Employee Retirement Income Security Act of 1974 (ERISA).

¹Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). "2025 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living, Notice 2024-80." Internal Revenue Service, Nov. 1, 2024.

How TSA/403(b) Distributions Work

When Can You Begin Taking Distributions from a TSA/403(b)?

Typically, most people choose to do so at retirement if they have reached age 59½. If you haven't yet reached age 59½ and you want to withdraw money that you've contributed through salary reduction, you have to meet at least one of the following Internal Revenue Code exception criteria:

- Separation from service
- Hardship
- Disability

Even though an early withdrawal may be permitted under these rules, it's important to be aware that any distributions taken prior to age 59½ may still be subject to an additional 10% federal income tax unless you meet a qualifying exception, such as:

- Separation from service after reaching age 55 or older
- Election of substantially equal periodic payments over your life expectancy
- Disability

Distributions also may be taken by your beneficiaries in the event of your death without being subject to the additional 10% federal income tax. All withdrawals and distributions of taxable amounts will be subject to ordinary income taxes, and a withdrawal charge also may apply.

Distributions typically need to be approved by your employer. Please check with your employer regarding plan-specific distribution and withdrawal requirements.



Commonly Asked Questions

Who makes the contributions to a TSA/403(b) plan?	<p>Generally, a TSA/403(b) contribution is made through an employee salary-reduction agreement with the employer. In addition, an employer may make “nonelective” contributions to a participating employee’s TSA/403(b) account.</p> <p>Pacific Life does not accept employer or ERISA plan contributions and only accepts non-ERISA employee salary-deferral contributions.</p>
Is there a vesting schedule?	<p>An employee’s payroll-deduction contributions are fully vested on the date they are made. The employee has legal ownership of the contributions.</p>
If you contribute to a TSA/403(b) plan, can you contribute to an IRA?	<p>Yes. However, the tax deduction for your IRA contributions may be limited if you are a participant of an employer-sponsored retirement plan.</p>
When must you take distributions from a TSA/403(b) plan?	<p>Generally, you must begin taking required minimum distributions by the later of April 1 of the year following the year in which you attain age 73 or the calendar year in which you retire. Failure to begin taking distributions by the required date may subject you to a 25% federal excise tax on the amount that should have been distributed.</p> <p>The federal excise tax drops to 10% if you correct your mistake within two years.</p>
What are “pre-1987 contributions,” and what are the rules governing these contributions?	<p>Pre-1987 contributions include all contributions made to the TSA/403(b) account prior to January 1, 1987.</p> <p>The pre-1987 rule states that the plan participant may defer required minimum distributions attributable to the December 31, 1986, balance of the TSA/403(b) account (including contributions and earnings attributable thereto) until age 75.</p>
Can you keep your money in a TSA/403(b) plan after you have separated from service?	<p>Yes. Your money may remain in the TSA/403(b) plan.</p>
Can you roll TSA/403(b) funds into an IRA or qualified plan?	<p>Yes. You can roll your TSA/403(b) funds into an IRA if you have met a triggering event, such as separation from service. You also may be able to roll the funds into a qualified plan, such as a 401(k), if the qualified plan will accept the rollover. When considering such a rollover, it is important to check with the receiving plan administrator to determine if the rollover can be accepted.</p>
What happens to the money in your TSA/403(b) account when you die?	<p>If you die before you begin to receive income payments, your beneficiary will receive the death benefit proceeds from the TSA/403(b) account.</p> <p>If your beneficiary is your spouse, he or she may have the ability to roll the death benefit proceeds into an IRA or another qualified plan. This option is only available to spouses.</p> <p>Non-spousal beneficiaries may have the ability to transfer the death benefit proceeds to an inherited IRA. (Non-spousal beneficiaries cannot roll death benefit proceeds to their own IRAs.)</p> <p>Death distributions are not subject to an additional 10% federal income tax.</p>

Commonly Asked Questions (cont.)

What types of investments or financial products can be used to fund a TSA/403(b) account?

A TSA/403(b) account can be funded through variable annuities, fixed annuities, or custodial mutual fund accounts.

More than one of these options can be used to fund a TSA/403(b) account as long as you do not exceed the maximum contribution limit. **Please check with your employer for a complete list of financial product options that are available within the 403(b) plan.**

Can you take a loan from a TSA/403(b) account?

Yes. Internal Revenue Code Section 72(p) allows you to take a loan from your TSA/403(b) account. The loan amount is generally limited to a maximum of 50% of the account balance or \$50,000, whichever is less. Establishment and repayment are subject to IRS guidelines.

Loans may not be available due to investment product restrictions. Check with your employer regarding the availability of loans and for loan-processing requirements.

Check with your plan regarding specific plan rules and administrative requirements.





Why Pacific Life

It's essential for you to choose a strong and stable company that can help you achieve your future income needs. Since 1868, individuals and their families have relied on the strength of Pacific Life to help protect their financial security.

- Pacific Life Insurance Company is organized under a mutual holding company structure and operates for the benefit of its policyholders and contract owners.
- We have achieved ongoing recognition¹ for high-quality service standards.
- We offer products that address market environments during all stages of your life.
- Pacific Life has been named one of the 2025 World's Most Ethical Companies^{®2} by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.
- We maintain strong financial-strength ratings from major independent rating agencies.

Ratings may change and do not apply to the safety or performance of the underlying variable investment options. For more information and current financial-strength ratings, please visit [PacificLife.com](https://www.PacificLife.com).



Pacific Life has nearly 160 years of experience, and we remain committed to providing quality products, service, and stability to meet your needs today and throughout your lifetime.

¹Recipient of multiple DALBAR Service Awards since 1997. Refer to www.DALBAR.com for more information regarding awards, certifications, and rankings.

²Based on the Ethisphere Institute's Ethics Quotient®. "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

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your retirement income strategy is right for you?
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