

Changes to the Wicomico County Public Schools 403(b) Plan

Frequently Asked Questions

Q: Why is WCPS making this change to the 403(b) program?

A: The IRS published regulations for Internal Revenue Code section 403(b) on July 26, 2007. The effective date of the new regulations is January 1, 2009. Wicomico County Public Schools (WCPS) hired Bolton Partners Investment Consulting Group to review and summarize the new 403(b) regulation requirements as pertaining to the WCPS 403(b) plan. An Information Item based on this summary was presented to the School Board on March 18, 2008. Below are highlights from that summary and additional information regarding the status of the implementation of these new IRS regulations.

The new 403(b) regulations represent the biggest changes to 403(b) plans in the past forty years. In the past, school system's main responsibility has been as a payroll facilitator, simply deducting participant contributions and sending the money to the participant's selected plan provider, and ensuring that participants were not contributing above the limits established in the Internal Revenue Code.

*The new regulations are an attempt by the IRS to make 403(b) plans operate more like their 401(k) counterparts. In essence, the IRS will make these Plan Sponsors take **ownership** of these programs for the first time and take an active role with programs offered to participants.*

*Perhaps the biggest change for school systems is that the new regulations will require these plans to utilize a written plan to guide the operations of the plan. Given that the vendors will need to be named in the plan document, WCPS will need to implement a selection process whereby they will evaluate the prudence of the programs that will be offered to participants. Many school systems have continued using a multiple vendor approach but are reducing the number of vendors. **There are significant cost savings to the participant as the school system is leveraging its buying power with a single firm rather than diluting it over many companies.***

Q: I plan to retire in the next few years, must I change companies?

A: No, you may leave your previous contributions with the current vendor. However, no further contributions will be allowed via payroll deduction to that particular vendor after the new program is implemented on January 1, 2009. You have the option to transfer your existing contributions to the *Lincoln Alliance*® program, a mutual fund based platform with the Lincoln Financial Group, the new vendor for the WCPS 403(b) plan. There may be possible surrender fees associated with this transfer. Lincoln representatives will be available to help educate you regarding your options. Lincoln Financial is also willing to reimburse WCPS participants who incur surrender charges for these transfers as long as the forms are received by Lincoln Financial by June 30, 2009.

Lincoln Alliance® Program

Q: Who is the new vendor?

A: Lincoln Financial Group will be the sole provider for the WCPS 403(b) Plan as of January 1, 2009. They were selected by a competitive bid process.

Q: What are the advantages to the *Lincoln Alliance*® Program?

A: The *Lincoln Alliance*® program is a versatile retirement vehicle that links a stable value account with a wide array of well-known mutual funds. You will have around-the-clock access to your account via the Internet and an automated voice-response phone system. Further, you will have salaried, on-site Lincoln registered representatives who will be conducting educational presentations starting in December.

Q: Is WCPS making any money from the change to the Lincoln Financial Group?

A: No. WCPS will incur some additional expenses each year in order to monitor the performance of the plan and investments as required by the IRS regulations.

Q: Who can I contact at Lincoln Financial to start a new account?

A: The visit schedule for will be posted on the Human Resources website at www.wcboe.org.

Q: If I am currently contributing to one of the other 403(b) plan vendors, will I be able to continue making contributions to this provider?

A: No. Salary deferral contributions to the other 403(b) investment vendors will no longer continue after December 31, 2008. Whether or not you are currently enrolled with Lincoln Financial, all employees who would like to contribute salary deferrals to the new plan must complete a new enrollment form. This new plan, including the investments, was designed specifically for our employees. Since the new plan begins January 1, 2009, everyone who would like to either start or continue making salary deferral contributions will need to complete a new enrollment form for the new 403(b) retirement plan with the *Lincoln Alliance*® program.

Q: What are the fees associated with the *Lincoln Alliance*® Program?

A:

Administrative expense	\$0 per participant
Asset-based administrative fees	\$0
Installation/implementation expense	\$0
Education and communication expense	\$0
Mortality and expense fee	\$0
Distribution expense	\$0
Investment transfer expense	\$0
Plan compliance expense	\$0
Morningstar® Guidance Online SM planning tools	\$0
Expense ratio (fund manager's fee)	The fee depends on the fund (see Investments)

Q: Are there surrender charges with my *Lincoln Alliance*® account when I leave WCPS?

A: No. There is no surrender fee if you want to rollover your *Lincoln Alliance*® account to another investment company when you leave WCPS. These assets are portable. The assets can be transferred at no cost to you when you separate from service with WCPS. You are not required to withdraw or rollover your *Lincoln Alliance*® account when you separate from service with WCPS.

Q: What does the expense ratio mean?

A: All mutual funds have on-going expenses for the operating costs of running these investments. Such expenses include paying management fees, buying and selling the investments within the portfolio and so on. These annual operating expenses are expressed as a percentage of the fund's average net assets. For example, if a mutual fund has an expense ratio of .60 of 1% then it is annually charging investors sixty cents for each \$100 that is invested.

Q: What happens to my account if I leave WCPS?

A: If you terminate employment with WCPS, you are no longer eligible to contribute to the plan. At that time, you may choose to retain your 403(b) retirement account with Lincoln Financial, or rollover your account balance to a 401(k), 403(b) retirement plan, or 457(b) deferred compensation plan with your new employer. Other options would include a rollover to an IRA at a financial institution of your choice, or withdrawal of contributions from your account with taxes and/or penalties due at that time. Withdrawals prior to age 59 ½ may be subject to an additional 10% Federal tax penalty.

Investments

Q: What are the investment options available to us?

A: Some of the options include:

Fund Name	Ticker	Expense Ratio	Style Category
Dreyfus Bond Market Index Inv	DBMIX	0.40	Intermediate-Term Bond
PIMCO Total Return R	PTRRX	1.15	Intermediate-Term Bond
Eaton Vance Large-Cap Value A	EHSTX	0.98	Large Value
Dreyfus S&P 500 Index	PEOPX	0.50	Large Blend
Pioneer R	PIORX	1.23	Large Blend
American Funds Grth Fund of Amer R4	RGAEX	0.65	Large Growth
Janus Adviser Mid Cap Value S	JMVIX	1.16	Mid-Cap Value
AIM Mid Cap Core Equity A	GTAGX	1.22	Mid-Cap Blend
Allianz CCM Mid Cap A	PFMAX	1.08	Mid-Cap Growth
Allianz NFJ Small Cap Value A	PCVAX	1.21	Small Value
JPMorgan Small Cap Equity A	VSEAX	1.39	Small Blend
Baron Growth	BGRFX	1.31	Small Growth
American Funds EuroPacific Gr R4	REREX	0.81	Foreign Large Blend
Lincoln Stable Value	N/A	N/A	Cash/Stable Value

Detailed information on the fund performance is in the enrollment book and on-line at www.lincolnalliance.com.

Bonds Funds are less volatile than stock funds, but experience higher volatility and increased credit risk when compared to other fixed income investments.

Small-cap stocks may be riskier than stocks from more established companies. Small-cap investments may be readily converted into cash. This may affect their value so that shares when redeemed may be worth more or less than what they originally cost.

International investing involves special risks not found in domestic investing, including increased political, social, economic and currency instability.

With an index fund, there is no assurance that the performance of the fund will track the benchmark. An index is unmanaged and it is not possible to invest directly in an index.

The Lincoln Stable Value Account will also be offered. The Stable Value Account is a fixed annuity issued by The Lincoln National Life Insurance Company, Fort Wayne, IN 46802 on Form 28866-SV and state variations thereof. Guarantees are based upon the claims-paying ability of the issuer.

Mutual funds within the Lincoln Alliance® program are sold by prospectus. An investor should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other important information and should be read carefully before investing or sending money. Prospectuses for any of the applicable mutual funds are available at 1-800-234-3500 or www.LincolnAlliance.com.

Q: What about the 'asset allocation' models?

A: Asset allocation models provide investors with a diversified mixture of investments by choosing the model that best suits the investor. The models provide investors with a pre-selected variety of investments by utilizing the individual mutual fund investments available separately within the plan. Lincoln refers to these asset allocation models as their *LifeSpan^R* models. The models help you make investment choices! Investors can simply choose a model based on their age or proposed retirement or distribution date. In return, they receive a pre-mixed portfolio without having to choose the investments separately on their own.

Q: What are the LifeSpan^R Models and how do they work?

A: The *LifeSpan^R* models are different groupings of the plan's investment funds. The models are designed by an independent registered investment advisor in order to achieve a designated asset allocation. The models are designed with a future retirement goal or target date in mind as well as risk tolerance. The investments within each model change over time, becoming more conservative as investors approach their target date. The investment allocation changes automatically each year without any action by the participant.

Participants who choose a *LifeSpan^R* model may want to consider selecting the model based on the model date which most closely aligns with their own intended retirement goal and risk tolerance. For example, say a participant plans to retire in 15 years. That participant may want to choose the 2025 *LifeSpan^R* model. What if a different participant plans to retire in 5 years? Well, that participant may want to choose the 2015 *LifeSpan^R* model. Once the participant selects the model, they do not need to make any additional investment selections because the model is already pre-mixed among the investments offered separately in the plan.

Participants who elect a model may, at any time, change their investment allocation from a model to their own elections based on the options contained within the plan. Participants may also change from one model to another at any time. There are no additional charges for changing investments or models.

Q: Are the Lincoln Financial Group investments 'no load'?

A: Yes. Our contract with Lincoln Financial provides that any possible front or back-end loads in the funds offered in the plan will be waived. Front-end loads are sales commission when you buy the funds and back-end loads are when you sell the funds. Investopedia defines 'no load' as:

"A mutual fund whose shares are sold without a commission or sales charge." The reason for this is that the shares are distributed directly by the investment company, instead of going through a secondary party. This is the opposite of a load fund, which charges a commission upon the initial purchase at the time of sale. Since there is no additional commission costs for you to enter a no-load fund, all of your money is working for you. If you purchase \$10,000 worth of a no-load mutual fund, all \$10,000 will be invested into the fund. On the other hand, if you buy a fund that charges a front-end commission of 5% upon purchase, the amount actually invested in the fund is \$9,500 because \$500 goes to that company for the privilege of investing in that fund. This fee is on top of the expense ratio charged to operate the fund. If both funds return 10% after one year, the no-load fund would have grown to \$11,000 while the loaded fund would only rise to \$10,450 because of the extra fees.

Enrollment & PIN Letters

Q: When must I complete enrollment in order to assure that contributions continue to a retirement plan this year?

A: Lincoln Financial needs you to complete your enrollment online, over the phone or with a Retirement Consultant by **December 23, 2008** in order to ensure that your contributions start immediately with the new program. This will give Lincoln Financial time to verify the data before sending it to WCPS to process for the **January 15, 2009** payroll. You may enroll at any time during the year.

Q: I need an enrollment book for myself or more books for my site. How do I get them?

A: Please e-mail Bunnie Stanley in the Benefits Office at bstanley@wcooe.org.

Q: Will I be getting a PIN from Lincoln Financial to access my account?

A: Yes. The PIN (Personal Identification Number) is your password that you can use to enroll, access, make or monitor changes on your *Lincoln Alliance[®]* account. Letters will be distributed directly from Lincoln Financial Group to all employees prior to the enrollment period starting on December 1, 2008.

Q: How can I find the amount I am currently contributing to my 403(b) account?

A: If you are an active participant, you can find your current 403(b) contribution amount on your WCPS pay stub.

Q: I am a Lincoln Financial Group customer now, must I do anything?

A: Yes. **Everyone must actively enroll** because this is a new plan with different investments. You may also transfer your existing balance with Lincoln Financial into your new plan in order to consolidate your accounts. While it is the same company, the new plan has different contract provisions and different investments.

Q: Will I be able to contribute a fixed dollar or percent of pay to my account each payday?

A: Yes, all employees will be able to select either option. The percent of pay will be calculated based on your gross wages.

Q: Is one method of contributing (fixed dollar or percent of pay) advisable over the other?

A: Percent of pay may be preferable in that your contribution will increase each year with your COLA and step increases. Fixed dollar contributions require a positive action by you each year to increase the contribution. In either case you should examine your contributions annually to assure you will meet your long-term investment goals. Your Lincoln retirement consultants will gladly meet with you to help ensure that you are on track to meet or exceed your retirement goals.

Contributions and Payroll

Q: What is the maximum amount that I may contribute in 2009?

A: In 2009, you may contribute up to \$16,500 to your 403(b) retirement account. However, there are two IRS "catch-up" provisions, a) if you are age 50 or over anytime during 2009, you may contribute an additional \$5,500; b) if you have worked for WCPS for at least 15 years, you may contribute an additional \$3,000 (with a life time aggregate of \$15,000).

Q: How often will the contribution be deducted from my pay?

A: 20 pays per year; 2 per month with the exception of July and August.

Q: After the January 1, 2009 payroll how long will it take for any contribution changes made at Lincoln Financial to impact my paycheck?

A: Lincoln Financial will be sending us payroll changes one week before payday so any contribution changes you make before then should be reflected on the subsequent pay.

In-service distributions

Q: Will I be able to take a distribution when I am 59½ years old?

A: Yes, you will be able to take in-service distributions when you are 59½ years old.

Q: Will I be able to take a loan from my previous 403(b) provider?

A: No. Loans/hardship distributions will not be permitted from any previous vendor as of January 1, 2009. If you would like to take out a loan or are in need of a hardship distribution and you do not have enough funds in your new *Lincoln Alliance®* account, you can transfer your current 403(b) retirement account to Lincoln Financial (see discussion below). Once the funds have transferred, you can request the paperwork for the distribution. Please note that approval is subject to meeting the plan rules for loans/hardships.

Transfers and Surrender Charges

Q: If I transfer the accumulation in my existing 403(b) account to the new *Lincoln Alliance®* 403(b) Retirement Account, will I incur a sales penalty from my current investment provider when my existing balance transfers?

A: You may elect to transfer your other WCPS-sponsored 403(b) accounts over to the new *Lincoln Alliance®* program in order to take advantage of the expanded services and reduced costs for all of your retirement assets. In order to transfer your balance, you will need to complete a transfer request form which will be available during the meetings, in the enrollment materials and upon your request.

When transferring your assets, your current provider may charge a fee referred to as a Surrender Charge. Some of the former WCPS plan carriers may assess a surrender charge on the funds for which your current accounts are invested. One of the many features of this new *Lincoln Alliance®* program is that, for a limited time, if you elect to transfer your account over to the *Lincoln Alliance®* program, the Lincoln Financial Group is offering to reimburse plan participants for surrender charges imposed by the former carriers. However, before transferring your present account to the *Lincoln Alliance®* program, you should consider and compare all the features and expenses associated with each plan. Any participant who would like to transfer their balance and incurs a surrender charge will need to retain a copy of their statement showing the charges and complete a surrender reimbursement application. Both of these documents will need to be sent to Lincoln Financial by **June 30, 2009**. The reimbursements are processed on a quarterly basis and deposited directly into a participant's 403(b) account. The reimbursement is deposited into the participant's Stable Value Account but can be transferred by the participant to other investments within the plan at any time. The Surrender Reimbursement Application and Transfer forms are contained in the plan information booklet.

Reimbursements can only be made if the following occurs:

1. Balances are transferred to the *Lincoln Alliance*® program.
2. A copy of the statement showing the surrender charge is provided to the Lincoln Financial Group.
3. The Surrender Reimbursement Application is completed and submitted to the Lincoln Financial Group by **June 30, 2009**.

Q: What are surrender charges?

A: If you take money out of an annuity or mutual fund, there may be a penalty called a surrender fee or a withdrawal charge. This fee is normally higher if you withdraw funds within the first years of an annuity contract. The penalty, however, drops gradually each year until there are eventually no surrender fees. Since immediate annuities are purchased to provide income, they usually can't be "surrendered" and will therefore not be subjected to a fee.

A typical surrender fee schedule could be:

7% if you withdraw funds in the first year,
6 % in the second year,
5 % in the third year,
4 % in the fourth year,
3 % in the fifth year,
2 % in the sixth year,
1 % in the seventh year,
And zero in the eighth year and beyond.

The fee is charged as a percentage which is applied to your total account value. For example, if the insurance company charges you 7% as a surrender fee and you currently have \$50,000 in your account, the fee would be \$3,500.

The purpose of the fee is to allow the insurer enough time to recover its expenses, usually sales commissions, in setting up the annuity contract. It also serves to discourage annuity buyers from using deferred annuities as short-term investments for quick cash. Some contracts may permit you to pull out a portion of the funds annually, usually up to 10 percent without a surrender charge. If this option is important to you, ask your insurance agent or company representative about this before deciding to invest your money in a specific annuity. Also, ask if there may be any other fees or charges. (Source: Insurance Information Institute)

Q: If there is a surrender charge to transfer my assets to Lincoln Financial who will pay it?

A: If the current assets are in a Lincoln Financial account the surrender charge will be waived by Lincoln Financial. If the assets are with another company, any surrender charge will be deducted from the amount transferred to Lincoln Financial. Lincoln Financial has agreed to reimburse employees 100% for those charges subject to some time and dollar limitations on a first-come, first-serve basis, as indicated above.

Q: How and when will my account be credited for the surrender charge reimbursement?

A: Our contract with Lincoln Financial Group provides the following provision:

Surrender Reimbursements

- If a surrender fee is charged when a participant transfers funds to Lincoln Financial Group, Lincoln Financial will reimburse the participant for these fees.
- In order to receive a reimbursement, the participant must complete the Lincoln Surrender Reimbursement Form. Along with this form, the participant must submit a copy of their confirmation letter or statement showing the surrender charge.

Lincoln Financial will process surrender reimbursements at the end of each applicable quarter. The reimbursement will be placed into the participant's retirement account in the Stable Value Account. The reimbursement period ends on June 30, 2009.

Q: What questions should I be asking my current provider to determine whether I should transfer my assets?

- A:**
1. Please explain to me how the fees are charged based on my individual investment options? What is the total expense ratio, including the M&E fee (mortality and expense) if it is an annuity, for my investments?
 2. If the fees are embedded in the investment earnings of the individual options can you please show me how I can identify those fees on my investment statement?

3. Could you explain whether or not there are any maintenance fees or other administrative fees that are not embedded in the investment expense ratio? For example, you may receive individual statements requesting that you pay an annual or quarterly maintenance fee. If the fee is not paid before a certain date it is charged to the account.

4. Are the fees paid to you as my financial advisor different based on the investment options that I select?

Q: What are the advantages of moving my current account balances over to the *Lincoln Alliance*® program?

A: Some of the advantages include access to a wide range of investment funds. These mutual fund options have low expense ratios ranging from 0.40% to 1.39%. You also have the ability to use one of the *LifeSpan*® Models which were specifically designed for our plan. You can receive individual retirement assistance from a dedicated Lincoln Retirement Consultant. In addition, consolidating retirement accounts can provide easier administration and tracking for a participant with regard to investment allocation and especially loans. Also, the *Lincoln Alliance*® program does not have any surrender charges on participant accounts. Therefore, if you leave WCPS, you have the option of keeping the account in the *Lincoln Alliance*® program or you can directly rollover your account balance to a new employer's plan or an IRA without penalty or surrender fees.

Q: Must I transfer my assets to Lincoln Financial after January 1, 2009?

A: No, there is no requirement to transfer assets to Lincoln Financial at any time from your existing plan. But please note that the reimbursement of surrender fees has a time limit. Forms must be received by Lincoln Financial on or before **June 30, 2009** deadline in order to qualify for surrender fee reimbursement. You should speak to a Lincoln service representative and analyze your current investment performance and surrender charges before making any decision about moving assets.

Q: If I transfer my assets is there an IRS penalty?

A: No, a direct transfer between tax-deferred investment plans is not considered a taxable event and is not subject to IRS penalties.

Q: Will transfers to other 403(b) investment providers be permitted?

A: No. This is the only plan sponsored by WCPS; therefore, transfers or distributions (other than for age 59½) are not permitted until an employee has left WCPS. Allowing transfers to other 403(b) providers would defeat the single provider approach with Lincoln Financial and jeopardize the reduced fees that were negotiated in order to benefit all plan participants.

Q: What is the process for filing rollover or transfer requests?

A: You should call your current provider to determine if they have a unique Contract Exchange/Rollover form for the request and ask them to send it to you. Call the Lincoln consultant for your location when you receive the form and bring it and a recent statement from your current provider. They will help you complete the transfer/rollover request form if you need help. You will also complete the Lincoln Financial Contract Exchange or rollover form in addition to the previous provider's form. **The completed forms are sent to Lincoln Financial who will arrange for the transfer of assets to them. Assets cannot be accepted by Lincoln Financial until January 1, 2009, the effective date of the plan.** Lincoln Financial will hold any transfer or rollover request forms they receive until that date. (Rollovers must be properly executed. Please refer to your SPD for further information.)

Remember these 3 Steps:

- Request previous provider Contract Exchange/Rollover form
- Obtain copy of most recent statement
- Complete the Lincoln Transfer or Rollover form

Investment values will fluctuate with changes in market conditions so that an investor's shares when redeemed may be worth more or less than original amount invested. Taxes may be due at the time of distribution; if taken prior to age 59 ½ an additional 10% federal tax penalty may apply.

The Stable Value Account is a fixed annuity issued by The Lincoln National Life Insurance Company, Fort Wayne, IN 46802 on Form 28866-SV and state variations thereof. Guarantees are based upon the claims-paying ability of the issuer. The self-directed brokerage account is offered through Wilmington Brokerage Services Company, a broker/dealer.

Associates of Lincoln Financial Group are registered representatives of Lincoln Financial Advisors Corp.

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