

**New
Rules
Take
Effect**



On January 1, 2009, several changes will become effective for all 403(b) plans available to employees of public schools and universities. As an employee of York City School District, you have the ability to participate in this supplemental retirement program, which offers the ability to redirect a portion of your pre-tax wages to a selection of individual investment accounts. New regulations issued by IRS in 2007 modified the way 403(b) plans will be administered and assigned responsibility for IRS compliance on the Employer. Our failure to adhere to these new rules could jeopardize the tax-exempt status of your account. As a result, several changes have been made to the program, some of which include the adoption of a Plan document, new procedures for securing a loan or hardship from your account, and additional monitoring activities that will ensure our program meets the new rules.

For example, in the past, you would contact your Investment Provider directly to request payments from your account. The mutual fund or insurance company would provide forms that you would complete and submit directly for payment. Employers were not involved in the process. Under the new rules, employers are *required* to monitor and approve these transactions before any payment can be made from your active 403(b) account.

**Change
In
Procedure**



In an effort to comply with these new rules, we have employed a Third Party to assist in the process. PenServ Plan Services, Inc. an experienced recordkeeper and administrator has been contracted to help us act in accordance with the IRS regulations. PenServ will collect required data from the investment companies, approve payments from your account, and monitor contributions for compliance. As an independent firm, PenServ will also maintain the confidentiality of your personal information and eliminate the need for your accounts to be reviewed by another employee. PenServ will also provide customer support and assistance through a toll-free number, as well as a web site containing information concerning your account.

**Immediate
Action May
Be
Required!**



Because the new regulations require complex collection and maintenance of historical plan data, many investment providers are unable to continue participation in the 403(b) market. After consulting with the existing providers and communicating required criteria established under the Plan, several of these vendors will not be able to receive additional contributions after December 31, 2008. If you are investing with one of those companies, you will be required to elect a new provider from the attached list of approved vendors and submit a new election form to PenServ **at least 10 days before your first contribution in 2009**. If a new vendor is not selected by that date, your salary deferrals will be suspended and you will temporarily lose the benefit of deferring to this program.

Attached you will find information on the active and inactive providers, instructions for contacting PenServ and the forms needed to make changes to your program prior to the January 1 deadline. If you have any questions, please check with your Benefits Administrator or PenServ at the telephone number shown in the attached material.

403(b) Update

The following investment providers have executed information-sharing agreements with the plan to provide compliance data and will remain an active vendor under our Plan:

Active Vendor Name	Investment Company Contact
<i>AIG Retirement</i>	PO Box 200777 Houston, TX 77216 (888) 478-7020
<i>American Express Financial</i>	70205 AXP Financial Center Minneapolis, MN 55474 (612) 671-3733
<i>AXA Equitable</i>	Eric Nichols PO Box 13463 Newark, NJ 07188 (610) 660-4212 eric.nichols@axa-advisors.com
<i>Horace Mann</i>	PO Box 3263 Springfield, IL 62708
<i>Kades Margolis Corp.</i>	PO Box 568828 Orlando, FL 32856 (877) 796-3872
<i>Lincoln Investments</i>	218 Glenside Avenue Wyncote, PA 19095 (800) 232-7374 mail@phillipsfs.com
<i>Met Life Insurance Company</i>	Department 73099 Chicago, IL 60673
<i>Midland National Life Insurance Company</i>	PO Box 79907 Des Moines, IA 50325 (866) 270-9564
<i>CPI/ on behalf of Smith Barney</i>	Thomas McCracken 236 N. George Street York, PA 17401 (800) 877-5344 thomas.b.mccracken@smithbarney.com
<i>Union Central Life Insurance Company</i>	PO Box 86685 Lincoln, NE 68501 (800) 319-6902
<i>Cambridge Investment Research</i>	PO Box 232 Chalfont, PA 18914 (800) 999-8438

If you are currently investing with one of the Inactive Vendors listed below and wish to continue making contributions to the 403(b) Plan, you MUST select a new vendor from the list of Active

Vendors shown above. To select a new vendor, you should complete the attached Account Application and contact the Agent or Broker representing the Vendor in order to set-up an account. The completed forms should be returned to PenServ at least 10 days prior to the first pay date in 2009. Please make sure that an account is set-up with the new vendor before submitting the paperwork to PenServ.

The following investment providers have been inactivated as a vendor under our Plan and will not be able to receive contributions after December 31, 2008:

Inactive Vendor Name

AIG Retirement
 Fidelity Investments
 ING USA Annuity and Life Ins. Company
 Mass Mutual Life Insurance Company
 New York Life and Insurance
 Oppenheimer Funds
 Prudential Annuity
 Prudential Investments
 Putnam Retirement
 Merrill Lynch

For further information or for assistance with this process, please contact PenServ at:

PenServ Plan Services, Inc.
 Customer Service
 Phone: (800) 849-4001
 Email: 403bservice@penserv.com

Salary Reduction Agreement/Vendor Selection

Plan Name				ERName			
Participant Name				Social Security No.			
Address							
City				State		Zip	
Daytime Phone		Evening Phone		<input type="checkbox"/> Female <input type="checkbox"/> Male		<input type="checkbox"/> Married <input type="checkbox"/> Unmarried	
Date of Birth		Date of Employment		Location		Number of Annual Pay Periods	
Email Address				Effective Date <input type="checkbox"/> As soon as administratively feasible <input type="checkbox"/> Specific Pay Date: ___/___/___			

ELECTIONS

☐ This is a change of Investment Provider Only. Please continue to apply my prior Salary Reduction Election

ELECTION	DEFERRAL TYPE	PERCENTAGE OF EACH PAY PERIOD	FIXED DOLLAR AMOUNT EACH PAY PERIOD	INVESTMENT PROVIDER NAME OR PRODUCT
<input type="checkbox"/> New Enrollment <input type="checkbox"/> Change <input type="checkbox"/> Discontinue	Pre-Tax Deferral	%	\$	
<input type="checkbox"/> New Enrollment <input type="checkbox"/> Change <input type="checkbox"/> Discontinue	Roth Deferral	%	\$	
<input type="checkbox"/> New Enrollment <input type="checkbox"/> Change <input type="checkbox"/> Discontinue	Total	%	\$	

(Note: the total of the salary reduction contributions and the Roth 403(b) contributions cannot exceed the elective deferral limits of IRC 402(g) and, if applicable the age 50+ catch up option.)

- Catch-up Contribution (Amount should be included in the boxes above):
 - ☐ I elect to contribute \$ _____ under the 15-Year Service Election.
 - ☐ I elect to contribute \$ _____ under the Age-50 (or Older) Catch-Up Election.

ACCOUNT INFORMATION

- ☐ My initial investment is a salary reduction contribution to be forwarded by my employer
- ☐ My initial investment is a transfer of funds from another 403(b) account and my transfer approval is attached.
- ☐ This is a change of Custodian for an approved provider. (Approval required if the transfer is made as a single transfer.)
- ☐ Other (Describe): _____
- ☐ Rollover/Direct Rollover from another Plan and the Rollover Acceptance Form is attached.

Salary Reduction Agreement/Vendor Selection

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BENEFICIARY(IES) DESIGNATION

<input type="checkbox"/> Primary <input type="checkbox"/> Contingent Relationship <input type="checkbox"/> Spouse <input type="checkbox"/> Non-Spouse	Beneficiary Full Name	Social Security No.		Share
	Address	City	State	Zip
<input type="checkbox"/> Primary <input type="checkbox"/> Contingent Relationship <input type="checkbox"/> Spouse <input type="checkbox"/> Non-Spouse	Beneficiary Full Name	Social Security No.		Share
	Address	City	State	Zip
<input type="checkbox"/> Primary <input type="checkbox"/> Contingent	Beneficiary Full Name	Social Security No.		Share
				%

Relationship <input type="checkbox"/> Spouse <input type="checkbox"/> Non-Spouse	Address	City	State	Zip
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INVESTMENT DIRECTION

Enter the whole percentage of contributions you wish to allocate to the investment options offered under this 403(b) Plan. Your allocation elections must total 100%. Once you make these elections and the election is forwarded to the company selected, you may be required to complete additional forms to establish an investment account.

Investment Company	Investment Type (Insurance Contract or Mutual Fund)	Percent to Allocate (In Whole Percentages)

AGREEMENT

By signing this Agreement, Employee agrees to modify his/her salary as indicated above and Employer agrees to contribute this amount on Employee's behalf into the 403(b) annuity or custodial account(s) selected by Employee and authorized by the Employer properly identifying pre-tax contributions and post-tax Roth 403(b) contributions for proper allocation to segregated accounts by the Service Provider(s). It is intended that the requirements of all applicable state and federal tax rules and regulations (Applicable Law) will be met. Employee understands and agrees that this Agreement:

1. Is legally binding and irrevocable with respect to amounts paid or available while it is in effect; however, is effective only for amounts not yet earned or made available.
2. May be terminated at any time for amounts not yet paid or available, and that a termination request is permanent and remains in effect until a new salary reduction agreement is submitted;

Employee further agrees that:

- In conjunction with his/her Employer, he/she is responsible for determining that his/her salary reduction amount does not exceed the limits of the Applicable Law and is further responsible for identifying that portion of his/her contribution which is a Roth 403(b) contribution and which portion is a pre-tax salary reduction contribution so that the Service Providers can segregate contributions or apply separate accounting to independently track and monitor such contributions.

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Salary Reduction Agreement/Vendor Selection

- He/she is responsible for the accuracy of information provided by Employee, which is used in determining Employee's maximum annual contribution limit;
- Employer has no liability for any losses suffered by Employee that result from his/her participation in the 403(b) plan;
- He/she acknowledges that Employer has made no representation to Employee regarding the advisability, appropriateness or tax consequences of the purchase of the 403(b) plan. Nothing herein shall affect the terms of employment between Employer and Employee.
- This agreement supersedes all prior 403(b) salary reduction and/or deduction agreements and shall automatically terminate if employment with Employer is terminated.

Important Information

- Although Employer must authorize Service Providers, Employer does not choose the annuity contract(s) or custodial account(s) in which 403(b) contributions are invested.
- Employees are responsible for setting up and signing the legal documents to establish the annuity contract or custodial account, except for certain group annuity contracts under which Employer may be required to establish the contract.
- In order to receive the expected tax results, Employees are responsible for investing in annuity contracts or custodial accounts that meet the requirements of Section 403(b) of the Internal Revenue Code.
- Employees are responsible for naming a death beneficiary under the 403(b) plan. This is normally done at the time the annuity contract or custodial account is established. Beneficiary designations should be reviewed periodically.
- Employers are responsible for all distributions and any other transactions with the Service Provider. All rights under the annuity contracts or custodial accounts are enforceable solely by Employee, Employee's beneficiary or Employee's authorized representative. However Employer has certain responsibilities under the 403(b) Plan with respect to the integrity of the transactions for the Plan and may require an authorized representative from the Employer (or their Designee) to approve any requested transaction by Employees. Employee must

cooperate directly with Service Provider, Employer, or their Designee, as directed by Employer to transfer contract(s) or custodial account(s) to another Service Provider, begin distributions, make loans, exchanges or otherwise access 403(b) plan assets.

- Employees are responsible for determining that salary reductions do not exceed the allowable contribution limits under Applicable Law. References herein to elective deferral limits are based on the 2008 limits. In subsequent years, the basic limit and the age 50+ catch up option are indexed in \$500 increments and will increase over time.

Employee Signature

I certify that I have read this complete Agreement and that my salary reductions do not exceed contribution limits as determined by Applicable Law. I also certify that I am eligible for the catch up election(s), if selected, under Part 2 above. I understand my responsibilities as an Employee under the 403(b) plan, and I request Employer to take the action specified in this Agreement. I understand that there may be an excess contribution to my 403(b) if I also own more than 50% ("control") of another business. In such event, the maximum contribution to all plans that I control and my 403(b) accounts or annuities for 2008 may not exceed \$46,000 (if I am under age 50) and \$51,000 (if I am 50 or older by the end of 2008). I understand that my Employer is responsible for knowing that I may control another business and I understand that I must notify my Employer that I have control of another business to ensure that I have not exceeded this maximum amount of contribution.

☐ Check here if you control another business or company.

I understand that all rights under the annuity or custodial accounts established by me under the 403(b) plan are enforceable solely by me, my beneficiary or my authorized representative. I also understand that no later than January 1, 2009, my Employer will have a 403(b) Plan in place that will require my Employer, or their designee to authorize certain distributions and loans, and that it will not be solely my responsibility to authorize such another Service Provider if such information is necessary for compliance purposes or to effectuate such transactions as I may request. By signing this Agreement, I authorize any Service Provider, or their delegee to provide information on my Account to Employer or delegee.

Participant Signature	Date
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Employer hereby agrees to this Salary Reduction Agreement, agrees that the Employee's salary reductions and deductions, based on all information available, do not exceed contribution limits as determined by Applicable Law and further agrees to identify both the pre-tax contributions and the after-tax contributions at the time of remittance to the selected Service Provider(s).

Employer Signature	Name and Title	Date
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