Invesco

# 2019 Employer Fact Sheet
403(b)(7)

Invesco 403(b) plans are designed to address the needs of plan sponsors and participants through strong administrative support, a diverse mutual fund lineup, and education and communication materials. We remain committed to helping you deliver effective, compliant 403(b) plans to participants.

Plan Features

Invesco 403(b) accounts are designed for public schools, religious institutions, or any eligible 501(c)(3) nonprofit employer interested in offering its employees a non-ERISA tax-deferred retirement plan. Invesco 403(b) accounts are not intended for ERISA 403(b) plans.

Salary deferral

Traditional and Roth 403(b) participants can either defer a percentage of their annual salaries, or a flat-dollar amount to contribute to the plan. Contributions are automatically deducted from their paychecks each pay period and invested in their Invesco 403(b)(7) account(s). Employees may defer up to 100% of their income up to a maximum contribution of $19,000 a year. Participants who are age 50 or older may also make catch-up contributions of up to $6,000 annually. In addition, certain employees who have achieved 15 or more years of service may be able to make special 15-year catch-up contributions up to an additional $3,000 per year.

403(b) Contribution Limits[1]

Effective Deferral Limit	$ 19,000
Age 50+ Catch-Up	$ 6,000
Special 15-Year Catch-Up	$ 3,000
Total	**$28,000**

Employer contributions

Employers may choose to make contributions on behalf of participants. The maximum employer contribution may not exceed (a) the sum of the participant's salary deferral contributions plus the employer's contributions, or (b) 100% of includible compensation or $55,000 per calendar year, whichever is less. Employer contributions made by nongovernmental 501(c)(3) employers will likely make the plan subject to the Employee Retirement Income Security Act of 1974 (ERISA). Consult your legal or tax advisor to discuss the implications of your plan becoming subject to ERISA.

Eligibility requirements

Employers must meet universal availability requirements, which govern participant eligibility in the plan. Please refer to the "Universal availability" section of the Plan Profile for details.

Withdrawals

The Internal Revenue Code (IRC) prohibits withdrawals for participants under age 59½ unless they have separated from their employer. There are certain exceptions, including those for participants who become disabled, die, or experience a financial hardship as defined by the IRC. Financial hardship withdrawals may be made only from amounts contributed by the participant via salary reduction contributions, and not from earnings or from employer contributions. Participants are also required to suspend their salary reduction contributions with their current employer for a period of six months following the withdrawal.

Subject to the terms of the employer's plan, upon retirement, participants have the option of taking all, or a portion of their account balance in a lump sum as needed. They have the option of arranging periodic payments to suit their needs: retirees can choose to take part of their balance as a lump sum, and the remainder in periodic payments—or vice versa. When participants reach age 70½ (or sever employment, if later), they must take required minimum distributions (RMDs).

Contributions

Contributions to a Traditional 403(b) as well as investment earnings are tax deferred until withdrawal in retirement, at which point ordinary income taxes will be due.

The Roth feature allows participants to fund a retirement account with money that has already been taxed, and make tax-free withdrawals as long as certain conditions are met. Withdrawals are tax free and penalty free if a participant has held the account for at least five years and such distribution is made due to a qualifying event (death, disability or attainment of age 59½).

Invesco is not undertaking to provide impartial investment advice or to provide advice in a fiduciary capacity.

Employers may offer post-employment contributions

Many employers choose to continue contributing to the 403(b) accounts of employees who have retired or otherwise severed their employment. Often, it's a more manageable way to compensate employees for unused vacation pay or other benefits they have accumulated during service. If you choose to continue 403(b) employer contributions on behalf of former employees, you may do so for up to five (5) years post separation from service. Employers may contribute up to 100% of "includible compensation" or $56,000 each year, whichever is less. Includible compensation is based on earnings from the most recent period that can be considered a year of service. Compensation earned in the employee's last full year of service is used to determine the maximum contribution for each year of post-employment contributions.

Plan Profile

ERISA and non-ERISA

The Invesco 403(b)(7) plan accepts contributions for plans exempt from ERISA. Plans sponsored by public education employers are exempt from ERISA. Plans sponsored by churches and other qualified religious organizations are considered exempt from ERISA if they have not filed an election to be covered under ERISA. A 403(b) plan sponsored by a non-governmental 501(c)(3) employer may not be exempt from ERISA if the plan makes employer contributions or does not otherwise qualify for ERISA exemption under Department of Labor (DOL) regulations.

A 403(b) plan is required to maintain a written plan document. The plan must comply in form and operations with the requirements of the Code and regulations.

Taxes

Distributions from participants' pretax 403(b)(7) accounts are taxed as ordinary income in the year they are received. Distributions from participants' Roth 403(b)(7) accounts will be tax free if a participant has held the account open for at least five years and is at least age 59½ or disabled. If a participant has held the account open for less than five years, or has done so for five years but has not attained age 59½ or is not disabled, ordinary income taxes will be due only on the earnings in that account. Distributions may also be subject to a 10% penalty tax if taken before age 59½, unless they are taken after death, disability or severance from employment in the same year or after a participant's 55th birthday.

Distributions to beneficiaries from a pretax Traditional 403(b) account will be taxed as ordinary income, while distributions from an after-tax Roth 403(b)(7) account will be tax free, provided the participant held the account open for at least five years. (If the original participant dies before the five-year period has elapsed, the earnings will be subject to ordinary income tax at each beneficiary's respective tax rate). The 10% penalty tax will not apply in the event of death.

Universal availability

Every 403(b) plan must meet "universal availability" requirements, which govern eligibility for participation in the plan. The universal availability requirements consist of the following three items:

- **Eligibility** If *any* employee is eligible to make salary reduction contributions to the 403(b) plan, then *all* employees must be allowed to participate, with limited exceptions as noted below:
  - Employees who will contribute $200 or less annually;
  - Non-resident aliens;
  - Employees who participate in another elective deferral plan such as a 457(b), 401(k) or another 403(b) of the plan employer.
  - Students performing services described in Section 3121(b)(10) of the IRC; or
  - Employees who work fewer than 20 hours per week.[2]
- **Employee notification** The employer must notify employees of eligibility at least annually and in a manner which ensures delivery to all employees.
- **Enrollment opportunity** Employees must have the opportunity to enroll in the plan at least once annually.

Failure to properly adhere to the universal availability requirements outlined above could result in plan failure, which may cause all participant 403(b) assets to become immediately taxable and subject to penalty.

Participant vesting

Employees immediately vest 100% of contributions from all funding sources.

Loans

Participants may borrow up to 50% of their 403(b)(7) account balance or $50,000, whichever is less. Furthermore, IRS regulations require that the $50,000 limit be reduced by the highest outstanding loan balance of any loan from all plans sponsored by that employer in the last 12 months. The minimum loan amount participants may request is $1,000. There is a loan initiation fee of $50, in addition to an annual loan maintenance fee of $25 assessed in January of each year that the loan is outstanding. Loan repayments are automatically deducted from participants' checking or savings accounts on the first business day of each month.

Contract exchanges

If a participant has not experienced a qualifying event such as separation from service, disability or attainment of age 59½, and he/she wishes to transfer 403(b) assets within their current employer's plan from one provider to another, he/she may do so via a contract exchange. If the contract exchange satisfies the requirements of the IRC, it will be a nonreportable transaction. Participants may only execute a contract exchange with a provider with whom the current employer has an Information Sharing Agreement (ISA) or who is named as an approved provider.

Plan-to-plan transfers

Upon separation from service, participants may elect to move 403(b) assets to a 403(b) with the new 403(b)-eligible employer. Both the prior employer and the new employer must permit plan-to-plan transfers. If the plan-to-plan transfer satisfies the requirements of the IRC, it will be a nonreportable transaction. These transferred assets become subject to all plan rules of the receiving plan.

Rollovers

If a participant experiences a distributable event, such as the attainment of age 59½, termination of employment or retirement, he/she may roll 403(b) assets over into an IRA or other qualified retirement plan. Likewise, a participant may roll over assets from an IRA into an employer's 403(b)(7).

Investment options

A wide variety of Invesco professionally managed taxable mutual funds are available.

Internet access and toll-free numbers for participants

Participants can access account information and perform fund exchanges by logging on to our website at **invesco.com/us.**

Participants may also call us at **800 959 4246** for account balance information and to perform certain transactions. Invesco's automated investor line is available 24 hours a day, 7 days a week, at **800 246 5463.**

Toll-free numbers for plan sponsors

Invesco's track record of customer support and experience may help make the process even smoother. Plan sponsors may call us at **800 959 4246** for help with technical items, as well as operational matters such as distributions, redemptions, maximum allowable contributions and contribution errors.

The potential benefits of an Invesco 403(b)(7)

Invesco continues its long-standing commitment to the 403(b) marketplace, and specialized expertise in the K–12 school market.

Our extensive technical and operational expertise allows us to provide flexible support to meet the needs of our 403(b) plan sponsor clients. We have well-established relationships with the major 403(b) focused TPAs, and a system for tracking plan data.

Our 403(b) program offers investments across every major asset class including U.S. and international equity and fixed income portfolios, Roth deferrals and a loan feature.

You can count on Invesco to continue to evaluate technology and recordkeeping needs in order to evolve our tools and support to advisors, 403(b) plan sponsors and their Participants.

Employee communications

Invesco offers a comprehensive communications program designed to maximize participants' understanding of their 403(b)(7) accounts. Your employees will receive a 403(b)(7) Employee Guide, fund prospectuses, account statements, and transaction confirmations—all designed to keep them apprised and empowered.

Fees

A $15 annual maintenance fee is charged per participant.[3] This fee is borne by participants, and is fixed, regardless of the number of mutual funds selected for their accounts.

Questions & Answers

Must employers partner with third-party administrators (TPAs)?
While the services of a TPA are not required by law, administrative and compliance responsibilities may be met either with internal resources or the use of a TPA. It should be clear that while using a TPA can be enormously helpful, using one does not remove or transfer the ultimate compliance responsibilities from plan sponsors.

How does Invesco share information regarding participant accounts.
We maintain strong relationships and share plan information with most of the 403(b)-focused third party administrators (TPAs), to assist in the proper administration of the plan. Specific plan and participant information is sent electronically in a secure file via the SPARK Institute Best Practices File Format.

What happens if a 403(b) plan fails to comply with the regulations?
An entire plan could become "disqualified" (a situation in which all assets could lose their tax-favored status) if the employer does not maintain a written plan or fails to comply with universal availability or other requirements.

A contract failure occurs if a participant fails to follow contract exchange rules, or if other operational failures occur such as an employer's failure to monitor loan limitations.

When must employees begin withdrawals from their 403(b)(7) accounts?
Withdrawals must begin by the April 1 following the calendar year in which the participant reaches age 70½ or severs from employment, whichever is later.

How can my organization establish a 403(b)(7)?
To establish a 403(b)(7), follow these easy steps:

1. Be sure to adopt a written plan document. Because most 403(b) plans offer multiple investment providers, Invesco, as a single investment provider, does not provide a 403(b) written plan document. Please contact your TPA or other document provider for assistance.
2. Complete the Invesco 403(b)(7) Employer Application.
3. Enroll your employees by providing each employee with an Invesco 403(b)(7) Custodial Account Employee Guide and 403(b)(7) Participant Account Application.
4. Instruct your employees to complete the Invesco 403(b)(7) Participant Account Application.
5. Send the following completed items, keeping a copy for your files, to the address below:
   - 403(b)(7) Employer Application
   - 403(b)(7) Participant Account Application and 403(b)(7) Contract Exchange/Transfer/Rollover Form (if applicable) *for each eligible employee*

Checks should be payable to **Invesco Investment Services.** We accept ACH and wire transmission.

(Direct Mail)
Invesco Investment Services, Inc.
P.O. Box 219078
Kansas City, MO 64121-9078

(Overnight Mail)
Invesco Investment Services, Inc.
c/o DST Systems, Inc.
430 W. 7th Street
Kansas City, MO 64105-1407

Diversification does not guarantee a profit or eliminate the risk of loss.

Effective May 24, 2019 Invesco acquired OppenheimerFunds. Prior to that date, the Invesco 403(b)(7) program was known as the OppenheimerFunds 403(b)(7) program.

1. Contribution limits shown are in effect for 2019. These limits may be increased annually by the IRS in $500 increments based on cost-of-living adjustments.
2. In the first year of employment, if the reasonable expectation is that the employee will not work more than 20 hours per week, then that employee may be excluded. In subsequent years, the employer must review the actual hours worked.
3. If the total value of the participant's 403(b)(7) investments in Invesco funds is $50,000 or more, the annual maintenance fee is $0.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit invesco.com/fundprospectus.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

The information contained here is not tax advice. Please consult your tax advisor about your particular situation.

All data provided by Invesco unless otherwise noted.

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