

Board Meeting
January 24, 2013

APPROVE AMENDMENT NUMBER THREE OF 403(b) PLAN DOCUMENT TO
COMPLY WITH THE WORKERS, RETIREE, AND EMPLOYER RECOVERY ACT
OF 2008

Action: Approve Amendment Number Three of 403(b) Plan Document to Comply with the Workers, Retiree, and Employer Recovery Act of 2008

Funding: No New Funding Required

University Human Resources recommends for approval an amendment of the plan document for the University of Illinois Supplemental 403(b) Retirement Plan (Plan) to comply with the Workers, Retiree, and Employer Recovery Act of 2008.

The 403(b) Plan is a voluntary defined contribution plan intended to have tax favored status under Section 403(b) of the Internal Revenue Code of 1986 (Code), as amended. Section 1.403(b)-3(b)(3) of the Treasury Regulations provides that the Plan document must contain all material terms and conditions for eligibility, benefits, applicable limitations, the contracts available under the Plan, and the time and form under which benefit distributions would be made. The 403(b) Plan is required to be amended in compliance with the Workers, Retiree, and Employer Recovery Act of 2008 (WRERA), Section 401(a)(9)(H) of the Code (“2009 RMDs”).

The WRERA contains provisions designed to protect both individuals and retirement plans from large losses of plan assets due to the decline of the stock market and economic downturn in 2008. Specifically, these provisions permit individual account

holders to delay receiving “Minimum Required Distributions,” in an effort to give retirement plans and accounts more time for economic conditions to improve and for the losses in investments to be recovered.

Under section 401(a)(9) of the Internal Revenue Code, employer-sponsored retirement plans, such as the University’s 403(b) Plan, must make certain annual required minimum distributions in order to maintain their “qualified” (i.e., tax-favorable) status. Section 201 of WRERA suspended these minimum distribution requirements for calendar year 2009 only. Accordingly, the 403(b) Plan allowed the waiver or rollover of such required minimum distributions during 2009.

External legal counsel has advised that this is a required, non-discretionary technical amendment, which sponsors of governmental plans must incorporate into their 403(b) Plan documents by no later than December 31, 2012.

To ensure compliance with the mandate under Section 1.403(b)-3(b)(3) of the Treasury Regulations that the Plan document contain all material terms and conditions, and to comply with the Workers, Retiree and Employer Recovery Act of 2008, Section 401(a)(9)(H) of the Code (“2009 RMDs”), it is recommended that the Board of Trustees approve and adopt the attached Amendment Number Three to the Plan document.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The Vice President/Chief Financial Officer and Comptroller concurs.

The President recommends approval.