COMPARISON OF SIGNIFICANT DIFFERENCES BETWEEN CURRENT UNIVERSITY OF ILLINOIS SUPPLEMENTAL 403(b) RETIREMENT PLAN AND RESTATEMENT OF PLAN

The primary reason for the restatement of the University's 403(b) Plan is to comply with the new final IRS regulations governing 403(b) plans. The regulations are a comprehensive update of over 40 years of guidance on 403(b) plans, as well as statutory changes made during that time. The regulations are the result of a four year effort of proposals, comments, education sessions and discussions between the IRS and the college and university constituents. Almost all facets of a 403(b) plan are affected by the regulations. We have summarized below the critical elements of the University's 403(b) Plan that are affected by the regulations. The regulations are effective January 1, 2009.

Current Provision	New Provision	Reasons For Change And Comments
Eligibility: All employees are eligible to participate on voluntary basis on the first day of any pay period.	All common law employees paid on a W-2 are eligible to participate on a voluntary basis, other than non-resident aliens with no U.S. source income. (Sections 2.12 and 3.01)	To conform to actual University practice and final regulations.
Eligible Vendors: Fidelity Investments TIAA/CREF	Same, with recognition of VALIC as eligible vendor for two grandfathered participants.	Restated plan adds additional detail regarding investment selection, e.g. Roth deferral election and tax effects, default investment provision. (Article III)
Rollovers to Plan: General provisions allowing fund transfers.	Specific rollover rights established for rollovers to this Plan. Allows broadest ability to roll from other eligible retirement programs to this Plan. (Section 3.05)	Final regulations reflect numerous changes in federal law over last several years to maximize rollover ability between all types of eligibility retirement programs (e.g. 403(b) plans, 457 deferred compensation plans, 401(k) plans, etc.) as those programs have become more uniform in terms of distribution rules and governance rules.
Contributions to Plan: • $200 minimum contribution	• Allows University to create minimum annual contribution restrictions (but no more than $200)	• Changes designated to conform to limits under final regulations as well as level of detail required by the

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• Contained general limits on maximum contributions	• Contains specific description of general limit ($15,500 for 2008), the 15 years-of-service catch up (lifetime additional $15,000 amount), the age 50 catch up ($5,000 for 2008), and aggregation rules with other 403(b) plans and other elective deferrals. • Contains specific provisions for correcting excess contributions. • Contains specific rules for any necessary aggregation of plans of related employers. (Article IV)	regulations for both the limits and the corrections necessary if any excess contributions are made. • Establishes requirements for aggregating plans of related employers with priority given to University 403(b) Plan.
<u>Loans from Plan</u>: Loans available from TIAA-CREF Retirement Annuity Account pursuant to vendor rules.	Loans available from Fidelity only. Establishes a single comprehensive structure for loan rules. (Article VI)	• Changes and detail required under final regulations to avoid impermissible loans. The IRS has noted that this area has been the source of significant noncompliance previously. • In order to enhance compliance, the Plan also limits loans to active employees and places certain restrictions on loans. Other loan parameters will be set forth in accompanying loan procedures.
<u>Distributions</u>:	• Adds new provisions from HEART Act allowing military service personnel to receive distributions and	• New legislation generally effective January 1, 2009.

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	repay when return with 6 month contribution hold-out period. • Adds small account ($1,000 or less) cash out in case of inactive accounts. • Adds detailed requirements for minimum distributions. (Article VIII)	 • To facilitate best practices of avoiding dormant, costly-to-administer small accounts. • To facilitate compliance with final minimum distribution regulations, as well as final 403(b) regulations.
<u>Hardship Distributions</u>: Hardships permitted from both vendors.	Hardships available from Fidelity only. Adds detailed hardship distribution rules, provides for possible processing fee, adds ability for University to promulgate hardship procedures, and specifies 6 month contribution and holdout period post-hardship withdrawal. (Section 7.05)	To facilitate compliance with final regulations and clearly communicate federal restrictions on hardship withdrawals.
<u>Rollover and Transfers</u>:	• Creates clearly articulated and broad portability where permitted by federal law. • Specifically details rollover rights from the 403(b) Plan (updated to cover participants, spouses, beneficiaries). • Adds plan-to-plan transfer from 403(b) plan with prior employer to University 403(b) Plan.	Detail required to provide broadest rollover and plan-to-plan transfer rights permitted under final regulations, with appropriate requirements for protection of University's 403(b) Plan.

Current Provision	New Provision	Reasons For Change And Comments
	• Adds plan-to-plan transfer from University 403(b) Plan to another 403(b) plan if participant switches employers.	
<u>Transfers between former Vendors</u>:	New provisions concerning transfers. Transfers can be made to current approved vendors from former vendors eliminated prior to January 1, 2009, but after January 1, 2004, but only through June 30, 2009. Effective July 1, 2009, no transfers from former vendors to the Plan will be permitted. (Section 8.05)	Final regulations eliminate old participant driven switches between 403(b) vendors – approved or non-approved by employer. New protocols are required to be followed. The University has drafted provisions that afford reasonable ability to bring in past dollars from former vendors that had previously been approved by the University since 2004. These provisions preclude in-service transfer out of approved vendor accounts. They also preclude bringing dollars via in-service transfers into 403(b) Plan from vendors that had never been approved by University or had been approved for contributions prior to 2004.
<u>Administration</u>:	Consistent with overarching concept of final regulations. Article IX prescribes University's role as plan sponsor and plan administrator, and the University's ability to contract with approved vendors to meet certain of those responsibilities.	Required by final regulations.