



IRS Regulations for 403(b) Plans



***Seizing
Opportunity***

- Substantial reduction in number of providers for a plan or utilization of a single provider
- Introduction of TPAs to marketplace
- Provider flexibility will be required – contract must conform to written plan
- Employer fiduciary responsibility to monitor deferrals, loans, hardship distributions, investment options, education and fees

- This applies to groups with multiple providers.
- The Final Regulations require employer consent to a transfer or exchange.
- The employer must enter into an agreement with each provider for the exchange of required information.
Information Sharing Agreement



THE INFORMATION SHARING AGREEMENT

This Information Sharing Agreement includes:

- Information concerning participant's employment
- Severance from employment
- Hardship withdrawal
- Loan provisions

- Historically, employers could not terminate their 403(b) arrangements. Employees owned their accounts, and therefore the primary relationship between provider and employee continued.
- 403(b) plan terminations are now permitted and are considered a distributable event. A plan may be terminated if the employer does not contribute to another 403(b) plan within 12 months before or after the termination.



403(b) OR 401(k)?

- Average Deferral Percentage (ADP) Testing
- Top Heavy
- Government Reporting
- Audit Requirement

- Public schools
 - Conflict with new regulations and state laws
 - Blanket ERISA exemption does not eliminate fiduciary responsibility regarding investments
- 501(c)(3) organizations
 - The final regulations and fiduciary concerns require monitoring of plan and investments



YOUR CHALLENGE

- Participant Education
- Plan Fees and Expenses
- Plan Design and Administration
- Investment Portfolio
- Fiduciary Responsibilities

Consult with J.S. Clark to:

- Develop your retirement plan needs assessment
- Review existing provider investment options, fees, and administrative services
- Seek proposals from high quality provider(s)
- Provide comparative analysis of proposals to fit your needs
- Create standard for ongoing monitoring of the plan



CALL TO ACTION

- New regulations take effect January 1, 2009
- Embrace the regulations
 - Increase employee knowledge
 - Improve communication
 - Enhance quality of retirement plan
- Seize the Opportunity



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