

403(b) Voluntary Supplemental Retirement Program

The IRS is mandating some important changes in the administration of 403(b) retirement plans by employers like the institutions in the University of North Carolina system. These changes go into effect on January 1, 2009.

In the past, the relationships between employees who participated in 403(b) plans and the vendors they selected were quite direct -- the employer provided access to vendors, but was otherwise fairly uninvolved. The new federal regulations require employers to assume new responsibility for several aspects of 403(b) plan administration.

Due to the complexity of these new regulations, the UNC system and its constituent institutions have made the collective decision to implement a system-wide 403(b) plan, to provide more efficient and effective plan administration, and to help support compliance for all UNC institutions. A UNC system-wide 403(b) Steering Committee, assisted by a national benefit consulting firm and an external tax attorney, has been established to recommend a process for implementation of the new plan by the end of 2008.

In the past, each institution selected its own vendors; in practice, many such vendors had very few total participants. By consolidating efforts, there will almost certainly be changes to any given campus's choices of 403(b) vendors. However, be assured that if your chosen vendor is not selected for the UNC system plan, options will be available to avoid any tax implications. In addition, by leveraging the UNC system's shared purchasing power, we expect to make available a broad array of investment choices at competitive and reasonable fees to all of our employees.

This may mean that you will need to take some actions with regard to your current 403(b) elections, so we wanted to let you know to watch for communications and instructions in the coming weeks and months. We will continue to keep you informed of the implementation process and any future action you may need to take.

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