

# Employer Information Circular

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## New IRS Regulations Regarding 403(b) Plans

The purpose of this circular is to inform employers about the comprehensive IRS 403(b) regulations that will become effective January 1, 2008, and CalSTRS' offer to assist with administration of the regulations.

These new regulations are significant in that they require much greater employer involvement. Some of the new duties include (but are not limited to):

- Creating and maintaining a plan document
- Meaningful notice at least annually
- Contribution deposit requirements
- Approval of all distributions
- Management of transfers between vendors
- Monitoring of vendors for compliance with plan document

CalSTRS has had discussions with employers and wants to alleviate apprehension regarding the regulations. Assembly Bill 2462 (Mullin), Chapter 780, Statutes of 2006, gave CalSTRS the authority to provide assistance to employers; therefore, it is launching a third party administrator (TPA) program that will be administered on a non-profit basis. CalSTRS realizes the new regulations could be overwhelming, so our intent is to provide employers with low-cost, high-quality compliance services for their deferred compensation plans. It is anticipated that the CalSTRS TPA service will be available some time during the summer of 2007.

The TPA program's recordkeeping services will perform due diligence to make certain that approval has been obtained from the employer for any distributions (rollovers, loans, hardships, transfers, lump sums, etc.). It will withhold all taxes according to the regulations, track minimum distribution requirements and complete all recordkeeping responsibilities. The TPA program's compliance services will ensure that all employees of a school district are in compliance with the regulations.

As a courtesy, employers may cooperate to submit a joint Request for Proposal for the above listed services.

We have posted additional information about the upcoming program at [www.CalSTRS.com/tpa](http://www.CalSTRS.com/tpa). We encourage you to visit the site to learn about your new responsibilities and how CalSTRS can help you.

If you have questions about CalSTRS' TPA program, please contact Ronni Vasconcellos at (916) 229-4739.