

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Approve Amended UW Retirement PlanRECOMMENDED ACTION

It is the Recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve changes in the UW Retirement Plan (the “Plan”) to reflect changes required by the IRS and to update the membership and purpose of the Fund Review Committee, effective as of the dates set forth below.

EXPLANATION OF PROPOSED CHANGES

To maintain compliance of the UW Retirement Plan with federal regulations, the definition of “Basic Salary” and “Years of Service” have been amended to comply with the Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008, relating to eligible compensation and service accrual for members of the Armed Services during qualified military service. In addition, the Fund Review Committee is being expanded to include both the Vice President of Human Resources and additional faculty representative. Finally, a new Section 7.4(d) has been added to describe the treatment of requirement minimum distributions for 2009 under Code Section 401(a)(9)(H).

Section 2.13

Effective January 1, 2013, a new Section 2.13 will be added to read in its entirety as follows. Sections 2.13 – 2.21 will be renumbered accordingly.

2.13. Includible Compensation means an individual’s compensation received from UW that is includible in gross income for federal tax purposes (computed without regard to section 911 of the Code) for the most recent period that is a year of service, as determined under section 403(b)(3) of the Code and the Treasury regulations thereunder, and increased (subject to the limits of section 401(a)(17) of the Code) by any compensation reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the Code. Effective January 1, 2009, Includible Compensation shall include any differential wage payment (as defined in section 414(u)(12)(D) of the Code) paid to an individual by UW to the extent required under section 414(u)(12) of the Code (and, to the extent required by section 414(u)(12)(A)(i) of the Code, such an individual shall be treated as an Eligible Employee). The amount of Includible Compensation is determined without regard to any community property laws.

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Section 4.4(b)

Section 4.4(b) shall be amended by adding the following to the end thereof:

Without limiting the generality of the foregoing, to the extent required under Code section 401(a)(37), in the case of a Participant who dies on or after January 1, 2007 while performing qualified military service, the Participant's survivors are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Participant resumed employment with the Employer in accordance with his or her reemployment rights under the Uniformed Services Employment and Reemployment Rights Act of 1994 and then terminated employment on account of death.

Section 5.2

Section 5.2 currently reads as follows:

Fund Review Committee

(a) **Responsibility.** The Fund Review Committee is a standing body responsible for reviewing the performance of Fund Sponsors and Funding Vehicles available through the University of Washington Retirement Plan (UWRP) and Voluntary Investment Program (VIP). The Committee will also evaluate and recommend whether new Fund Sponsors or Funding Vehicles should be added and whether existing Fund Sponsors or Funding Vehicles should be removed.

If a Funding Vehicle or Fund Sponsor is removed, it shall not be available for subsequent contributions except as otherwise prescribed by the Committee. In addition, the Committee may determine that existing accumulations shall be transferred to one or more other Funding Vehicles specified by the Committee.

The Committee, in coordination with the UW Benefits and WorkLife Office, is to determine the frequency of the performance reviews. In evaluating existing Fund Sponsors and Fund Vehicles, the Committee will monitor and review performance data, analyze participants' comments, requests and concerns, and conduct public meetings on proposed changes. Draft recommendations of the Committee will be presented to and discussed with the Faculty Council on Retirement, Insurance and Benefits.

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Final recommendations for changes are to be submitted to the Executive Vice President.

The UW Benefits and WorkLife Office shall provide support for the Committee's activities. The Committee may also appoint such advisors and adopt such guidelines, policies or procedures as it deems appropriate.

(b) **Membership.** The Committee shall be appointed by, and serve at the pleasure of, the Executive Vice President of UW, who will consult with the Faculty Council on Retirement, Insurance and Benefits in selecting the members. The membership shall include the following representatives and officials:

- One representative of the Faculty Council on Retirement, Insurance and Benefits
- One or more representatives of the Faculty, as recommended by the Faculty Senate Executive Committee
- One representative of the Librarians, as recommended by the Association of Librarians of the University of Washington
- One representative of the Professional Staff, as recommended by the Professional Staff Organization
- One UWRP participant representing the Classified or Contract Classified Staff, as recommended by the Vice President, Human Resources
- One retired UWRP representative, as recommended by the UW Retirement Association
- Ex officio, voting members:
 - UW Director of Benefits & WorkLife
 - UW Treasurer, Board of Regents
- Nonvoting members:
 - Representative from a four year institution of higher education in the State of Washington other than the University of Washington.

In appointing members, those groups recommending members and the Executive Vice President shall seek to identify individuals who have expertise in the areas of tax and pension law for 403(b) or similar retirement plans, or of finance, investment, or economics.

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Effective May 1, 2013, Section 5.2 shall be amended to read in its entirety as follows:

Fund Review Committee

Responsibility. The Fund Review Committee is a standing body responsible for reviewing the performance of Fund Sponsors and ~~Investment Options Funding Vehicles~~ available through the ~~University of Washington Retirement Plan (UWRP) and Voluntary Investment Program (VIP) Plan~~. The Committee will also evaluate and recommend whether new Fund Sponsors or ~~Investment Options Funding Vehicles~~ should be added and whether existing Fund Sponsors or ~~Investment Options Funding Vehicles~~ should be removed.

~~If an Investment Option a Funding Vehicle~~ or Fund Sponsor is removed, it shall not be available for subsequent contributions ~~except as otherwise prescribed by the Committee~~. In addition, the Committee may determine that existing accumulations shall be transferred to one or more other ~~Investment Options Funding Vehicles~~ specified by the Committee.

The Committee shall meet as often as it deems appropriate, but not less than every six months. In evaluating existing Fund Sponsors and ~~Investment Options Funding Vehicles~~, the Committee will monitor and review performance data, consider participants' comments, requests and concerns. Draft recommendations of the Committee will be presented to and discussed with the Faculty Council on Benefits and Retirement; the Professional Staff Organization and the Association of Librarians of the University of Washington. Final recommendations for changes will be submitted to the Provost and Executive Vice President.

The UW Benefits ~~and WorkLife~~-Office shall provide support for the Committee's activities. The Committee will assist in the selection of an ~~Investment Consultant~~ investment consultant and adopt an ~~Investment Policy Statement~~ investment policy statement to guide their recommendations.

Membership. The Committee shall be appointed by, and serve at the pleasure of, the Provost and Executive Vice President of UW, who will consult with the Faculty Council on Benefits and Retirement, the Professional Staff Organization and the Association of Librarians of the University of Washington in selecting committee members to represent

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their constituents. The membership shall include the following voting representatives and officials:

- One representative of the Faculty Council on Benefits and Retirement;
- ~~Two~~ Three or more representatives of the Faculty, as recommended by the Faculty Senate Executive Committee;
- One representative of the Librarians, as recommended by the Association of Librarians of the University of Washington;
- One representative of the Professional Staff, as recommended by the Professional Staff Organization;
- One representative of the UW Treasury Office as recommended by the UW Treasurer;
- One representative of the Office of Planning and Budgeting as recommended by the Vice Provost for Planning and Budgeting.;
- One Voluntary Investment Program (VIP) participant representing the Classified or Contract Classified Staff, as recommended by the Vice President, Human Resources, other than the Vice President Human Resources;
- One retired UWRP representative, as recommended by the UW Retirement Association;
- Ex officio, voting members:
 - UW Human Resources - Executive Director of Benefits
 - UW Treasurer, Board of Regents
 - UW Vice President, Human Resources

Nonvoting members shall include:

- One representative each from Human Resources at Central Washington University and Western Washington University.

In appointing members, those groups recommending members and the Provost and Executive Vice President shall seek to identify where possible, individuals who have expertise in the areas of tax and pension law for 403(b) or similar retirement plans, or of finance, investment, or economics.

The Provost and Executive Vice President shall designate the Chair of the Committee.

Members shall serve staggered, three year terms. The Chair of the Committee may appoint such committee officers, advisors and subcommittees as needed.

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Section 7.4(d)

Effective as of January 1, 2009, Section 7.4 of the Plan is amended by adding the following new paragraph (d) to the end thereof:

Notwithstanding any other provision of this Article 7, with respect to a Participant or Beneficiary who would have received distributions that are either equal to the 2009 Required Minimum Distributions or the Extended 2009 RMDs, such distributions for 2009 (i) will be received by the Participant or Beneficiary to the extent he or she is invested in the Funding Vehicles of Fund Sponsors other than Vanguard and does not elect otherwise and (ii) will not be received by the Participant or Beneficiary to the extent he or she is invested in the Funding Vehicles of Vanguard and whose 2009 Required Minimum Distributions would have been his or her first required minimum distribution and the Participant or Beneficiary has not elected otherwise. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distributions described in the preceding sentence. In addition, for purposes of Section 7.6, 2009 Required Minimum Distributions distributed by Fund Sponsors other than Fidelity shall not be treated as eligible rollover distributions and 2009 Required Minimum Distributions distributed by Fidelity shall be treated as eligible rollover distributions.

For purposes of this Section 7.4, “2009 Required Minimum Distributions” shall mean the amounts a Participant or Beneficiary would have been required to receive as a required minimum distribution for 2009 but for the enactment of Code section 401(a)(9)(H), “Extended 2009 RMDs” shall mean one or more payments in a series of substantially equal distributions (that include the 2009 Required Minimum Distributions) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and Beneficiary, or for a period of at least 10 years, “Vanguard” shall mean Vanguard Group of Investment Funds, and “Fidelity” shall mean Fidelity Retirement Services.

REVIEW AND APPROVAL

Fund Review Committee language was reviewed with the Provost and Executive Vice President; Faculty Council on Benefits and Retirement; and Senate Committee on Planning and Budgeting. The other changes are technical in nature and required due to changes in operations or Internal Revenue Code requirements for tax-deferred Section 403(b) plans. The amendments were drafted by the UW Special Assistant Attorney General for 403(b) matters; reviewed and endorsed by the Vice President for Human Resources.