



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: September 2, 2008
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: John Vincent, Administrator
Division of Trust Finance and Employer Services
SUBJECT: 403(b) Closure

This memo is for the Board's information only. No action is required.

Historically, the Department of Employee Trust Funds (ETF) has accepted Internal Revenue Code (IRC) section 403(b) additional contributions (also known as tax-deferred or tax-sheltered additional contributions) from employees of certain school districts and educational institutions that had employees making such contributions prior to May 1982. This memorandum is to inform the Board that effective January 1, 2009, ETF will no longer accept Internal Revenue Code (IRC) section 403(b) additional contributions to participants' Wisconsin Retirement System (WRS) accounts.

The Department's decision was based on Treasury Department and Internal Revenue Service final regulations related to section 403(b) plans, which were issued on July 26, 2007. These were the first comprehensive section 403(b) regulations since 1964. They incorporate numerous changes to the arrangements. Among other things, the new regulations require plan sponsors/employers to enter into information sharing agreements with the vendors, such as the WRS, who manage the 403(b) accounts. These agreements typically have indemnification provisions whereby the vendors must agree to indemnify the plan sponsor/employer if the vendor fails to comply with all the section 403(b) requirements. ETF, as a state agency, cannot agree to indemnify plan sponsors/employers that are local units of government.

Participants who currently have 403(b) additional contributions credited to their WRS accounts will continue to have effective rate interest credited on those contributions until they withdraw the deposits. Withdrawals are subject to the same terms under which the contributions were made (i.e., withdrawals require termination of all WRS participating employment).

ETF is advising individuals affected by this decision to contact their employers about other section 403(b) options, including the Wisconsin Deferred Compensation Program. Employers have been notified of this decision and an article is set for publication in the September *Trust Fund News* newsletter.

Reviewed and approved by Robert J. Conlin, Deputy Secretary

Signature

Date

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