

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Approve Amendment to University of Washington 401(a) Plan for Selected EmployeesRECOMMENDED ACTION

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve amendment of the University of Washington 401(a) Plan for Selected Employees (the Plan) effective July 1, 2011.

The Plan was amended and restated effective July 1, 2009. The Plan is intended to be qualified under Internal Revenue Code Section 401(a).

EXPLANATION OF PROPOSED CHANGES

These changes are intended to define eligible compensation in the plan, to define the amount of contributions for the new President, to provide a vesting schedule for the new President, and to incorporate required provisions of the Heroes Earnings Assistance and Relief Tax Act of 2008 (“HEART Act”).

Section 2.7 – Compensation

Section 2.7(a) shall be amended to read in its entirety as follows:

“(a) For purposes of the Section 415 limit in Section 4.6, the sum of (i) the Participant's wages, salaries, bonuses and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Affiliated Employers to the extent that the amounts are includible in gross income, but not including those items excludable from the definition of compensation under Regulation section 1.415-2(d)(2), and (ii) any amounts described in (i) that would have been received by the individual from the Affiliated Employers and would have been includible in gross income but for an election under Code sections 125, 132(f), 401(k), 402(h), 403(b) or 457(b). Compensation shall include payments of regular pay, leave cashouts and deferred compensation made by the later of 2½ months after severance from employment or the last day of the Plan Year in which such severance from employment occurs, if they are amounts described in Treasury regulation section 1.415(c)-(2)(e)(3)(ii) or (iii) that would have been included as Compensation if paid prior to the severance from employment with the Affiliate Employers. For purposes of

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this Section 2.7(a), effective January 1, 2009, Compensation shall include any differential wage payment (as defined in Code section 414(u)(12)(D)) paid to an individual by the Affiliated Employer to the extent required under Code section 414(u)(12) (and, to the extent required by Code section 414(u)(12)(A)(i), such an individual shall be treated as an Employee). Any payments not described in the preceding sentences shall not be considered Compensation if paid after severance from employment, even if they are paid by the later of 2½ months after the date of severance from employment or the end of the Plan Year that includes the date of severance from employment.”

Section 4.1 – Employer Contributions

Section 4.1 shall be amended to read in its entirety as follows:

4.1. **Employer Contributions.** For each Plan Year beginning on or after July 1, 2011, the University will contribute for the President the maximum amount permitted by Sections 401(a)(17) and 415(c) of the Code. ~~each Participant's Compensation for such year, or such other percentage or amount as the University may determine in its sole discretion such contributions to be allocated among the Participants in the proportion that each Participant's Compensation bears to all Participants' Compensation. No Compensation paid to an Eligible Employee prior to the date on which he or she becomes a Participant shall be taken into account for purposes of Employer Contributions under this Section 4.1.~~ Contributions under the Plan must be for the exclusive benefit of employees or their Beneficiaries and substantial and recurring in accordance with Treasury Regulations Sections 1.401-1(a)(3) and 1.401-1(b)(2).

Section 4.3 – Vesting Schedule

Section 4.3 shall be amended to read in its entirety as follows:

“4.3. **Vesting in Accounts; Treatment of Forfeitures.** Prior to July 1, 2011, a~~A~~ Participant will be 100% vested in all of his or her Accounts upon the completion of three Years of Service, or, if later, the attainment of age 56 ½. A Participant who remains employed by one or more Affiliated Employers until his or her Normal Retirement Age shall have a 100% vested and non-forfeitable right to his or her Accounts upon attaining such age. A

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Participant who becomes a Participant on or after July 1, 2011 will be 100% vested in all of his or her Accounts upon the completion of five Years of Service. Unvested amounts will be forfeited upon the Participant's separation from employment. All forfeitures under the Plan shall be applied to reduce the University's contributions for the Plan Year or any succeeding Plan Year.”

Section 10.3 – Veteran’s Reemployment and Benefits Rights

Section 10.3 shall be amended to read in its entirety as follows:

“10.3. **Veteran's Reemployment and Benefits Rights.** Notwithstanding any provisions of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code section 414(u). 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, (i) 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 and (ii) the deceased Participant shall be credited with service for vesting purposes for his or her period of qualified military service.”

REVIEWS AND APPROVALS:

The proposed amendment has been reviewed and recommended for approval by the Executive Director, Benefits, the Special Assistant Attorney General for Retirement matters, and the Vice President, Human Resources.