

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Approve Amended UW 401(a) Supplemental Retirement PlanRECOMMENDED ACTION

It is the Recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve this amendment of the University of Washington 401(a) Supplemental Retirement Plan (the “Plan”), which is required by the IRS.

The UWSRP was split out from the University of Washington Retirement Plan by Regent action effective January 1, 2009. The Plan is a defined benefit plan intended to be qualified under Internal Revenue Code Section 401(a). The Plan was closed to new participants effective March 1, 2011 by Regent action.

EXPLANATION OF PROPOSED CHANGES

These changes are intended to incorporate required provisions of the Heroes Earnings Assistance and Relief Tax Act of 2008 (“HEART Act”).

Section 2.2 – Definition of “Basic Salary”

Section 2.2 currently reads as follows:

“Basic Salary” means the salary received by a Participant under the terms of his or her appointment, including any summer appointments, but excluding other extended appointments. Basic Salary shall be determined before taking into account any salary reduction under Code sections 125, 132, 403(b) or 457(a). Basic Salary shall exclude leave cash-out payments, any settlement, severance or tenure purchase payments, and any other amounts that are not taken into account in computing UWRP contributions. For any Participant who first became a participant in this Plan or the UWRP on or after July 1, 1996, Basic Salary shall not be taken into account for any Plan Year in excess of \$230,000 (or such other limit as shall apply for such Plan Year under Section 401(a) (17) of the Code).

Section 2.2 would be amended, effective January 1, 2009, to read as follows:

“Basic Salary” means the salary received by a Participant under the terms of his or her appointment, including any summer appointments, but excluding other extended appointments. Basic Salary shall be determined before taking into account any salary reduction under Code Sections 125, 132, 403(b) or 457(a).

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Basic Salary shall exclude leave cash-out payments, any settlement, severance or tenure purchase payments, and any other amounts that are not taken into account in computing UWRP contributions. For any Participant who first became a participant in this Plan or the UWRP on or after July 1, 1996, Basic Salary shall not be taken into account for any Plan Year in excess of ~~\$230,000~~ \$255,000 (or such other limit as shall apply for such Plan Year under Section 401(a) (17) of the Code). For purposes of this Section 2.2, effective January 1, 2009, "Basic Salary" shall include any differential wage payment (as defined in Code Section 414(u)(12)(D)) paid to an individual by UW 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).

Section 2.22 – Definition of "Year of Service"

Section 2.22 currently reads as follows:

"Year of Service" is a Plan Year in which the employee completes at least five Months of Service, excluding Months of Service before a prior Break in Service (if any) and, after July 1, 1979, any Months of Service for which no contributions were made under the UWRP or any other plan established pursuant to RCW 28B.10.400. Authorized leaves of absence will also be included, as will periods of absence in the uniformed services to the extent provided in USERRA. A Participant's Years of Service will also include his or her credited Years of Service in a position covered by RCW 28B.10.400 et seq. or in a UW position covered by a Washington State Retirement System, provided that, with regard to the Washington State Retirement System, (a) the Participant transfers directly from the System to the UWRP, (b) the Participant was vested and will receive a retirement income benefit from such System, (c) service that has been withdrawn or for which a retirement income was begun prior to UWRP retirement does not count, and (d) the Participant signs a release within 60 days after the application for benefits, as needed to obtain the relevant information from the System. Any retirement income benefit that he or she is eligible to receive under the System attributable to Years of Service that are covered under the preceding sentence shall be included in the assumed benefit offset described in Section 5.3. Except as otherwise provided in USERRA, an Employee may receive credit for no more than two years during his or her entire working career for periods of authorized leave without pay, provided that the Employee contributes both the Employer and Employee contributions under the UWRP while on authorized leave, and returns to the employment of UW immediately following the leave for a period of not less than two years.

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The Employee and Employer contributions shall be based on the average of the Employee's compensation at the time the leave of absence was authorized and the time the employee resumes employment. However, the benefit provided by this Plan shall be based only on the Participant's compensation earned from employment with UW.

Section 2.22 would be amended to read as follows:

Year of Service" is a Plan Year in which the employee completes at least five Months of Service, excluding Months of Service before a prior Break in Service (if any) and, after July 1, 1979, any Months of Service for which no contributions were made under the UWRP or any other plan established pursuant to RCW 28B.10.400. Authorized leaves of absence will also be included, as will periods of absence in the uniformed services to the extent provided in USERRA. 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 UW in accordance with his or her reemployment rights under USERRA 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. A Participant's Years of Service will also include his or her credited Years of Service in a position covered by RCW 28B.10.400 et seq. or in a UW position covered by a Washington State Retirement System, provided that, with regard to the Washington State Retirement System, (a) the Participant transfers directly from the System to the UWRP, (b) the Participant was vested and will receive a retirement income benefit from such System, (c) service that has been withdrawn or for which a retirement income was begun prior to UWRP retirement does not count, and (d) the Participant signs a release within 60 days after the application for benefits, as needed to obtain the relevant information from the System. Any retirement income benefit that he or she is eligible to receive under the System attributable to Years of Service that are covered under the preceding sentence shall be included in the assumed benefit offset described in Section 5.3. Except as otherwise provided in USERRA, an ~~Employee~~ employee may receive credit for no more than two years during his or her entire working career for periods of authorized leave without pay, provided that the ~~Employee~~ employee contributes both the ~~Employer~~ employer and ~~Employee~~ employee contributions under the UWRP while on authorized leave, and returns to the employment of UW immediately following the leave for a period of not less than two years.

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The ~~Employee~~ employee and ~~Employer~~ employer contributions shall be based on the average of the ~~Employee's~~ employee's compensation at the time the leave of absence was authorized and the time the employee resumes employment. However, the benefit provided by this Plan shall be based only on the Participant's ~~compensation~~ Basic Salary earned from employment with UW.

REVIEW AND APPROVAL

The language of this proposed change is technical in nature and mandated by the IRS.