

C.O.D. Board Retreat
September 13, 2012

DEFERRED
COMPENSATION PLAN
REVIEW

Deferred Comp. Plan Offerings

- College of DuPage offers its employees 3 different savings plans:

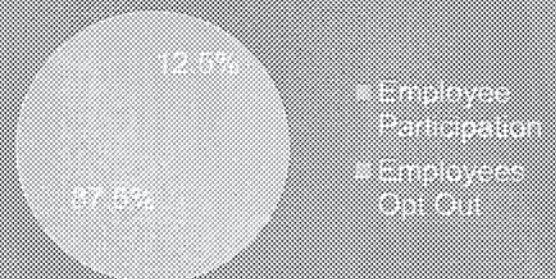
	Employee <u>Participation</u>
• Tax Deferred Plans	
○ 403(b)	291
○ 457	24
• After Tax Plan	
○ Roth	15

- C.O.D. does not contribute to these plans. Participation in these plans is voluntary and offered to employees to save for retirement and to help them in planning for retirement.

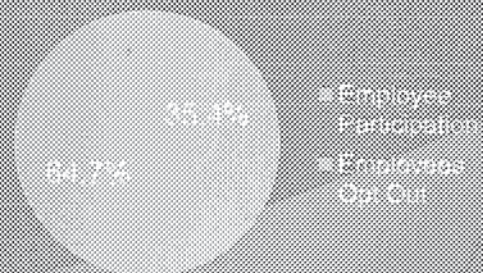
Employee Participation

- The College currently has very low participation in these plans:
 - 293 active employees out of a total of 2,345*
 - Full-time employees – 830
 - Part-time – 1,515
- C.O.D.'s participation equals 12.5% of total employees and 35.35% participation using full-time as the base
- C.O.D.'s participation in the deferred compensation plan is relatively low compared to plans offered by other units of local government

Employee Participation
(Total Employees)



Employee Participation
(Full-Time Only)



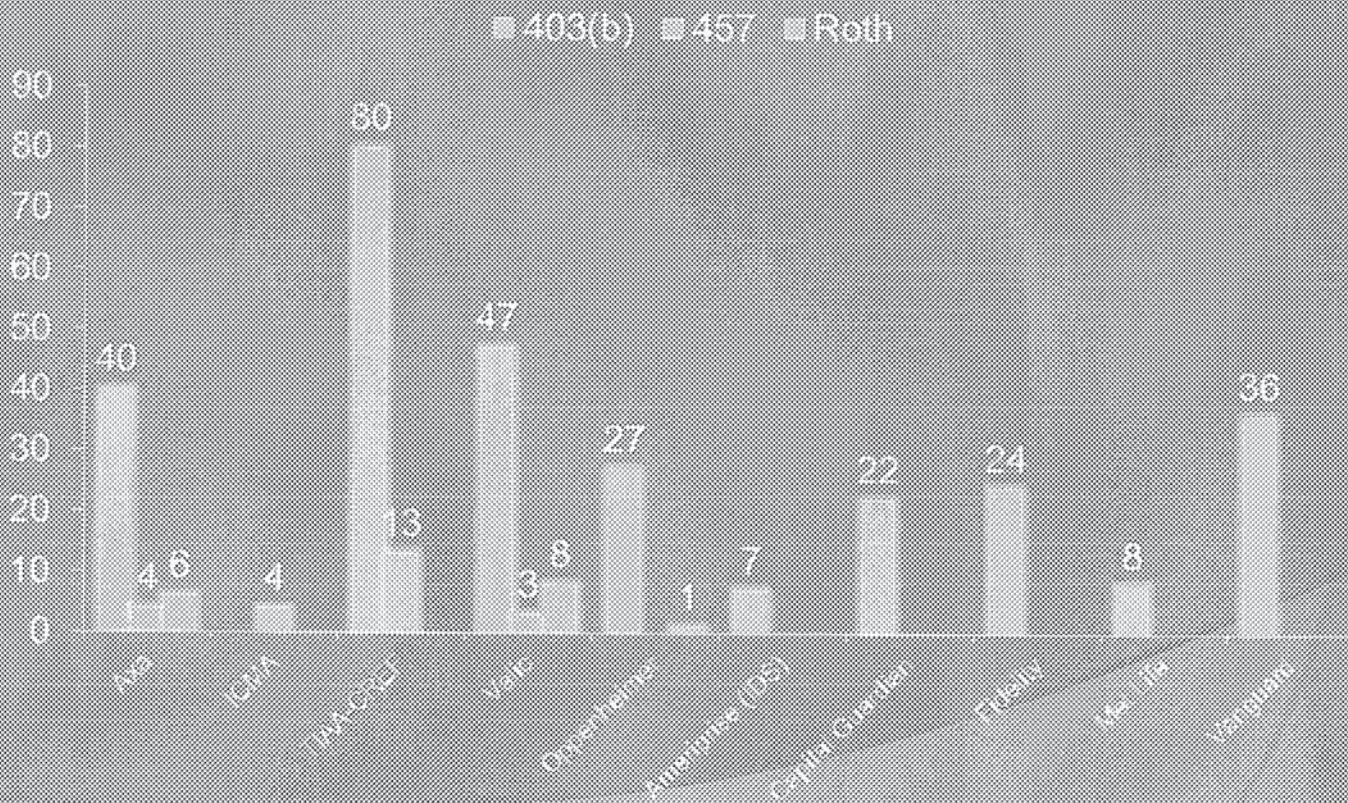
*Data pulled using September 2012 Payroll Activity (excludes student workers)

Benefits to Employees

- ⑥ Under IRS rules, employees may contribute up to \$17,000 each in the 403(b) and 457 defined contribution plans in calendar year 2012
- ⑥ Employees may participate in both the 457 and 403(b) Plans
- ⑥ In 2012, employees could defer a total of \$34,000 of earnings if they participated in both plans
- ⑥ Earnings and contributions are not taxable until funds are withdrawn
- ⑥ Employees who are age 50+ may contribute an additional \$5,000 to each plan under a "catch-up" provision in the law

Plan Participation

Total Participation Count = 330



Note: Employees may contribute to multiple plans.

IRS Audit

- The Internal Revenue Service (IRS) audited the College's 403(b) and 457 Plans for plan year 2008
- Several issues were identified in the audit:
 - Lack of documentation by the third party administrator to support early withdrawals from the Plans
 - Tax deferred contributions in excess of annual IRS limits
 - Inaccurate catch-up contributions
 - Lack of oversight of the many vendor offerings
- As a result of the 2008 audit findings, the IRS expanded their audit to examine the Colleges 2009 and 2010 plan years resulting in similar findings

Audit Finding Possible Outcomes

- ⦿ College could be assessed financial penalties
- ⦿ IRS could disqualify the 403(b) and 457 Plans offered by the College
- ⦿ The College has worked with the IRS to comply with all IRS audit requests
- ⦿ The College has submitted a corrective action plan to provide the IRS with assurance that the College would remedy these findings to avert possible adverse actions to the plan offerings

Further Action Taken by College

- In order to aggressively address these concerns and to improve the overall administration and performance of the Plans, the College engaged Mercer, Inc. and Mercer Investment Consulting, Inc. to assist in the following tasks:
 - Review the current administrative structure of the Plans
 - Assist in the development of by-laws and governance structure of the Plans
 - Review the current investment policy statement of the Plans and recommend changes, as appropriate, to reflect the needs of the Plans
 - Review the current investment structure of the Plans and make recommendations, as appropriate, regarding "best in class" investment structure
 - Develop, issue and review Request For Proposal to identify a third party administrator to administer the Plans

Request For Proposal (RFP) Process

- ⑥ Mercer issued an RFP and three vendors met all the RFP requirements:
 - AXA Equitable
 - TIAA-CREF
 - Valic
- ⑥ The three vendors were all interviewed by the College and, based on their oral interview and responses to the RFP, Valic was selected as third party administrator
- ⑥ The Committee must now work with Mercer and Valic to select the specific funds that employees may choose in which to invest
- ⑥ Employees will also have the option to select other mutual funds not included in the investment line-up through a self-directed brokerage window.

Employee Participation

- ⊙ 291 employees contribute to the 403(b) Plan of which 80, or 27%, contribute to TIAA-CREF
- ⊙ 24 employees participate in the 457 plan of which 13, or 54%, contribute to TIAA-CREF
- ⊙ Roth plan participation includes 15 employees

*Note: Only 293 employees participate in the deferred compensation plans; some employees contribute to more than 1 plan and are counted in the numbers based on each plan they are participating in and vendor they are making contributions with.

Plan Consolidation Benefits

- ⊕ Demonstrate to the IRS that the College has implemented controls to manage and administer the Plans to comply with all statutory requirements and ensure contributions do not exceed legal limits
 - This may help influence and lessen the severity of any possible actions the IRS may place on the College as a result of the audit findings
- ⊕ Increase employee participation in the Plans
- ⊕ Educate employees on retirement planning and investing
- ⊕ Decrease investment fees and provide "best in class" investment options to employees

Questions?