The California State University
SYSTEMWIDE HUMAN RESOURCES

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Code: TECHNICAL LETTER
HR/Benefits 2008-14

To: Human Resources Directors
Benefit Officers

From: Bruce Gibson
Senior Director, Benefits
Human Resources Administration

Subject: Benefits Update: California State University Tax Sheltered Annuity (TSA) Program

Overview

Audience: Employees responsible for administering CSU benefits programs

Action Item: Communicate information to affected employees regarding the restructure of the CSU Tax Sheltered Annuity Program

Affected Employee Groups/Units: All employees eligible to participate in the CSU Tax Sheltered Annuity Program

Summary

The Internal Revenue Service (IRS) finalized new 403(b) regulations that are effective January 1, 2009. Greater responsibility has been placed on plan sponsors such as the CSU and, as a result of these new guidelines, the CSU is required to make changes to the administration of the TSA Program.

Major changes include:

- The Implementation of a Master Administrator;
- The consolidation of fund sponsors and fund options;
- The creation of an Administrative Committee for oversight; and
- The creation of an Investment Subcommittee for fund performance review

A special open enrollment period for current and new participants is a required component of the restructured TSA Program and will be held November 3 through November 28, 2008.

Detailed information regarding the TSA Program is provided in this Technical Letter. Campus designees responsible for administration of CSU benefit programs should review this Technical Letter in its entirety.

General Information

The Internal Revenue Service (IRS) finalized new 403(b) regulations on July 26, 2007, that are effective January 1, 2009. New responsibilities were placed on plan sponsors such as the CSU and, as a result of these new guidelines, the CSU is required to make changes to the administration of its TSA Program. Major changes include:

- Implementation of a Master Administrator for day to day administration;
- Consolidation of fund sponsors and fund options;
- Creation of an Administrative Committee for oversight; and
- Creation of an Investment Subcommittee for fund performance review.

Distribution:

CSU Presidents
Associate Vice Presidents/Deans of Faculty
Interim Vice Chancellor, Human Resources
Payroll Managers

Selection of Fund Sponsors and new Deduction/Organization Codes

As a result of a thorough evaluation of the responses to the Request for Proposal (RFP) process, a five (5) year contract was awarded to each of the retirement plan companies selected as fund sponsors effective January 1, 2009. The table below is a listing of the selected fund sponsors, the assigned deduction code and the description that will appear on participating employees' pay warrants:

Fund Sponsor	Deduction Code	Description on Pay Warrant
AIG Retirement	027-200	CSU-AIGR
Fidelity Investments	027-201	CSU-FDLITY
ING	027-202	CSU-ING
MetLife	027-203	CSU-METLFE
TIAA-Cref	027-204	CSU-TIAACR

Selection of Master Administrator

Implementation of a Master Administrator for the TSA Program was an additional component of the RFP process, and AIG Retirement (AIGR) was selected and awarded a five (5) year contract to fulfill recordkeeping and 403(b) compliance responsibilities. AIG Retirement will have a dual role as a fund sponsor and a master administrator, and will assume the day-to-day administration of the TSA Program. Responsibilities include:

- Front-end enrollment processing of TSA contributions through an online system "Retirement Manager";
- Acceptance of payroll deferrals from the State Controller's Office (SCO) and submitting them to the appropriate fund sponsors;
- Monitoring of contribution limits;
- Coordination of account and transaction information from fund sponsors;
- Administration of hardship withdrawals, loans and Qualified Domestic Relations Orders (QDROs); and
- Ongoing Plan information to CSU Participants

AIG Retirement will facilitate TSA enrollments via a front-end enrollment tool "Retirement Manager." This online tool allows an employee to log on by using his/her Social Security Number (SSN) and creating a password in order to enroll and select and/or change fund sponsors and contribution amounts. In addition, designated Benefits Office staff members will be provided log-in and password access to "Retirement Manager" to view and/or download reports containing TSA enrollment data for their campus.

New TSA Plan Features

The following are new features of the CSU Tax Sheltered Annuity Program:

- Each of the five fund sponsors will provide on-campus representatives for educational seminars and one-on-one assistance, in addition to robust educational and financial planning tools via their websites;
- Expense ratios and account fees will be readily accessible to participants;
- Employees may direct TSA contributions to up to five (5) fund sponsors; and
- CTO balances for employees reclassified to exempt positions can be used as a lump sum payment toward TSA contribution(s).

Open Enrollment Information

A special open enrollment for current and new participants will be held November 3 through November 28, 2008, to collect enrollments effective with the December pay period (January 1, 2009 warrant). Employees will electronically submit their TSA open enrollment selections to the Master Administrator on "Retirement Manager." In addition, during the open enrollment period, the Master Administrator will have telephone representatives available Monday – Friday, 5 a.m. – 6 p.m. (PST) to assist employees who wish to enroll via telephone. After open enrollment, all TSA enrollments and changes will need to be made online through "Retirement Manager."

Once the open enrollment period has ended, employees will not be able to enroll or make TSA fund sponsor or deferral changes until after January 1, 2009. Please note that an employee must work directly with his/her chosen fund sponsor(s) to designate investment allocations. If an employee who chooses to contribute to a fund sponsor(s) through "Retirement Manager" fails to open an account with the fund sponsor and/or choose investment allocations by December 31, 2008, the contributions will be invested in the fund sponsor's default fund. If this occurs, the employee will have to contact the fund sponsor to have the funds re-invested in the investment allocation of his/her choice, or can opt to leave the funds invested in the default fund.

Communication Materials

Enrollment kits were mailed to TSA participants on October 20, 2008. Campus Benefits Officers were mailed a supply of Enrollment Kits and TSA tri-fold brochures for distribution to non-participating employees. These materials are posted on the Benefits Portal at www.calstate.edu/hr/benefitsportal accompanied by a video presentation about the restructured TSA Program which features Chancellor Reed.

Information Regarding Current TSA Fund Sponsors

Currently, we have 91 fund sponsors on the CSU Authorized TSA List, with approximately 10,000 participants in a number of these companies. To assist campuses, the SCO has agreed to freeze these codes and prohibit any additional TSA contributions under these deduction codes during and after the December 2008 pay period. Consequently, the campus Benefits Officers will not have to manually cancel these TSA deductions via the Miscellaneous Deduction Change Report (650) form.

Commencing on December 1, 2008, with the exception of the selected fund sponsors for January 1, 2009, the remaining 86 fund sponsors will become "legacy vendors." After January 1, 2009, participants can choose to either:

- Keep fund balances on account with the legacy vendor(s); or
- Transfer fund balance(s) to one of the five fund sponsors.

Employees who currently have accounts with AIG Retirement, Fidelity, ING, MetLife and/or TIAA-Cref, may choose to:

- Keep fund balances in prior investment fund choices; or
- Transfer those fund balances to the newly offered investment choices after January 1, 2009.

Status of the 90-24 Transfer Suspension

The finalized 403(b) regulations require employers to obtain information sharing agreements in order to allow in-plan 90-24 transfers. As of September 25, 2007, the CSU suspended these transfers. An information sharing agreement commits the fund sponsor to providing loan and hardship withdrawal history of its participants to the plan sponsor (CSU) and Master Administrator. Going forward, the CSU will not permit a fund sponsor to process any loans or hardship withdrawals if a signed information sharing agreement is not in place.

The CSU is in the process of collecting signed information agreements from the current fund sponsors, and will provide an update in a forthcoming technical letter.

TSA Processing and Campus Benefits Officer Responsibilities in the Restructured Program

With the implementation of a Master Administrator, enrollments will be collected by the Master Administrator from "Retirement Manager." The Master Administrator will send enrollments, changes and/or deletes in the 650 file record layout to the SCO via an FTP process.

The SCO will process TSA transactions that are received from campuses by the cutoff date of the November pay period. After cutoff, campuses cannot submit the 650 form to stop, start or cancel an employee's TSA deduction. However, campuses will process Tax Deferred 403(b) Contributions from CTO, Final or Vacation Settlement Pay and forward those requests directly to the SCO (i.e., PPT or 674 form(s)). A systemwide form is being developed for this purpose, and will be provided in a separate communication.

The restructured program significantly reduces the campus Benefits Office responsibilities with regard to TSA processing. The Campus Benefits Office will, however, continue to provide information on the TSA Program to eligible employees.

Additional Information

This is a preliminary technical letter regarding changes that impact the TSA Program. Additional information regarding roles and responsibilities, cutoff dates for Retirement Manager transactions, future training, etc., will be released in subsequent technical letters and/or e-mail communications.

CMS Processing Instructions

The information contained in this technical has impact to CMS baseline for Benefits. Due to the new TSA Plan design, employee enrollment information for TSA plans will no longer be tracked in PeopleSoft. Therefore, the Oracle/PeopleSoft benefits tables will be reconfigured to exclude TSA processing. Additional details on the specific changes will be provided in a CMS communication.

Questions regarding this technical letter may be directed to Human Resources Administration at (562) 951-4411. This Technical Letter is available on Human Resources Administration's Web site at: http://www.calstate.edu/HRAdm/memos.shtml.

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