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Pre-Approved 403(b) Plan Documents

BENEFITS, HIGHER EDUCATION, NOT-FOR-PROFIT
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Employers sponsoring 403(b) retirement plan programs may recall that, during 2007, the Internal Revenue Service (IRS) issued the highly anticipated final 403(b) regulations, which represented the first significant change in the tax rules applicable to 403(b) plans/arrangements since 1964.

Among the many significant changes that affected virtually every 403(b) arrangement was a requirement that they be “issued pursuant to a written plan which, in both form and operation, satisfies the requirements of 403(b) and these regulations.” In other words, all 403(b) plans were required to adopt a formal, written plan document primarily setting forth the material terms of the plan and coordinating administrative responsibilities. However, the IRS did not offer a corresponding determination/opinion letter program that would allow plan sponsors to receive the IRS’s “stamp of approval” regarding the qualification of the plan documents being adopted.

Accordingly, during 2013, the IRS issued Revenue Procedure 2013-22, which implemented a program for issuing opinion and advisory letters for pre-approved 403(b) plan documents. The new program required plan document vendors to request IRS opinion letters indicating that their prototype and/or volume submitter 403(b) plan documents satisfy the requirements of Code section 403(b). Upon receipt of a favorable opinion from the IRS, any employer that subsequently adopts a pre-approved plan may enjoy the peace of mind that comes along with the assurance that its plan meets the requirements of Section 403(b).

As we approach the end of the IRS’s review period for pre-approved 403(b) plan documents, plan sponsors should work closely with their plan document providers to determine if their plan can adopt a pre-approved prototype or volume submitter-type plan document.

Contact us with questions regarding 403(b) retirement plan programs and visit our Qualified Retirement Plan services page to learn about the services that the Schneider Downs Wealth Management Advisors offer.

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