THE CITY UNIVERSITY OF NEW YORK

Amendments to Optional Retirement Plan and Tax Deferred Annuity Plan

RESOLVED, That the Board of Trustees of The City University of New York authorize the establishment of a Revenue Credit Account as part of the University’s Optional Retirement Plan (the “ORP”) that will be funded by TIAA-CREF based on revenues generated by the ORP, and a Revenue Credit Account as part of the University’s Tax Deferred Annuity Plan (the “TDA Plan,” together with the ORP, individually the “Plan” and collectively, "the Plans”) that will be funded by TIAA-CREF based on revenues generated by the TDA Plan. The funds in each Revenue Credit Account may only be used to pay expenses incurred in the administration of the Plan of which it is a part, and to provide ORP or TDA Plan participants with additional benefits as permitted by applicable law and any rules established by the Vice Chancellor for Human Resources Management; and be it further

RESOLVED, That the Committee on Faculty, Staff and Administration is authorized to develop specific recommendations of mutual funds offered by TIAA-CREF and Met Life that it deems appropriate to be added as investment options to the TDA Plan; and be it further

RESOLVED, That the TDA Plan will be amended on a date to be determined by the Vice Chancellor for Human Resources Management to add a Roth option and to permit employees to contribute elective deferrals as Roth contributions; and be it further

RESOLVED, That the number of loans available to a Participant from the ORP and the TDA Plan combined is limited to five (5) outstanding loans at any one time, and no loan may be issued from either the ORP or the TDA Plan to a Participant who has an outstanding defaulted loan from either the ORP or the TDA Plan, and that the Vice Chancellor for Human Resources Management shall establish rules to implement this limitation; and be it further

RESOLVED, That effective for Plan Years beginning January 1, 2016 and thereafter, the TDA Plan is amended to eliminate the special catch-up election under Internal Revenue Code Section 402(g)(7) that provides participants who have been employed at CUNY for 15 years or more a higher contribution limit to the TDA Plan under certain circumstances.

EXPLANATION: The five provisions of this resolution implement changes to the operation of the ORP and the TDA Plan in order to improve CUNY’s ability to properly administer the Plans, to reduce Plan costs, and to enhance the investment options available to Plan participants. Specifically:

1. A Revenue Credit Account is a plan account that accepts funding from an investment provider (such as TIAA-CREF) that comes from revenue earned by the investment provider in excess of what it needs to provide services to the Plans. It effectively reduces the fees charged by the investment provider and provides CUNY with additional resources to operate the Plans. TIAA-CREF will calculate annually the amount it will contribute to the Revenue Credit Account based on revenues in excess of a target revenue amount that was agreed to by CUNY. Funds in
the Revenue Credit Accounts belong to each of the respective Plans, and not to CUNY. Consequently, the funds can only be used to pay certain expenses associated with operating the Plans or as additional contributions to participants’ accounts. The Vice Chancellor for Human Resources Management shall report annually to the Board of Trustees on expenditures paid out of either Revenue Credit Account.

2. The TDA Plan currently offers participants a range of annuity accounts from TIAA-CREF and Met Life, and a limited number of mutual funds distributed by Halliday Financial, as investment options. The Plan’s investment advisor has recommended offering additional mutual funds offered by TIAA-CREF and Met Life to enhance the investment choices available to Plan participants. The resolution authorizes the Committee on Faculty, Staff and Administration to review the available mutual funds from those investment providers and to bring recommendations of appropriate funds for approval by the Board of Trustees.

3. A Roth account allows participants to voluntarily contribute amounts to the TDA Plan on an after-tax basis. If certain requirements are met, the contributions, plus earnings, can be withdrawn tax-free. A Roth account is a valuable tax planning option for participants to consider. The availability of the Roth account is in addition to a participant’s current right to contribute amounts to the TDA Plan on a before-tax basis.

4. Currently, there are no restrictions on the number of loans that can be issued under the ORP and the TDA Plans. There are IRS limits on the amount of money that can be borrowed by a participant from the Plans’ accounts, but some participants regularly have many loans outstanding at one time. This both adds complexity and cost to the administration of the Plans and can lead to a high level of loan defaults. The resolution limits the total number of outstanding loans from both Plans to five (5). This is consistent with the number of loans made available in similar plans of other institutions of higher education.

5. Internal Revenue Code Section 402(g)(7) provides a special rule that allows an employee who has completed 15 years of service with CUNY to contribute an additional amount to the TDA Plan under certain circumstances. In general, the additional amount is made available only if the employee has in past years contributed an amount to the TDA Plan that was significantly under the maximum amount permitted. These “catch-up” contributions are intended to enable the employee to make up for the years when his or her contributions were below the maximum permitted. But the formula for determining the “catch up” amount is very complex and requires considerable data from both CUNY and the record keepers. It is easy to make an error in the calculation, which may result in a violation of IRS rules. Additionally, a relatively small number of employees can benefit from this rule. CUNY has determined that it would significantly simplify plan administration and reduce costs to eliminate the availability of this rule going forward. Participants may make pre-tax contributions to the New York State Deferred Compensation Plan in addition to any contributions made to the TDA Plan.