



Information Sheet on Section 415(g) of the Internal Revenue Code Limit

Background

The Internal Revenue Service issued final regulations applicable to the Vanderbilt University Retirement Plan (the Plan) which is a program regulated under Section 403(b) of the Internal Revenue Code (IRC). These regulations require Vanderbilt, as the sponsoring employer of the plan, to collect detailed information about employees' outside business interests, including a consulting business. Specifically, information must be collected on employee contributions made to retirement plans through these outside businesses.

This information must be collected and used for IRS 'contribution limit testing' by Vanderbilt University (as plan sponsor) in order to monitor compliance with applicable limitations. More information of these limits imposed by the IRC 415(g) is available at the IRS website:

<http://www.irs.gov/newsroom/article/0,,id=174873,00.html>.

For example, a faculty or staff member works for Vanderbilt and participates in Vanderbilt's Retirement plan, and is also the sole owner of a private business. If this individual is making contributions to both Vanderbilt's Retirement plan and to a retirement plan through the outside private business, IRS regulations require that this individual report to Vanderbilt the details of the outside business and the contributions to that outside plan. Vanderbilt will then need to ensure contributions (made through both plans) do not exceed the annual contribution limits [415(g) limit] as set by the Internal Revenue Code.

What do you need to do?

Check the Benefits page of the HR Website (hr.vanderbilt.edu/benefits) for the information that you need to provide to the Office of Benefits Administration on an annual basis regarding your contributions to qualified retirement plans [401(k), 401(a) and 403(b) plans, or simplified employee pensions (SEPs) and Keogh plans] through any outside business in which you have a controlling interest.

What will happen if you don't report this information to Vanderbilt?

The tax consequences of noncompliance are potentially very severe. The full value of your Vanderbilt account and the account of your outside plan may be taxed and these taxes may include civil and criminal financial penalties.

When do you need to report this information?

Soon you may receive a letter at your home address from the Office of Human Resources requesting information about your prior year's contributions. This information must be reported to the Office of Benefits Administration no later than March 6, 2009.

And, after reporting that year's total contributions to Vanderbilt, if you make any additional contributions to your sole proprietorship, consulting or outside business' qualified retirement plan [401(k), 401(a) and 403(b) plans, or simplified employee pensions (SEPs) and Keogh plans], you will need to report these additional contributions to Vanderbilt as well.

Where can you obtain more information?

This notice is a brief summary of very complicated new regulations. Please contact your tax advisor to ensure that you understand what is required of you and the implications if you do not report the required contributions.