

# CHUGACH'S 401(K) PLAN UPDATE

FINANCE COMMITTEE  
November 13, 2002

## CHUGACH'S 401(k) PLAN

- In 1999, the Board of Directors approved changing the administration of Chugach's 401(k) plan to The Vanguard.
- Chugach adopted Vanguard's prototype 401(k) basic plan document.

## GUST and EGTRRA

- During the 1990's a series of retirement law changes were enacted. These laws are referred to as GUST which is an acronym for:
  - 1994 legislation that implemented the General Agreement on Tariffs and Trades (GATT)
  - The Uniform Services Employment and Reemployment Rights Act of 1994 (USERRA)
  - The Small Business Job Protection Act of 1996 (SBJPA)
  - The Taxpayer Relief Action of 1997 (TRA '97)
  - The Internal Revenue Service Restructuring and Reform Act of 1998 (RRA '98)
- Congress passed sweeping pension enhancements in the Economic Growth & Tax Relief Reconciliation Act of 2001 – referred to as EGTRRA.

## 401(k) PLAN UPDATE NOW REQUIRED

- The IRS is now requiring that all Qualified Retirement Plan (QRP) documents be replaced and updated incorporating these new laws.
- We recommend adopting The Vanguard's prototype plan as amended and restated for GUST and EGTRRA.
- December 31, 2002 is the IRS deadline for employers using a prototype plan document to adopt a new prototype.

## CHANGES DUE TO EGTRRA

- EGTRRA provides new options for 401(k) plans.
- Chugach's 401(k) Committee recommends the following:
  - Employees taking a hardship withdrawal must suspend contributions to the Plan for 6 months (changed from 12 months).
  - Rollovers from qualified 401(a), 403(a), 403(b) and 457(b) plans (excluding non-deductible employee contributions) will be allowed into Chugach's Plan.

## CHANGES (CONT.)

- Catch-up contributions of \$1,000 per year are permitted by employees age 50 & older, increasing by increments of \$1,000 per year until the maximum catch up of \$5,000 is reached in 2006.
- The individual employee 401(k) deferral limit is changed to 1% - 50% of gross wages. Prior to EGTRRA the deferred limit ranged from 1% - 15%.
- The interest rate for 401(k) loans will be set quarterly by The Vanguard using the prime rate published on the first day of the quarter in the Wall Street Journal + 1%.

## RECOMMENDATION

- Recommend that the Finance Committee support Chugach adopting the Vanguard's prototype 401(k) plan document with the recommended changes from the 401(k) Committee.
  - There is no cost to Chugach to implement these changes.
  - Agenda item for the November 20, 2002 Board of Directors meeting.