

## Next IRS Target: College and University Retirement Plans

By Jewell Lim Esposito May 04, 2011



First, it was K-12. Now, it's higher education. It's the IRS's next featured project. In fact, the IRS web page refers to it as that:

### Employee Plans Compliance Unit (EPCU) - **Featured Project** - 403(b) Universal Availability Higher Education

As part of a larger compliance initiative, the IRS is now zeroing in on the 403(b) plans that colleges and universities sponsor. Plan fiduciaries must take note.

Over 300 large, small, public, and private higher education institutions will receive a 21-item questionnaire from the IRS. Make sure to respond.

Failing to complete the questionnaire will almost guarantee follow-up by way of a formal IRS audit. As the IRS warns "[f]ailure to provide the information requested could result in further action or examination of your plan."

On the other hand, confessing operational mistakes (such as the failure that seems to be a major focal point of IRS 403(b) plan inquiry: whether the plan offers all employees an "effective" opportunity to participate. . . the "universal availability" requirement) will at least elicit understanding from the IRS, who will surely recommend the correction procedures available to 403(b) plan sponsors under the Employee Plans Compliance Resolution System. The IRS sympathizes, explaining "[p]ossible defects need to be discovered now when sanction relief is available to sampled higher education organizations that timely correct."

The IRS's recent compliance initiative regarding 401(k) plans concluded just this past year, with administration and operation weaknesses summarized soon. If we are to learn anything from *that* effort, college and university 403(b) plan sponsors must timely respond, so as to stave off IRS enforcement activity.

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