Date: September 18, 2007
To: Participants in CSU’s 403(b) plan during 2007
From: Carol J. Shirey, Director
Subject: Important new 403(b) Regulations

Rules recently released by the Department of the Treasury could affect your 403(b) account or annuity.

Beginning September 25, 2007, transfers and exchanges from your 403(b) account or annuity to any other 403(b) account or annuity are subject to new restrictions and requirements. Failing to comply with these new regulations can result in significant negative consequences including the loss of the tax sheltered status of your entire account or annuity as of January 1, 2009. As a result, it is extremely important that you ensure that any transfer or exchange of your account or annuity that is part of the Colorado State University 403(b) plan is to another account or annuity that is either a part of our plan or is being used to purchase permissive service credit in a qualified government defined benefit plan, such as Colorado’s PERA.

We are working with our approved plan vendors (VALIC; Financial Network Investment Center; TIAA-CREF; Smith Barney) to implement these new procedures and to ensure that any requested transfer or exchange request from our plan participants is processed in accordance with the new regulations. As a result, you may experience delays in the processing of such requests and/or you may be requested to provide more information than has been required in the past.

For your information, I am enclosing a copy of a letter sent to each of our vendors directing them to follow the proscribed procedure in responding to requests for transfer or exchange. Please note that there is restricted access, as outlined in the attached, to accounts or annuities provided by TIAA-CREF and Smith Barney.

Please contact Teri Suhr, Benefits Manager, at 491-4975 with any question on this matter.

Enclosure (1)
September 14, 2007

Dear 403(b) Vendor;

As you are no doubt aware, final 403(b) regulations were published by the Department of the Treasury in the July 26, 2007 Federal Register. While most of the regulations have an effective date of January 1, 2009, one significant aspect relating to movement of money residing in 403(b) contracts or custodial accounts takes effect on September 25, 2007 [§1.403(b)-11(g)]. Specifically, exchanges and transfers under Revenue Ruling 90-24 which take place on or before September 24, 2007 are “grandfathered” and are not subject to the requirements imposed on such exchanges and transfers contained in §1.403(b)-10(b)(2), i.e. plan to plan transfers, exchanges within the same plan and purchases of permissive service credit.

Transfers and exchanges on or after September 25, 2007 that do not comport with the terms of §1.403(b)-10(b)(2) result in immediate and drastically negative tax consequences for the participants and are to be avoided.

Consequently, to ensure that employees and former employees of Colorado State University who are current 403(b) plan participants are not faced with unintended negative tax consequences, effective immediately, you, as one of the 403(b) vendors authorized by Colorado State University with either limited or unlimited access to our employees, are directed to:

- Ensure that all accounts and annuities resulting from deposits forwarded to you by Colorado State University on behalf of its employees participating in its 403(b) plan are maintained in strict compliance with all 403(b) regulation in effect at the time including, but not limited to those relating to: exchanges and transfers; disbursements; loans; hardship distributions; and minimum mandatory distributions. Please advise me immediately if you cannot or will not comply with these requirements.
Deny and ensure that all who have access to and authority over the accounts and annuities relating to Colorado State University’s 403(b) plan will deny any request for exchange or transfer from a participant, present or past, in Colorado State University’s 403(b) plan to another contract or custodial account outside those approved as part of the Colorado State University plan as outlined below:

1. Variable Annuity Life Insurance Company (VALIC)- Available to all current employees and former employees with existing CSU 403(b) contracts or custodial accounts;
2. Financial Network Investment Center (Norlarco-will change its name to CUSO October 1, 2007)-Available to all current employees and former employees with existing CSU 403(b) contracts or custodial accounts;
3. TIAA-CREF-Available only to current employees with an existing 403(b) account and to former employees who made contributions to an existing TIAA-CREF 403(b) account during their employment with CSU;
4. Smith Barney-Available only to current employees with active deductions going to a Smith Barney “brokerage” investment account;
5. Purchases of permissive service credit by contract-to-plan transfers to a qualified defined benefit plan that is a governmental plan [as defined in section 414(d)], such as Colorado PERA.

Please advise me immediately if you cannot or will not comply with these requirements.

Please contact Teri Suhr, University Benefits Manager, at 491-4975 if you have questions concerning a request from one of our plan participants for an exchange or transfer.

Please contact me at 491-5793 as soon as possible with any questions relating to the matter.

Sincerely,

Carol J. Shirey
Director

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