

Carruth Compliance Consulting, Inc.
Answers to ASBO Questions for Third Party Administrators

For Prospective CCC Clients:

In February of 2007, ASBO released a series of educational tools to assist school district administrators in choosing a course of action to meet their 403(b) plan administration needs. One of the tools provided by ASBO was the following list of questions for potential Third Party Administrators. We felt that having our answers to these questions readily available to our potential clients would be helpful in the decision making process. We encourage prospective clients to contact us with any questions via telephone (503) 968-8961 or toll-free at (877) 222-3090, or via email at cccinfo@ncompliance.com. We thank you for your interest in CCC and we look forward to addressing your 403(b) plan administration needs.

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- 1. Can you provide a sample 403(b) plan document for review by the school and its legal counsel? If yes, to what extent does it reflect (and differ from) the IRS model plan language in IRS Revenue Procedure 2007-71?**

Yes, CCC has created appropriate 403(b) plan documents for our Client Districts, making use of the model language published by the IRS in Revenue Procedure 2007-71 and the recently released ASBO International guidance. These Plan Documents incorporate information specific to the Employer. The plan documents will be reviewed and updated as needed and will be maintained on the CCC website.

- 2. Will you assist the school in the process of obtaining service agreements, information sharing agreements, hold harmless agreements, or other similar agreements from 403(b) investment providers? If yes, please describe your procedures.**

Yes. CCC will put in place information sharing agreements (ISA) with all of the vendors involved in the 403(b) plan. The ISAs fall into two categories. Most vendors have used CCC's form of ISA that CCC enters into on behalf of its TPA clients ("Umbrella ISA"). Certain vendors prefer to establish ISAs directly between the employer and the vendor ("Direct-to-Employer ISA"). In these cases, CCC is referenced as the TPA for the school district within the Direct-to-Employer ISA or via an addendum. These documents are maintained on the CCC website.

- 3. Will you assist the school in determining employee eligibility for the 403(b) plan, notifying eligible employees of their eligibility to participate, and reviewing and identifying any eligibility determination errors? If so, please describe your procedures.**

Yes. Although the 403(b) Regulations permit plan sponsors to exclude certain employees from participation (e.g., certain students and part-time workers), CCC's strong recommendation, which is reflected in our plan document, is that all common law

employees be eligible to make elective deferrals to the 403(b) plan, including substitute teachers and other part-time employees. This approach is consistent with prevailing industry practice and guidance from leading practitioners. Consequently, the "Universal Availability" nondiscrimination rule applicable to 403(b) plans of governmental plan sponsors is satisfied for CCC client plans. CCC provides annual "Contribution Limits and Participation Eligibility Announcements" to its clients with communication and distribution recommendations. The IRS "Meaningful Written Notice of Eligibility to Participate" requirement is met if CCC's recommendations are followed.

In rare circumstances where CCC discovers ineligible 403(b) contributions or missed deferral opportunities, we work with our clients to implement policy changes and address plan defects.

4. Will you agree to impose reasonable privacy limitations on the release of information provided at the plan-level and to not share such data with an investment provider (or its agents or representatives) with whom the employee does not have a relationship? Please describe your procedures for such restrictions.

Yes. Currently, we do not have any processes, agreements or expectations to share plan data with vendors. Regular data sharing flows into CCC from the School District or from vendors via automated data file feeds in the industry best practices SPARK format.

The one exception is for processing loan requests where we send out information requests (called APBs) to vendors that do not share information electronically via SPARK data upload. The APB asks if the vendor maintains a 403(b) account for the participant(s) requesting loans and, if an account exists, we ask that they communicate the details any loan(s) associated the account. These APBs include the name, date of birth and employer for the participant requesting the loan. Each participant requesting a loan signs a "CCC Loan Request Form" that describes this information request process and authorizes CCC to confirm with vendors the accuracy of information provided on the loan request form. Information concerning the loan process is available on the CCC website at <http://www.ncompliance.com/client/loans.pdf>.

5. Describe your administrative process for annual employee plan enrollment and deferral changes in a 403(b) plan.

CCC provides annual announcements to Client Districts in November for two purposes: 1) To satisfy the "meaningful notice of eligibility to participate," including satisfaction of the "universal eligibility" nondiscrimination requirement; and 2) To inform employees about new contribution limits for the upcoming calendar year. The CCC website (<http://www.ncompliance.com>) has been designed to provide easy access to needed information by employers and participants, including enrollment and changes in deferrals. ALL forms and documents are available on the website and each one can be filled in online, then printed and submitted as appropriate. This enables employers and participants easy access to forms, along with completion and submission instructions. One purpose of the website is to empower participants to take ownership of personal transactions and relieve the District from excessive expectations of assistance from staff.

Procedures for employee enrollment and salary deferral changes are located within the District's dedicated area of the CCC website.

6. Describe if and how you will educate employees about the 403(b) plan.

The CCC website provides extensive educational content in efficient and cost-effective ways. Our philosophy is to provide open access to participants, employers, vendors and advisors of plan specific information and 403(b) market education. This is in strong contrast to many vendors and other TPAs that only offer limited information, and often only in a "log-in"-required environment. As a result, we frequently receive commentary from the 403(b) community that our website is the most comprehensive in the 403(b) market. CCC staff routinely guide employees to the information they seek, either via email or telephone conversations. Across, our client base, CCC regularly supports on-site benefit fairs to explain the value of tax deferred savings and 403(b) plan procedures. However, we do not provide financial advice or product level assistance.

Examples of the education content on the CCC website are provided below:

General Consumer Information Page: www.ncompliance.com/generalinfo.aspx

- Consumer Education Links**
- Retirement Readiness Links to Helpful**
- Employee Resources Provided By Vendors**
- Financial Advice Links Fund Information and Performance**
- Roth vs. Traditional Comparisons**
- Socially Responsible Investing**
- 403(b) & 457(b) Comparisons Calculators**

General FAQ Links

- Why Participate? www.ncompliance.com/guest_employertaxsavings.aspx**
- Choosing Investments: www.ncompliance.com/choosinginvestments.aspx**
- Financial Advisors: www.ncompliance.com/financialadvisor.aspx**
- Contribution Limits: www.ncompliance.com/howmuch.aspx**
- Net Pay Impact: www.ncompliance.com/payimpact.aspx**
- Frequently Asked Questions: www.ncompliance.com/faq.aspx**

7. Do you offer consolidated billing and common remitting services?

CCC does offer common remittance.

8. Describe how you will monitor employees participating in the 403(b) plan to confirm that they are staying within annual contribution limits.

CCC monitors contribution limits, including the catch-up contributions and ordering rules. Monitoring is done on a monthly basis to keep a close watch on accounts that may be at risk for excess contributions following the employer's upload to payroll, vendor remittance and HR files to CCC's secure website. Based on this information, CCC creates a "Monthly Reduction-Suspension Warning List" that is sent via email to the contacts the employer designates. This list conveys all participants projected to exceed the limit

calculated by CCC's system based on the uploaded data and the participant's age and instructs the employer of when action may be required to prevent over-contribution based on the current rate of deferral. In cases when an employer's 403(b) plan document allows for the 15 Years of Service Catch-up, CCC will work with the employer to collect the historical necessary to determine eligibility for the catch-up.

We also welcome our client's employees to contact us directly via email or telephone regarding their contributions. CCC also maintains a public information page here: <https://www.ncompliance.com/howmuch.aspx>.

9. How will you obtain information needed for compliance monitoring from investment providers working with the school? Please describe when and how you would propose to obtain such information.

Our approach is to obtain information needed for contribution compliance monitoring from the employer, rather than from vendors. The Umbrella ISAs between CCC and vendors and Direct-to- Employer ISAs between individual districts and vendors impose requirements for vendors to share whatever information is necessary to ensure compliance of all aspects of the plan. For transaction processing and related compliance activities, we use SPARK data from those vendors that provide such data, and we use weekly email inquiries (called 'APBs') and other methods of direct vendor contact for those vendors that do not provide data electronically.

10. For 403(b) plans with multiple investment providers, including deselected providers that are incorporated into the plan's procedures, describe your administrative procedures for review and approval of: (a) distributions, (b) participant loans, (c) hardship withdrawals, (d) contract exchanges, and (e) plan-to-plan transfers.

CCC has a dedicated Transaction Team consisting of four employees that exclusively focus on processing 403(b) for client plans. CCC encourages its clients to direct all participant inquiries, correspondence and transaction requests to CCC. We maintain a copy of the 403(b) plan document on a section of the CCC website dedicated to the employer's plan. The plan document is accessible to employees, participants and vendors to confirm the availability of optional features. CCC reviews and processes any requests to certify that a specific transaction is compliant with the plan. Upon receipt of a transaction request, in good order, via mail, fax, email or secure file transfer, CCC's policy is to process straightforward distributions and transfers within 48 hours. CCC reviews and provides authorization (either via an Authorization Letter or CCC signature) for vendor paperwork for the majority of transactions, however we do offer an Authorization Voucher option for a select group of transactions based upon an online request on the CCC website. Information regarding obtaining transaction authorizations from CCC may be found on our website at the following URL: <https://www.ncompliance.com/transactiondef.aspx>.

To assist our due diligence efforts on loans and hardship withdrawals, CCC requests that participants complete and certify CCC forms which complement the vendor paperwork. CCC maintains limited power of attorney from employer to act on its behalf in

administering the 403(b) plan. With the power of attorney in place, CCC provides authorization for transaction requests on behalf of employer. As part of our deferral limits monitoring, CCC receives HR and PR data from the employer. CCC uses this data to authorize in-service distributions and rollovers though we encourage vendors to use their own records to approve these (age 59 1/2) distributions. Typically, for distributions based on separation of service, we will call employer to confirm a participant's employment status. When made available, we use severance / employment status data from the plan sponsor to approve separation of service distributions without further interaction from the plan sponsor.

Loans require communication with the broad vendor community to confirm whether the requesting participant has other outstanding loans. This process starts the first Monday (or the first business day) following the week the loan request is received by CCC. We give vendors one week to respond to our information request and then proceed with authorization on the second Monday (or the first business day of the next week) after the request is received. This information request process is for vendors that do not provide account and loan data in the SPARK format. In parallel with the vendor due diligence, we request that participants complete a CCC Loan Form to complement required vendor paperwork. Information concerning the loan process is available on the CCC website at <http://www.ncompliance.com/client/loans.pdf>.

Hardship withdrawals require CCC to conduct due diligence including confirmation that available loans and other distributable funds have been utilized. We request that participants complete a CCC hardship withdrawal form in addition to required vendor paperwork and providing documentation of the expenses related to the hardship. We prioritize hardship withdrawals and can usually turnaround within a day assuming paperwork is in good order and we are able to contact the participant and vendor as needed. Information concerning hardships can be found on the CCC website at <http://www.ncompliance.com/client/403-hardship-withdrawal-rules.pdf>.

For contract exchanges and transfers, an approved vendor list is posted on the CCC website as well as provided to vendors. Per our Umbrella ISAs, vendors have the authority to process exchanges and transfers if they have confirmed the receiving vendors are approved under the plan. However, many vendors require employer approval for exchanges and transfers, which CCC provides upon satisfactory review of a participant's request. When CCC approves these transactions, we do so via an Authorization Letter or Authorization Voucher that states the specific conditions of the approval based on the requirements of the plan document.

11. Describe the types and frequency of reports that you provide to the school.

Monthly Reduction-Suspension Reports are sent monthly for contribution compliance monitoring. An annual Final Compliance Report is provided to confirm limits compliance based on full year-end data.

Monthly Transactions Reports of the plan's distributions, loans, hardship distributions, contract exchanges, qualified domestic relations orders, and plan-to-plan transfers.

Annual Contribution Limits and Participation Eligibility Announcement are sent annually to satisfy both the meaningful written notification of eligibility to make elective deferrals requirement and the universal availability requirement imposed by the 403(b) Regulations.

CCC Client Alerts are sent to all CCC customers on an as needed as basis to address timely industry developments such as the introduction of In-Plan Roth Conversions for 403(b) plans in 2010.

Ad hoc reports are made to employers anytime anomalies are detected in data, processes, or procedures, typically via email or telephone.

12. Describe how plan errors are identified to the school and corrected.

Rarely participants slip through the reduction-suspension alert process and are allowed to exceed their contribution limits. In such events, CCC generates and processes timely corrective distributions (by April 15 of the following calendar year) from vendors to participants. In the event other plan errors are discovered in the current or prior plan years, CCC will work with the employer to correct the error and establish procedures to prevent future errors. CCC personnel are vigilant about compliance with all 403(b) plan requirements. Rev. Proc. 2012-13 (Employee Plans Compliance Resolution System - EPCRS) is used for all defect corrections.

13. What are the fees that your organization would charge for the plan services described in your response? Identify who would be expected to pay these fees (e.g., the school, participants, etc.).

The initial fee structure at CCC is based on the student population for School Districts and the employee population in the case of other employer. Fees in subsequent years are determined based on the complexity, time, and technology demands of drafting, monitoring and administering the District's plan. Changes in the regulatory environment may require re-evaluation of fee structures. CCC's fees are billed directly to the employer, not to participants or vendors.

14. Describe any ownership or affiliation relationship or agreement that you have with any 403(b) investment provider. If there is such a relationship, please describe the measures in place to ensure that plan administrative services information is not shared with the investment provider other than on a "need to know" basis for effective plan administration.

CCC has no marketing relationships with any investment providers and has a strict policy against developing any such relationships, avoiding any possible perception of a conflict of interest regarding administration and participation in the Plan.

15. Describe any fees, commissions, or other types of payments that you receive from any 403(b) investment provider.

Not applicable, see the response to Question 14.

16. How many years have you been providing schools nationwide with 403(b) plan administration, including some or all of the services described in your previous responses?

CCC's has provided 403(b) and 457(b) administrative services in Oregon since 1999 and in Washington since 2008.

17. Describe your policy regarding the school's ownership of the 403(b) plan data. How often and in what format is plan data transferred to the school?

All employer-client data remain the property of the employer. Since CCC does not provide common remitter services, the only data CCC might have that the employer does not have would be information received from vendors under Information Sharing Agreements for the administration of the plan. Such data would be available to the employer upon request.

18. What software or systems do you maintain? Are your software or systems privately owned or do you utilize another firm's software or systems? Please describe in detail.

CCC's software systems are internally developed and privately owned. Our systems are dynamic, database supported, and web based in nature using Microsoft SQL Server relational database technology. Comprehensive, secure, password protected Content Management Systems (CMS) are incorporated for CCC Administrators, the appointed Full-Authority Users and Payroll Data Files Only Users of our clients, and Vendor Users.

As improves our website we plan to corporates online enrollment and/or participant facing transaction processing services into its offerings, our systems may be expanded to include log-in accounts for the employees of our clients.

19. Describe what makes your services unique to any other 403(b) service provider in the industry.

- CCC has exceptionally qualified staff:

- I. Harvey Carruth, President, PhD, is nationally recognized as an expert in all phases of 403(b) plans;
- II. Jim Kelleher, Chief Operating Officer, MBA, holds the coveted Enrolled Retirement Plans Agent (ERPA) designation, which qualifies him to represent CCC clients before the IRS with authority equal to Attorneys, CPAs, and Enrolled Agents;
- III. Heather Mondor, Director of Compliance and Data Analysis, MA, has excellent experience in quantitative data analysis, handling sensitive and complex compliance scenarios and overseeing our transaction processing team;
- IV. Six stable, experienced, and committed transaction processing staff members; and

V. A world-class developer committed to maintaining existing systems and developing new systems to meet the needs of our company.

- **CCC is regional in geographical coverage where we are the leading provider of 403(b) TPA services in Oregon, members of OASBO and participants on the school business managers list serve. Our practice was developed and has evolved based on on-going consultation with Oregon and Washington school districts. With our local presence we are able to support on-site meetings when requested.**
- **CCC has a proven track record of providing superb third-party administrator services to Oregon and Washington school districts, education service districts and community colleges, counting the five largest districts in Oregon and the largest district in Washington as clients.**
- **Our staff efficiently and effectively processes account transactions and responds to email and telephone questions and requests, immediately or during the same day except in extremely unusual circumstances.**
- **CCC's strict policy of avoiding marketing relationships or cooperative business interests with product Vendors is a rare find as the field of 403(b) administrators grows. In turn, CCC clients are assured that their Plan is free of potential conflicts of interest with respect to their vendor selection processes.**

20. Please provide a copy of your standard 403(b) plan service agreement.

**CCC's Draft Service Contact is available on our Prospective Client Page:
<https://www.ncompliance.com/prospective.aspx>**

21. Do you maintain errors and omissions or similar insurance covering the services proposed in your responses above? If so, will you provide documentation of such coverage upon request?

Yes. We routinely provide certificates of insurance to all CCC clients each year when our policy is renewed.