

Minutes of the Telephone Conference Call Meeting of the Executive Committee, Board of Trustees, University of Kentucky, Monday, December 22, 1986.

At 10:00 A.M. on Monday, December 22, 1986, a telephone conference call was held with members of the Executive Committee of the Board of Trustees for the purpose of acting on a recommendation relative to proposed amendments in the University of Kentucky Retirement Plan. The following members answered the roll call: Mr. Robert T. McCowan (Chairman), Mr. William R. Black, Mr. Albert G. Clay, Mr. Tracy Farmer, and Mr. T. A. Lassetter. Mr. John C. Darsie, Assistant Secretary of the Board of Trustees, acted as Secretary of the meeting. President Otis A. Singletary participated in the call as did Mr. G. Bruce Miller, Director of Employee Benefits and Risk Management. Members of the news media had been notified of the meeting; however, none were in attendance.

President Singletary explained that the changes which are being proposed to the Retirement Plan are for the purpose of conforming to certain requirements of the Tax Reform Act of 1986. The University has been advised by Wyatt, Tarrant and Combs that contributions will not be counted against the new elective deferral limits if the Retirement Plan is amended to make tax sheltering mandatory for all employee contributions. The net effect of the proposed changes would be that, as of January 1, 1987, all new employees enrolling in the Retirement Plan and all employees currently electing the tax shelter option must have their retirement contribution tax sheltered. Current employees who have not elected the tax shelter option in the past, will not, under the proposed changes, be subject to the mandatory sheltering provision. Mr. Miller then reviewed the proposed amendments to AR II-1.6-1 in detail, following which President Singletary recommended approval of the proposed amendments. On motion of Mr. Farmer, seconded by Mr. Clay, the amendments were unanimously approved. (See PR at the end of the Minutes.)

There being no further business, the conference call meeting was adjourned at 10:14 A.M.

Respectfully submitted,

John C. Darsie  
Assistant Secretary  
Board of Trustees

(The PR which follows is an official part of the Minutes of the Meeting.)

Members, Executive Committee, Board of Trustees:

PROPOSED AMENDMENTS IN THE UNIVERSITY OF KENTUCKY RETIREMENT PLAN

Recommendation: that the following proposed amendments in the University of Kentucky Retirement Plan (AR II-1.6-1) be approved:

[NOTE: Proposed additions are underlined;  
proposed deletions are bracketed.]

Amendment #1 - that the following paragraph be added as a new first paragraph in Section I.A.3:

Notwithstanding any provision to the contrary contained herein, all Group I personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Amendment #2 - that the first part of the first sentence following the table in Section I.A.3 be changed to read:

The University shall [deduct] withhold the contribution of the participant from regular salary payments, add its contribution, and apply the combined sum to the purchase of retirement annuities for the participant as follows:

Amendment #3 - that the following paragraph be added as a new first paragraph in Section I.B.3:

Notwithstanding any provision to the contrary contained herein, all Group II personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Amendment #4 - that the first part of the first sentence following the table in Section I.B.3 be changed to read:

The University shall [deduct] withhold the contribution of the participant from regular salary payments, add its contribution, and apply the combined sum to the purchase of retirement annuities for the participant as follows:

Amendment #5 - that the following paragraph be added as a new first paragraph in Section I.C.3:

Notwithstanding any provision to the contrary contained herein, all Group III personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Amendment #6 - that the first part of the first sentence following the table in Section I.C.3 be changed to read:

The University shall [deduct] withhold the contribution of the participant from regular salary payments, add its contribution, and apply the combined sum to the purchase of retirement annuities for the participant as follows:

Background for all amendments: The 1986 Tax Reform Act sets an elective deferral limit on employee contributions to tax sheltered retirement plans. In the absence of published IRS regulations, it is the interpretation of the new tax law by legal counsel hired by the University that, since the University of Kentucky Retirement Plan permits employees to decide whether their contributions are on a salary reduction or a salary deduction basis, individuals tax sheltering under the University's Retirement Plan would have their tax sheltered retirement contribution count against the current elective limit of \$9,500. It is also the interpretation of the tax law that, if it is mandatory that all employee contributions be tax sheltered, those contributions do not count against the elective deferral limit.

These changes in the Retirement Plan will permit those employees who in the past were not tax sheltering to continue their choice to do so. But, all new employees enrolling in the University's Retirement Plan as well as those already tax sheltering would no longer have an option to treat their contribution as a salary deduction.

To meet the requirements of the 1986 Tax Reform Act, these changes in the University's Retirement Plan should be approved prior to January 1, 1987, if it is the University's intention that the option for additional deferrals becomes available for calendar year 1987.

1739A

---

Action taken: Approved  Disapproved  Other

Date: December 22, 1986