

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

IRS Expands Project to Ensure Eligible Public School Employees Are Allowed to Participate in Retirement Annuities

IR-2007-123, June 21, 2007

WASHINGTON — The Internal Revenue Service is expanding an outreach effort to ensure that public schools throughout the United States are complying with the universal availability requirement for retirement annuities they may offer. Some schools and school districts may be overlooking offering employees the opportunity to participate in these retirement plans.

To assess the level of compliance, the IRS's Employee Plans Compliance Unit (EPCU), has started sending questionnaires to public school districts in all 50 states under the auspices of the 403(b) Universal Availability project.

This expansion builds upon a pilot project that began in June 2006 with questionnaires that were sent to public schools and districts in New Jersey, Missouri and Washington. In the initial phase of the expansion, the IRS has begun contacting school districts in Alaska, Florida, Hawaii, Illinois, Nevada, Pennsylvania, Tennessee and Virginia. School districts in the remaining states will be contacted as part of the project through 2008.

“Our pilot project in three states showed fairly widespread noncompliance by schools with the universal availability requirement for 403(b) plans,” said Joseph Grant, Director of the IRS Employee Plans division. “But we believe most of it was due to a lack of understanding about what the law requires, not a deliberate failure to comply.”

Typical noncompliance involves excluding participation by certain classes of employees, such as substitute teachers, janitors, cafeteria workers and nurses. The law requires that all public school employees normally expected to work 20 hours per week must be offered the opportunity to participate in a 403(b) plan if the school or district sponsors one.

Schools that receive the questionnaire should answer it completely and accurately. If a potential problem is identified, the IRS will correspond with the school or district to help it analyze its 403(b) plan to determine whether it is in noncompliance. If school officials find a problem, they should use one of the correction methods outlined in the IRS's follow-up letter. If a school makes the necessary corrections timely, the IRS will not impose a sanction.

— More —

“We know from our pilot project and from talking to representatives from schools and districts across the country that most of the problems stem from either misunderstanding the law or from confusion because of differing rules in various states,” said Grant. “The project will give schools the chance to identify problems with their plans and to correct them on their own.”

A 403(b) plan is a retirement plan for certain employees of public schools, employees of certain tax-exempt organizations, and certain ministers.

For more information on this and other EPCU projects, visit the EPCU Web page at www.irs.gov/ep.