

Report of the Compensation Committee to Faculty Council on the Proposal to ask the University to Allow 403(b) Withdrawals and Loans

Background:

In Spring 2011 Gary Porter, Associate Professor of Finance, submitted a proposal to the Faculty Council asking that the Council pass a resolution asking the University to allow withdrawals and loans from the 403(b) base retirement accounts. (See the text of his proposal, Appendix A below.) Faculty Council referred the proposal to the Compensation Committee for consideration and recommendations. The Compensation Committee discussed the proposal and held open hearings on October 4 and October 7, 2011. Additionally, on September 14, 2011, the Chair of Faculty Council asked the Director of Human Resources for a written explanation as to why the University does not allow withdrawals and loans from the 403(b) base account.

Rationale:

Current University policy prohibits access not just to University contributions, but to employee contributions to 403(b) funds, even in the event of hardship. The University's position is that these funds are intended exclusively for retirement. Nonetheless, both the IRS and TIAA-CREF make provisions for withdrawals and loans without penalty after age 59 ½ and for reasons of hardship under certain specified conditions, provided the employer allows it (see sample documentation in Appendix B). Therefore, the two organizations most concerned with the regulation and management of these accounts envision situations where it would be legitimately useful to draw on them.

Currently, the only recourse an employee has to gain access to those funds in the event of financial hardship is to resign, despite the possibility that access in the short term might well allow financial recovery (and retirement account recovery) in the long term. Additionally, in this era of difficult economic times, the possibility of financial hardship and the usefulness of 403(b) withdrawals and loans would both seem to be heightened.

Proposal:

The Compensation Committee recommends that Faculty Council refer the following resolution to the full faculty for a vote:

Resolved, that the faculty of John Carroll University recommend to the University President and Board of Directors that the University allow faculty members to make withdrawals and loans from the 403(b) base retirement plan, subject to IRS guidelines.