

Pre-approved 403(b) Plan Documents

For the first time, the IRS has issued pre-approved 403(b) plan document templates. A pre-approved plan document is one that has been submitted to the IRS by a plan service provider (i.e., a pre-approved plan “sponsor”, such as Children’s Day School), and that plan document has received a favorable opinion letter from the IRS.

This means that the IRS has approved the form of the document for use with a 403(b) plan, and any plan sponsor that adopts the plan can rely on that IRS approval. Many investment providers (like TIAA) now offer pre-approved plan documents to their clients. CDS has now switched to the IRS approved plan document.

There have been no changes to the plan itself (other than one small one, which considers an employee’s eligibility to begin on the first of the month the employee begins employment, instead of the first day of employment).

The change to the IRS pre-approved plan document, should be confirmed by the school’s board of trustees, and recorded in the board’s meeting minutes.

There are some important advantages to plan sponsors that adopt a pre-approved document prior to March 31, 2020:

- By adopting a prototype document prior to March 31, 2020, the IRS excuses any defect in the drafting of the existing document dating back to January 1, 2010, such as required amendments that have not been kept up to date.
- The sponsor of the plan document (CDS) will maintain the document and provide any required amendments.
- You have the assurance that the document has been approved by the IRS. This is especially helpful with regulatory and required annual audits.