Wartburg College

February 4, 2015

Dear Colleague,

I'm writing to clarify a notice that you recently received from Wartburg College.

Recently, we took formal steps to secure "church plan" status for our retirement plan from the Internal Revenue Service (IRS). As I will explain, we took this step in the effort to practice good stewardship, that is, to save the College unnecessary time and expenses in administering its retirement plan.

The reason that I was not only willing but eager to take these steps was that the change will have no impact on the way that our retirement plan is designed or administered.

Moreover—and this was also appealing to me—in taking these steps, we were able to strengthen internal oversight of the retirement plan. Previously, the retirement plan has been administered by designated members of the College's staff. We asked the Board of Regents to establish the Retirement Plan Subcommittee, a subcommittee of the Business & Finance Committee, to oversee our retirement plan, ensuring that it continues to comply with applicable law and regulation and that it continues to provide retirement benefits to employees and retirees.

NO CHANGE IN THE CONTROL OF YOUR PLAN ASSETS:
We plan to continue to use TIAA-CREF to operate the retirement plan. The plan assets related to your account continue to be ***owned and controlled by you***.

For eligible employees, Wartburg's contribution percentage will currently remain the same and the contributions will continue to be made on a timely basis. It's worth noting that the contribution percentage is not governed or restricted by ERISA rules – this contribution percent is set by the College and can be changed based on internal policies.

For all participants, including retirees, the plan assets held in trust for your benefit at TIAA-CREF are not owned or controlled by the College – you choose how your assets are invested and when they are distributed (in accordance with plan terms).

WHY THE CHANGE WAS MADE:
The College believes its retirement plan has always met the requirements of a church plan. We decided to obtain an IRS letter ruling which will provide documentation that the IRS officially accepts our position that our retirement plan is a church plan. Although we

are not required to obtain an IRS letter ruling, we believe it is the prudent approach to take. As a church plan, we can avoid unnecessary audit fees of approximately $10,000 annually and will realize additional savings of time and money by not having to file a Form 5500 with the IRS and Department of Labor each year. The required audit relied on TIAA-CREF reports, which the plan will still receive. The Form 5500 discloses total plan assets and terms of operation – the absence of this form will have no impact on plan participants. The plan assets are held by TIAA-CREF under their terms of operation.

You received the notice in the mail because the IRS requires that a notice be provided to all plan participants when requesting a church plan letter ruling. The wording in the notice is based on IRS requirements – it is general language that applies to all types of plans, including defined benefit and defined contribution plans. Much of the wording in the required notice does not apply to Wartburg's defined contribution retirement plan. I underestimated how confusing the wording would be when the notice was mailed.

CLARIFICATION OF ITEMS INCLUDED IN THE NOTICE:

The notice you received in the mail included a list of items that a church plan is not required to provide. Below is that list, along with an explanation of how each item relates to the Wartburg retirement plan:

- A participant's eligibility to join the plan cannot be delayed past a stated period of time.

    - Wartburg's Retirement Plan: Under IRS rules that do apply to the College's retirement plan, all eligible employees must be allowed the opportunity to make elective deferrals to the plan within certain mandated timeframes. Eligibility is defined in the retirement plan documents and currently, an eligible employee can join the College's retirement plan immediately. Any change to the plan document must be approved by the Board's Retirement Plan Subcommittee and must comply with IRS requirements.

- A participant's entitlement to fully vested benefits must be set forth in schedules depending on years of service and cannot be delayed past a stated period of time.

    - Wartburg's Retirement Plan: The vesting requirements are defined in the retirement plan documents and currently, all contributions are immediately 100% vested. In other words, a participant is entitled to 100% of his or her retirement plan assets already earned and deposited with TIAA-CREF. The vesting provisions *could* be changed in the future, but this would impact only future contributions and would not impact contributions already made. Any retirement plan, including an ERISA retirement plan, can change vesting provisions on a prospective basis. Any change to the plan document must be approved by the Board's Retirement Plan Subcommittee.

- The plan may not generally be amended to reduce previously earned benefits.

    - Wartburg's Retirement Plan: As stated above, all contributions to the College's defined contribution retirement plan currently vest immediately. The contributions made to your account are yours to invest in accordance with plan terms; and you elect the distribution option once you are eligible to take a distribution from the plan. Any future plan changes cannot reduce benefits already earned. All retirement plans can make benefit changes on a prospective basis, but cannot take away benefits already earned or invested. Any change to the plan document must be approved by the Board's Retirement Plan Subcommittee.

- A participant has the right to bring suit under federal law for payment of benefits, fiduciary violations (such as inappropriate management of plan assets or impermissible self-dealing), and failure to receive a statement of benefits and other plan information.

    - Wartburg's Retirement Plan: Once contributions are made to the retirement plan, they are held in trust for the benefit of the individual plan participant and are NOT assets of the College. You manage the assets in your plan account, and you determine how those assets will be distributed to you. Because we have a defined contribution plan, there is not a statement of benefits. Instead, you receive a periodic statement of contributions/assets from TIAA-CREF.

- A participant has the right to be notified about certain changes in the plan, and to obtain a copy of plan documents and certain reports filed with the government.

    - Wartburg's Retirement Plan: The retirement plan documents are always available to plan participants. Any change to the plan document must be approved by the Board's Retirement Plan Subcommittee and would be a matter of record and announced to retirement plan participants.

Please be aware the notice you received in the mail relates ONLY to Wartburg College's defined contribution retirement plan. If you currently participate in the Evangelical Lutheran Church in America's (ELCA) retirement plan or a similar plan, the notice does not relate to those plans.

<u>FINAL WORDS:</u>

The provisions of ERISA are intended primarily to safeguard assets that employers must hold in reserve to fulfill commitments entailed by a <u>defined benefit plan</u>. Because the College has a <u>defined contribution plan,</u> taking the step officially to change our plan's designation to a church plan does not pose a threat to our employees' or our retirees' retirement plan accounts. The assets in the College's retirement plan belong to the plan participants, and NOT to the College. As soon as we send the contributions to TIAA-CREF, the contributions belong to the individual participant, to you.

I hope that this additional information provides a clearer picture of what this change means. I apologize if making this change and issuing the IRS-mandated statement has caused concern over the management of Wartburg's retirement plan. In retrospect, I should have ensured more clarity in advance.

The takeaway should be that we have not relaxed any of our internal checks and structures in any way, and we have strengthened the oversight of the plan by establishing a subcommittee of Regents to monitor the plan. Just as the Board has a fiduciary duty to monitor the College's finances, so too have they assumed the fiduciary duty to monitor the retirement plan.

I truly appreciate the service provided by past and current employees to carry out the mission of the College. I thought—and still think—that making this change, because it was an exercise in stewardship of the College's precious resources, is an appropriate way to honor your service.

I assure you that neither the Board nor I ever considered diminishing the commitment we have made to the retirement plan for our employees. We will continue to honor that commitment.

Please let me know if you have any further questions or comments.

Sincerely yours,

Darrel D. Colson

Darrel D. Colson
President