



2022

UNIVERSITY OF MICHIGAN RETIREMENT SAVINGS PLANS

Basic Retirement Plan | 403(b) SRA | 457(b) Deferred Compensation Plan



HUMAN RESOURCES
BENEFITS OFFICE
UNIVERSITY OF MICHIGAN

Benefits Information by Phone

Call the Shared Services Center Contact Center (SSC) at (734) 615-2000 or (866) 647-7657 toll free for help with your U-M benefits. Representatives are available to assist you by phone Monday – Friday, 8 a.m. – 5 p.m. Have your UMID number available when you call.

Benefits Information on the Web

For benefits plan information, visit hr.umich.edu/benefits-wellness

For information on U-M Retirement Savings Plans, visit hr.umich.edu/retirement-savings-plans

Dial 711 for Telecommunications Relay Service

The Federal Communications Commission adopted use of the 711 dialing code for access to Telecommunications Relay Services (TRS). Dial 711 and ask the operator to connect you to the SSC at (734) 615-2000 or toll free at (866) 647-7657.

Limitations

The university in its sole discretion may modify, amend, or terminate the plan. Nothing in these materials gives any individuals the right to continued plan benefits beyond those accrued at the time the university modifies, amends, or terminates the plan. Anyone seeking or accepting any of the benefits provided will be deemed to have accepted the terms of the plan and the university's right to modify, amend, or terminate the plan.

Plan Administrator

University of Michigan Benefits Office
Wolverine Tower Low Rise G405
3003 S. State St.
Ann Arbor, MI 48109

Phone: (734) 615-2000
FAX: (734) 936-8835

hr.umich.edu/retirement-savings-plans

Non-ERISA Plans

The University of Michigan Basic Retirement Plan, 403(b) Supplemental Retirement Account, and 457(b) Deferred Compensation Plan are all non-ERISA governmental plans.

Statement of Intent

This booklet describes the University of Michigan Basic Retirement Plan, 403(b) Supplemental Retirement Account (SRA), and the 457(b) Deferred Compensation Plan. It is intended to provide information to participants in these plans. Every effort has been made to ensure the accuracy of information in this booklet. However,

if statements in this booklet differ from applicable contracts, certificates or riders, then the terms and conditions of those documents, as interpreted by the Benefits Office, prevail. Possession of this booklet does not constitute eligibility for these plans. Internal Revenue Code (IRC) regulations, as well as university and investment company policies, are subject to change and/or correction without notice.

Disclaimer

Tax information in this document is based on the university's current understanding of highly complex Internal Revenue Code and U.S. Treasury Department regulations. It is provided for general informational purposes only. The University of Michigan does not provide tax advice. It is the responsibility of the plan participant to comply with federal tax regulations. Questions or concerns should be addressed to a qualified tax adviser.

Ask the Experts

Have a question? Need help?

TIAA and Fidelity Investments are U-M's approved partners in administering the Basic Retirement Plan.

Contact TIAA and Fidelity for these inquiries and services:

- Questions/help choosing your investment funds
- Account and income information
- Brochures and booklets on services and financial planning
- Change of address or beneficiary
- Divorce, Qualified Domestic Relations Order (QDRO)
- Rollovers into the U-M retirement plan
- Forms for cash withdrawals and distributions, rollovers, transfers, loans, and income options
- Changing your investment funds
- Transferring accumulations between funds and between TIAA and Fidelity
- Income and payment methods (lifetime annuity, cash withdrawals, etc.)
- Tax questions (withdrawal penalty, minimum distribution, federal withholding)
- Schedule individual counseling; register for workshops
- Information on fund management fees

TIAA

730 Third Ave.
New York, NY 10017

tiaa.org/umich

24-Hour Automated Phone Center

(800) 842-2252

Telephone Counseling Center

(800) 842-2776

Monday–Friday, 8 a.m. – 1 p.m., EST

Saturday, 9 a.m. – 6 p.m., EST

Workshops or Individual Counseling

(800) 732-8353

Fidelity Investments

P.O. Box 770002

Cincinnati, OH 45277-0090

netbenefits.com/uofm

24-Hour Automated Phone Center

(800) 343-0860

Fidelity Retirement Specialists

(800) 343-0860

Monday–Friday, 8 a.m. – midnight, EST

Workshops or Individual Counseling

(800) 642-7131

Visit TIAA and Fidelity Online

TIAA and Fidelity Investments websites provide a variety of tools and resources, including:

- Current information on fund descriptions, performance, and investment strategy to assist you in choosing your investment funds.
- Interactive worksheets and calculators.
- Information about other products and services.

Use the websites to:

- Check your account balance, change the funds you invest in, and transfer accumulations between funds.
- Request forms and free publications.
- Set up your account and designate your beneficiary when you enroll.

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U-M Retirement Savings Plans At-a-Glance

Enroll in the Basic Retirement Plan: Receive the Two-for-One Match

Basic Retirement Plan

- The Basic Retirement Plan is a tax-deferred 403(b) and 401(a) plan with immediate vesting.
- You may enroll anytime; U-M contributes after you have fulfilled one year of service and you are enrolled.
- Regular faculty, staff, and LEO II, III, IV may enroll with a 1% appointment lasting four months; supplemental instructional faculty (Adjunct, Visiting) and LEO I may enroll with a 50% appointment last four months.
- You may cash out or your contributions at any age upon termination of employment; U-M contributions may be cashed out or rolled over at age 55 or older once terminated.

Save More with the 403(b) SRA and 457(b)

403(b) Supplemental Retirement Account (SRA)

- You contribute a fixed dollar amount; there is no U-M match.
- Contribute up to \$20,500 minus the 403(b) elective deferral you make to the Basic Retirement Savings Plan; the limit is \$27,000 if you are age 50 or older.
- Withdrawals while you are still employed at U-M are available: 1) at age 59½ or older; or 2) due to total and permanent disability; or 3) due to financial hardship.
- Loans are available.
- Withdrawals are available at any age once you have terminated employment.

Contribute up to \$41,000 in total between the 403(b) and 457(b)

Contribute up to \$54,000 if you are age 50 or older

457(b) Deferred Compensation Plan

- You contribute a fixed dollar amount; there is no U-M match.
- Contribute up to \$20,500; the limit is \$27,000 if you are age 50 or older.
- Withdrawals while you are still employed at U-M are available at age 59½ or older.
- Loans are available.
- Withdrawals are available at any age once you have terminated employment.
- The IRS 10% penalty for withdrawals prior to age 59½ does not apply to the 457(b) but does apply to the Basic Retirement Plan and the 403(b) SRA.

Two Ways to Contribute

Pre-tax

Distributions are taxed

Roth after-tax

Qualified distributions are tax-free

Two Ways to Contribute

Pre-tax

Distributions are taxed

Roth after-tax

Qualified distributions are tax-free

Overview

The University of Michigan partners with you to plan for a secure and comfortable retirement. No matter your age or career stage, it is never too late to begin saving – or saving more – for retirement.

The U-M retirement savings plans provide an important source of income in retirement, in addition to Social Security and personal savings. U-M does not have a pension plan.

How to Participate

Take advantage of the university's two-for-one match of your contributions by enrolling in the Basic Retirement Plan.

Save more for retirement through a 403(b) Supplemental Retirement Account (SRA) and the 457(b) Deferred Compensation Plan. Contributions can be made on a pre-tax or after-tax (Roth) basis.

You may enroll in any plan at any time throughout the year. If you are eligible, you may contribute to all three plans or choose among them. You can also change your contribution amounts and allocations at any time.

Investment Companies

You may choose from more than 200 investment funds available through TIAA and Fidelity Investments. These include mutual funds, fixed and variable annuities, domestic and international stock funds, bond funds, money market funds and real estate funds, along with a guaranteed fixed annuity and socially responsible funds. Several Vanguard funds are also available.

Both TIAA and Fidelity offer free one-on-one meetings to discuss your retirement goals.

TIAA

tiaa.org/umich | (800) 732-8353

Fidelity Investments

netbenefits.com/uofm | (800) 642-7131

hr.umich.edu/retirement-savings-plans

Eligible Compensation

Compensation must meet certain federal requirements in order to be contributed into an employer's retirement plan. It must be reported as earned compensation paid to you as a University of Michigan faculty or staff member, subject

to federal income tax withholding through the university, and reported on a W-2 issued by the university.

Certain forms of compensation may be subject to federal income tax but cannot have withholding taken by the university. In these cases, you may not make a contribution because the university cannot provide a tax-deferred benefit on compensation that is not subject to tax withholding. A fellowship is an example of compensation not subject to U-M tax withholding.

Basic Retirement Plan

Your contribution and the U-M contribution will be provided on the following types of compensation:

- Base salary and wages
- Incentive payments (risk pay) under the University of Michigan Medical Group (UMMG)
- Summer salary for university-year appointees

Individuals subject to a collective bargaining agreement should refer to the terms of the agreement for any limitations on compensation eligible for contributions for the Basic Retirement Plan.

Examples of ineligible compensation:

- Overtime
- Salary supplements
- Shift differential
- Administrative differential
- Payout of unused vacation time at retirement or termination
- Annual sell back of Paid Time Off (PTO)
- Fellowship, scholarship, and stipends
- After-tax payments
- Allowances for housing, uniforms, and travel
- Royalty payments
- Long-term disability plan benefit payments
- Worker's compensation

View the Earnings and Time Report Codes spreadsheet on the Payroll Office website for a complete list of the types of compensation that may or may not be contributed to the Basic Retirement Plan. finance.umich.edu/finops/payroll/forms/eamtimereportingcodes

403(b) SRA and 457(b)

The following are examples of compensation that may be contributed to the 403(b) SRA and 457(b):

- Base salary and wages
- Incentive payments (risk pay) under the University of Michigan Medical Group (UMMG)

- Summer salary for university-year appointees
- Overtime
- Shift differential
- Administrative differential
- Temporary hourly earnings (SRA only)

Examples of ineligible compensation:

- Fellowship, scholarship, and stipends
- After-tax payments
- Long-term disability plan benefit payments
- Worker’s compensation

The required contribution applies to eligible compensation up to \$305,000 for 2022.

U-M Contribution Rate

After a 12-month waiting period, the university contribution to the Basic Retirement Plan for those enrolled in the plan is 10% of eligible compensation.

Individuals subject to a collective bargaining agreement should refer to the terms of the contract.

The university contribution applies to eligible compensation up to \$305,000 for 2022.

Types of Savings Plans

Basic Retirement Plan

The Basic Retirement Plan offers a two-for-one match of your contributions and immediate vesting. Eligible faculty and staff can enroll at any time using “[Self Service Benefits>Initiate Ret Savings Elections](#)” in [Wolverine Access](#). University contributions begin after a 12-month waiting period. Contributions and earnings are tax-deferred until you take a distribution. You do not pay income taxes on contributions when made from your paycheck, although you still pay the 7.65% FICA (Medicare and Social Security) tax. You pay income taxes at the time of distribution.

Type of Plan

The Basic Retirement Plan is a defined contribution retirement plan. The plan is a combination of a 403(b) for your contributions and a 401(a) for university contributions. Section 403(b) is a retirement plan for individuals of tax-exempt organizations, including public universities, research organizations, hospitals, churches, and charitable organizations. Section 401(a) is a qualified retirement plan that both for-profit and nonprofit employers may offer.

All retirement savings plan contributions and earnings are vested immediately. This means that your contributions, the university contributions, and all earnings are yours for retirement or to be paid to your designated beneficiaries in the event of death. There are limitations on cash withdrawals and rollovers; refer to page 32 for details.

Faculty and Staff Contribution Rate

Faculty and staff who participate in the Basic Retirement Plan contribute 5% of eligible compensation. Individuals subject to a collective bargaining agreement should refer to the terms of the contract.

Eligibility

- Regular faculty and staff and LEO Lecturers II, III, and IV are eligible with at least a 1% appointment lasting for at least four continuous months funded by the university.
- Supplemental Instructional staff (Adjunct, Visiting I/II and Clinical I titles) and LEO Lecturer I are eligible with a 50% or greater appointment funded for at least four continuous months by the university.
- Individuals with dual appointments are eligible provided that effort and funding is present in the appropriate combination.

The following titles are not eligible: Supplemental Instructional staff (Adjunct, Visiting I/II and Clinical I titles) and LEO Lecturer I with a 49% or lower appointment effort; House Officers, Research Fellows, Graduate Students, Professional Specialists, temporary staff and emeritus titles.

Your Contribution Limit

The Internal Revenue Code limits the total amount of contributions that may be made to retirement plans across all employers you have. See page 25.

Twelve-Month Waiting Period for University Contributions

You may enroll in the Basic Retirement Plan and contribute as soon as you are eligible, or at any time throughout the year. The university two-for-one match of your contributions will be provided once you have completed the 12-month waiting period.

IMPORTANT: If you have not enrolled after completing the waiting period, you must affirmatively enroll in order to receive the university contribution. Enrollment in the Basic Retirement Plan and university contributions do not automatically begin due to completing the waiting period.

The waiting period is measured from the date you are first eligible to enroll in the plan, which is typically your date of hire. If you were hired into a job not eligible for the plan (ex. LEO I less than 50% effort, House Officer, Research Fellow, etc.) but later become eligible due to a change in effort or job title, the waiting period is measured from the effective date of your job change. Time worked at a previous employer does not count toward meeting the waiting period.

The waiting period does not mean you cannot enroll until after completing 12 months of service. You may enroll in the Basic Retirement Plan and begin making employee contributions as soon as you are eligible, or you may enroll at any time. Your eligibility for the university two-for-one match of your contributions begins after you have completed the 12-month waiting period. The waiting period is independent of your enrollment in the plan.

Contribution Rate Once Enrolled

During first 12 months of service

- You contribute
- U-M does not contribute

After 12 months of eligible service

- You contribute
- U-M contributes

Rehire and Loss of Eligibility

If you are rehired or lose eligibility for the plan, the need to fulfill the waiting period again is as follows:

- If you terminate employment or lose eligibility for the retirement plan before completing the 12-month waiting period and you are later rehired or become newly eligible for the plan, your service prior to termination or loss of eligibility does not count toward fulfilling the waiting period. Your waiting period starts over with your date of rehire or date of new eligibility.
- If your gap in employment or eligibility is one year or greater, you must complete the waiting period to become eligible to receive university contributions.
- If your gap in employment or eligibility was less than one year, and you were eligible for university contributions prior to the gap, you do not need to fulfill the waiting period and you will receive university contributions upon enrollment.
- If your gap in employment or eligibility was less than one year, but you were not eligible for university contributions prior to the gap, you must complete the waiting period.
- University retirees who are rehired into a title eligible for the Basic Retirement Savings Plan do not need to complete the waiting period again and will receive university contributions upon enrollment.

Compulsory Participation

Faculty or staff members may voluntarily join the Basic Retirement Plan at any time. However, participation becomes compulsory once you:

- Are age 35 or older, and
- Have a 100% appointment, and
- Have at least two years of service in a title eligible for the Basic Retirement Plan

If you are already participating in the Basic Retirement Plan when you meet the above criteria, no action is required.

Reduced Benefit Option

If you are not participating when you meet the above criteria, you will be enrolled in the Reduced Benefit Option. Under the Reduced Benefit Option:

- For eligible compensation up to the Social Security wage base (\$147,000 in 2022):
 - You do not contribute.
 - The university contributes 5% of salary.
- For eligible compensation above the Social Security wage base:
 - You contribute 5% of salary.
 - The university contributes 10% of salary.

Individuals subject to a collective bargaining agreement should refer to the terms of the contract regarding the contribution rates.

Changing the Contribution

If you are participating at the Reduced Benefit Option, you may elect to contribute 5% and receive the 10% U-M match.

You may also decrease your contribute rate from the full two-for-one matching down to the Reduced Benefit Option. These changes cannot be made online using Wolverine Access; please call the SSC for the form and instructions. Call 5-2000 from the Ann Arbor campus, (734) 615-2000 locally, or (866) 647-7657 toll free for off-campus long-distance calls Monday through Friday, 8 a.m.–5 p.m. Eastern Standard Time.

Changes to Your Pay Stub

As a voluntary participant, you may be accustomed to viewing two contributions on your pay stub: your contribution and the U-M match. Your pay stub will display three contributions once you become a compulsory participant. You will continue to see your “Retirement” contribution displayed under “Before-Tax Deductions.” However, you will now see two “Retirement” contributions under the “Employer Paid

Benefits” section of your pay stub. The first is a 5% university contribution because you are a compulsory participant. The second is another 5% university contribution (for a total of 10%) that matches your contribution you voluntarily make.

Changes to Your TIAA and Fidelity Statements

Your contribution will appear under two plan types on your quarterly statements and online over the course of the calendar year as a compulsory participant. Your 5% contribution made on your U-M pay under the FICA wage base (\$147,000 for 2022) will be listed under the 403(b) Retirement Plan at TIAA (Plan 101010) and Fidelity Investments (Plan 72104).

Once your U-M pay exceeds the FICA wage base, your 5% contribution is no longer classified as a 403(b) contribution but as a 401(a) contribution. As a result, the deposits of your 5% Basic Plan payroll contribution for the rest of the year will no longer appear under the U-M 403(b) Plan on the quarterly statements and online. Instead, they will appear under the University of Michigan 401(a) Retirement Plan at TIAA (Plan 101011) and Fidelity Investments (Plan 86503). The 401(a) Plan is also where the 10% U-M match is reported.

View more information on your pay stub, including samples of your pay stub as a voluntary and compulsory participant, at the following link:

hr.umich.edu/benefits-wellness/financial/retirement-savings-plans/basic-retirement-plan/understanding-your-paycheck

403(b) Supplemental Retirement Account (SRA)

Saving more for your retirement with a 403(b) Supplemental Retirement Account (SRA) can help you meet your savings goals faster. You contribute a fixed dollar amount each pay period, up to the Internal Revenue Service limit. Since the university does not match these contributions, you have more options for accessing the funds while you are still employed.

Type of Plan

The SRA is a 403(b) plan. You have two options for the type of contributions you make to the plan, which determine whether you pay income tax on contributions to the plan or on distributions from the plan at a later date:

- Tax-deferred contributions with income tax due upon distribution
- After-tax Roth contributions with tax-free qualified distributions

Contribution Limit

You may contribute \$20,500 per year to the 403(b); the limit is \$27,000 if you are age 50 or older. The limit is increased by up to an additional \$3,000 per year if you have 15 or more years of service and meet certain criteria. The limit also includes your 5% 403(b) elective deferral you contribute to the Basic Retirement Plan. See page 33 for more information.

Eligibility

- All regular faculty or staff members (including Supplemental Instructional staff), House Officers, Research Fellows, Professional Specialists, and Graduate Students (GSIs, GSSAs, or GSRAs) with a 1% or greater appointment of at least four months duration paid by the university
- Rehired retirees with funding and effort (including emeritus)
- Temporary staff

You must receive earned compensation reportable on a W-2 and subject to federal, state, and FICA tax to be eligible. Stipend and fellowship funding are not eligible to be contributed.

If you choose to make Roth contributions, TIAA and/or Fidelity will track your after-tax contributions and associated earnings separately within your existing tax-deferred SRA. You will not have separate accounts for your after-tax Roth contributions and tax-deferred contributions.

403(b) Supplemental Retirement Account (SRA): Temporary Staff

Temporary staff may enroll in a 403(b) SRA by completing the Salary or Annuity Option Plan Agreement and faxing it to SSC Benefits Transactions at (734) 763-0363. Use this form to specify the amount you wish to contribute per pay period to TIAA and/or Fidelity Investments. You may download the form from the Benefits Office website or call the SSC for direction. Elections you make using **Self Service > Benefits > Initiate Ret Savings Elections** in [Wolverine Access](#) as a temporary staff member will not take effect.

To ensure the correct contribution from your paychecks, please review the following scenarios to determine if you need to take action regarding your 403(b) SRA enrollment due to a job change at the university. The process to enroll in an SRA is different as a temporary staff member than as a regular (non-temporary) staff member.

Timesheet Approval

After you have entered your work hours on your timesheet as a temporary hourly staff member, your

timesheet needs to be approved by your department in time for payroll processing to include your 403(b) SRA contribution in your paycheck. This deadline is generally 5 p.m. on Monday during the week your bi-weekly check is scheduled to be issued. Please contact your department if you have questions regarding the deadline to enter your timesheet and the deadline for departmental approval of your reported time.

If You Have a Temporary and a Regular U-M Job

If you enroll in an SRA as a temporary hourly staff member and also enroll as a regular (non-temporary) staff member, you will have two separate SRA enrollment records that will each generate a contribution when associated pay is issued. You may need to adjust one or both SRA contribution amounts as your employment changes with the university, or you may have double deductions occurring if you are issued both temporary and regular earnings.

If you have both a temporary job and a regular (non-temporary) U-M job, consider increasing the amount of your deduction for your SRA for your regular job, rather than electing a separate SRA contribution amount for your temporary job.

- If you are not enrolled in an SRA, enroll online using Wolverine Access for your regular job.
- If you are already enrolled in an SRA for your regular job, you can increase the amount of your contribution using [Wolverine Access Self-Service > Benefits > Initiate Ret Savings Elections](#) to take into account additional pay from your temporary job. If your temporary job ends, you can decrease your SRA contribution through Wolverine Access Self-Service.
- To make changes to your SRA for your temporary job, download and complete the Salary or Annuity Option Plan Agreement and fax it to SSC Benefits Transactions at (734) 763-0363.

Job Change: Temporary to a Regular U-M Job

If you change jobs from a temporary to a regular position, use Wolverine Access to enroll in an SRA for the regular job.

Already Enrolled in an SRA?

If you are already enrolled in an SRA as a temporary staff member, your SRA enrollment does not carry over to your regular job. You must re-enroll in an SRA as a regular staff member using Wolverine Access if you want to continue contributing to an SRA. Please note that if you enroll as a regular staff member and you are still enrolled as a temporary staff member, you may have a double deduction if there is overlap between your last temporary paycheck and your first regular paycheck.

- Consider canceling your SRA deduction from your temporary pay to avoid a double deduction by submitting the Salary or Annuity Option Plan

Agreement and faxing it to SSC Benefits Transactions at (734) 763-0363.

- If you want to take advantage of increased pay from your regular job, you can increase the amount of your SRA deduction from your regular pay through Wolverine Access.

Job Change: Regular to Temporary U-M Job

If you change jobs from regular to temporary, you must complete the Salary or Annuity Option Plan Agreement and fax it to SSC Benefits Transactions at (734) 763-0363 to enroll in an SRA to have a deduction based on your temporary earnings.

Already Enrolled in an SRA?

If you are already enrolled in an SRA as a regular staff member, your SRA enrollment does not carry over to your temporary job. You must re-enroll in an SRA as a temporary staff member by submitting the Salary or Annuity Option Plan Agreement and faxing it to SSC Benefits Transactions at (734) 763-0363 if you want to continue contributing to an SRA.

Please note that if you enroll in an SRA as a temporary staff member and you are still enrolled as a regular staff member, you may have a double deduction if there is overlap between your last regular paycheck and your first temporary paycheck. Consider canceling your SRA deduction from your regular job using Wolverine Access to avoid a double deduction. Canceling your SRA from your regular job when it ends also prevents an accidental future contribution in the event you are subsequently reappointed to another regular job.

Your Contribution Limit

The Internal Revenue Code limits the total amount of 403(b) contributions that may be made to retirement plans across all employers you have. See page 33.

457(b) Deferred Compensation Plan

The 457(b) Deferred Compensation Plan allows you to save for retirement like the 403(b) SRA, but has fewer options to take a cash withdrawal while you are still employed with U-M. You contribute a fixed dollar amount with each paycheck; there is no university contribution. The IRS 10% penalty on withdrawals made prior to age 59½ does not apply to the 457(b).

You may enroll in the 457(b) plan without being enrolled in the Basic Retirement Plan or the 403(b) SRA. The 457(b) is a good option if you do not need to take a cash withdrawal from the plan before you retire, terminate employment, or reach age 59½.

The 457(b) can be a good option if you contribute the maximum to the 403(b) SRA or have another retirement plan but still want to save more. However, you do not have to wait to enroll in the 457(b) until after you contribute the maximum to the 403(b) SRA.

Type of Plan

The U-M 457(b) is a governmental deferred compensation plan. You have two options for the type of contributions you make to the plan, which determine whether you pay income tax on contributions to the plan or on distributions from the plan at a later date:

- Tax-deferred contributions with income tax due upon distribution
- After-tax Roth contributions with tax-free qualified distributions

Contribution Limit

You may contribute \$20,500 per year to the 457(b); the limit is \$27,000 if you are age 50 or older. Amounts you contribute to the 403(b) do not reduce how much you may contribute to the 457(b) and vice versa. The limit applies to all 457(b) plans you participate in across all employers; see page 29 for more information

Eligibility

The following groups are eligible to enroll in the 457(b) Deferred Compensation Plan:

- All regular faculty or staff members (including Supplemental Instructional staff), House Officers, Research Fellows, Professional Specialists, and Graduate Students (GSIs, GSSAs, or GSRAs) with a 1% or greater appointment of at least four months duration paid by the university
- Rehired retirees with funding and effort (including Emeritus)

You must receive earned compensation reportable on a W-2 and subject to federal, state, and FICA tax to be eligible. Stipend and fellowship funding are not eligible to be contributed.

If you choose to make after-tax Roth contributions, TIAA and/or Fidelity Investments will track your after-tax Roth contributions and associated earnings separately within your existing tax-deferred SRA. You will not have separate accounts for your Roth contributions.

Rollovers into U-M

If you have a 457(b) from a private university or college, it is classified as a nongovernmental 457(b), which cannot be rolled over into any of the U-M plans.

Transfers for Purchase of Service Credit

If you participate in a defined benefit governmental

plan (as defined in IRS Section 414(d)), you may request a direct transfer from this plan to the defined benefit governmental plan if the transferred assets are used for the following purposes:

- The purchase of service credit (as defined in Code Section 415(n)(3)(A)) under the defined benefit governmental plan; or
- The repayment of contributions and earnings related to a previous forfeiture of service credit under the defined benefit governmental plan.

Comparing the 403(b) SRA and 457(b) Plans

You can save more beyond the Basic Retirement Plan with the 403(b) Supplemental Retirement Account (SRA) and the 457(b) Deferred Compensation Plan. If you are not eligible for the Basic Retirement Plan, the 403(b) SRA and 457(b) can provide a good vehicle to save for retirement. You can contribute up to a combined total of \$41,000 to both plans (minus your 5% 403(b) contribution to the Basic Retirement Plan — or, if you are age 50 or older, \$54,000.

How the 457(b) and 403(b) SRA Are Similar

- You can make tax-deferred contributions that are taxed upon distribution.
- You can make after-tax Roth contributions with tax-free qualified distributions.
- The same investment fund choices with many low-cost mutual funds and annuities.
- The same income options at any age once terminated or retired.
- The ability to take a loan.
- Cash withdrawals and rollovers at any age once terminated or retired.
- You can take an in-service withdrawal starting at age 59½.

How the 457(b) and 403(b) SRA Are Different

- The IRS 10% penalty on withdrawals made prior to age 59½ does not apply to the 457(b), but it does apply to the 403(b) SRA.
- The 403(b) SRA allows cash withdrawals as a current member of the faculty or staff if you become disabled or in the event of financial hardship. These are not available in the 457(b).
- The 457(b) allows cash withdrawals as a current member of the faculty or staff as a one-time withdrawal if your account balance is no more than \$5,000 and you have made no contributions to the plan during the two years prior to the distribution.

Other Considerations

You cannot contribute to the 457(b) and later transfer it to a 403(b) SRA in order to get access to the SRA cash withdrawal options. However, once you have retired or terminated employment, you may roll over the 457(b) to another eligible retirement plan.

You cannot contribute to a 403(b) SRA and later transfer it or roll it over to the 457(b) in order to avoid the 10% penalty on withdrawals prior to age 59½ on the 403(b) SRA amounts.

The 403(b) SRA May Be of Interest If:

You want the flexibility to cash out the SRA before you retire or terminate employment due to:

- Disability
- Financial hardship
- At age 59½ or older

The 457(b) May Be of Interest If:

- You already contribute the maximum allowable to a U-M 403(b) SRA or to another retirement savings plan and want to save more.
- You do not need to cash out the accumulations before you retire, terminate employment, or reach age 59½.
- You anticipate taking a cash withdrawal before age 59½ (because you retire, terminate, or take the one-time withdrawal) and you want to avoid the IRS 10% penalty.

457(b) vs. 403(b) SRA		
Plan Feature	457(b)	403(b) SRA
In-service disability withdrawal?	No	Yes
In-service hardship withdrawal?	No	Yes
In-service withdrawal at age 59½?	Yes	Yes
Once retired or terminated from U-M subject to required minimum distribution at age 72 (70½, if applicable)?	Yes	Yes
Subject to IRS early withdrawal penalty?	No	Yes
Loans	Yes	Yes

After-Tax Roth Plans

Roth 403(b) SRA and ROTH 457(b)

Tax-deferred contributions to a retirement plan are not subject to income tax when deducted from your paycheck, but they are taxed when you take a distribution at a later time.

As another option, you may make after-tax Roth contributions to the 403(b) SRA and 457(b) Deferred Compensation Plan. When you contribute after-tax dollars to these plans, qualified distributions you take at a later time are tax-free. However, the entire contribution amount is included in your gross income so there is no tax savings during the year it is deducted from your paycheck.

The after-tax Roth does not increase the annual contribution limits for the 403(b) SRA and 457(b) plans. It just means that you may designate some or all of your contributions to these plans as after-tax Roth.

No Income Limits on U-M Roth Plans

You cannot contribute to a Roth IRA if your income exceeds a certain threshold. These restrictions do not apply to the U-M Roth retirement savings plan options. These options may be of particular interest to individuals whose income is above the limit to qualify for a Roth IRA through a bank and financial institution.

You Can Contribute More to the U-M Roth Plans Than to a Roth IRA

Your entire 403(b) SRA and 457(b) contributions may be done as after-tax Roth, allowing you to contribute much more than you can through a Roth IRA. You may also contribute to a Roth IRA in addition to contributing to the U-M Roth plans.

Roth Highlights

- You may make your 403(b) SRA and 457(b) contributions as tax-deferred, after-tax Roth, or any combination of both.
- If you already make tax-deferred contributions to a U-M 403(b) SRA or 457(b) account, you are not issued a new account with TIAA or Fidelity if you decide to make after-tax Roth contributions. Any Roth contributions you make go into your existing account and are tracked separately from your tax-deferred amounts.
- An after-tax Roth contribution will reduce your take-home pay more than if you made an equivalent tax-deferred contribution to the 403(b) SRA and 457(b) because the Roth contribution is subject to income tax when it is deducted from your paycheck.

- Roth qualified distributions are tax-free when made after a 5-taxable-year period of participation and are either made on or after the date you attain age 59½, made after your death, or attributable to your being disabled.
- After-tax Roth accumulations are still subject to the same eligibility criteria to elect a distribution, rollover or loan as tax-deferred contributions.
- You may postpone distributions from the Roth 403(b) SRA and Roth 457(b) indefinitely during your lifetime (requires roll over to a Roth IRA) and even pass assets tax-free to heirs.
- Once you make an election to make a contribution as after-tax Roth, it is irrevocable. You may change future

contributions to be tax-deferred, but once the election has been made to designate a contribution as after-tax Roth, you cannot change it to tax-deferred retroactively.

After-Tax Roth vs. Tax-Deferred

Which is better, tax-deferred or after-tax Roth? If your tax rate in retirement:

- Stays the same as it is now – both yield about the same benefit.
- Is higher than your current tax rate – after-tax Roth yields a higher benefit.
- Is lower than your current tax rate – tax-deferred products yield a higher benefit.

Topic	Tax-Deferred	After-Tax Roth
Contributions when deducted from your paycheck	Not subject to income tax; can reduce your current taxable income.	Subject to income tax; will not reduce your current taxable income.
Distribution of contributions	Taxable	Tax-free
Distribution of earnings	Taxable	Tax-free, if qualified
Subject to income tax to beneficiaries in the event of death?	Yes	Tax-free if the deceased started making Roth contributions more than five tax years prior to distribution.
Estate tax	May apply	May apply
Subject to required minimum distributions once retired or terminated from U-M?	Yes. Required minimum distributions must begin by April 1 of the calendar year following the calendar year you reach age 72 (age 70½ if you are 70½ by Dec. 31, 2019) once you have retired or terminated from U-M. If you are already older than age 72 (70½, if applicable) when you retire or terminate, then you must begin minimum distribution by April 1 of the following calendar year.	Yes. Required minimum distributions must begin by April 1 of the calendar year after the year you reach age 72 (age 70½ if you are 70½ by Dec. 31, 2019) once you have retired or terminated from U-M. If you are already older than age 72 (70½, if applicable) when you retire or terminate, then you must begin minimum distribution by April 1 of the following calendar year. If the Roth 403(b) or Roth 457(b) is rolled over to a Roth IRA before the calendar year in which you reach your required minimum distribution age, you can delay distributions indefinitely during your lifetime.
Subject to IRS 10% penalty for distributions prior to age 59½?	403(b) SRA: Yes 457(b): No	403(b) SRA <ul style="list-style-type: none"> • After-tax contributions: No • Earnings: Yes, unless an exception applies 457(b) <ul style="list-style-type: none"> • After-tax contributions: No • Earnings: No
Rollovers	To another tax-deferred 403(b), 457(b), 401(k), 401(a), Traditional IRA and Roth IRA.	To another after-tax Roth 457(b), Roth 403(b), Roth 401(k), Roth 401(a) or Roth IRA.

You might want to make after-tax Roth contributions if you:

- Expect to be in a higher tax bracket in retirement.
- Want qualified tax-free distributions in retirement.
- Want the option to postpone required minimum distributions (requires roll over to a Roth IRA).
- Cannot contribute to a Roth IRA due to IRS income restrictions.
- Want to pass assets tax-free to heirs.
- Want to make after-tax Roth contributions in excess of Roth IRA limits.
- Have a long retirement horizon that will allow time to accumulate significant tax-free earnings that can be withdrawn tax-free.
- Want tax diversification of having both after-tax and tax-deferred assets as a hedge against potential tax increases.
- Want to achieve the maximum benefit. A qualified Roth distribution may provide more income in retirement than an equivalent distribution from a tax-deferred

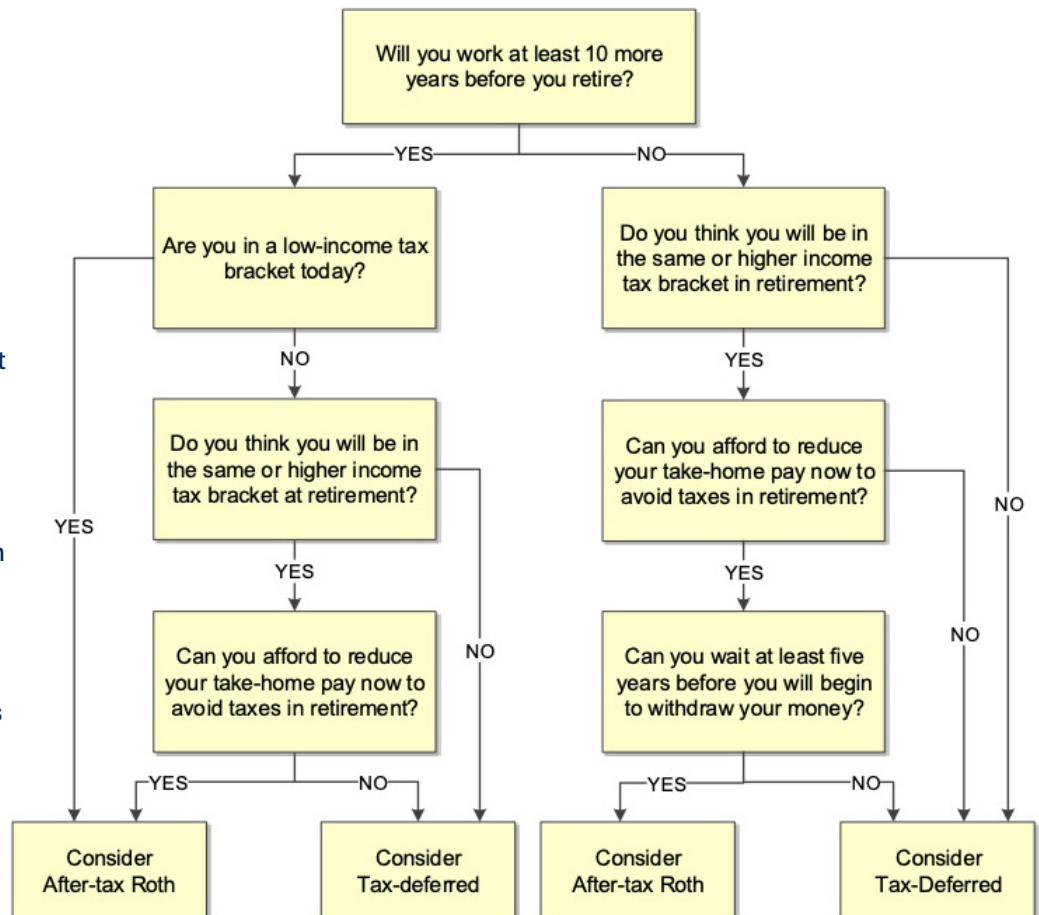
403(b) or 457(b), since Roth earnings are tax-free instead of just tax-deferred.

You might want to make tax-deferred contributions if you:

- Expect to be in a lower tax bracket in retirement.
- Want to lower your current taxes.
- Don't want to pay taxes now with Roth contributions. It can take several years of investment earnings to recoup the amount lost to pay taxes on Roth contributions when deducted from your paycheck.
- Are close to retirement, expect to start taking distributions, and don't have several years to wait for compounding of after-tax Roth contribution earnings to make up for the tax liability paid when Roth contributions are deducted from your paycheck.
- Don't think you will meet the criteria for Roth distributions to be tax-free (for example, if the account won't be open for at least 5 years and you won't be at least age 59½ or disabled or deceased when a distribution is taken, then the earnings will not be tax-free).

What Makes Sense for You: After-tax Roth or Tax Deferred

The chart below can help you evaluate the choice to pay taxes today or in retirement. It assumes you contribute the same amount while working, whether as after-tax Roth (paying income taxes now with tax-free withdrawals for qualified distributions) or tradition tax-deferred (which can reduce your taxable income today but you pay taxes on distributions). The University of Michigan does not provide (nor is this intended to constitute) tax, legal, accounting, estate planning or individual to address questions or concerns to a qualified professional.



Roth Distributions

The same events that allow a distribution on the tax-deferred 403(b) SRA (termination, hardship, disability, in-service starting at age 59½) and the 457(b) Deferred Compensation Plan (termination or in-service starting at age 59½) apply to the after-tax Roth.

You can take a loan from Roth accumulations in your 403(b) SRA and/or 457(b) account with Fidelity Investments. Roth accumulations may be used to calculate the amount available for a loan from TIAA; however, the Roth amounts cannot be taken as a loan from TIAA.

When Roth Distributions Are Tax-Free

Distributions of after-tax Roth **contributions** to the 403(b) SRA and 457(b) are tax-free since taxes were paid when taken from your paycheck. **Earnings** on after-tax Roth contributions are tax-free when they are a qualified distribution. A qualified distribution is generally a distribution that is made after a 5-taxable-year period of participation **AND** is either:

- Made on or after the date you attain age 59½; or,
- Made after your death; or,
- Attributable to your being disabled, as defined by IRC Section 72(m)(7).

If a distribution is made to your alternate payee (in the case of a divorce) or beneficiary, then your age, death or disability is used to determine whether the distribution is qualified. However, when the alternate payee or a surviving spouse rolls over the distribution to his or her own employer's designated Roth account, their own age, death or disability is used to determine if the distribution is qualified.

If a Roth distribution is nonqualified, the contribution portion of the distribution is tax-free since taxes were paid when it was deducted from your paycheck. However, earnings will be taxed as ordinary income.

Calculation of the 5-taxable-year Period of Participation

The 5-taxable-year period of participation begins on the first day of your taxable year for which you first made designated Roth contributions to the plan. It ends when five consecutive taxable years have passed. Once the period does begin, it continues to run even if you do not make any additional contributions. In the absence of information to the contrary, it is assumed that a participant's taxable year is the calendar year.

There is also a special provision for reemployed veterans who perform qualified military service as defined by Internal Revenue Code Section 414(u). Their Roth

contributions generally are treated as made in the year of qualified military service to which the contributions relate, even if the contribution is actually made when the veteran later returns to employment.

If you make a direct rollover from a designated Roth account under another plan, the 5-taxable-year period for the recipient plan begins on the first day of the taxable year that you made designated Roth contributions to the other plan, if earlier.

Distributions that Cannot be Qualified

The following types of distributions from a designated Roth account are not qualified distributions and must be included in gross income subject to taxation:

- Corrective distributions of elective deferrals in excess of the Internal Revenue Code limits.
- Corrective distributions of excess contributions or excess aggregate contributions.
- Deemed distributions under §72(p) (where you default on repayment of a plan loan).

If You Take a Distribution Before the End of the 5-taxable-year Period

If you take a distribution from your designated Roth account before the end of the 5-taxable-year period, it is a nonqualified distribution. Termination of employment (whether voluntary or involuntary) does not constitute a qualified distribution. In addition, disability, death, or attainment of age 59½ is not a qualified distribution if the account has not also been held for at least 5 years. Therefore, the earnings portion of the nonqualified distribution is gross income and will be subject to income tax. However, the basis (or after-tax contributions) portion of the nonqualified distribution is not included in gross income since taxes were already paid when deducted from your paycheck.

Roth Rollovers

You can roll over distributions from your U-M Roth 403(b) SRA or Roth 457(b) to another employer's designated Roth 401(k)/403(b)/governmental 457(b) or into a Roth IRA. However, because a distribution from a designated Roth account consists of both tax-deferred accumulations (earnings on the after-tax Roth contributions) and after-tax Roth contributions, it must be rolled over into a designated Roth account in another plan **through a direct rollover**.

If the distribution is made directly to you and then you roll it over within 60 days, the after-tax Roth contribution portion cannot be rolled over to another designated Roth 401(k)/403(b)/governmental 457(b) account, but can be rolled over into a Roth IRA.

If only a portion of the distribution is rolled over, the rolled over portion is treated as consisting first of the amount of the distribution that is includible in gross income. Alternatively, you may roll over the taxable portion of the distribution to a 401(a) or 403(b) plan's designated Roth account within 60 days of receipt. However, your period of participation under the distributing plan is not carried over to the recipient plan for purposes of measuring the 5-taxable-year period under the recipient plan.

Rollovers and the 5-taxable-year Period

When you roll over a distribution from your U-M designated Roth 403(b) or Roth 457(b) to a Roth IRA, the period that the rolled-over funds were in the U-M Roth 403(b) SRA and/or Roth 457(b) does not count toward the 5-taxable-year period for determining qualified distributions from the Roth IRA.

However, if you had contributed to any Roth IRA in a prior year, the 5-taxable-year period for determining qualified distributions from a Roth IRA is measured from the earlier contribution. Therefore, if the earlier contribution was made more than 5 years ago and you are older than 59½, a distribution of amounts attributable to a rollover contribution from a designated Roth account would be a qualified distribution from the Roth IRA.

How the 5-taxable-year Period is Calculated with Regard to a Rollover

- Direct rollovers from one Roth 401(k)/403(b)/governmental 457(b) account to another Roth 401(k)/403(b)/governmental 457(b) account: The participant receives credit in the recipient plan for their period of participation in the distributing plan. In other words, the 5-year period is measured from the earliest year in which the participant made contributions to either plan.
- 60-day rollovers from one Roth 401(k)/403(b)/governmental 457(b) account to another Roth 401(k)/403(b)/governmental 457(b) account: The participant does not receive credit in the recipient plan for their period of participation in the distributing plan.
- Any type of rollover to a Roth IRA: The participant does not receive credit in the Roth IRA for their period of participation in the distributing plan. If an individual had already established a Roth IRA, the start of the five-year period for the Roth IRA would apply to any distributions from that account, including any rollover amounts.
- Direct rollover from a participant's Roth 401(k)/403(b)/governmental 457(b) account to an alternate payee or to a spousal beneficiary's Roth account in a plan maintained by the alternate payee's employer: The five-year period under the recipient plan begins on the earlier of 1) the date of the individual's period of participation under the distributing plan, or 2) the date

the alternate payee or beneficiary's Roth account began under the recipient plan. However, the alternate payee's or spousal beneficiary's own age, death or disability is used to determine whether a distribution from the recipient plan is qualified.

Roth Age 59½

The IRS 10% Penalty Does Not Apply to Roth Distributions Made Prior to Age 59½

The IRS penalty does not apply to distributions made from a 457(b) plan, whether tax-deferred or after-tax Roth. The 403(b) Supplemental Retirement Account or SRA is subject to the penalty based on the source of the distribution. Distributions of after-tax Roth contributions are tax-free. However, nonqualified distributions of earnings are subject to taxes and may be subject to the 10% penalty if made prior to age 59½ under the 403(b) SRA.

Age 59½ Serve as a Test for Determining Benefits

Age 59½ is one of the criteria for determining if a Roth distribution is qualified to be tax free (along with death or disability and having participated in the Roth for at least five years). Age 59½ is also the threshold for determining if a taxable distribution is subject to an IRS 10% early withdrawal penalty. Note the following examples:

Example #1

- Bob is 50 years old and has been contributing to the U-M 403(b) Roth SRA for five years.
- He terminates employment and elects a distribution of his U-M Roth SRA.
- The Roth distribution is not qualified because he is younger than 59½, even though he has been participating in the account for 5 years.
- The Roth earnings are subject to income tax, since the distribution is not qualified.
- The Roth earnings are also subject to the 10% IRS early withdrawal penalty, since Bob is younger than age 59½ when he takes the distribution.

Example #2

- Lynn is 50 years old and has been contributing to the U-M 403(b) Roth SRA for two years.
- She terminates employment and is disabled according to Internal Revenue Code Section 72(m)(7).
- She elects a distribution of her U-M Roth 403(b) SRA.
- Being disabled is one of the triggering events to be a qualified Roth distribution. However, it is not qualified because she has only two years of participation in the Roth and not the minimum of 5 years.

- The Roth earnings are subject to income tax, since the distribution is not qualified.
- The Roth earnings are not subject to the 10% IRS early withdrawal penalty, even though she is younger than age 59½ because disability is one of several exceptions to the penalty. Other exceptions to the 10% early withdrawal penalty are also available.

Roth Minimum Distribution and Passing Assets to Heirs

Minimum distributions must begin by April 1 of the calendar year following the calendar year you reach age 72 (70½ if you are 70½ by Dec. 31, 2019) once you have retired or terminated from the university. If you are already older than age 72 (70½, if applicable) when you retire or terminate, then you must begin minimum distribution by April 1 of the following calendar year.

If you roll over the balance in your U-M Roth 403(b) SRA or Roth 457(b) to a Roth IRA before the calendar year in which you reach age 72 (70½, if applicable), the minimum distributions are not required. You are then able to postpone distributions from the Roth IRA indefinitely during your lifetime. You can also pass Roth assets to your heirs, who can then take qualified distributions without paying income taxes.

Roth assets may be subject to estate taxes, but can be mitigated with proper estate planning. Please note that this is different from Roth assets being subject to income taxes.

How to Enroll Getting Started as a New Hire

You may enroll in the Basic Retirement Plan using Wolverine Access when you select your other benefits as a new hire, such as medical and dental. However, you need to create a separate enrollment event to enroll in the 403(b) SRA and another for the 457(b). Therefore, you will need three separate events to enroll in all three plans. Each enrollment is processed overnight after you enter your elections; allow up to 24 hours between enrolling in each type of plan.

IMPORTANT: Enrollment is not automatic; you must affirmatively enroll to participate in any plan type.

Your U.S. Social Security Number must be on file with HR Records or your enrollment will be rejected.

You may also enroll in or make changes to any retirement plan throughout the year by creating an enrollment event through Wolverine Access, with the exception of temporary staff.

When you complete the enrollment process using Wolverine Access, a notice will be sent to TIAA and/or Fidelity Investments to create your account(s) for the Basic Retirement Plan, 403(b) SRA and/or 457(b). You will need to designate your beneficiary with TIAA and/or Fidelity and select your investment fund choices.

Effective Date

The 457(b) is effective the month after you enroll, while the Basic Retirement Plan and 403(b) SRA can take effect in the current month if your enrollment is completed by certain deadlines. For information on deadlines, synchronizing your plan enrollments to take effect with a specific paycheck and enrollment instructions, visit: hr.umich.edu/retirement-savings-plan-enroll-deadlines

If You Are a Rehire

If you have an existing U-M account for the type of plan in which you are enrolling, it will continue to be used and a new account will not be created. Be sure your name, address, beneficiary and investment funds with TIAA and/or Fidelity Investments are correct; they may have become outdated since your previous employment with the university.

Step 1: Enroll in the Basic Retirement Plan

- Select Employee Self Service > Benefits in Wolverine Access.
- Select Benefits Enrollment.
- Follow the screen prompts.

Step 2: Enroll in the 403(b) SRA and 457(b)

You must create a separate enrollment event for the 403(b) SRA and 457(b) plans, since they are not part of the new hire event that you use to enroll in the Basic Retirement Plan:

- Select Employee Self Service > Benefits in Wolverine Access.
- Select Initiate Ret Savings Elections.
- Follow the screen prompts.

Step 3: Select Your Funds and Beneficiary

Your beneficiary and investment fund for the Basic Retirement Plan, 403(b) SRA and 457(b) will be a default until you take action to change them. See pages 18 and 42.

Confirmation

You will receive an email with a confirmation number immediately after you have successfully submitted your election. You have not completed the process if you do not receive this email, and no changes will take effect.

Need Help Enrolling?

For help with making retirement savings plan elections in Wolverine Access, call the SSC at 5-2000 from the Ann Arbor Campus, (734) 615-2000 from the local Ann Arbor area, or (866) 647-7657 for toll-free long distance. The SSC is open Monday - Friday from 8 a.m. - 5 p.m.

Select Your Funds and Beneficiary

Default Investment Fund

The investment fund default is an age-appropriate Lifecycle Index Fund if you select TIAA and a Freedom Index Fund if you select Fidelity Investments (see page 18). If you do not have a U.S. street mailing address, the default investment fund for TIAA will be CREF Money Market.

Default Beneficiary

Designating a beneficiary is critical to ensure that your retirement account is paid to the person you choose in the event of your death, and it helps avoid legal disputes over your account. If you don't designate a beneficiary for the retirement savings plans, for both TIAA and Fidelity, the account will be paid according to person or persons surviving you in the following order: spouse, children, parents, siblings, personal representative (executor or administrator).

Important: Your beneficiary designations do not carry over between plans, between investment companies, or from life insurance to the retirement savings plans. In addition, enrolling in Wolverine Access does not automatically declare your beneficiary to TIAA or Fidelity. You must make your fund and beneficiary designations for each type of plan in which you enroll and for each investment company you select. For example, if you enroll in the Basic Retirement Plan and the 403(b) SRA with TIAA, you need to designate your fund choices and beneficiary for each plan even though both are with the same company.

TIAA

You can create your account, select your investment funds and designate your beneficiary online at any time instead of waiting for your welcome packet by going to: tiaa.org/umich

- Select “**Enroll Now**”
- Click on the type of plan for which you are creating an account: Basic Retirement Plan, 403(b) SRA, 457(b).
- Follow the online prompts and enter your selections.

Call TIAA at (800) 842-2252, Monday through Friday from 7 a.m. to 9 p.m. and Saturday from 8 a.m. to 5 p.m. (Eastern Standard Time). A consultant will help you make the appropriate beneficiary designations for your retirement planning needs and record your investment fund selections.

Fidelity Investments

You can create your account, select your investment funds and designate your beneficiary online at any time instead of waiting for your welcome packet by going to netbenefits.com/uofm:

- Select “Enroll”
- Click on the type of plan for which you are creating an account: Basic Retirement Plan, 403(b) SRA, 457(b).

NOTE: You will need to open an account under two different plans for the Basic Retirement Plan. Open an account under **401(a) Base Plan 86503** for the U-M contribution, and open an account under **403(b) Base Plan 72104** for your contribution.

- Follow the online prompts and enter your selections.

Contact a Fidelity Retirement Services Specialist by calling (800) 343-0860, Monday through Friday from 8 a.m. to midnight, EST, if you have questions or need assistance.

Basic Retirement Plan – Enroll or Make Changes During the Year

You may create an event by selecting Initiate Ret Savings Elections on **Self Service > Benefits** in Wolverine Access throughout the year to input an election for the Basic Retirement Plan. The date you create the event determines the effective date and which paycheck your election will affect. Your election may be effective during the same month or it may be effective the following month, depending on when you create the event. Review the deadline tables in the link below to determine which paycheck you are affecting.

hr.umich.edu/retirement-enroll-deadlines

Once Per Pay Period – Basic Retirement Plan and SRA

- You may use Self Service > Benefits once per pay period to make an election for the Basic Plan and the 403(b) SRA. You may make one election per calendar month if you are paid monthly. Likewise, you may make one election per bi-weekly pay period.
- If you have already made one election for a pay period, you cannot create another until the following pay period. This applies regardless of whether you made an election for both the Basic Retirement Plan and the SRA or for just one plan but not the other.

Enroll Throughout the Year

You may enroll online in the Basic Retirement Savings Plan throughout the year if you did not enroll as a new hire. Be sure to complete the process by selecting your funds and beneficiary.

Enroll upon Completing the Waiting Period

You will receive an email one month prior to completing the waiting period if you are not enrolled, notifying you of your eligibility for the university contribution if you enroll and contribute. Enrollment is voluntary and may be done throughout the year, but it is not automatic. Be sure to complete the process by selecting your funds and beneficiary.

Change Investment Company

You may change how much of the Basic Retirement Savings Plan contributions are directed to TIAA and to Fidelity Investments using **Self Service > Benefits** on Wolverine Access. You may allocate 100% to just one company or split your allocation between the two companies.

Contributions for the Basic Retirement Savings Plan are directed to the investment vendor (TIAA and/or Fidelity) allocation in effect as of the last day of the month. If you submit and finalize a change in the vendor allocation up to the second-to-the-last day of the month, it will direct all contributions for the Basic Plan for all paychecks issued in that same month.

Cancel Enrollment

If you cancel (waive) enrollment in the Basic Retirement Savings Plan, your contribution and the U-M contribution (if you are eligible) will be canceled. This procedure does not cancel your enrollment for the 457(b) Deferred Compensation Plan. You may enroll again at a later date, also using **Self Service > Benefits** on Wolverine Access.

Compulsory Participants

If you are a compulsory participant in the Basic Retirement Savings Plan (you are age 35 or older, with two or more years of eligible service, and you have a 100% appointment effort) call the SSC at (734) 615-2000 to request forms and information on how to select the Reduced Benefit Option or cancel the Reduced Benefit Option and contribute at the full 2-for-1 matching rate.

403(b) SRA – Enroll or Make Changes During the Year

You may create an event by selecting **Initiate Ret Savings Elections on Self Service > Benefits** in Wolverine Access throughout the year to enroll or cancel participation in the 403(b) SRA, as well as increase or decrease a contribution amount. You may also enroll in the 403(b) SRA without being enrolled in the Basic Retirement Plan.

If you are enrolling, be sure to complete the process by selecting your funds and beneficiary.

For information on contributions limits, how to view your limit, and how to reach your limit, and for comprehensive booklets on contribution limits, visit:

hr.umich.edu/retirement-savings-contribution-limits

Once Per Pay Period – Basic Retirement Plan and SRA

You may use **Self Service > Benefits** only **once per pay period** to make an election for the Basic Retirement Savings Plan and/or the SRA.

- You may make one election per calendar month if you are paid monthly.
- You may make one election for each bi-weekly pay period.
- If you have already made one election for a pay period, you cannot create another until the following pay period. This applies regardless of whether you made an election for both the Basic Retirement Plan and the SRA or for just one plan but not the other.

Effective Dates for 403(b) SRA and 457(b)

There are limitations regarding when your elections for the 403(b) SRA and/or 457(b) will become effective due to the differences in plan effective dates. In addition, the ability to change 403(b) SRA and 457(b) elections for bi-weekly paid staff are limited because processing times are much shorter for the bi-weekly payroll cycle than for the monthly payroll cycle. Note the following:

- It is not possible to have an election for the Basic Retirement Savings Plan, the SRA and 457(b) take effect during the same calendar month.
- For special instructions to have your 403(b) SRA and 457(b) elections take effect with the same paycheck, see **How to Synchronize Your Elections for the Same Paycheck** on page 21.
- You may use **Self Service > Benefits** once per pay period to make an election for the 403(b) SRA. You may make one election per calendar month if you are paid monthly. Likewise, you may make one election per bi-weekly pay period.
- If you have already made one election for a pay period, you cannot create another until the following pay period. This applies regardless of whether you made an election for both the Basic Retirement Plan and the SRA or for just one plan but not the other.

457(b) – Enroll or Make Changes During the Year

You may enroll in the 457(b) Deferred Compensation Plan or change your contribution amount throughout the year using **Self Service > Benefits** on Wolverine Access by selecting the option **Initiate Ret Savings Elections**. The 457(b) is not part of the new hire enrollment choices; you must create a separate election to enroll in this program.

You may also enroll in the 457(b) without being first enrolled in the Basic Retirement Plan or the 403(b) SRA.

Please note that you may use **Self Service > Benefits** only once per calendar month to either enroll in the 457(b) or change an existing election. You have until 7 p.m. EST on the day you create an event to finalize and submit your election or it will expire. You will not be able to use **Self Service > Benefits** until the following month. Be sure to complete the process by selecting your funds and beneficiary.

Limitations on 457(b) Effective Dates

Federal regulations mandate that elections for a 457(b) are effective no sooner than the month after the election is made. This means the following:

- Enrollments and changes to the 457(b) are effective the month after you make the election.
- It is not possible to enroll in the 457(b) or change a contribution amount during the same month you make the election.
- Enrollments and changes are generally effective with the second bi-weekly paycheck of the following month after you make the election if you are paid bi-weekly. In some cases it can be effective with the first bi-weekly paycheck, depending on payroll processing deadlines.
- Unlike the 457(b), enrollments and changes to the Basic Retirement Savings Plan and the SRA may occur in the same month you make the election. Due to this difference in effective dates, it is generally not possible to have a 457(b) enrollment or change take effect in the same paycheck as your Basic Retirement Savings Plan and/or the SRA election.

Effective Dates for 403(b) SRA and 457(b)

There are limitations regarding when your elections for the 403(b) SRA and/or 457(b) will become effective due to the differences in plan effective dates. In addition, the ability to change 403(b) SRA and 457(b) elections for bi-weekly paid staff are limited because processing times are much shorter for the bi-weekly payroll cycle than for the monthly payroll cycle. Note the following:

- It is not possible to have an election for the Basic Retirement Savings Plan, the SRA and 457(b) take effect during the same calendar month.
- For special instructions to have your 403(b) SRA and 457(b) elections take effect with the same paycheck, see **How to Synchronize Your 457(b) & SRA for the Same Paycheck**.
- You may use **Self Service > Benefits** once per pay period to make an election for the 403(b) SRA. You may make one election per calendar month if you are paid monthly. Likewise, you may make one election per bi-weekly pay period.

- If you have already made one election for a pay period, you cannot create another until the following pay period. This applies regardless of whether you made an election for both the Basic Retirement Plan and the SRA or for just one plan but not the other.

Timing of Elections and Effective Dates

Timing of Elections

A retirement savings plan election event allows you to enroll, cancel, or change your elections.

Please note the following important retirement savings plan event guidelines:

- You may create only one event per pay period to enroll in or change your Basic Retirement Plan or 403(b) SRA or both (bi-weekly or monthly, depending on how you are paid).
- You may create only one event per calendar month to enroll in or change your 457(b) Deferred Compensation Plan election, regardless of how you are paid.
- You may create, finalize, and submit only one event per day. You have until 7 p.m. ET on the day you create an event to finalize and submit your election. If you create an event after 7 p.m., you have until 7 p.m. the following day to finalize and submit your election.

If you need to make elections affecting your Basic Retirement Account/403(b) SRA **and** your 457(b), initiate and submit your first election before 7 p.m., then initiate and complete your election for the other plan(s) the following day.

Important Guidelines and Tips

When you go to Wolverine Access and use **Self Service > Benefits** and then select **Initiate Ret Savings Election**, you are creating an event that allows you to input your enrollment or change your contribution. The date you create the event determines the effective date and when it affects your paycheck.

You have until 7 p.m. EST on the day you create an event to finalize and submit your election.

- If you create an event at 2 p.m. on Tuesday, you have until 7 p.m. that Tuesday evening to finalize and submit your election.
- You may continue to review your available options and any elections you entered, as well as change entered elections up to the 7 p.m. deadline. Submitted elections will be processed in Wolverine Access at 7 p.m. on each weekday and on Sundays.

If you create an event after 7 p.m., you have until 7 p.m. the following day to finalize and submit your election.

- If you create an event at 10 p.m. on Tuesday, you have until 7 p.m. on Wednesday to finalize and submit your election.
- If you do not complete the election process and submit the election by the 7 p.m. deadline, it will expire without any changes taking effect. You cannot use **Self Service > Benefits** until the next available election period.
- If a Basic Retirement Plan/SRA event you created expires, you cannot create another until the next pay period.
- If a 457(b) event you created expires, you cannot create another until the following month.

You will receive an email with a confirmation number immediately after you have successfully submitted your election. You have not completed the process if you do not receive this email; no changes will take effect.

The SRA and 457(b) have different effective dates. There is limited ability to get the two plans to take effect with the same paycheck, and requires careful coordination.

Effective Dates Enrollment in or changes to the Basic Retirement Plan and 403(b) SRA can take effect during the same month or the following month, depending on the timing of your elections. Enrollment in or changes to the 457(b) Deferred Compensation Plan always take effect the following month.

How to Synchronize Your Elections for the Same Paycheck

You may want to enroll or change your existing 457(b) and 403(b) SRA contribution in the same paycheck. For example, you may want to increase one while decreasing the other, with both changes taking effect in the same paycheck so your net pay does not change. Because there are different effective dates for each plan, you will need to carefully coordinate your elections to take effect with the same paycheck.

You will need to create two **Initiate Ret Savings Elections** events in Wolverine Access on two separate days. The first event is for the 457(b), and the second is for the 403(b) SRA. Since you can create, finalize, and submit only one event per day, this process will require two separate days to complete.

You must finalize and submit your elections by 7 p.m. ET on the day you create each event. Do not wait until the last few days of the month to make your two elections to get your 457(b) and 403(b) SRA effective with the same paycheck.

In case you make an error, corrections cannot be made after the deadlines, and you will not be able to make any further events until the next available election period.

Limitations on Effective Dates

Not all bi-weekly paychecks may have both the 457(b) and SRA take effect at the same time due to payroll processing schedules and differences in effective dates of the plans. Therefore, only those paychecks able to support a synchronized election for both plan types are listed in the table.

You will need to carefully refer to the date range chart in the links below when creating the two events and entering your elections in order to have both the 457(b) and 403(b) SRA synchronized to the same available paycheck.

Example

- If you create the 403(b) SRA event and the 457(b) event early in the month, the 403(b) SRA may take effect that same month, while the 457(b) will not take effect until the following month.
- Since you have already created one event for the 403(b) SRA, you cannot create another to move the 403(b) SRA effective date to the following month to coincide with the 457(b).
- Your 403(b) SRA and 457(b) elections will be effective in two different paychecks.

For more information, visit:

hr.umich.edu/retirement-enroll-deadlines

Investment Companies

TIAA

TIAA is the nationwide retirement and financial services system for people who work at more than 15,000 colleges, universities, independent schools, and other nonprofit education, hospital and health care, and research institutions throughout the U.S. In fact, the University of Michigan was the first in the nation to offer TIAA in 1919.

TIAA has the highest rating for insurance financial strength from all four major rating agencies: Moody's; S&P; Fitch; and A.M. Best, and received the highest ranking for trust in the financial services and insurance industries by The Harris Poll (2010).

Investment Choices

TIAA offers more than 40 fund choices, including mutual funds, and fixed and variable annuities. Domestic and international stock funds, bond funds, money market funds and real estate funds are available, along with a guaranteed fixed annuity and socially responsible

funds. Several Vanguard funds are also available, and a brokerage link is also available that allows you to select mutual funds outside the TIAA family.

TIAA Institutional Class Mutual Funds

All TIAA mutual funds available through the University of Michigan plans are offered under the Institutional share class. This is the share class with the lowest management fees and expenses TIAA offers. The Institutional share class charges 25 basis point ($\frac{1}{4}$ of a percent) less in expenses than the Retirement share class that is typically offered through most employers. The lower fees mean more of your money remains in your account to work toward your financial future, and your retirement account balances have more earning potential.

CREF Variable Annuities

The CREF variable annuities offered under the U-M plans are at R3 class designation, which is the lowest cost share class available.

Contact TIAA

- Telephone counseling: (800) 842-2252
Monday – Friday, 8 a.m. – 10 p.m., EST;
Saturday, 9 a.m. – 6 p.m., EST
- Schedule a personal counseling appointment:
(800) 732-8353

Establish or manage your account:

[tiaa.org/umich](https://www.tiaa.org/umich)

TIAA financial education

[tiaa.org/public/offer/insights](https://www.tiaa.org/public/offer/insights)

Local Office:

777 E. Eisenhower Parkway, Suite 100
Ann Arbor, MI 48108
(734) 332-3500

A Special Note on TIAA Traditional

TIAA Traditional accumulations in the Retirement Annuity (RA) under the Basic Retirement Plan are not available for lump-sum or single-sum cash withdrawals, rollovers or direct transfers. Withdrawals, rollovers, and direct transfers are available through the TIAA Transfer Payout Annuity, which makes payments over a 9-year and one day period (10 payments).

The Group Retirement Annuity (GRA) replaced the Retirement Annuity (RA) for most new enrollments in the Basic Retirement Plan beginning in May 2008. TIAA Traditional accumulations in the Group Retirement Annuity under the Basic Retirement Plan are still subject to the 9-year Transfer Payout Annuity for transfers to Fidelity and other TIAA funds or annuities while you're employed at the University of Michigan. However,

lump-sum or single-sum withdrawals and rollovers of these lump-sum or single-sum withdrawals are available to former faculty or staff members if taken no later than 120 days after termination of employment, subject to a 2.5% surrender charge. The lump-sum or single-sum withdrawal is not available beyond 120 days after termination of employment.

In addition, at any point after termination of employment, distributions from the TIAA Group Retirement Annuity are available through a fixed period annuity that can last from 5 to 30 years, based on your choice of time periods and depending on availability according to IRS rules and regulations and subject to the limits on cash withdrawals to former faculty or staff members. Distributions made through the fixed period annuity are eligible for rollover if the payment received is for a period of less than 10 years, according to current IRS rules and regulations.

Additional information regarding the TIAA Traditional Account can found at [tiaa.org/public/learn/retirement-planning-and-beyond/how-do-traditional-annuities-work](https://www.tiaa.org/public/learn/retirement-planning-and-beyond/how-do-traditional-annuities-work)

TIAA Traditional accumulations in the SRA and 457(b) are not subject to the Transfer Payout Annuity and may be cashed out, rolled over, or transferred in a single or lump sum. For more information, contact TIAA at (800) 842-2776.

Fidelity Investments

Fidelity Investments was founded in 1946 by Edward C. Johnson II and today is the largest mutual fund company in the world. Fidelity is one of the nation's top providers of 403(b) retirement savings plans for not-for-profit organizations, including colleges and universities, healthcare institutions, foundations, and charitable organizations. The University of Michigan added Fidelity Investments to its retirement plan in 1989.

Investment Choices

Fidelity Investments offers more than 200 mutual funds, including domestic and international stock funds, bond funds, money market funds and real estate funds. In addition, the Select Portfolio Funds allow you to invest in highly specialized sectors of the economy. Several Vanguard funds are available, and a brokerage link is also available that allows you to select mutual funds outside the Fidelity family.

Fidelity Freedom Index Funds: Class W

The Fidelity Freedom Index Funds available through the University of Michigan plans are offered as Class W shares. Class W is the share class with the lowest management fees Fidelity offers for the Freedom Funds. The low fees mean that more of your money goes to purchasing investments and you keep a higher

percentage of the potential returns generated, which can help you reach your retirement goals faster.

Fidelity Class K Funds

29 Fidelity fund options are available through the institutional Class K shares. These include funds like Blue Chip Growth, Contrafund and Magellan, among others. These 29 funds have lower fees and expenses than their non-Class K counterparts, but have the same investment strategy and risk.

Contact Fidelity

- Telephone counseling: (800) 343-0860
Monday – Friday, 8 a.m. – midnight, EST
- Schedule a personal counseling appointment:
(800) 642-7131

Establish or manage your account:

netbenefits.com/uofm

Local Office:

500 E. Eisenhower Parkway, Suite 100
Ann Arbor, MI 48108 | (734) 662-2113

Vanguard

14 funds from the Vanguard family are available through the TIAA and Fidelity Investments record keeping platforms. Since your account is with TIAA and/or Fidelity Investments, you do not open a separate account with Vanguard. Any customer service or other inquiries related to the Vanguard funds are also handled directly through TIAA and/or Fidelity.

Fund Name

Vanguard Treasury Money Market Fund
Vanguard Inflation Protected Securities Fund
Vanguard Intermediate Term Treasury Fund
Vanguard Long Term Treasury Fund
Vanguard Short Term Treasury Fund
Vanguard Total Bond Market Index
Vanguard 500 Index Fund
Vanguard Total Stock Market Index Fund
Vanguard Emerging Markets Stock Index Fund
Vanguard European Stock Index Fund
Vanguard Pacific Stock Index Fund
Vanguard Total International Stock Index
Vanguard Balanced Index Fund
Vanguard REIT Index Fund

How to Select Vanguard Funds

You choose the Vanguard funds through your account online through the TIAA or Fidelity secure websites or by calling their national call centers to make allocation changes or transfers assets. While you may select Vanguard

through your TIAA and/or Fidelity accounts, any Vanguard funds you select will be recorded by TIAA and/or Fidelity Investments. Your quarterly statements from TIAA and/or Fidelity will reflect any balances and transactions with the Vanguard funds as part of a consolidated statement.

Two Ways to Invest

1. Use the Default Investment Fund

When you enroll in the Basic Retirement Plan, 403(b) SRA and/or 457(b), the investment fund will automatically default to an age-appropriate Lifecycle Index Fund if you select TIAA, and/or a Freedom Index Fund if you select Fidelity Investments. You may select a different fund or funds at any time. If you do not have a U.S. street mailing address, the default investment fund for TIAA will be CREF Money Market.

ATIAA Lifecycle Index Fund or Fidelity Investments Freedom Index Fund is a mutual fund that is a diversified portfolio of other mutual funds offered by that company; essentially a fund of other funds. This includes domestic and international stock funds, bond funds, and money market funds. Each Lifecycle Index or Freedom Index fund automatically selects the allocation of stock, bond, and money market funds that are appropriate for a target retirement date of approximately age 65.

The Lifecycle Index and Freedom Index funds gradually adjust over time to become more conservative by decreasing the underlying equity holdings and increasing the fixed income holdings as the fund's target retirement date nears. The gradual shift into fixed income from equities provides the potential for growth while reducing volatility as the retirement date approaches.

TIAA Lifecycle Index and Fidelity Freedom Index funds are actively managed; however, the underlying mutual funds within each portfolio are index mutual funds. An index fund is a passive investment strategy that aims to replicate the movements of a specific benchmark that are held constant, regardless of market conditions. Using underlying index funds are a lower cost option to meet your retirement savings goals.

Your date of birth will be included in the enrollment notice sent to your chosen investment company. This will determine the specific Lifecycle Index or Freedom Index fund into which you will be enrolled.

Lifecycle Index and Freedom Index funds provide a simple solution if you lack the time, confidence, or investment knowledge to create and manage a well-diversified portfolio. Each fund is professionally managed and provides you with a simple, single investment fund.

2. Create a Custom Portfolio

You can create your own custom-made portfolio by allocating your contributions among the various funds offered by TIAA and Fidelity to your own specifications. You may also select among the Vanguard funds offered through the TIAA and Fidelity record keeping platforms, as well as use the brokerage link to access other mutual funds. You will receive a welcome packet after you have been enrolled with TIAA and/or Fidelity with information on the many investment choices available if you do not wish to stay in the default selection. You can also visit tiaa.org/umich or netbenefits.com/uofm.

Fund Fees and Expenses

Investment carriers pay for their operations by assessing fees on their investment funds. The fees are subtracted from the investment returns or earnings of those funds. The combination of these fees will generally equal a fund's expense ratio, which is reported as a percent of assets under management.

There are no sales charges or loads on any TIAA or Fidelity Investments proprietary funds offered through the U-M plans. All transaction fees (ex. for taking a loan, cash withdrawals, etc.) have been waived, and there are no account maintenance fees. In addition, U-M does not pay any fees to TIAA or Fidelity Investments.

All CREF variable annuities, TIAA mutual funds, and the Fidelity Investment Freedom Index Funds through U-M plans are offered at the lowest-cost share class available. Twenty-nine Fidelity mutual funds are through the Class K shares, which have lower fees than the non-Class K share class available to the general public.

The Fidelity Freedom Index Funds are offered through the Premier share class, which has the lowest fees Fidelity offers for the Freedom Index funds. Low fees mean that more of your money goes to purchasing investments and you keep a higher percentage of the potential returns generated, which can help you reach your retirement goals faster.

Low fees also mean more of your money remains in your account, working toward your financial future, and your retirement account balances have more earning potential.

Types of Fees

The following are common fees and expenses assessed by investment carriers. Please refer to a fund's prospectus for information on fees and expenses associated with that fund.

Investment Management

This covers the cost of professionally managing the portfolio holdings. The fee varies by the investment style of the fund (indexing vs. active management) and type of investment. Sector funds that specialize in a particular segment of the economy (gold, financial services, etc.) usually have higher fees than general equity funds. International equity funds generally have higher fees than comparable domestic funds. Bond and money market funds are generally the least expensive to manage.

Administrative Services

This covers a wide range of functions such as record keeping, legal and trust services, tax reporting, processing transactions, producing quarterly statements, communications to plan participants, staffing a telephone service center, and providing financial planning services to participants.

Mortality and Expense Risk

Annuities offered by insurance companies charge this fee to offset the expense and risk assumed to provide contractual guarantees, such as guaranteed lifetime income. This fee does not apply to mutual funds.

12b-1

This fee pays for marketing and distribution to grow a fund's assets. As a fund's assets increase, economies of scale serve to decrease overall fund expenses and benefit all fund shareholders.

Short-term Trading

Many carriers impose a fee on participants who sell fund shares shortly after purchasing them as a means to discourage market timing. A participant who repeatedly purchases and redeems fund shares to take advantage of short-term fluctuations in a fund's share price will drive up expenses for all fund participants due to the associated costs of having to buy and sell the portfolio holdings, and also decrease investment returns.

Fees Not Assessed in the U-M Plan

The following types of fees are not assessed or have been waived by TIAA and Fidelity Investments for its funds offered through the University of Michigan retirement savings and 457(b) plans:

Transaction

This is a fixed-dollar fee subtracted from a participant's account for transactions such as taking a loan or cash withdrawal.

Wrap

Wrap fees are charged as a percent of a fund's assets and pay for various services not covered by the investment management and 12b-1 fees.

Account Maintenance

Carriers sometimes charge a fixed-dollar account maintenance fee, typically for accounts or plans with small balances.

Loads and Charges

Loads and charges can be assessed when shares in a fund are purchased, sold, or a combination of both. This fee is paid to the broker that sells the mutual fund and typically is assessed as a percent of the fund price. A fund may charge a fee for redemptions and exchanges for other funds offered by the same investment carrier in lieu of loads.

Purchase, Redemption, and Exchange

Some investment carriers charge a fee when a person buys shares of a fund, sells those shares, or exchanges those shares for those of another fund within the carrier. Unlike sales loads and charges, these fees are paid to the fund and not a broker.

Fees Outside the U-M Plan

Several types of fees have been waived by TIAA and Fidelity Investments for the University of Michigan. You may incur these and other fees if you roll over accumulations out of the U-M plans and into an investment carrier through another employer's retirement plan or through an IRA. Check with any investment carrier with whom you intend to roll over accumulations to determine the types of fees you will pay and the expense ratios you will be assessed on the investment funds you choose.

Where to Find More Information

Information and a breakdown of the fees assessed by TIAA and Fidelity Investments for its funds may be found in each fund's prospectus. A fund prospectus may be requested by phone or downloaded from each carrier's website.

Information on a fund's current and historical investment performance, as well as benchmarks, may also be found online at TIAA and Fidelity Investments. In addition, you may also provide direction on your investment choices by calling TIAA and Fidelity Investments at the phone numbers listed above or through their secure websites.

Contribution Limits

Contribution Limits for Each Plan

Basic Retirement Plan

- Your contribution and the U-M match are made on up to \$305,000 in eligible earnings.

- Your contribution and the U-M match are made on up to \$450,000 in eligible earnings for faculty or staff members who were compulsory participants in the plan prior to Jan. 1, 1996.

403(b) SRA

- \$20,500 limit for all 403(b) accounts, including your 403(b) contributions to the Basic Retirement Plan, any U-M 403(b) SRA, and any other 403(b) plans in which you participate.
- Plus an additional \$6,500 if you are age 50 or older.
- Plus an additional \$3,000 if you have more than 15 years of service at U-M and average less than \$5,000 of contributions per year of service, up to a lifetime cap of \$15,000.

457(b) Deferred Compensation Plan

- \$20,500 limit.
- Plus an additional \$6,500 if you are age 50 or older.

If You Have Another Retirement Plan or 457(b)

Elective deferrals you make to another retirement plan in the same calendar year will reduce how much you may contribute to the Basic Retirement Plan and the 403(b) SRA. These include the following types of plans:

- Federal Thrift Savings Plan or TSP (ex. if you are a VA Medical Center Affiliate)
- 403(b)
- 401(k)
- 408(k)(6) SARSEP
- SIMPLE (Savings Incentive Match Plans for Employees)

If you have already made significant contributions to these plan types during the calendar year, you may have limited ability to save through the U-M 403(b) SRA and the Basic Retirement Plan. If this is the case, consider the 457(b) as an option to save for retirement. Also, 457(b) elective deferrals you make at another employer will reduce how much you contribute to the 457(b) at U-M.

It is your responsibility to keep track of your total combined contributions. You may need to lower your contributions at your other employer or at U-M to remain within federal limits. Contact a qualified tax planner if you participate in more than one plan to ensure you do not exceed federal limits.

Handbooks on Contribution Limits

Guide to IRC Contribution Limits

- This covers limits for newly hired faculty and staff, all voluntary participants in the retirement plan, and compulsory participants in the retirement plan who are not highly compensated (your pay from the university for the year is less than \$147,000 for 2022).

- hr.umich.edu/contribution-limits

Guide to IRC Contribution Limits: Highly Compensated Compulsory Participants

- This covers limits for compulsory participants in the retirement plan who are highly compensated (your pay from the university for the year is more than \$147,000 for 2022).
- You are a compulsory participant in the University of Michigan Retirement Plan if you are age 35 or older, have at least a 100% appointment, and have completed two years of service as a regular faculty or staff member.
- hr.umich.edu/contribution-limits

If You Leave U-M and Go Work Somewhere Else

You have one limit no matter how many employers or retirement plans you have. If you have already reached the IRC limit when you leave U-M and go to work for another employer, you may not be able to contribute to their retirement plan until the following calendar year. You will need to carefully coordinate your elective deferrals if you plan to work for another employer and want to contribute to their retirement plan.

IRC 415(c) Limit

What It Is

Section 415(c) of the Internal Revenue Code limits the amount of total contributions that may be made to a defined contribution retirement plan by capping them at the lesser of 100% of a faculty or staff member's compensation, or \$61,000 in 2022.

It covers 403(b) elective deferrals you make to the U-M Basic Retirement Plan and 403(b) SRA (both pre-tax and after-tax Roth). Also, 403(b) non-elective contributions and 403(b) contributions made pursuant to a one-time irrevocable election are subject to the 415(c) limit. However, faculty or staff member 403(b) contributions made under the age 50 catch-up or to a 457(b) deferred compensation plan are not included when calculating this limit.

IRC 415(c) and the U-M Plan

The IRC 415(c) limit applies to 403(b) elective deferrals you make to the U-M Basic Retirement and 403(b) SRA plans. This consists of:

- Your contribution to the Basic Retirement Plan on all eligible salary if you are a voluntary participant in the plan.
- Your contribution to the Basic Retirement Plan on eligible salary up to the FICA wage base (\$147,000 for 2022) if you are a compulsory participant in the plan (you are age 35 or older, work a 100% appointment, and have two years of eligible service).
- Any contributions you make to the 403(b) SRA (supplemental retirement account).

Since the U-M contribution is made as a 401(a) contribution, it is not included with the 403(b) contributions listed above when calculating the 415(c) limit. It is not possible to exceed the 415(c) limit under the U-M retirement plans alone, since the 2022 limit on 403(b) elective deferrals is only \$20,500 if you are younger than age 50 and it is \$27,000 or if you are age 50 or older. The limit may be up to \$3,000 higher if you have more than 15 years of service in certain circumstances.

When 415(c) Will Affect You

The 415(c) limit may affect you when you participate through certain other types of retirement plans and also contribute to the U-M 403(b) plans. You could exceed the limit if:

1. Contributions are made for you to a SEP-IRA, 401(a) plan (including a 401(k) plan), or 403(a) plan sponsored by a corporation, partnership, or sole proprietorship in which you have more than a 50% ownership interest.
2. You contribute to a 401(a) or 403(a) Keogh plan with respect to self-employment income from a trade or business in which you have a more than 50% ownership interest. (This would include a Keogh plan established with respect to fees for a non-employee member of a board of directors, because the director is considered a self-employed individual with respect to the directorship.)
3. You participate with another 403(b) plan outside of the University of Michigan 403(b) plan.

NOTE: Section 415(c) requires that contributions to all 403(b) plans through which you participate must be taken into consideration when calculating the limit. This includes employer contributions (whether vested or not), forfeitures reallocated to employee accounts, and after-tax and tax-deferred employee contributions. Also, 403(b) non-elective contributions and 403(b) contributions made pursuant to a one-time irrevocable election are subject to the 415(c) limit.

Under IRS regulations, individuals must report to their employer data regarding contributions made to a SEP-IRA or qualified retirement plan they are deemed to control. If you meet these criteria, call the SSC at (734) 615-2000.

403(b) Limit

Viewing Your Limit Online

View how much you may contribute to the 403(b) SRA by logging into Wolverine Access **Employee Self Service**. Select **Benefits**, then choose **Calculate Ret Savings Contribution** to view your 403(b) contribution limit for the current year and the following year. The panel will display the following fields:

Annual Limit on 403(b) Contributions

This is your total limit for 403(b) contributions. These include your voluntary contribution (called elective deferrals) to the Basic Retirement Plan, and any 403(b) SRA contributions. The U-M match is a 401(a) contribution, which **does not** count against your 403(b) limit.

Base Salary

This is your base rate of pay; it does not include shift and administrative differential, overtime, shift bonus, incentive pay under the Medical Service Plan, longevity pay, or summer salary for instructional staff. Your contribution and the U-M contribution (if you are eligible) will be provided on all eligible compensation in each paycheck, up to federal limits once you are enrolled.

Basic Retirement Plan

This section projects your contribution and the U-M contribution (if you are eligible), using your current base salary.

Compulsory or Voluntary

You may voluntarily enroll in the Basic Retirement Plan at any time. Participation becomes compulsory upon reaching all three criteria: age 35, 100% full time appointment, and two years of service in an eligible faculty or staff position. The calculation illustrates which plan you are enrolled in and which amounts count against the limit.

How Your Limit is Calculated

Your annual limit on 403(b) contributions is calculated according to Internal Revenue Code guidelines. By subtracting your contribution to the Basic Retirement Plan, what remains is the amount you can make in 403(b) SRA contributions.

1. General 403(b) Limit of \$20,500

Your limit is automatically \$20,500. If your salary is less than \$20,500, your limit is your salary. However, you must still pay the FICA taxes (Social Security and Medicare), contributions for other benefit plans, and deductions such as parking and United Way.

2. Age 50 or Older Catch-Up

Your limit is increased by \$6,500 if you are age 50 or older by Dec. 31, making it \$27,000 instead of \$20,500.

3. 15 Years of Service Catch-Up

Your limit may increase up to \$3,000 per year, with a lifetime catch-up of \$15,000. This increase is available only if you meet two criteria:

- You must have at least 15 years of service at U-M. The service must be cumulative years, not calendar years. For example, working two years at a 50% appointment equals one cumulative year. This is not the same as your years of service to retire.
- Your 403(b) elective deferrals to the plan in prior years must average less than \$5,000 per year. This catch-up was designed by the IRS for individuals who did not contribute a lot to their employer retirement plans during their early years of service and allows them to make up for it at the 15-year point.

If you have 15 or more cumulative years of service at U-M, yet do not qualify for this catch-up, it is because you have contributed more than \$5,000 per year on average to the retirement plan. In other words, you are not eligible because you have already made significant contributions to the plan, and this catch-up is available only if you have made few contributions. Other reasons you may not qualify or be eligible for only a small increase include the following:

- If your contributions to the plan have been just under \$5,000 per year on average, you are eligible for a smaller increase than the full \$3,000. This is because your lifetime contributions exceed the average needed to qualify for the full \$3,000.
- You may qualify for the catch-up for only a year or two. This is because the catch-up must be recalculated each year, and you may exceed the \$5,000 per year average as you continue to contribute with each successive year.
- You may have used up the catch-up, since it has a lifetime maximum of \$15,000 extra that you may contribute. You may have reached the lifetime cap of \$15,000 in extra contributions during a previous year.
- You may have carried over part of the \$3,000 catch-up from a previous year and have only a small portion available before you hit the \$15,000 lifetime limit under this provision.

Your Salary:	\$50,000
Your 403(b) limit:	\$20,500
Your Basic Plan Contribution (\$50,000 x 5%):	\$2,500
Amount extra you could contribute to a 403(b) SRA:	\$18,000
SRA limit per-pay period (\$18,000/12, assuming you are paid monthly):	\$1,500

FICA, Compulsory and Your SRA Limit

How FICA Affects Your 403(b) SRA Limit

NOTE: The following section on the 403(b) SRA limit applies only to you if you earn more than the FICA wage base (\$147,000 for 2022) and you are a compulsory participant (see page 8) in the retirement plan.

FICA is the Social Security and Medicare tax you pay on wages and salary. The \$147,000 taxable base for 2022 is the point at which you no longer pay the Social Security portion of the tax. The Internal Revenue Code provides a unique feature for retirement plans that have a compulsory participation feature. It gives you a tax advantage by not counting your 5% Basic Retirement Plan contribution made on your pay over the FICA wage base against how much you may contribute to the 403(b) SRA.

Under this arrangement, your 5% contribution made on your U-M pay over FICA is no longer tax-classified as 403(b) but as 401(a) contributions instead. The result is that you can contribute more to an SRA, since only part of your Basic Plan contribution counts against the 403(b) elective deferral limit.

- Your contribution to the Basic Retirement Plan on your U-M pay **under** FICA is a voluntary 403(b) contribution and reduces the amount you may contribute to the SRA.
- Your contribution to the Basic Retirement Plan on your U-M pay **over** FICA is tax-classified as a mandatory 401(a) contribution and **does not** count against the 403(b) limit. This allows you to contribute more to the SRA than if you were a voluntary participant in the Retirement Plan.

When You Earn More than FICA

If you are already enrolled in the retirement plan at the time you meet the compulsory criteria and your U-M pay for the calendar year exceeds the FICA taxable wage base, your participation does not change. However, the 5% you contribute on your U-M pay **over** the FICA wage base **does not** count against the 403(b) elective deferral limit. This allows you to contribute a larger amount to an SRA.

Voluntary Participant

- All of your contributions to the Basic Retirement Plan on your entire salary is classified as 403(b) and lowers the amount you may contribute to the SRA.

Compulsory Participant

- Only your contribution to the Basic Retirement Plan on your pay under FICA is classified as 403(b) and counts against the amount you may contribute to the 403(b) SRA. Your contribution to the Basic Plan on your pay over FICA is still tax-deferred, but it is classified as 401(a).

Source of Contribution	Tax Classification	Reduces Your SRA Limit?
University contribution	401(a)	No
Your 5% Basic Plan contribution on pay under FICA	403(b)	Yes
Your 5% Basic Plan contribution on pay over FICA	401(a)	No
Your 403(b) SRA contribution	403(b)	Yes

U-M Contributions and FICA

Your contribution to the Basic Retirement Plan and the university match continues when your U-M pay exceeds the FICA wage base. You still contribute 5% of your eligible U-M pay, and U-M provides its match up to the earnings cap of \$305,000 for 2022. What changes is that your 5% contribution on your U-M pay over FICA no longer counts against your 403(b) elective deferral limit.

Comparison: Highly Compensated Voluntary vs. Compulsory

The following example shows that for two highly compensated faculty or staff members with the same annual compensation, a compulsory participant can contribute more than a voluntary participant. This is because the 5% Basic Plan contribution made as a compulsory participant on earnings over FICA does not reduce how much may be contributed to the SRA. The entire 5% on full salary made as a voluntary participant does reduce how much may be contributed to the SRA.

Example:

- Salary: \$200,000
- FICA taxable wage base for 2022: \$147,000
- 403(b) limit: \$20,500
- Faculty or staff member contribution to the Basic Plan: 5%

Highly Compensated Voluntary Participant		Highly Compensated Compulsory Participant	
Faculty or Staff Member 403(b) Contributions		Faculty or Staff Member 403(b) Contributions	
5% on entire salary of \$200,000	\$10,000	5% up to FICA base of \$147,000	\$7,350
Amount available for an SRA	+	Amount available for an SRA	\$13,150
	\$10,500		
Total	\$20,500	Total	\$20,500
		Faculty or Staff Member 401(a) Contributions	
		5% over FICA to \$200,000	+ \$2,650
Total Contributions		Total Contributions	\$23,150

Difference in total faculty or staff member contributions for highly compensated voluntary vs. compulsory participants:
 $\$23,150 - \$20,500 = \$2,650$

457(b) Limit

Viewing Your Limit Online

View how much you may contribute to the 457(b) by logging into Wolverine Access **Employee Self Service**. Select **Benefits**, then choose **Calculate Ret Savings Contribution** to view your 457(b) contribution limit for the current year and the following year.

General 457(b) Limit of \$20,500

Your limit is automatically \$20,500. If your salary is less than \$20,500, your limit is your salary. However, you must still pay the FICA taxes (Social Security and Medicare), contributions for other benefit plans, and deductions such as parking and United Way.

Age 50 or Older Catch-Up

Your limit is increased by \$6,500 if you are age 50 or older by Dec. 31, making it \$27,000 instead of \$20,500.

Example:	
Your 457(b) limit:	\$20,500
457(b) limit per pay period (\$20,500/12, assuming you are paid monthly):	\$1,708

*This example assumes you do not qualify for the age 50 catch up and are paid monthly.

Aggregation

The 457(b) contribution limit applies to all 457(b) plans you participate in across all employers. Contact a qualified tax planner if you participate in more than one 457(b) plan to ensure your combined contributions do not exceed the federal limit.

How to Reach Your Limit

1. View your limit on the retirement calculator in Wolverine Access for the 403(b) SRA and/or 457(b) plan.
2. Enroll or increase your contribution amount using Wolverine Access to reach the annual limit on a per-paycheck basis.
3. Open your SRA or 457(b) account with TIAA and/or Fidelity Investments online if you don't already have one for the plan in which you are enrolling. Be sure to declare your beneficiaries and select your investment funds.
4. Increase your contribution for the following year each December to make sure your amount is keeping pace with the limit as it gets indexed and increased by the IRS.

Reach Your Limit Without Going Over

The M-Pathways payroll system will monitor contributions made to the Basic Retirement Plan, 403(b) SRA, and 457(b) plan during the course of the year. Contributions for any plan will be suspended for the remainder of the year if you reach its applicable limit, and then resume the following year if you have an eligible appointment.

Choosing a Large SRA and/or 457(b) Amount

If you choose to contribute a large SRA and/or 457(b) amount per pay period, rather than contributing up to your annual limit in equal installments over the course of the year, you should keep the following in mind:

- Contributing over the course of the entire year allows you to invest gradually so that large swings in the financial markets have less effect on the average price at which you purchase shares. This is referred to as **dollar-cost averaging**.
- If you make large 403(b) SRA contributions, you may reach the annual limit before you have made your 5% contribution for the year to the Basic Retirement Plan. Your 5% contribution will be suspended for the year, and will then resume the following year.
- If your 5% 403(b) contributions to the Basic Retirement Plan and 403(b) SRA are suspended, the university contribution (if you are eligible based on fulfilling the waiting period) will continue on your full eligible pay up to the earnings cap.

If You Receive a Salary Increase

The annual limit on 403(b) contributions is not based on your salary, so your limit does not go up if your salary increases. If you make 403(b) SRA contributions, you do not need to lower them due to a salary increase. The M-Pathways payroll system will monitor your contributions and suspend them for the rest of the calendar year if you reach the limit. If your SRA and Basic Plan contributions are suspended to keep you within limit, the university contribution will continue. Both your contribution, as well as the SRA, will resume the following January if you have a continuous appointment.

If You Retire, Terminate, or Take a Leave of Absence

Your annual limit does not change because you are going to work fewer months and earn less due to retirement or another employment event. Since you will receive fewer paychecks, simply increase the amount of your contribution per paycheck in order to save the maximum allowable for the year.

A vacation payoff check will generally not have contributions for the Basic Retirement Plan, 403(b) SRA or 457(b). If you belong to a bargaining unit, check with the terms of the agreement to determine if Basic Retirement Plan contributions will be provided.

Cash Withdrawals, Rollovers, Transfers, and Loans

Basic Retirement Savings Plan

	Current Faculty and Staff	Former Faculty and Staff	U-M Retiree
Cash Withdrawals	Not available	<ul style="list-style-type: none">• Faculty and staff contributions and earnings at any age• University contributions and earnings at age 55 or older	At any age
Rollovers	Not available	<ul style="list-style-type: none">• Faculty and staff contributions and earnings at any age• University contributions and earnings at age 55 or older	At any age
Direct Transfers	At any age	At any age	At any age
Loans	Not available	Not available	Not available

403(b) Supplemental Retirement Account (SRA)

	Current Faculty and Staff	Former Faculty and Staff	U-M Retiree
Cash Withdrawals	<ul style="list-style-type: none"> • At age 59½ or older • Hardship • Disability 	At any age	At any age
Rollovers	At age 59½ or older	At any age	At any age
Direct Transfers	Disability	At any age	At any age
Loans	At any age	Fidelity SRA only	Fidelity SRA only

457(b) Deferred Compensation Plan

	Current Faculty and Staff	Former Faculty and Staff	U-M Retiree
Cash Withdrawals	<ul style="list-style-type: none"> • At age 59½ or older • One-time withdrawal if account is less than \$5,000 	At any age	At any age
Rollovers	At age 59½ or older	At any age	At any age
Direct Transfers	At any age	At any age	At any age
Loans	At any age	Fidelity 457(b) only	Fidelity 457(b) only

Notes

Cash Withdrawals

Income tax is due on withdrawals and distributions, except qualified distributions from the after-tax Roth 403(b) SRA and the after-tax Roth 457(b). An IRS 10% penalty generally applies to withdrawals made prior to age 59½ from 403(b) distributions, including nonqualified Roth 403(b) SRA distributions made prior to age 59½. The IRS 10% penalty does not apply to withdrawals from the 457(b) regardless of whether made as tax-deferred or after-tax Roth. Consult with a qualified tax advisor for information on taxation of retirement plan distributions and the IRS early withdrawal penalty.

Rollovers

Rollovers refer to moving accumulations out of the U-M plans with TIAA and/or Fidelity and into an IRA or another employer's retirement plan.

Direct Transfers

Transfers refer to moving accumulations between TIAA and Fidelity within the U-M plans.

Loans

If you default on the loan, income taxes are due, and an IRS early withdrawal penalty may apply if you are under age 59½.

Former Faculty and Staff

A former faculty or staff member is someone who has terminated employment with the University of Michigan. Termination of employment does not include: leave of absence, reduction in force (RIF), period of non-appointment, short work break, LEO layoff, 0% effort appointment, phased retirement, retirement furlough, or long-term disability. If you are on one of these statuses, you are still employed with the university because the employee-employer relationship is still in effect, and therefore you are not eligible for a cash withdrawal or rollover.

U-M Retiree

A U-M retiree is a faculty or staff member who has met the age and years of service requirements under Standard Practice Guide 201.83 to officially retire from the University of Michigan and has been granted the status of a U-M Retiree.

TIAA Traditional

Accumulations in TIAA Traditional in the Basic Plan are subject to restrictions on withdrawals, rollovers, and transfers. Contact TIAA for information. This restriction does not apply to accumulations in TIAA Traditional in the SRA and 457(b).

Alternate Payees

An alternate payee may take a cash withdrawal or rollover from the Basic Retirement Plan at any age.

Cash Withdrawals

Current Faculty and Staff

- Basic Retirement Plan – Cash withdrawals are not available while you are still employed.
- 403(b) SRA – Cash withdrawals are available at age 59½ or older, or in the event of disability or financial hardship.
- 457(b) Deferred Compensation Plan – Cash withdrawals of any amount are available at age 59½ or older, or you may take a one-time withdrawal of your account before age 59½ if you meet certain criteria.

Call the SSC to determine if you are eligible for a cash withdrawal or rollover if you were previously enrolled in the retirement plans and now have a 0% appointment.

Former Faculty and Staff

- Basic Retirement Plan – Faculty and staff contributions and earnings may be withdrawn at any age. University contributions and earnings are available at age 55 and older.
- 403(b) SRA – Cash withdrawals are available at any age.
- 457(b) Deferred Compensation Plan – Cash withdrawals are available at any age.

Termination of employment does not include being on a leave of absence, layoff (RIF), phased retirement, retirement furlough, 0% appointment, a period of non-appointment, or on long-term disability.

U-M Retirees

Faculty and staff who have officially retired from the University (see SPG 201.83) may elect a cash withdrawal of all contributions and earnings from the Basic Retirement Plan, the 403(b) SRA and the 457(b) at any age.

Alternate Payees

An alternate payee may take a cash withdrawal or rollover from the Basic Retirement Plan at any age.

Rehired Retirees and Rehired Former Faculty and Staff – Basic Retirement Plan

You are eligible to take a withdrawal or rollover from the Basic Retirement Plan as a rehired retiree or a rehired former faculty or staff member if: 1) You are not eligible to participate in the Basic Retirement Plan; and 2) You are age 59 ½ or older.

The following job titles are not eligible to enroll in the Basic Retirement Plan and may take a cash withdrawal or rollover at age 59½ or older as a rehired retiree or rehired former faculty or staff member:

- Temporary hourly
- Emeritus and Emeritus with funding
- LEO I and Adjunct 49% effort or less

The following job titles are eligible to enroll in the Basic Retirement Plan and cannot take a cash withdrawal or rollover at any age as a rehired retiree or rehired former faculty or staff member:

- Any appointment effort as regular faculty or staff member, LEO II, III, or IV
- LEO I and Adjunct 50% effort or greater

Rehired Retirees and Rehired Former Faculty and Staff – 403(b) SRA and 457(b)

You are eligible to take a withdrawal or rollover from the 403(b) SRA and 457(b) at age 59½ or older regardless of your job title.

Rehired Retirees and Rehired Former Faculty and Staff Younger Than Age 59½

If you are younger than age 59½, you cannot take a cash withdrawal or rollover regardless of job title from the Basic Retirement Plan, 403(b) SRA, or 457(b).

TIAA Traditional

Accumulations in TIAA Traditional in the Basic Retirement Plan are not available for lump-sum cash withdrawals, rollovers, or transfers. These transactions occur over a 9-year period through a process called the TIAA Traditional Transfer Payout Annuity. Contact TIAA for more information.

Income Tax on Withdrawals

Income tax will be due on the amount you cash out, except for qualifying distributions of after-tax Roth 403(b) SRA amounts and qualifying distributions of after-tax Roth 457(b) amounts.

TIAA and Fidelity Investments are required by federal regulations to withhold 20% of the amount of the withdrawal for income tax purposes on most lump sum withdrawals.

In addition, a 10% penalty for cash withdrawals made prior to age 59½ may apply to the Basic Retirement Plan and 403(b) SRA; see page 40 for details

How to Request a Cash Withdrawal from the Basic Retirement Plan

Contact TIAA or Fidelity to request a cash withdrawal or rollover:

- a. TIAA: (800) 842-2776
- b. Fidelity Investments: (800) 343-0860

TIAA and Fidelity will contact U-M immediately if they are missing information to process your request.

Plan Names and Numbers

Be sure to supply the plan record keeping numbers to TIAA and Fidelity Investments when you enact a cash withdrawal. These numbers are used to identify from which plan you are taking a cash withdrawal and are found on page 50.

IMPORTANT: Please be advised that the University of Michigan does not sign paper forms to approve Basic Retirement Plan distributions for security and compliance reasons. The electronic approval process replaces the need to obtain a signature on the form. This will also increase the speed and efficiency with which TIAA or Fidelity will process your request. If a telephone service representative at TIAA or Fidelity indicated obtaining the employer signature was mandatory, they have done so in error. Disregard those instructions.

403(b) SRA Cash Withdrawals

Plan Names and Numbers

Be sure to indicate the plan record keeping numbers to TIAA and Fidelity Investments when you enact a cash withdrawal. These numbers are used to identify from which plan you are taking a cash withdrawal and are found on page 50.

403(b) SRA Age 59½ Withdrawal

If you have a 403(b) SRA with TIAA and/or Fidelity, you may withdraw your accumulations (up to all contributions and earnings) while you are still working for the university starting at age 59½. To arrange for a withdrawal, contact TIAA at (800) 842-2776 or Fidelity Investments at (800) 343-0860.

403(b) SRA Disability Withdrawal

If you have a 403(b) SRA with TIAA and/or Fidelity, you may withdraw your accumulations (up to all contributions and earnings) while you are still working for the university if you become disabled. The Internal Revenue Code defines an individual to be disabled if they are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration.

Individuals applying for a disability withdrawal must provide verification of disability to the Benefits Office, such as proof of Social Security disability benefit entitlement. Income tax will be due on the amount you cash out (except for qualifying distributions of after-tax Roth 403(b) SRA amounts). The IRS 10% early withdrawal penalty does not apply to a disability withdrawal.

To arrange for a disability withdrawal, contact TIAA at (800) 842-2776 or Fidelity at (800) 343-0860 to request an SRA Disability Withdrawal Application.

After completing your sections of the application, mail, fax, or deliver the application along with documentation of your disability status to:

**University of Michigan Benefits Office
Retirement Plan Administration
Wolverine Tower Low Rise G405
3003 S. State St.
Ann Arbor, MI 48109**

The Benefits Office will complete the employer authorization section and forward the application to your investment carrier within three business days.

403(b) SRA Hardship Withdrawal

You may be eligible to withdraw your contributions (earnings are not available) if you have a 403(b) SRA with TIAA or Fidelity Investments due to a financial hardship.

First, you must have an immediate and heavy financial need that falls under one of the following six categories determined by the IRS:

1. Expenses for medical care that would be tax-deductible under Internal Revenue Code section 213(d), for the employee, spouse, or dependents
2. Costs directly related to purchase of the principal residence (excluding mortgage payments) of the employee
3. Payment of tuition, related educational fees, and room and board expenses for the employee, spouse, or dependents for the next 12 months of post-secondary education
4. Payments necessary to prevent eviction of the employee from the employee's principal residence or foreclosure on the mortgage of that residence
5. Payments for burial or funeral expenses for the employee's deceased parent, spouse, children, or dependents
6. Expenses for the repair of damage to the employee's principal residence that would qualify for the casualty deduction under IRC Section 165 (determined without regard to Section 165(h)(5) and whether the loss exceeds 10% of adjusted gross income)
7. Expenses and losses (including loss of income) incurred by the employee on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Public Law 100-707, provided that the employee's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

Second, the hardship withdrawal cannot exceed the amount necessary to relieve the financial need, and it

cannot be satisfied from other resources reasonably available to you (“Safe Harbor method”).

To arrange for a 403(b) SRA hardship withdrawal, contact TIAA at (800) 842-2776 or Fidelity at (800) 343-0860 to speak with a counselor to determine if you are eligible. If you meet the eligibility criteria, TIAA and/or Fidelity will send you an application for the hardship withdrawal. Return your completed forms to the vendor with the appropriate documentation demonstrating the amount of the need and that it meets one of the six qualifying expenses.

457(b) Cash Withdrawals

457(b) Age 59½ Withdrawal

You may withdraw any portion or your entire accumulations while you are a current member of the faculty or staff at age 59½ or older for any reason. Income tax will be due on the amount you cash out (except for qualifying distributions of after-tax Roth 457(b) amounts). You can roll over this withdrawal if you wish.

To initiate a 457(b) Age 59½ withdrawal, contact TIAA at (800) 842-2776 or Fidelity at (800) 343-0860 for a withdrawal application.

457(b) One-Time Withdrawal

You may withdraw your entire 457(b) Deferred Compensation Plan accumulations under a special provision while you are a current member of the faculty or staff if the following conditions are met:

- The total account balance (not counting rollovers you made into the plan) is no more than \$5,000
- No amount has been deferred under the plan during the two-year period that ends on the date of distribution
- No previous distribution was taken under this special provision

Income tax will be due on the amount you cash out (except for qualifying distributions of after-tax Roth 457(b) amounts), but there is no additional tax penalty. You can roll over this withdrawal if you wish.

To initiate a 457(b) one-time withdrawal, contact TIAA at (800) 842-2776 or Fidelity at (800) 343-0860 for a withdrawal application.

Plan Names and Numbers

Be sure to supply the plan record keeping numbers to TIAA and Fidelity Investments when you enact a loan. These numbers are used to identify from which plan you are taking a cash withdrawal, and are found on page 50.

Loans

Loans are available on the retirement plans as follows:

- Basic Retirement Plan – No loans are available at any time.
- 403(b) SRA – You may borrow from your 403(b) SRA at any time, for any reason, regardless of whether your employment is active or terminated. However, loans are not available from TIAA once you have retired or terminated employment from U-M.
- 457(b) Deferred Compensation Plan – You may borrow from your 457(b) Deferred Compensation Plan account at any time, for any reason, regardless of whether your employment is active or terminated. However, loans are not available from TIAA once you have retired or terminated employment from U-M.

Generally, you may borrow up to 50% of your SRA accumulation. The minimum loan amount is \$1,000 and the maximum is \$50,000. This is a combined loan limit and applies to all of your U-M 403(b) SRA and 457(b) accounts with both vendors. You may continue to participate in the U-M retirement savings plans if you take a loan from either plan.

You can take a loan from Roth accumulations in your 403(b) SRA and/or 457(b) account with Fidelity Investments. Roth accumulations may be used to calculate the amount available for a loan from TIAA; however, the Roth amounts cannot be taken as a loan from TIAA.

There are no charges or fees for taking a loan from your 403(b) SRA or 457(b) Deferred Compensation Plan account, and there is no income tax due or tax penalty. However, interest will be charged while you repay the loan. The rate is determined by the investment company and is not tax-deductible.

The maximum number of loans you may have with TIAA between your 403(b) SRA and 457(b) is three. This limit does not apply to loans with Fidelity.

You may choose the length of repayment period, from one to five years. If the loan is used solely for the purchase of your principal residence, you may choose a repayment period up to 10 years. Monthly payments are made directly to TIAA and/or Fidelity Investments. Payroll deductions are not available through the university.

If you default on the loan, it is then treated as a withdrawal, and taxes and penalties are due. You can prepay the loan with no penalties. If you default on repaying a 403(b) SRA or 457(b) loan at either TIAA or Fidelity, your ability to take a future loan will be limited. Contact TIAA and Fidelity for more information.

To arrange for a 403(b) SRA or 457(b) Deferred Compensation Plan loan, contact TIAA at (800) 842-2776 or Fidelity at (800) 343-0860 and request a loan application. University authorization is not needed to take a loan.

Plan Names and Numbers

Be sure to indicate the plan record keeping numbers to TIAA and Fidelity Investments when you enact a loan. These numbers are used to identify from which plan you are taking a loan and are found on page 74.

Required Minimum Distributions

Required Minimum Distributions (RMDs) are the minimum amounts you must withdraw from your retirement accounts each year once you have retired or terminated employment and reach a certain age. Note the following:

If You Reach Age 70½ by Dec. 31, 2019

You must start taking your RMDs from your retirement plan by:

- April 1 of the year after you reach age 70½ once you have retired or terminated employment

or

- If you are already older than age 70½ at the time of your retirement or termination, you must begin taking RMDs by April 1 of the following year.

If You Reach Age 70½ in 2020 or Later

You must start taking your RMDs from your retirement plan by:

- April 1 of the year after you reach age 72 once you have retired or terminated employment

or

- If you are already older than age 72 at the time of your retirement or termination, you must begin RMDs by April 1 of the following year.

RMDs apply to the U-M Basic Retirement Plan, the 403(b) Supplemental Retirement Account and the 457(b) Deferred Compensation Plan. It also includes assets from another retirement plan or IRA that you have rolled into any of the U-M plans.

Age 75 Grandfathering

A special rule allows you to postpone distributions of 403(b) accumulations as of Dec. 31, 1986 until age 75 once retired or terminated. This grandfathering is forfeited for accumulations you roll over to an IRA. This special provision on grandfathering does not apply to other plans such as a 401(a), 403(a), or 401(k).

If You Are Still Working at U-M

You can postpone RMDs attributable to your U-M retirement plans while you are still working for the University of Michigan. However, assets in another retirement plan outside of the U-M plans or an IRA generally have to begin by April 1 following the calendar year you reach age 72 (age 70½ if you are already age 70½ by Dec. 31, 2019) even if you are still employed at U-M.

You must be employed by U-M and have salary and wages reported on a University of Michigan W-2 that are subject to federal income taxation in order to postpone RMDs for your U-M plan assets. You do not have an employment relationship that allows you to postpone the RMD requirement if you are not receiving salary or wages reported on a University of Michigan W-2, even if you are performing services. Consult with a tax adviser to determine if you need to fulfill your RMD requirements.

Your Year of Retirement or Termination

Your year of retirement or termination is the final year you received W-2 reported salary or wages by U-M. This affects when you must begin taking your RMDs.

Example:

- Your faculty appointment ends Dec. 31, 2022 and you are 78.
- Your retirement begins on Jan. 1, 2023.
- Your date of retirement is Dec. 31, 2022, since it is the last year you received W-2 salary and wages from U-M.
- Jan. 1, 2023 is not your date of retirement but your first day as a retiree. You cannot further postpone RMDs if you do not have salary and wages for 2023.
- You must begin taking RMDs no later than April 1, 2023.

Generally, 403(b) accumulations as of Dec. 31, 1986 are grandfathered under a special rule. Distributions of these amounts do not have to begin until age 75 once retired or terminated. This grandfathering is forfeited for those accumulations you roll over to an IRA. This special provision on grandfathering does not apply to qualified plans under Internal Revenue Code sections 401(a), 403(a), and 401(k).

When you elect the minimum distribution income plan, TIAA and Fidelity will calculate and pay you the minimum amount of income you are legally required to take each year. The balance of your accumulations remains tax-deferred and continues to experience the investment returns of your chosen funds. This plan allows you to meet federal minimum distribution requirements without having to request payments each year or start a lifetime annuity. This may be an appropriate income plan if you want to preserve your accumulations as long as possible and maximize benefits for your beneficiaries. Keep in mind that there may be potential tax costs when these assets are passed on to your beneficiaries, as they may be subject to both estate and income taxes.

403(b) SRA Cash Withdrawal Options While Still Employed at U-M

	Disability	Hardship	Age 59½	403(b) SRA Loan
Generally subject to 10% early withdrawal penalty?	No	Yes	No	No
Tax-deferred SRA Income tax due?	Yes	Yes	Yes	N/A
After-tax Roth SRA Income tax due?	Qualified distributions: No Yes if it is not qualified	Qualified distributions: No Yes if it is not qualified	Qualified distributions: No Yes if it is not qualified	N/A
Can you still contribute to the Basic Retirement Plan?	Yes	Yes	Yes	Yes
Can you still contribute to the 403(b) SRA?	Yes	Yes	Yes	Yes
Can you still contribute to the 457(b)?	Yes	Yes	Yes	Yes
Requires Benefits Office authorization?	Yes	No	No	No
Do you have to repay it?	No	No	No	Yes
How much can you access?	Entire 403(b) SRA accumulation	Contributions only; earnings are not available	Entire 403(b) SRA accumulation	50% of your SRA accumulation Minimum loan is \$1,000 and maximum is \$50,000 Maximum loan includes all SRA and 457(b) loans you have with TIAA and Fidelity

Qualified distributions from the after-tax Roth 403(b) SRA are generally tax-free when made after a 5-taxable-year period of participation AND is either: 1) made on or after the date you attain age 59½ or 2) made after your death, or 3) your being disabled as defined by Internal Revenue Code Section 72(m)(7). If the distribution does not meet these criteria, it is not qualified, and income tax is due on the earnings. However, income tax is not due on the contributions of a nonqualified distribution, since those amounts were subject to taxation when deducted from your paycheck. See pages 13 and 40 for more information.

A 10% penalty generally applies to withdrawals made prior to age 59½ and generally applies to nonqualified distributions of after-tax Roth 403(b) SRA amounts. See pages 13 and 40 for information on exceptions to the penalty. Consult with a qualified tax adviser for information on taxation of distributions and the IRS early withdrawal penalty.

If you default on repayment of the 403(b) SRA loan, income taxes are due and an IRS early withdrawal penalty may apply if you are younger than age 59½.

Direct Transfers

A direct transfer allows you to move your U-M retirement savings plan accumulations between TIAA and Fidelity Investments, tax-free. Direct transfers are available to current and former faculty and staff at any age, at any time. U-M authorization is not needed for a direct transfer.

A direct transfer is different from a rollover in that it occurs between two investment companies under the same employer retirement plan. You cannot make a direct transfer to an IRA, to another employer's retirement plan, or to an investment company that is not TIAA or Fidelity. Likewise, you cannot make a direct transfer between U-M plans (for example, between your U-M 403(b) SRA and 457(b) Deferred Compensation Plan accounts).

How to Complete a Direct Transfer

1. If you do not have one already, open an account with TIAA and/or Fidelity so the rollover will have a destination account ready to accept the assets. You may open your account online by selecting the type of plan for which you want to create an account and following the screen prompts.
2. Contact the investment company you want to receive the transfer and request the direct transfer form (e.g., you will need Fidelity's form to transfer assets from TIAA to Fidelity).
3. Complete the direct transfer application and return it to the investment company you want to **receive** the transfer.
4. Use **Self Service > Benefits** in Wolverine Access if you want to designate that future paycheck contributions go to the same company as the one that will receive the transfer of assets.

Change Future Payroll Contributions

A direct transfer only moves accumulations between TIAA and Fidelity already on deposit; it does not change where your ongoing monthly payroll contributions go. Use Self Service > Benefits in Wolverine Access if you want to designate that future paycheck contributions go to the same company as your direct transfer. Otherwise, paycheck contributions will continue to go to the same company out of which you just transferred assets.

Plan Names and Numbers

The direct transfer forms will ask which U-M plans you want to transfer assets. Please see page 74 for the plan types and their record keeping number with TIAA and Fidelity. You must indicate the plan names and numbers on the forms to ensure assets are transferred as you intend.

Grandfathering of Pre-1987 Amounts

Accumulations attributable as of Dec. 31, 1986 retain their grandfathered status under a direct transfer. The receiving investment carrier will track any pre-1987 amounts that are transferred so that minimum distribution does not have to begin until age 75. This preservation of grandfathering status is lost when you roll over funds out of TIAA and Fidelity Investments under the University of Michigan Retirement Plan and into an IRA or another employer's retirement plan.

Rollovers Into the U-M Plans

You may roll over assets from another employer's retirement plan or from an IRA into the U-M Basic Retirement Plan, the 403(b) SRA, and/or the 457(b) Deferred Compensation Plan at any time. U-M authorization is not required.

The following types of **pre-tax** eligible rollover distributions can be accepted:

- 401(a)
- 403(a)
- 401(k)
- 403(b)
- Governmental 457(b)
- IRA

After-tax Roth amounts can only be rolled over to another plan that allows participants to make after-tax Roth elective deferrals. At U-M, these plans include the 403(b) SRA and the 457(b) Deferred Compensation Plan. The Basic Retirement Plan cannot accept a rollover of Roth amounts from another plan.

In addition, you cannot roll over amounts from a nongovernmental 457(b) into the U-M 457(b) plan. For example, you cannot roll over amounts from a 457(b) you had at a private university or college into the U-M 457(b).

Rolling over amounts into the retirement savings plans gives you access to the lower-cost share class of mutual funds that are available through the U-M plans. Amounts you roll into any of the U-M plans are available for withdrawal while you are working for the university or after you terminate employment. Amounts you roll over into the 403(b) SRA and the 457(b) are also available to take as a loan.

Plan Names and Numbers

The rollover forms will ask into which U-M plans you want to roll over assets. Please see page 50 for the plan types and their record keeping number with TIAA and Fidelity. You must indicate the plan names and numbers on the forms to ensure assets are rolled into the correct plans as you intend.

How to Roll Over Assets into a U-M Plan

1. Contact your previous employer and/or the investment company for their retirement plan to determine if you are eligible for a rollover. You may be required to fill out rollover forms for your previous employer and/or their investment company.
2. If you do not have one already, open an account with TIAA and/or Fidelity so the rollover will have a destination account ready to accept the assets. You may open your account online by selecting the type of plan for which you want to create an account and following the screen prompts.
3. Request or download and complete the TIAA and/or Fidelity rollover form. The form will ask into which U-M plan you want to roll over assets. Refer to the plan names and numbers on page 74 for the plan types and their record keeping number with TIAA and Fidelity.
4. Return all rollover forms, including any from your previous employer and their investment company, to TIAA and/or Fidelity for processing.
5. TIAA and/or Fidelity will contact your previous employer and their investment company to request the assets be sent to them.
6. The investment company for your previous retirement plan will send the rollover assets to TIAA and/or Fidelity for deposit into your account.
7. Review your account online and quarterly statement to confirm the roll over was completed successfully.

Refer to the Rollovers into the U-M Plan How-to Guide for printable version of this information located at the following link:

hr.umich.edu/sites/default/files/rollovers-into-u-m.pdf

Tax Considerations

The IRS generally requires that an individual begin to take a minimum distribution from his or her account by age 72 (age 70½ if you were 70½ by Dec. 31, 2019) in order to avoid a severe tax penalty. Amounts attributable as of Dec. 31, 1986 that are 403(b) accumulations are grandfathered, and are not subject to minimum distribution until age 75. Electing a rollover eliminates this grandfathering feature; this may be important for tax planning.

In addition, if you are rolling over assets into one of the U-M plans from a different type of plan you had at a previous employer, it may affect the tax treatment of distributions that you will take later. This may cause you to lose important tax advantages.

For example:

- Distributions from a 457(b) plan are not subject to the IRS 10% penalty for withdrawals made prior to age 59½.

- This penalty applies to a 401(a), 401(k), 403(a) annuity, 403(b), or an IRA.
- If you roll over a 457(b) plan into an IRA or a plan that is subject to the penalty, the exemption to the 10% is generally lost.
- Consult with a qualified tax adviser to determine if you may be impacted by electing a rollover.

Rollover into an IRA

You can roll over assets into an IRA with TIAA and/or Fidelity instead of into the U-M plans. Rollovers into an IRA will give you flexibility for cash withdrawals, will consolidate your assets with TIAA and/or Fidelity alongside your U-M retirement accounts, and provide a single quarterly statement. However, you will not have access to the lower-cost share class of mutual funds that are available through the U-M plans.

Rollovers Out of the U-M Plans

A rollover out of the U-M retirement plans allows you to move your TIAA and Fidelity Investment accumulations to another investment carrier through an IRA or another employer's retirement plan. A rollover is considered to be a distribution that is followed by a rollover into another investment vehicle. You must first be eligible to take a cash withdrawal in order to elect a rollover.

Current Faculty and Staff

- Basic Retirement Plan – Rollovers are not available.
- 403(b) SRA – Accumulations may be rolled over at age 59½ or older; SRA disability withdrawals may also be rolled over.
- 457(b) Deferred Compensation Plan – Accumulations may be rolled over at age 59½ or upon taking a one-time withdrawal if your account balance is less than \$5,000.

Former Faculty and Staff

- Basic Retirement Plan – Faculty and staff contributions and earnings may be rolled over at any age. University contributions and earnings may be rolled over at age 55 or older.
- 403(b) SRA – Accumulations may be rolled over at any age.
- 457(b) Deferred Compensation Plan – Accumulations may be rolled over at any age.

University Retiree

Faculty and staff who have officially retired from the University (see SPG 201.83) may elect a rollover of all contributions and earnings at any age; the age 55 restriction on the University contributions and earnings does not apply.

Alternate Payee

An alternate payee under a QDRO may elect a rollover at any age.

Rehired Retirees and Rehired Former Faculty and Staff

See page 32.

Eligible Rollover Distributions

The following types of distributions from a U-M plan are eligible to be rolled over:

- Cash withdrawals
- 403(b) SRA disability withdrawals
- Fixed period annuities of less than 10 years
- TIAA Traditional IPRO payments
- TIAA Traditional Transfer Payout Annuity
- TIAA Retirement Transition Benefit

These types of distributions from a U-M plan are not eligible to be rolled over:

- 403(b) SRA hardship withdrawals
- Minimum distribution payments
- Lifetime annuities
- Fixed period annuities of 10 years or longer

How to Roll Over Assets Out of a U-M Plan

1. Contact TIAA or Fidelity Investments. Certain rollovers may be done via telephone on a recorded line or online at the vendor website.
2. If you are using a rollover form, return it to TIAA or Fidelity.

TIAA Traditional

Accumulations in TIAA Traditional in the Basic Retirement Plan are not available for lump-sum cash withdrawals, rollovers, or transfers. These transactions occur over a nine-year period through a process called the TIAA Traditional Transfer Payout Annuity. Contact TIAA for more information. This limitation does not apply to TIAA Traditional accumulations in the 403(b) SRA or the 457(b) plan.

Other Considerations When Taking a Rollover

A rollover removes amounts from an employer's retirement plan and eliminates all features, rights, and options available through the plan:

- Minimum Distribution Grandfathering – The IRS generally requires that an individual begin to take a minimum distribution from his or her account by age 72 (age 70½ if you were 70½ by Dec. 31, 2019) in order to avoid a severe tax penalty. Amounts

attributable as 403(b) accumulations as of Dec. 31, 1986 are grandfathered, and are not subject to minimum distribution until age 75. Electing a rollover eliminates this grandfathering feature; this may be important for tax planning.

- Loss of Exemption to Age 59½ Early Withdrawal Penalty – The 10% IRS early withdrawal penalty is waived if you terminate employment from the university during or after the calendar year in which you reach age 55. This exception to the penalty does not apply to an IRA. If you roll over your U-M retirement accumulations to an IRA and then take a distribution from the IRA prior to age 59½, this exception to the penalty is no longer available to you.
- Bankruptcy and Creditors – Accumulations in qualified employer retirement plans like 403(b) and 401(k) plans have a certain protection from assigning your plan benefits to a third party like creditors under what is called “anti-alienation.” This protection is lost when you elect a rollover to an IRA.
- Michigan Income Tax – Distributions from the Basic Retirement Plan may be allowed as a subtraction in your adjusted gross income from Schedule I of the Michigan MI-1040 tax form based on your year of birth. This reduces your income that is subject to Michigan income tax. Your ability to take a subtraction may be limited if you also receive benefits from a private pension. However, this can be an important tax benefit to you. Accumulations that are rolled over to an IRA may still be taken as a subtraction when distributed from the IRA, but under much more strict guidelines. As always, you should seek a qualified tax adviser for questions. You may also contact the Michigan Department of Treasury for details at (800) 487-7000.
- Waiver of Fees – Many fees are waived when you participate in an employer retirement plan. These include recordkeeping and account maintenance fees and minimum balance requirements to invest. When you elect an IRA rollover, you often become subject to many of these fees that were waived for the U-M plans.
- Low Cost Share Class – All TIAA mutual funds and several Fidelity mutual funds are offered at the lowest-cost share class through the U-M plan. These funds are not available to you through an IRA.
- Closed Funds – Some investment funds are open only to investors through an employer retirement plan. Your access to some funds may be closed off when you elect an IRA rollover.

Consult with a qualified tax adviser before rolling over funds.

Tax Matters

Federal Income Tax

Retirement contributions that were made with tax-deferred dollars will be subject to Federal income tax requirements when you take a distribution from your account. Many people find it advantageous to postpone withdrawals until they retire because their income tax bracket is generally lower.

TIAA and Fidelity are required by federal regulations to withhold 20% from certain types of distributions. This is not a penalty; it is a federal income tax withholding at the time of distribution. When you file your taxes for the year, you may owe more or less, depending on your final tax liability.

The following types of distributions are subject to the mandatory 20% withholding and may be rolled over to an IRA or another type of retirement plan:

- Cash withdrawals (single sum, lump sum and systematic)
- SRA Disability withdrawals
- TIAA Traditional Transfer Payout Annuity
- Fixed-period annuities of less than 10 years
- TIAA Traditional Interest Only payments
- TIAA Retirement Transition Benefit

The following types of distributions are not subject to the mandatory 20% withholding:

- TIAA lifetime annuities
- Fixed-period annuities of 10 years or longer
- SRA Hardship withdrawals
- Minimum distribution payments

Roth Distributions

Distributions of after-tax Roth contributions to the 403(b) SRA and 457(b) are tax-free, since taxes were paid when taken from your paycheck. Earnings on after-tax Roth contributions are tax-free when they are a qualified distribution (see page 15).

A qualified distribution is generally a distribution made after a 5-taxable-year period of participation AND is either:

1. made on or after the date you attain age 59½; or
2. made after your death; or
3. attributable to your being disabled, as defined by Internal Revenue Code Section 72(m)(7)

If the distribution does not meet these criteria, it is not qualified and income tax is due on the earnings.

IRS 10% Penalty

The IRS imposes a 10% early withdrawal penalty if you take a distribution from a qualified retirement plan, such as the Basic Retirement Plan or 403(b) SRA, prior to age 59½, unless an exception is met. If an exception is not met, you must pay the penalty each time you withdraw funds before you are age 59½.

The penalty does not apply to distributions of your contributions and earnings from the U-M 457(b) Deferred Compensation Plan.

The 10% penalty is not withheld at the time of the distribution; you pay it when you file your federal income tax return. TIAA or Fidelity will issue Form 1099-R to you for the distribution at the end of the year. You must include the 1099-R with your federal tax return.

Roth 403(b) SRA Distributions

Qualified distributions from the after-tax Roth 403(b) are not subject to the 10% early withdrawal penalty. However, the penalty generally applies to nonqualified distributions of after-tax Roth 403(b) SRA amounts made prior to age 59½ unless an exception is met.

Exceptions to the 10% Penalty

Exceptions to the IRS penalty are listed below. Note that there are additional exceptions to the penalty, some of which apply only to IRA distributions, which are not listed. Consult with a qualified tax adviser if you have questions.

- You terminate employment from the university during or after the calendar year in which you reach age 55. Important: This exception to the penalty does not apply to an IRA. If you roll over your U-M retirement accumulations to an IRA and then take a distribution from the IRA prior to age 59½, this exception to the penalty is no longer available to you.
- You terminate your employment at the university and take the distribution as a series of payments (at least one every year) based on your life expectancy (or the life expectancy of you and your annuity partner). The payments must be substantially equal in amount and must continue without change (unless you become disabled or die) for five years or until you reach age 59½, whichever comes later.
- You are an active-duty military reservist. Military reservists called to active duty can receive payments from their individual retirement accounts, 401(k) plans and 403(b) tax-sheltered annuities, without having to pay the early-distribution tax.
- You become totally and permanently disabled.
- Qualified retirement plan distributions used to pay for tax-deductible medical expenses that exceed 7.5% of your adjusted gross income. This exception does not apply to distributions made from an IRA for this purpose.

- Qualified retirement plan distributions made to an alternate payee under a Qualified Domestic Relations Order (QDRO). This exception does not apply to distributions made from an IRA for this purpose.
- In the event of your death.

IRS Form 5329

If you qualify for one of the exceptions to the early withdrawal penalty, you may need to file IRS Form 5329 with your federal return in order to claim the exception to the penalty. Part I, Line 2 of the form allows you to list a code indicating which exception to the penalty you are claiming. You can download IRS Form 5329 along with the instructions for completing the form and the codes to claim an exception to the penalty by visiting the IRS website at [irs.gov](https://www.irs.gov).

Your W-2

Your W-2 will display the amount of contributions, if any, that you have made to the U-M retirement savings plans. This information can appear in more than one box, depending on which plans you have contributed to during the year. The U-M matching contribution for the Basic Retirement Plan is not reported on this form.

Box 12

- **Code E:** Contributions you make to the retirement plan on a voluntary basis are called 403(b) elective deferrals. This includes any supplemental (SRA) contributions and the 5% you contribute to the Basic Retirement Plan on your entire salary as a voluntary participant. If you are a compulsory participant in the Basic Retirement Plan, your 403(b) elective deferrals consist of any 403(b) SRA contributions and your Basic Retirement Plan contribution on your U-M earnings only up to the Social Security wage base (\$147,000 for 2022).
- **Code G:** Your contributions to the 457(b) Deferred Compensation Plan are called 457(b) elective deferrals. This amount will appear in Box 12 with code "G" next to it.

Box 14

- If you are a compulsory participant in the Basic Retirement Plan, your contribution on your U-M earnings over the Social Security wage base (\$147,000 for 2022) is a mandatory 401(a) contribution and is reported in Box 14 with the label "401a." You will not see a figure in Box 14 with the label "401a" if your earnings are less than the Social Security wage base, or if you are a voluntary participant in the Basic Retirement Plan.

IRS Retirement Saver's Credit

The IRS Retirement Saver's Credit is a nonrefundable tax credit available to eligible individuals who make elective contributions to certain types of retirement plans. It is designed to encourage people to save for retirement. You may be eligible for a credit of up to \$1,000 for combined voluntary contributions you make to the following types of plans:

- Employer-sponsored 401(k) or 403(b) plans, a governmental 457(b) plan, SIMPLEs, and SEPs.
- Individual or spousal contributions to an IRA (both traditional and Roth).
- After-tax contributions you make to a qualified retirement plan.

Depending on your adjusted gross income, you may be eligible for a maximum credit of \$1,000. The amount of the credit is based on the adjusted gross income of you and your spouse, and the amount of contributions you make.

You are eligible for the credit if you are:

1. Age 18 or older
2. Not a full-time student, and
3. Not claimed as a dependent on another person's return
4. Do not exceed certain income requirements.

For more information on income requirements and the amount of the credit, please visit:

[irs.gov/retirement-plans/plan-Participant-employee/retirement-savings-contributions-savers-credit](https://www.irs.gov/retirement-plans/plan-Participant-employee/retirement-savings-contributions-savers-credit)

Manage Your Accounts

Protect Your Retirement Accounts

It is important to take steps to safeguard your retirement account(s) and prevent unauthorized use of your identity and information once you have enrolled in the U-M Basic Retirement Plan, 403(b) Supplemental Retirement Account, and/or the 457(b) Deferred Compensation Plan. Here are some important things to keep in mind:

- You may access your account(s) through the TIAA and Fidelity websites and telephone centers by creating a user ID and password, along with other personal identifying information. Your user ID and password act as a key to your account(s) and should be kept confidential. They serve as your authorization for plan

transactions, such as transfers and withdrawals. If you suspect that someone knows your user ID and/or password, change them immediately and contact TIAA and Fidelity.

- It is your responsibility to ensure your records are current with TIAA and Fidelity, including your name, mailing address, email address and beneficiary. You should periodically verify that your personal information is up-to-date, especially if you have a life event (marriage, divorce, moving, etc.). Contact TIAA and Fidelity directly to submit a change in your personal information or to update your beneficiary.
- TIAA and Fidelity will send quarterly statements, tax reporting documents, various disclosures, and confirmation of transactions (ex. transfers, rollovers, withdrawals, etc.) to your address or email that is on file with them. They will also send confirmation of other transactions such as an address or name change, or password reset to you. If you request a password reset, make sure your TIAA and Fidelity mailing address and email are current. You should carefully review all reported transactions for accuracy and appropriateness. If any are inaccurate or appear questionable, contact TIAA and Fidelity immediately.

Finally, keep your designated beneficiary current for your retirement account as well as for your life insurance. This is critical to ensure that your retirement and life insurance assets are paid to the beneficiary of your wishes and helps to avoid legal disputes over your account(s). Please note: You must designate a beneficiary separately for each type of retirement account you have for both TIAA and Fidelity. [Visit the beneficiary section of the Benefits Office website](#) for information on how to update your designations with TIAA and Fidelity.

Update Your Beneficiary

It is important to update your beneficiary designations whenever your circumstances change. Before you submit your beneficiary designation, check with your financial adviser, custodian, or attorney to determine whether it will produce the results you desire. Keep a copy of all beneficiary designations and review them periodically. You may change your beneficiary designations at any time.

There are separate beneficiary designations for each plan and account.

Note that there are separate beneficiary designations for the U-M group life insurance plan, TIAA, and Fidelity Investments. **You must complete a separate beneficiary designation for each plan in which you are enrolled.** If you have money in both TIAA and Fidelity retirement accounts, you must designate beneficiaries for each account.

How to Declare or Change Your Beneficiary Designations

Group Life Insurance — Administered by Metropolitan Life Insurance Company (MetLife)
[metlife.com/mybenefits](https://www.metlife.com/mybenefits)

TIAA Retirement Savings Plan
[tiaa.org/public/support/forms/beneficiaries](https://www.tiaa.org/public/support/forms/beneficiaries)

Fidelity Retirement Savings Plan
[netbenefits.com/uofm](https://www.netbenefits.com/uofm)

How to Choose a Financial Planner

As employer investment and retirement options multiply, most workers find that managing their personal finances takes more than a few minutes with a calculator. Many people are shifting some of that responsibility over to financial consultants and opting to pay for advice from private sector financial planners. The planner's job is to help you develop a workable financial plan that zeroes in on personal goals. Here are some tips on finding and consulting a financial planner.

Please note: TIAA and Fidelity Investments are the only financial investment companies officially associated with the University of Michigan. While there are many companies and financial planners available and you may choose any financial planner you wish, no other financial investment company or individual financial planner has the permission to use the university's name or logo.

The Plan

Most people want a planner to provide a comprehensive overview of their entire financial situation, including analyses of current finances and long-term objectives. After reviewing your financial circumstances, the planner generally produces a written financial plan. It should include:

- Your prioritized financial goals
- Your net worth
- A monthly budget (income and expenses)
- Your risk assessment — the amount of risk you are willing to take with investments
- A specific plan of action that you agree to follow
- Compensation

Types of Financial Planners

There is a cost to working with a financial planner. Planners' fees vary depending on the scope of the plan and the amount of assets they manage.

Before you select a planner, you should understand the three different types, classified according to their compensation method:

- Fee-only planners charge either a flat or hourly rate to create a plan. They also may charge a fee of 1-3 percent of the assets they manage.
- Fee and commission planners, sometimes called fee-based planners, charge lower fees than fee-only planners. They supplement the fees with commissions from investment or insurance products they sell.
- Commission-only planners generally charge nothing for advice and receive commissions on the products they sell.

Keep in mind that any money you save in fees with a commission-only planner may cost you objectivity in investment advice. When an adviser recommends a product that generates a commission for her or him, he or she can hardly avoid a conflict of interest.

Registered Investment Advisers

A financial planner who pays a fee to register with the Securities and Exchange Commission may use the title of Registered Investment Advisor (RIA). An RIA will frequently arrange with financial investment companies like TIAA and Fidelity for their investment advisory fees to be paid directly from their clients' retirement account accumulations. This type of arrangement does not mean that the RIA is affiliated with TIAA or Fidelity or connected in any way to the U-M retirement plans.

Professional Designations

Professional designations vary in their requirements. For example, a Chartered Financial Analyst — awarded by the Institute of Chartered Financial Analysts — must have a bachelor's degree, pass three exams and have at least three years' experience in the field. A Certified Financial Planner — awarded by the CFP Board of Standards — must complete a financial planning education program, pass one comprehensive exam, have related work experience and fulfill a biennial continuing education requirement.

Consult a directory of professional associations, such as the National Association of Personal Financial Advisors or the Institute of Certified Financial Planners (CFP), to find members in your area.

Reviewing Candidates

Consult your lawyer, accountant, or other professionals for recommendations on financial planners. Friends and business associates also can be good referral sources. Narrow your list of planners to those with the strongest credentials and highest recommendations. Interview your choices by phone. Do not hesitate to ask tough questions

about the planner's education and experience, fees, services, regulatory compliance and references.

Make sure the person you are considering is the one who will actually create your financial plan. If someone else will be working on your portfolio, you need to check his or her qualifications, as well.

If the planner charges a commission, ask for the SEC's Form ADV, which describes the planner's practices, history, qualifications and potential conflicts of interest. It also discloses any legal or financial troubles the planner may have had. You probably should not entrust your finances to any planner who does not fully answer all questions and provide the disclosure form.

If you have found several promising candidates, meet them in person and assess your comfort level: Do you really trust them, do they answer your questions clearly and thoroughly, and do they ask pertinent questions about your goals? Most planners don't charge for this initial interview.

To further research the background of financial planners, call the organizations from which they received their designations. The SEC has records of any disciplinary actions brought against planners.

Preparing for a Meeting

There are a number of factors to consider as you prepare for your first planning meeting so you can feel confident and get the most out of your session. You may wish to:

- List your financial goals in order of importance.
- Educate yourself about money matters through free financial seminars, local classes, or online financial calculators.
- Gather your financial records, including copies of all recent financial statements and information about any stocks, bonds, mutual funds, real estate and life insurance you own.
- Think carefully about your retirement goals, including the age at which you hope to retire, what sources of income you can expect in retirement, and what standard of living you hope to maintain after you stop working.
- Be ready to talk about financially protecting your loved ones in the event that you become disabled or pass away.
- Think about your risk tolerance when it comes to investing your money.

Working with a Planner

- Always get your planner's advice in writing.
- Check financial statements to make sure the planner is following your instructions.

- Never agree to any investment that you do not understand.
- Do not sign anything you have not fully reviewed.
- Keep educating yourself, so you can tell good financial advice from bad.

Society of Financial Service Professionals
(800) 392-6900 | national.societyoffsp.org

National Association of Personal Financial Advisors
(800) 366-2732 | napfa.org

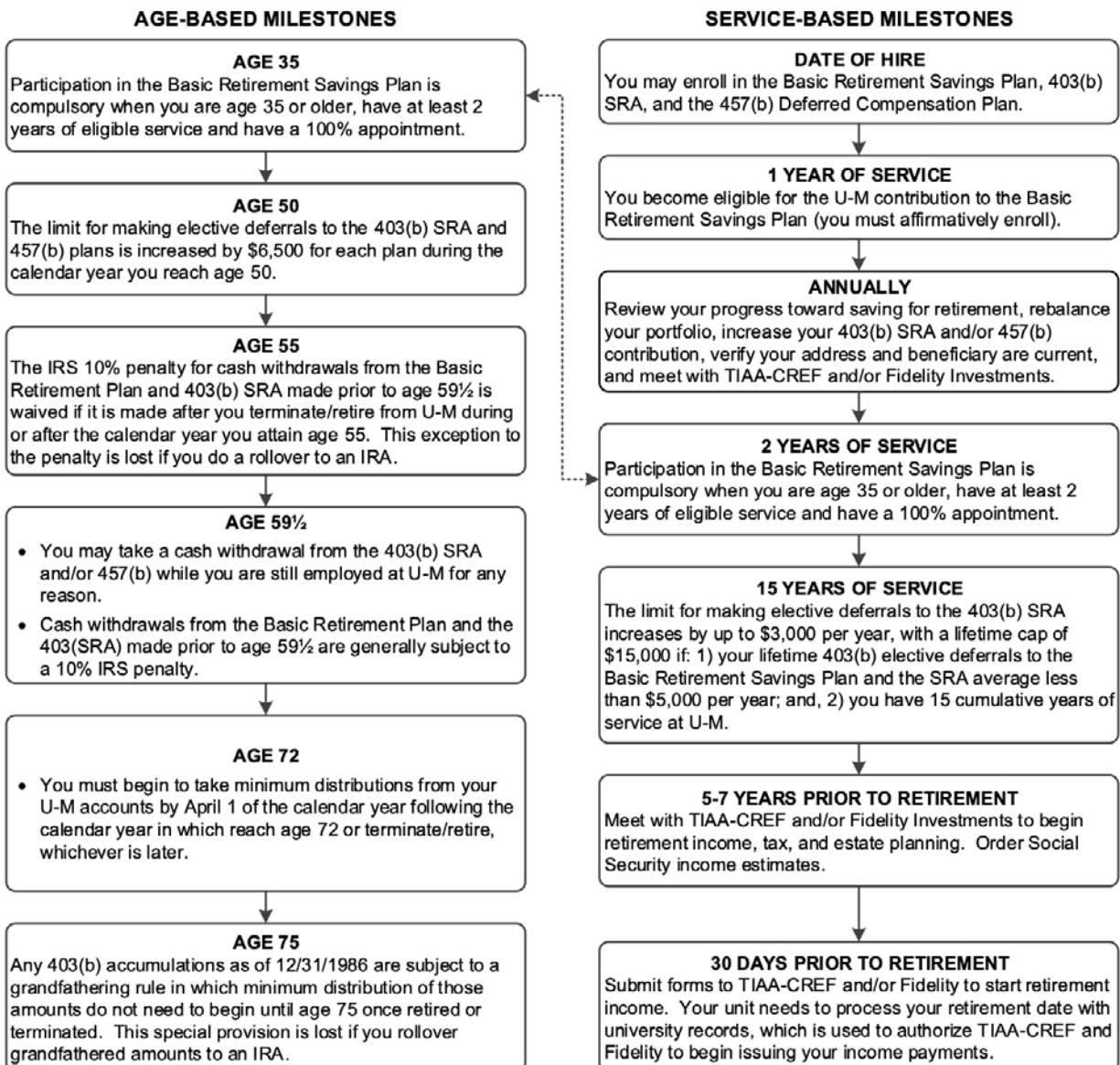
U. S. Securities and Exchange Commission
(202) 942-8088 | sec.gov

Additional Resources

Financial Planning Association
(800) 322-4237 | plannersearch.org

Milestones on Your Road to Retirement

Successful retirement planning is an important and continuous task. The following are some milestones and points of interest along the road to retirement that apply to the U-M Basic Retirement Savings Plan and 403(b) SRA; some do not apply to the 457(b) plan while others do. Not every situation is addressed in this chart and your circumstances, retirement and estate planning issues may be different. This is not intended to constitute tax, legal or investment advice. You should consult with qualified financial, tax, and legal consultants as it pertains to your situation.



Life Events

Divorce and QDRO

Transferring Retirement Assets to an Alternate Payee Pursuant to QDRO

The following information is provided for informational purposes only and is not intended to constitute legal advice or to encompass all aspects of a Qualified Domestic Relations Order (QDRO). Your specific circumstances may vary and QDRO requirements may differ according to the state of jurisdiction of the divorce. You should consult with a qualified legal adviser.

Where to Request Information

A subpoena or other request to obtain information relevant to the preparation of a QDRO must be directed to the appropriate investment company. Be sure to include the plan record keeping numbers when interacting with TIAA and Fidelity Investments regarding requesting information and processing the QDRO (see page 45).

TIAA and Fidelity Investments are the Record-keepers

The University of Michigan is not the custodian of the records for the U-M 403(b), 401(a), and 457(b) plans.

TIAA and Fidelity Investments are the record-keeping agents. Contact TIAA and/or Fidelity when requesting the following types of information:

- Account balance
- Account activity (ex. if there are any outstanding loans)
- Confirmation of the beneficiary designation
- Copies of account statements
- Contribution history

A subpoena for this information must specifically name the investment company and be sent directly to them at the following addresses:

TIAA

P.O. Box 1259 | Charlotte, NC 28201 | (800) 842-2776

Fidelity Investments

P.O. Box 770002 | Cincinnati, OH 45277 | (800) 343-0860

Confirmation of Enrollment and Investment Company

The U-M faculty or staff member or former faculty or staff member that is a party to a QDRO is required by law to disclose to the alternate payee if they are or were enrolled in any of the U-M retirement plans and

to confirm if they participated with TIAA and/or Fidelity Investments.

U-M Information Available Online

- Description of each plan type, including terms and conditions
- Eligibility for participation and contributions
- Eligibility for distributions, cash withdrawals, and loans
- Plan handbook

Preparing and Processing the QDRO

The University of Michigan does not review QDROs to determine validity, process them, or give advice on their preparation. TIAA and Fidelity Investments perform these functions on behalf of the university. You, your legal representative, and the alternate payee (typically the ex-spouse) may speak with TIAA and Fidelity to seek advice on preparing the QDRO, request forms, and ask questions about the process to transfer the retirement account assets according to the terms of the QDRO.

Send a **certified** copy of the QDRO that has been dated and signed by the court (it cannot be signed by your or your attorney) to the appropriate investment company:

TIAA

P.O. Box 1259 | Charlotte, NC 28201 | (800) 842-2776

Fidelity Investments

P.O. Box 770002 | Cincinnati, OH 45277 | (800) 343-0860

IMPORTANT: It is your responsibility to ensure the QDRO meets all requirements legally necessary to be valid and enforceable, and to comply with all provisions required by TIAA and/or Fidelity to process it.

The QDRO will not be processed if it is not properly prepared or is invalid. It is your responsibility to have it corrected, amended, and reissued through the courts to be compliant in order to proceed further.

Guidance for U-M Faculty and Staff

If you are the U-M faculty or staff member or a former faculty or staff member currently or previously enrolled in one or more of the 403(b), 401(a) or 457(b) plans and you are involved with a QDRO, typically your role is to transfer assets assigned to the alternate payee according to the terms of the QDRO.

You and your attorney/legal representative may contact TIAA and/or Fidelity Investments for assistance for the following:

- To find out the requirements for a QDRO to be valid
- To understand the process to transfer the retirement assets to the alternate payee

- To request forms
- To request a consultation in preparing the QDRO

Forward a certified copy of the QDRO to the appropriate investment company. This step may be completed by either the alternate payee or the U-M faculty or staff member. The QDRO must be signed and dated by the court; it is insufficient to send a copy signed by yourself or your attorney or legal representative. TIAA and/or Fidelity determine if the QDRO is valid and can be processed. You will be advised if the QDRO is incomplete or incorrect, and it will not be processed. As a result, you will need to have the QDRO corrected, amended, and reissued through the courts to be compliant in order to proceed further.

If the QDRO meets all necessary requirements to be valid, the retirement account assets assigned by the QDRO can be transferred to the alternate payee once he or she has opened an account. The alternate payee may then take a distribution or roll over the assets (rollover requires another form) at any age or leave the money in his or her account.

Guidance for Alternate Payees (Ex-Spouses)

If you are the Alternate Payee (typically the ex-spouse) named in a QDRO involving a U-M faculty or staff member (either a current or former faculty or staff member enrolled in one or more of the 403(b), 401(a) or 457(b) programs), typically your role is to secure the assets assigned to you according to the terms of the QDRO.

You and your attorney/legal representative may contact TIAA and/or Fidelity Investments for assistance with the following:

- To find out the requirements for a QDRO to be valid
- To understand the process to transfer the retirement account assets
- To obtain account balance and other information relevant to the preparation of the QDRO
- To request forms to open an account in your name so assets assigned in the QDRO have a destination account ready to accept the transfer of assets
- To request a consultation in preparing the QDRO

Forward a certified copy of the QDRO to the appropriate investment company. This step may be completed by either the alternate payee or the U-M faculty or staff member. The QDRO must be signed and dated by the court; it is insufficient to send a copy signed by yourself or your attorney or legal representative. TIAA and/or Fidelity determine if the QDRO is valid and can be processed. You will be advised if the QDRO is incomplete or incorrect and it will not be processed. As a result, you will need to have the QDRO corrected, amended, and reissued through the

courts to be compliant in order to proceed further. Request a QDRO kit to apply for the transfer of accumulations as well as an account application so the transferred accumulations will have a destination account established when the QDRO is processed. Return the account applications, the alternate payee forms, and a certified copy of the QDRO that has been dated and signed by the court to the investment company.

The investment company opens your account as the alternate payee and transfers assets from the U-M faculty or staff member account to your account according to the terms of the QDRO. You may then take a distribution or roll over the assets (this requires another form) or leave the money in the account.

Frequently Asked Questions

What is a QDRO?

The term QDRO (Qualified Domestic Relations Order) refers to a court order that is made under a state's domestic relations law or community property law. It typically deals with property rights, alimony, or child support.

What makes a court order a QDRO?

A QDRO is a domestic relations order that must include several elements to be valid and to assign benefits from the U-M faculty or staff member to an alternate payee. These requirements can be different in order to apply to a governmental 457(b) plan. Consult with a qualified legal adviser.

Can a QDRO extend to a retirement plan?

Yes. A QDRO may involve assigning all or a portion of a participant's retirement plan account accumulations to an alternate payee.

Who is an alternate payee?

An alternate payee is typically the participant's spouse or ex-spouse, but can be another person such as a child or other dependent. A QDRO may also name more than one alternate payee.

What role does the university play in determining if an order is a valid QDRO?

None. TIAA and Fidelity Investments perform this function on behalf of the University. Do not send a QDRO to the University of Michigan; forward it directly to the appropriate investment company for handling.

I'm a party to or am involved in a QDRO. Where can I obtain information, account balances, forms, or get assistance preparing the QDRO?

Contact TIAA and Fidelity Investments, as they serve as the custodian of the records for the U-M Retirement Plans. Consultants can answer questions on the steps involved in a QDRO, forms needed to transfer

accumulations, and assistance in the process. Please note that the university does not have information such as account balances and designated beneficiaries.

Where can I obtain information about the features of the retirement plan, such as availability of withdrawals, rollovers, and transfers?

Such information is in this document. See the Table of Contents.

Is the University of Michigan Retirement Plan subject to Title I of ERISA?

No. The University of Michigan Retirement Plan is a governmental plan and is not subject to Title I of ERISA (Employee Retirement Income Security Act), the federal law that includes provisions on the administration of a QDRO.

How does a QDRO apply to the U-M Plan if it is not subject to Title I of ERISA?

Like many governmental plans, the University of Michigan will accept a valid QDRO.

How does a QDRO assign benefits in a retirement plan?

A valid QDRO must meet several requirements in order to be valid. For example, it must be a court order and not a private agreement. In addition, several pieces of information must be stated in the QDRO regarding the assignment of a participant's retirement plan benefits or accumulations. These include the person who will receive the benefits or rights to the benefits (called an alternate payee) and the amount of the participant's account to be assigned.

Failure to meet these requirements can result in severe tax consequences and tax penalties to the U-M faculty or staff member. Consult with a qualified legal adviser for more information on the requirements to create a valid QDRO.

Once a QDRO has been established, a certified copy should be forwarded to the appropriate investment company (TIAA and/or Fidelity Investments). The participant or the alternate payee can do this. Each investment company has its own process to determine if the QDRO is valid and will send a kit to the alternate payee to set up his or her own account. The assets are then transferred per the terms of the QDRO to the alternate payee's account.

When can alternate payee cash out or roll over accumulations obtained through a QDRO?

At any age. There are no plan restrictions to alternate payees on withdrawals and rollovers.

Who has to submit the QDRO to TIAA and/or Fidelity?

Either the alternate payee or the university faculty or staff member involved in the divorce may send the QDRO to

TIAA and/or Fidelity Investments as part of the process to transfer the retirement account assets. Specific requirements must be met for the QDRO to be valid, and additional forms from the alternate payee are needed for the transfer and any subsequent rollover or distribution.

Military Leave of Absence

After you return from a military leave of absence, you are allowed to make extra voluntary contributions to the retirement plans to make up for those you missed during the leave. This option is provided under the Uniformed Services Employment and Reemployment Rights Act (USERRA) for plans you were participating in prior to your leave. It is completely voluntary to make up missed contributions, and you may choose to make up the total amount, a portion of it, or none at all.

Missed contributions are calculated at the rate of contribution in effect immediately before your leave. You have up to three times the length of the leave to make the extra contributions, capped at five years, under a special exemption that allows you to exceed the IRS limit that normally caps 403(b) and 457(b) contributions.

To make up the missed contributions:

1. Upon your return from your military leave of absence, call the SSC.
 - Call 5-2000 from the Ann Arbor Campus, (734) 615-2000 from the local Ann Arbor area, or (866) 647-7657 for toll-free long distance.
 - The SSC is open Monday - Friday, 8 a.m. - 5 p.m.
2. Your contribution and leave data will be examined to determine how much you are eligible to make up.
3. A Retirement Specialist will work with you to discuss the total amount to be made up, the length of time you want to make it up, and the amount of the extra contributions to be taken in each paycheck.

Options When You Leave U-M

1. Leave Your Money Where It Is

By leaving the accumulations in your U-M retirement savings plan, you postpone paying taxes on the contributions and earnings until you decide to take a distribution at a later date. The accumulations will continue to experience the investment performance of your chosen funds. In addition:

- You will have access to the many services TIAA and Fidelity offer to participants, such as free publications, workshops, individual counseling, and their expert investment of your funds.
- You can transfer your money between funds within TIAA or Fidelity.
- You can transfer money between TIAA and Fidelity.

2. Roll Over Your Accumulations

You may roll over your contributions and earnings to an IRA or to another eligible retirement plan at any age once you have retired or terminated employment. University contributions and earnings may be rolled over at age 55 or older once you have terminated employment or at any age as an official university retiree (see SPG 201.83). However, you may lose important tax benefits, such as the exemption to the IRS early withdrawal penalty. Consult with a qualified tax adviser.

3. Take a Cash Withdrawal

Partial, total, and systematic cash withdrawals allow you to receive income only as you need it and provide a high degree of flexibility. Your remaining accumulations continue to be tax-deferred until you take a distribution, and will continue to experience the investment performance of your chosen funds. Keep in mind the following:

- Income tax is due on cash withdrawals.
- Your contributions and earnings are available for cash withdrawal at any age once you have terminated employment with the University.
- The U-M contribution is available for cash withdrawal if you are age 55 or older.

4. Start an Annuity with TIAA

There is absolutely no requirement that you must choose an annuity from TIAA. However, when you leave your employment with the university, you may choose to receive a lifetime annuity from TIAA at any age. The amount of the annuity will be calculated based on variables such as your life expectancy, your age at the time the annuity option is taken, and whether a spouse-survivor option is chosen. Ask TIAA to calculate various scenarios for you; they will prepare the income projections at no charge. Alternatively, you may create your own custom income illustrations at the TIAA website.

5. Take Required Minimum Distributions

TIAA and Fidelity pay you the minimum amount of income you are legally required to take each year by the IRS under this payment program. The balance of your accumulations remains tax-deferred and continues to experience the investment returns of your chosen funds.

Your Retirement Income Options

TIAA Income Options

Lifetime Annuities

A lifetime annuity is the only income option that is guaranteed to last as long as you live. You can start a TIAA one-life or two-life annuity at any age once you

have terminated employment with the University of Michigan. If you are on phased retirement, you may start a lifetime annuity of up to 99% of accumulations. A lifetime annuity may be appropriate if you want a regular income to replace your salary once you have retired. It is also an irreversible arrangement. Once you begin receiving payments, you can't stop them.

One-Life Annuity

With a one-life annuity, you receive an income for as long as you live. At your death, payments can continue to a designated beneficiary if you include a guaranteed period.

Two-Life Annuity

This option pays lifetime income to you and an annuity partner (spouse or any other person you name) for as long as either of you live. At the death of both you and your annuity partner, payments can continue to your designated beneficiary if you include a guaranteed period. TIAA offers three kinds of two-life annuities. All three are available to you if your spouse is your annuity partner; otherwise, your annuity partner's age might restrict the use of some options.

- **Full Benefits to Survivor.** You and your annuity partner receive lifetime income. The income to your survivor doesn't change at your death. This is the only option that doesn't reduce income for the survivor when the annuitant dies. However, since it pays more to the surviving partner than the other two options listed below, the income payments are smaller.
- **Half Benefit to Second Annuitant.** You and your annuity partner receive lifetime income. If your annuity partner dies first, your income remains the same. If you die first, payments to your annuity partner continue at half the amount.
- **Two-Thirds Benefit to Survivor.** You and your annuity partner receive lifetime income. At the time of your death or your annuity partner's death, income drops to two-thirds of the amount to the survivor. This is the only two-life annuity option that reduces your monthly income if your annuity partner dies first.

Guaranteed Periods

With a guaranteed period, if you die (under the one-life option) or both you and your annuity partner die (under the two-life option) during the guaranteed period, income continues to your beneficiary for the remainder of the period. If you and your partner both outlive the guaranteed period, no payments will be made to your beneficiaries when you and your annuity partner die. TIAA offers guaranteed periods of 10, 15, or 20 years. In some cases, federal tax law affects your choice of a guaranteed period. You are generally not allowed to select a period that would continue payments beyond your life expectancy, based on the Internal Revenue Service's mortality tables.

TIAA Traditional Transfer Payout Annuity

You may start receiving income from your contributions and earnings under the TIAA Traditional Transfer Payout Annuity at any age once you have terminated employment. University contributions and earnings may be turned into income once you have terminated employment and have reached age 55 or older, or at any age if you have officially retired from U-M.

This option allows you to take distributions from TIAA Traditional accumulations in the Basic Plan in annual installments over 9 years. Each year, you'll receive about 10% of the total amount you chose to withdraw. In addition, you can convert the value of your remaining payments to lifetime annuity income at any time. If you die while receiving income under the TIAA Traditional Transfer Payout Annuity, your beneficiaries can either receive the income for the rest of the period or take the commuted (discounted) value of the remaining payments in a lump sum.

TIAA Traditional Interest Payment Retirement Option (IPRO)

This option provides monthly payments drawn only from the current interest credited to your TIAA Traditional accumulation in the Basic Plan. Since only the interest is paid to you, your accumulation remains untouched. This option is available to those who are age 55 to 69½ and have terminated employment, retired, or faculty and staff on phased retirement. After age 69½, you can choose it only if you are on phased retirement and plan to continue working for at least another year. In general, you must convert from the interest-only option to a lifetime annuity, a fixed-period annuity, or the Minimum Distribution Option by April 1 following the year you turn 72 (70½ if you were 70½ by Dec. 31, 2019) — if you are no longer working — or following the year you retire or terminate, whichever is later.

Fixed-Period Annuity

You may begin receiving income from your contributions and earnings under a fixed-period annuity at any age once you have terminated employment. University contributions and earnings may be turned into income once you have terminated employment and have reached age 55 or older, or at any age if you have officially retired from U-M.

A fixed-period annuity makes regular payments over a specific number of years (generally 2-30 years), which you choose in advance. By the end of the period, you will have received all of your principal and any earnings. If you live beyond this period, your annuity payments will not continue. If you die during the payment period, payments continue to your beneficiary. Fixed-period annuity payments of less than 10 years are subject to 20% federal tax withholding, and may also be rolled over.

TIAA and Fidelity Income Options

Cash Withdrawals

You may elect a cash withdrawal of your contributions and earnings at any age once you have terminated employment. The university's contributions and earnings are available for a cash withdrawal at age 55 or older. Faculty and staff who have officially retired from the university may take a withdrawal of all earnings and contributions regardless of age. There are three types of cash withdrawals:

Single-sum (partial) Cash Withdrawal

You withdraw a portion of your accumulations and allow the balance to remain in the account to preserve its tax-deferred status. You may take further withdrawals as your needs indicate or convert the balance into one of the other income options.

Lump-sum (total) Cash Withdrawal

If eligible, you may elect to receive your entire account balance in a single, lump-sum payment. However, this may dramatically increase your tax liability and there will be no further income benefits available to you from the plan.

Systematic Cash Withdrawals

This allows you to create your own income plan by specifying the amount and frequency of payment (monthly, quarterly, annually, etc.). Payments continue until:

- You tell TIAA or Fidelity to stop.
- You change the amount of the payments.
- You convert the remaining accumulation to a lifetime annuity or to another income option such as minimum distribution.
- Your money (including earnings) runs out.
- You die. (If you die while receiving systematic withdrawals, the remainder goes to your beneficiary.)

You can change your request at any time, and there's no limit as to the number of times you can change a systematic withdrawal that's already underway. Plus, your remaining accumulations remain tax-deferred and continue to experience the investment returns of your chosen funds. It also allows you to postpone final decisions about annuitization.

Required Minimum Distributions

The IRS requires that you begin receiving distributions from your retirement plan by April 1 of the calendar year following the calendar year you reach age 72 (age 70½ if you reached 70½ by Dec. 31, 2019) once retired or terminated. If you are already older than 72 (age 70½, if applicable) when you retire or terminate, then you must take a distribution by April 1 of the following year. Any 403(b) accumulations that accrued as of Dec. 31, 1986 are

grandfathered under a special rule. Distributions of these amounts do not have to begin until age 75 once retired or terminated. This special rule does not apply to 401(a) or 457(b) accumulations.

When you elect this option, TIAA and Fidelity will calculate and pay you the minimum amount of income you are legally required to take each year. The balance of your accumulations remains tax-deferred and continue to experience the investment

returns of your chosen funds. This plan allows you to meet federal minimum distribution requirements without having to request payments each year or start a lifetime annuity. This may be an appropriate income plan if you want to preserve your accumulations as long as possible and maximize benefits for your beneficiaries.

Record Keeping Numbers

TIAA and Fidelity Plan Numbers

TIAA and Fidelity assigned record keeping numbers that identify and distinguish the Basic Retirement Plan, 403(b) SRA and 457(b) plans from each other. You will be asked to supply the plan numbers when you enact a cash withdrawal, a rollover, an assignment of assets to an alternate payee pursuant to a QDRO, or a direct transfer.

These numbers are used to identify for which plan you are enacting a transaction (i.e., from which plan you are taking a cash withdrawal into which plan you wish to roll over assets from a previous employer's retirement plan, etc.).

Plan Name and Types of Contribution in the Plan	TIAA Plan Number	Fidelity Investments Plan Number
University of Michigan 403(b) Basic Retirement Plan <ul style="list-style-type: none"> Your contribution as a voluntary participant on all eligible earnings Your contribution on earnings up to the FICA wage base (\$147,000 for 2022) if you are a compulsory participant (you are age 35 or older, have at least two years of service as a regular faculty or staff member, and have a 100% appointment) All U-M contributions made through June 30, 1989 	101010	72104
University of Michigan 401(a) Basic Retirement Plan <ul style="list-style-type: none"> Your contribution on earnings exceeding the FICA wage base if you are a compulsory participant in the plan effective July 1, 1989 or later All U-M contributions effective July 1, 1989 and later 	101011	86503
University of Michigan 403(b) Supplemental Plan (SRA) <ul style="list-style-type: none"> An elective deferral you make as a fixed-dollar amount There are no U-M contributions in this plan 	101013	72103
University of Michigan 457(b) Deferred Compensation Plan <ul style="list-style-type: none"> An elective deferral you make as a fixed-dollar amount There are no U-M contributions in this plan 	101012	66806

Prepared by
Benefits Administration Office

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Ann Arbor, MI 48109-1278

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Fax (734) 936-8835 | hr.umich.edu/benefits-wellness

*The Benefits Office is a unit of University
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July 2022

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