

# What You Need to Know: UK's Retirement Plan



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## INTRODUCTION

The University of Kentucky Retirement Plan (“The Plan”) is designed to help you accumulate the funds needed for a comfortable future. The Plan offers you a variety of choices, during your working years as well as in retirement. Thus, you may customize your savings to meet your financial objectives and personal situation.

Both you and the University make contributions to The Plan, and you control how these contributions are invested. You can direct your contributions among two retirement investment companies:

## FIDELITY INVESTMENTS

Call (800) 642-7131 for an appointment with an individual retirement counselor or (800) 343-0860 for general information  
[www.fidelity.com](http://www.fidelity.com)

## TIAA

Call (859) 224-6900 for an appointment with an individual retirement counselor or toll-free at (800) 842-2776  
[www.tiaa-cref.org/moc](http://www.tiaa-cref.org/moc)

If you wish to use both of these companies, you may divide your contributions among them. For questions about investment options and account information, please contact the retirement investment companies at the phone numbers above.

*Please note: There are inherent risks to investing in securities. Past performance is no guarantee of future results. Investment return and principal value will fluctuate. Thus, an investor’s shares, when redeemed, will be worth more or less than the original cost.*

**IMPORTANT:** All policies contained herein are subject to review and periodic revision. Reviews of policies may occur as new circumstances arise, as new laws and regulations are enacted, and as employees identify and present concerns. Please consult Human Resources for the [most current retirement policies](#) and [health plan policies](#).

## PARTICIPATION

Regular full-time employees and Residents of the University are eligible to participate in the University of Kentucky’s Basic Retirement Plan. Participation is mandatory upon attainment of age 30, unless the position is eligible for Civil Service Retirement Plan (CSRP) Participants or Federal Employees Retirement System Participants (FERS). Participation in the University retirement plan for employees eligible for CSRP or FERS is voluntary.

Participation is voluntary for all eligible participants in the University retirement plan prior to age 30. An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

**BASIC 403(b) PLAN CONTRIBUTION RATES AS OF JULY, 2009**

1. All eligible participants other than FERS:

<b><u>By the Participant</u></b>	<b><u>By the Institution</u></b>	<b><u>Total</u></b>
5%	10%	15%

2. FERS Participants:

<b><u>By the Participant</u></b>	<b><u>By the Institution</u></b>	<b><u>Total</u></b>
1%	2%	3%

**ADDITIONAL VOLUNTARY CONTRIBUTIONS**

Regular or temporary full-time or part-time employees are eligible to participate in the voluntary 403(b) plan and the 457(b) plans. The amount you may contribute is limited by the Internal Revenue Code. The annual limits may be accessed by clicking on retirement limits. This amount is in addition to your basic 5% employee contribution. Other limits may apply. For details, please call the Employee Benefits Office at (859) 257-9519, and press option 3.

**VESTING SCHEDULE**

You are vested in the University's Basic Retirement Plan if you meet the vesting requirements below. This means contributions made by you and the University on your behalf are yours to keep.

The vesting period is:

- a. Immediate for employees who commenced employment with the University before January 1, 2010;
- b. Five (5) years of service to the University for employees who commenced employment with the University on or after January 1, 2010 but separated prior to January 1, 2013;
- c. Three (3) years of service to the University for employees who commenced employment with the University on or after January 1, 2010 and were still employed as of January 1, 2013;
- d. Three (3) years of service to the University for employees who commenced employment with the University on or after January 1, 2013.

This means if you separate with less than 3 years of service, you will forfeit the

University's 10% match. However, your 5% contributions are yours to keep.

### **TAX DEFERRAL OF CONTRIBUTIONS**

Federal and state income taxes are deferred on all contributions made by you and the University and all earnings credited to your Plan accounts. You pay no taxes on these amounts until you begin receiving income from The Plan. This can mean more dollars in your account, as well as tax savings if you are in a lower tax bracket when you retire.

You may also elect to contribute to a voluntary Roth 403(b) account. Your contributions are made after taxes but you pay no taxes when you receive income from a Roth 403(b) account. You never pay tax on the earnings if you meet the criteria established by the IRS for Roth 403(b) Plans. To contribute on a tax-deferred basis, you must enter into a Salary Reduction Agreement with the University. The total amount you may tax-defer is limited by the Internal Revenue Code.

### **LOANS**

Loans are available for active employees enrolled in the University's 403(b) or 457(b) retirement plan. Employees may borrow up to 50% of the entire balance in their 403(b) or 457(b) account with Fidelity or up to 45% with TIAA. The maximum and minimum amount allowed by the IRS is \$50,000 and \$1,000 respectively. Employees hired after July 1, 2015 will be able to borrow from their employee contributions only. No more than 3 loans are available at any one time. Additional information is available by calling TIAA at (800) 842-2776 or Fidelity at (800) 343-0860.

### **ENROLLMENT IN THE PLAN**

#### **Two Enrollment Options: Online or Paper**

Please note: You will need the Social Security numbers and birthdates of your beneficiaries before completing forms online or by paper.

#### **Online Enrollment**

When enrolling online via [myUK](#) (Employee Self Service), you must click the "information" tab located on the retirement carrier's "Plan Details" page before you click the "Add to Selection" button. This will open a separate browser window in which you may create your account with the retirement carrier. (You may access online instructions for completing your application process by clicking on the carrier's name: Fidelity and TIAA). Fidelity's direct link to enroll is <https://nb.fidelity.com/public/nb/uk/home>

TIAA's direct link to enroll is <https://www.tiaa.org/public/land/university-kentucky-retirement-program-webportal>

You will need plan numbers for Fidelity when enrolling online. TIAA plan numbers are already entered in for you. Fidelity group numbers:

Basic 403(b):	53020
Voluntary 403(b):	93327
Voluntary 457	71021

## Paper Enrollment

Enrollment in each plan requires you to complete the University of Kentucky [Salary Reduction Authorization and Distribution Form](#). Instructions are on the back of the form.

Each retirement company has its own application form. Complete only the forms for retirement carriers that will be receiving retirement contributions. Elections should total 100%. You may select Fidelity or TIAA or a combination of the two retirement plan carriers. All forms must be returned to the retirement office and completed in ink. Please sign all appropriate forms where designated.

<b>IMPORTANT: DO NOT MAIL APPLICATIONS DIRECTLY TO CARRIER(S)</b>
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ALL ENROLLMENT FORMS – The [University of Kentucky Salary Reduction Authorization and Distribution Form](#) and the retirement plan carrier's enrollment form(s) must be returned to the Retirement Office, 112 Scovell Hall, Lexington KY 40506-0064. Enrollment forms can be found on the forms page: <https://www.uky.edu/hr/forms/benefits>

### Fidelity Account Application

- [Basic 403\(b\)](#) – An application must be completed with personal information, investment selection, and beneficiary designations.
- [Voluntary 403\(b\)](#) – If an existing Basic 403(b) account exists, no new enrollment form is required; just the Voluntary Salary Reduction or Deduction Authorization Form.
- [Voluntary 457](#) – All new accounts require an enrollment form regardless of whether there is an existing 403(b) account.

### TIAA Application

- [Basic 403\(b\)](#) – An application must be completed with personal information, investment selection, and beneficiary designations.
- [Voluntary 403\(b\) & 457](#) – All new accounts require an enrollment form regardless of whether there is an existing Basic 403(b) account.

CONTRIBUTIONS WILL NOT BE PROCESSED IF INCOMPLETE FORMS ARE SUBMITTED OR RETIREMENT ACCOUNTS ARE NOT SET UP THROUGH MYUK/ESS IF CHOOSING ONLINE ENROLLMENT.



## Fidelity

### ACCUMULATING BENEFITS: INVESTMENT OPTIONS CHOOSING YOUR INVESTMENT OPTIONS

You have the choice of investment options when enrolling in The Plan. After you enroll in The Plan, you may change your investment of current and future contributions among various investment choices. Investments are composed of three groups – stocks, bonds, and fixed income classes. You will want to diversify and have your investments in these classes based on your risk tolerance and, more importantly, the length of time you will be working and making contributions. The University offers a tiered investment menu designed to offer choice and serve all employees: those who seek simplicity and those who require a variety of high-quality options.

#### Tier 1

##### Lifecycle Funds:

##### Fidelity Freedom Funds

With Freedom Funds, you simply decide on the date you expect to retire and pick the fund closest to that year. So, for example, if you plan to retire in 2034, you would choose the Fidelity Freedom 2035 Fund. Fidelity provides the investment mix generally considered appropriate for your stage of retirement planning and adjusts it regularly from more aggressive to more conservative as your retirement date approaches. Tier 1 funds are indexed, meaning they are constructed to follow the movements of a market index.

Fidelity Investment Option Name	Ticker Symbol	Morningstar Category
Fidelity Freedom® Index Income Fund	FFGZX	Retirement Income
Fidelity Freedom® Index 2005 Fund	FFGFX	Target Date 2000-2010
Fidelity Freedom® Index 2010 Fund	FFWTX	Target Date 2000-2010
Fidelity Freedom® Index 2015 Fund	FIWFX	Target Date 2011-2015
Fidelity Freedom® Index 2020 Fund	FIWTX	Target Date 2016-2020
Fidelity Freedom® Index 2025 Fund	FFEDX	Target Date 2021-2025
Fidelity Freedom® Index 2030 Fund	FFEGX	Target Date 2026-2030
Fidelity Freedom® Index 2035 Fund	FFEZX	Target Date 2031-2035
Fidelity Freedom® Index 2040 Fund	FFIZX	Target Date 2036-2040
Fidelity Freedom® Index 2045 Fund	FFOLX	Target Date 2041-2045
Fidelity Freedom® Index 2050 Fund	FFOPX	Target Date 2046-2050
Fidelity Freedom® Index 2055 Fund	FFLDX	Target Date 2055
Fidelity Freedom® Index 2060 Fund	FFLEX	Target Date 2060
Fidelity Freedom® Index 2065 Fund	FFIKX	Target Date 2065+

## Tier 2

### Core Investment Options:

This tier includes a limited menu of mutual funds that invest primarily in the three major asset classes (stocks, bonds, and short-term investments). These funds were reviewed and selected by the University based on information provided by Fidelity Investments. You may want to consider these options if you are comfortable diversifying your investments (choosing a mix of stocks, bonds, and short-term investments to minimize your risk) on your own or with the assistance of an investment advisor and/or asset allocation tools. The core investment options are monitored by the University, and may change based on performance measures over time.

Fidelity Investment Option Name	Ticker Symbol	Morningstar Category
Fidelity Government Money Market	SPAXX	US Money Market
Vanguard Short-Term Government Bond Index*	VSBIX	Short Government
Vanguard Intermediate-Term Government Bond	VSIGX	Intermediate Government
Vanguard Long-Term Treasury Bond Index*	VLGSX	Long Government
Vanguard Total Bond Market Index	VBTIX	Intermediate Core Bond
Fidelity Low-Priced Stock K	FLPKX	Mid-Cap Value
Vanguard Equity-Income*	VEIRX	Large Value
CREF Equity Index	QCEQIX	Large Blend
Vanguard Small-Cap Index I	VSCIX	Small Blend
Vanguard Mid Cap Index*	VMCIX	Mid-Cap Blend
Vanguard 500 Index*	VFIAX	Large Blend
Vanguard Developed Markets Index*	VTMNX	Foreign Large-Blend
American Growth Funds of America	RGAGX	Large Growth
Vanguard Emerging Stock-Market Index	VEMIX	International
Alliance Bernstein Discovery Growth Z	CHCZX	Mid-Cap Growth
Fidelity Contrafund K	FCNKX	Large Growth

\* indicates lower-cost Admiral

## Tier 3

### Brokerage Fund Options:

#### Fidelity Brokerage Link

This tier offers you the investment choice and flexibility of a brokerage account. It is a way for you to invest in different options for retirement and to design a portfolio that is uniquely yours. You may want to consider this tier if you are a sophisticated investor who is willing to take on additional risk and you are prepared to assume the responsibility of more closely monitoring this portion of your portfolio. However, if you do not feel comfortable actively managing a portfolio of options beyond those offered through your plan's core investment options, then a self-directed brokerage account may not be appropriate for you.



## TIAA

### Tier 1

#### Lifecycle Options:

This tier consists of Lifecycle Funds, which are professionally managed mutual funds designed for investors who want a simple yet diversified approach to investing. With a Lifecycle Fund, you select the fund that's closest to your expected retirement date. The fund managers then adjust the fund's underlying investments from more aggressive to more conservative as the target retirement date approaches. You may want to consider a Tier 1 option if you prefer a "hands-free" approach to investing and want to leave the portfolio allocation decisions to the fund's professional management team. Tier 1 funds are indexed, meaning that they are constructed to follow the movements of a market index.

Please note that as with all mutual funds, the principal value of a Lifecycle Fund is not guaranteed. Also, the target date of a Lifecycle Fund is an approximate date when investors may begin withdrawing from the fund.

Approximately seven to ten years after a Lifecycle Fund's target date, the fund may merge into the Lifecycle Retirement Income Fund or a similar fund.

#### Tier 1 Lifecycle Options (continued):

<b>TIAA-CREF Investment Option Name</b>	<b>Ticker Symbol</b>	<b>Morningstar Category</b>
TIAA-CREF Lifecycle 2010 Index — Institutional	TLTIX	Target-Date 2000-2010
TIAA-CREF Lifecycle 2015 Index — Institutional	TLFIX	Target-Date 2011-2015
TIAA-CREF Lifecycle 2020 Index — Institutional	TLWIX	Target-Date 2016-2020
TIAA-CREF Lifecycle 2025 Index — Institutional	TLQIX	Target-Date 2021-2025
TIAA-CREF Lifecycle 2030 Index — Institutional	TLHIX	Target-Date 2026-2030
TIAA-CREF Lifecycle 2035 Index — Institutional	TLYIX	Target-Date 2031-2035
TIAA-CREF Lifecycle 2040 Index — Institutional	TLZIX	Target-Date 2036-2040
TIAA-CREF Lifecycle 2045 Index — Institutional	TLXIX	Target-Date 2041-2045
TIAA-CREF Lifecycle 2050 Index — Institutional	TLLIX	Target-Date 2046-2050
TIAA-CREF Lifecycle 2055 Index — Institutional	TTIIX	Target Date 2051-2055
TIAA-CREF Lifecycle 2060 Index — Institutional	TVIIX	Target Date 2051+
TIAA-CREF Lifecycle Retirement Income Index — Institutional	TRILX	Retirement Income

## Tier 2

### Core Options:

This tier includes a limited menu (the funds listed above). These funds were reviewed and selected by the University based on information provided by TIAA. You may want to consider these options if you are comfortable diversifying your investments (choosing a mix of stocks, bonds, and short-term investments to minimize your risk) on your own or with the assistance of an investment advisor and/or asset allocation tools. The core investment options are monitored by the University, and may change based on performance measures over time.

TIAA Investment Option Name	Ticker Symbol	Morningstar Category
CREF Money Market	QCMMIX	Money Market
Vanguard Federal Money Market	VMFXX	Money Market
Vanguard Short-Term Government	VSBI	Short Government
Vanguard Short-Term Treasury Index	VSBSX	Short Government Bond
Vanguard Intermediate-Term	VSIGX	Intermediate Government
Vanguard Long-Term Government	VLGSX	Long Government
Vanguard Total Bond Market Index*	VBIX	Intermediate-Term Bond
Western Asset Core Plus Bond	WAPSX	Bond
CREF Inflation Linked Bond	QCILIX	Inflation Protection Bond
Vanguard Inflation Linked Protection	VTAPX	Inflation Protection
Janus Henderson Stock Balanced	JABNX	Balanced
Alliance Bernstein Discovery Value Z	ABSZX	Mid-Cap Value
Vanguard Equity-Income*	VEIRX	Large Value
Vanguard Small Cap Index*	VSCIX	Small Blend
Vanguard Mid Cap Index*	VMCIX	Mid-Cap Blend
Vanguard Institutional Index*	VINIX	Large Blend
Vanguard Emerging Stick Market Index	VEMIX	International
CREF Equity Index	QCEQIX	Large Blend
Vanguard Developed Markets Index*	VTMNX	Foreign Large-Blend
Alliance Bernstein Growth Discovery Z	CHCZX	Mid-Cap Growth
Vanguard Real Estate Index	VGSLX	Real Estate
CREF Growth	QCGRIX	Large Growth
American Funds Growth Fund of America R6	RGAGX	Large Growth
TIAA Traditional Annuity	Guaranteed Annuity	Guaranteed
CREF Stock Account R3 (Variable Annuity)	QCSTIX	Equity/World Blend
CREF Global Equities R3	QCELIX	World Large Scale
TIAA Real Estate Account (Variable Annuity)	QREARX	Real Estate
CREF Social Choice Account R3 (Variable	QCSCIX	Multi-Asset

\* indicates lower-cost Admiral™ Share

### **Tier 3**

#### **Brokerage Fund Options:**

TIAA Brokerage Window

This tier offers you the investment choice and flexibility of a brokerage account. It is a way for you to invest in different options for retirement and to design a portfolio that is uniquely yours. You may want to consider this tier if you are a sophisticated investor who is willing to take on additional risk and you are prepared to assume the responsibility of more closely monitoring this portion of your portfolio. However, if you do not feel comfortable actively managing a portfolio of options beyond those offered through your plan's core investment options, then a self-directed brokerage account may not be appropriate for you.

#### **How to Invest**

You can allocate all Plan contributions to any one variable annuity or mutual fund or you can divide contributions among any combination of these investment offerings in any number percentage. You enter the percentage of contributions to be directed to each account when you begin participation. You may change your allocation of future contributions at any time. You also may transfer accumulations among annuity and mutual fund accounts.

#### **Making Changes to your Retirement Accounts**

After you enroll in The Plan, you may change your allocation of future contributions between TIAA and Fidelity Investments by contacting the Benefits Office at (859) 257-9519, choosing option 3, and requesting the appropriate forms. To make changes to your contributions to the 457(b) Kentucky Public Employee's Deferred Compensation Authority, you would need to call (800) 542-2667.

You may make transfers among plans as well. To transfer money to or from Fidelity and TIAA, please call the carrier that you wish to transfer to and complete "transfer/rollover" paperwork.

## **REGISTERED INVESTMENT ADVISORS**

University employees may utilize Registered Investment Advisors (RIA) to manage their University retirement account investments. With recent changes to federal guidelines governing employer-based retirement accounts, the University has worked with Fidelity and TIAA to offer this additional option for our employees. Please note that this is a service for which you must pay.

The RIA is registered with the Securities and Exchange Commission (SEC) and/or a state licensing authority as a provider of professional financial management services.

Many experts predict that you will need 70-100% of your annual pre-retirement income each year to meet your expenses in retirement. The RIA can provide the help you will need to ensure you are appropriately managing your investments to achieve your retirement goals. An RIA can:

- Help you set achievable financial and personal goals.
- Provide objective financial advice on your investments.
- Assess your current financial situation by taking a comprehensive look at your assets, liabilities, income, insurance, taxes, and investment and estate planning.
- Develop a realistic and comprehensive plan to help you reach your retirement and other financial goals.
- Provide ongoing monitoring of your savings, investment selections, and asset allocation for all of your accounts.

To get your advisor registered and pay for this service, you complete the Fidelity and/or TIAA Registered Investment Advisor Authorization and Indemnification Form. This form allows you to give Fidelity and TIAA permission to deduct advisor fees directly from your 403(b) account. To obtain a copy of the form, please contact Fidelity at (888) 766-6815 or TIAA at (888) 841-0318.

Remember, you do not have to select an advisor for help with your University retirement accounts. Whether or not to select an advisor is completely your decision. Associates from Fidelity and TIAA continue to provide free on-site, one-on-one consultations and reviews on a monthly basis to assist you with your retirement planning needs. The University is offering this additional resource to help you meet your overall retirement needs. If you would like more information about this service, please contact Fidelity at (888) 766-6815 and TIAA at (888) 841-0318.

## **MONITORING THE VALUE OF YOUR ACCUMULATIONS**

You will receive statements from your retirement carrier, which provide performance information for the previous three months and show the value of your accumulations at the end of each quarter. You may choose to receive a paper statement or to receive statements online.



## PLANNING TO RETIRE

You may request an income illustration from Fidelity and/or TIAA to project retirement income to see if you will have enough money to retire. You also may use either carrier's retirement plan calculator to estimate how much you will need to retire and how close you are to meeting your goal.

Meet one-on-one throughout your career to see if your retirement income will be what you need to allow you to retire on the retirement date you are contemplating.

## RETIREMENT PROCESS: STEP-BY-STEP

### Step 1

If you are considering retirement, you should verify your eligibility for retiree health benefits through the University per AR 3-2. You may request that a Retirement Officer perform a Service Check and/or issue a Service Letter by calling (859) 257-9519 and selecting option 3.

- Normal Retirement is at age 65 or older and eligibility is determined by one of two ways:
  - Employees with 5-15 years of eligible service time may retire with access to the University's retiree health benefits, but without the UK Health Credit (\*Employees hired after 1/1/2006 are not eligible for the UK Health Credit but may have *access* to a UK Retiree Health Plan.)
  - Employees with 15 or more years of eligible service can retire with access to the UK Health Credit toward retirement health benefits.
- Early Retirement is defined as being under the age of 65 and to be eligible you must meet *both* criteria:
  - Your age and years of eligible service must add up to 75 (also known as the Rule of 75).
  - You also must have 15 years of continuous eligible service.

**For information regarding how retirement health premiums are calculated, employees are encouraged to reference [HR Policy and Procedure 94.0](#)**

### Step 2

You may want to review your retirement income options by contacting:

- Fidelity at (800) 343-0860 (to meet with the Fidelity Advisor, call (800) 642-7131).
- TIAA at (800) 842-2776 (to meet with a local TIAA Advisor, you may call

the Lexington office at (859) 224-6900.

### **Step 3**

To proceed with retirement, provide a signed letter of your intent to retire to your department stating your last working day to your department. Your department needs the letter 30 days prior to retirement for normal retirement and 90 days for “early” retirement (see Step 1). Faculty are asked to provide a one semester notice. You also must send a copy to a Retirement Officer.

### **Step 4**

You may schedule an appointment with a Retirement Officer by calling (859) 257-9519 and selecting option 3. The Retirement Officer will review your retirement health benefits, help coordinate necessary paperwork, and answer any questions you may have. You also will learn how your retiree health premiums are calculated.

### **Step 5**

If age 65 or older upon retirement, and working less than 19% (or not at all):

- You must enroll in both Medicare A & B through Social Security. You may call (800) 772-1213 or visit the local Social Security Office at 2260 Executive Dr., Lexington, KY 40505.
- Once you receive your Medicare A & B card, you will complete the UK Medicare Carveout application provided to you by your Retirement Officer and provide a copy of your Medicare Card to 115 Scovell Hall, Lexington KY 40506-0064.

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### **Step 6**

Complete the [Automatic Bank...DIRECT BILL\ACH Form.pdf Draft form](#) which is required to automatically draft your retirement health premiums from a checking or savings account.

### **Step 7**

If you are on the UK Dental Basic or Comprehensive as an employee, you must complete a new dental form choosing one of the UK *Retiree* Dental or Delta Dental plans. Vision coverage may be continued as well. No new vision form needs to be completed.

## Step 8

Other items to consider:

- [HR Policy and Procedure 81.0 Terminal Vacation Pay.](#)
- [HR Policy and Procedure 87.0](#) Conversion of Temporary Disability Leave (TDL), refer to “Conversion for Retirement.”

## PHASED RETIREMENT

Phased retirement is available to staff and faculty employees who have 15 years of regular, full-time service (consecutive service if hired after 7/1/97) and are age 60 or older. These criteria are outlined in [AR 3-2](#). You may contact a Retirement Officer to determine if you meet these criteria.

Phased retirement may be granted for no longer than a three-year period and the full-time equivalency (FTE) must be at least 50% to 80%. This means the employee must work at least 20 hours out of a 40-hour week.

Staff employees who are interested in applying for phased retirement should make the request in writing to their immediate supervisor three months in advance. Faculty should make a request one semester in advance.

Supervisors should discuss the request with the administrator for their area or department. Consideration should be given to the type of position the employee has, the department’s ability to “backfill” the position on a half-time basis and the duration of the agreement. The department may decide not to approve the request. If the department does support the request for phased retirement, it is then submitted for approval to the appropriate Dean, Director Associate Vice President, or Vice President; and then to the Executive Vice President or Provost.

For staff employees: Once your request for phased retirement has been granted, the “[Agreement for Staff Phased Retirement](#)” form should be completed by the department and signed by all parties involved.

The Agreement should cover the employee’s work schedule, FTE, base salary (proportionate to the new FTE), and the length of the phased retirement. Agreements can be renewable but phased retirement cannot exceed 3 years per ARII-16-2.

## RECEIVING BENEFITS

### WHEN YOU CAN BEGIN RECEIVING BENEFITS

You can begin receiving income from The Plan only after (1) you retire; (2) 90 days after you stop working for the University and the “Control Groups” - Kentucky Medical Services Foundation (KMSF) and Central Kentucky Medical Services (CKMS); or (3) you elect Phased Retirement under the criteria listed in ARII-16-2. Although the full retirement age is 65, you may be eligible to retire at an earlier age (early retirement) – see above. Early retirement is allowed if you have at least 15 years continuous service and your service plus your age equal 75 or more.

You may delay starting your retirement income until you stop working, regardless of your age at that time. However, you must begin receiving Plan income by April 1 following the calendar year in which you turn 70 ½, or April 1 of the year following your retirement – whichever is later. In the case of annuity payments, the later you begin to receive them, the larger they will be.

### APPLICATION FOR RETIREMENT INCOME BENEFITS

Procedures for the receipt of benefits are initiated by writing directly to Fidelity and/or TIAA. The University will submit appropriate evidence of termination of employment of a Plan participant to the fund sponsor(s). Benefits will be payable by TIAA or Fidelity upon receipt of a satisfactorily completed application for return of benefits and supporting documents. Fidelity and TIAA will provide the necessary forms to the participant or beneficiary.

### BENEFICIARY DESIGNATIONS

If you die before beginning to receive income from The Plan, the full current value of your accumulation is payable as a death benefit to the beneficiary(ies) named on your application. You may change your beneficiary designations at any time. Keep in mind that instructions in your Will do not supersede the beneficiary designations on the application. The payment may be in any of the following forms:

- a lifetime annuity, with a minimum number of payments guaranteed;
- a fixed-period payment from two to 30 years (not to exceed life expectancy); or
- a lump-sum settlement.

A lump sum will automatically be paid if your beneficiary is an estate, corporation, or any entity other than a person.

You should review your beneficiary designation from time to time. **If you wish to change it, request a “Designation of Beneficiary” form from your retirement plan vendor.** Federal tax law places certain limitations on where and how death benefits are received, which are explained to beneficiaries at the time of a benefit application. If you are married, your spouse is NOT automatically your beneficiary.



## **PAYMENT OPTIONS**

You may receive a lump-sum cash withdrawal after you terminate employment from the University. TIAA Traditional Annuity accumulations may be received only through the Transfer Payout Annuity (TPA), in substantially equal annual payments over a period of 10 years after you terminate employment. Payments made under the TPA are subject to the terms of that contract.

Cash withdrawals may lead to a number of legal and tax implications, including:

- If you receive withdrawals before age 59 ½, you may be subject to the additional 10% tax described on page 7.
- As with most Plan benefits, cash withdrawals (including rollovers of funds into an IRA) are subject to federal minimum distribution rules. These regulations require you to begin receiving principal from the withdrawn amount by April 1 following the calendar year in which you turn age 72, or April 1 of the year following your retirement – whichever is later.

**You may also choose from among several income options when you retire:**

### **SINGLE LIFE ANNUITY.**

This option pays you an income for as long as you live, with payments ending upon your death. A single life annuity provides you with a larger monthly income than other options. This option is also available with a 10, 15, or 20-year guaranteed payment period (but not exceeding your life expectancy at the time you begin annuity income). If you die during the guaranteed period, payments in the same amount that you would have received continue to your beneficiary(ies) for the rest of the guaranteed period.

### **SURVIVOR ANNUITY.**

This option pays you a lifetime income. If your annuity partner lives longer than you, he or she continues to receive an income for life. The amount continuing to the survivor depends on which of the following three options you choose:

- **Two-Thirds Benefit to Survivor.** At the death of either you or your annuity partner, the payments are reduced to two-thirds the amount that would have been paid if both had lived and are continued to the survivor for life.
- **Full Benefit to Survivor.** The full income continues as long as either you or your annuity partner is living.
- **Half Benefit to Second Annuitant.** The full income continues as long as you live. If your annuity partner survives you, he or she receives, for life, one-half the income you would have received if you had lived. If your annuity partner dies before you, the full income continues to you for life.

All survivor annuities are available with a 10, 15, or 20 year guaranteed period, but not exceeding the joint life expectancies of you and your annuity partner. The period may be limited by federal tax law.

## TAXATION OF BENEFITS

Benefits received under The Plan are subject to federal income tax as you receive them. Federal law requires the vendor to withhold income taxes from retirement income benefits, death benefits, and full or partial withdrawals.

An additional 10% tax applies to Plan benefits received before age 59 ½, unless one of the following exceptions applies:

- you retire or leave your employer and begin a lifetime income option;
- you leave employment in, or after, the calendar year in which you attain age 55;
- you have unreimbursed medical expenses that are greater than 7.5% of your adjusted gross income;
- you die or become disabled; or
- the distribution is paid to someone besides you under a Qualified Domestic Relations Order (e.g., a divorce settlement).

*Withdrawals of earnings are subject to ordinary income tax and federal 10% penalty may apply prior to age 59 ½. An annuity is a contract by which an insurance company agrees to make periodic payments to someone for life or a fixed period. Annuities are generally long-term investments.*



## RETIREE HEALTH PLAN

### ELIGIBILITY FOR HEALTH PLAN CONTINUATION

If you were hired after January 1, 2006, you have access to the University health, dental, and vision plans. You will pay 100% of the premium.

If you were hired prior to January 1, 2006 and are eligible to retire after July 1, 2007, you pay a monthly premium percentage determined by your age and years of service at retirement if under the age of 65. **All employees in this group pay the lowest 10% monthly premium rate upon reaching age 65 and after.**

<b>Age of Retirement</b> (If not yet eligible to retire as of 7/1/07)	<b>Years of Service at Retirement</b>		
	15 or more, but less than 20	20 or more, but less than 25	25 or more
Less than 60	80%	60%	40%
60 or more, less than 61	75%	55%	35%
61 or more, less than 62	70%	50%	30%
62 or more, less than 63	65%	45%	25%
63 or more, less than 64	60%	40%	20%
64 or more, less than 65	55%	35%	15%
At age 65 or older, everyone pays 10%.	10%	10%	10%

If you are hired prior to January 1, 2006 and are eligible to retire on or before July 1, 2007, you pay the following monthly premium:

- Medicare eligible retirees (age 65 and over) pay 10% of the Medicare Carveout Classic plan which includes both medical and pharmacy coverage.
- Early retirees (under age 65) pay approximately 10% of the UK HMO retiree only rate. Rates for other coverage levels and plans will vary.