



YOUR RETIREMENT BENEFITS FOR UNIVERSITY OF MICHIGAN RETIREES

Benefits Information

The SSC Contact Center can answer many of your benefits questions. Have your UMID number available when you call. Call 734-615-2000 or 1-866-647-7657 toll free 8 a.m. to 5 p.m., Monday – Friday, EST

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 Contact Center at 734-615-2000. Representatives will be happy to assist you.

Contents

Your University Benefits in Retirement	1
Your Health Plan and Medicare	3
Group Term Life Insurance	6
Additional Benefits for Retirees	7
What are my income options when I retire?	9
TIAA Income Options.....	10
TIAA and Fidelity Income Options	11
Early Withdrawal Penalty.....	12
Federal Income Tax.....	12
Michigan Income Tax.....	13

Statement of Intent

This booklet describes the benefits available to University of Michigan faculty and staff members who have meet the age and service requirements to retire with benefits under Standard Practice Guide (SPG) Section 201.83. The benefits described within this booklet, including eligibility to take distributions and cash withdrawals from the U-M Retirement Plan, are based on meeting the SPG 201.83 requirements to retire. 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 retirement. IRC regulations, as well as university policies, are subject to change and/or correction without notice. Tax information is based on the university's current understanding of highly complex Internal Revenue Code (IRC) and U.S. Treasury Department regulations and is provided for general informational purposes only. The University of Michigan does not provide tax advice. Questions or concerns should be addressed to a qualified tax adviser.

Limitations

The University of Michigan in its sole discretion may modify, amend, or terminate the benefits provided in this booklet with respect to any individual receiving benefits, including active employees, retirees, and their dependents. Although the university has elected to provide these benefits, no individual has a vested right to any of the benefits provided. Nothing in these materials gives any individual the right to continued benefits beyond the time the university modifies, amends, or terminates the benefit. Anyone seeking or accepting any of the benefits provided will be deemed to have accepted the terms of the benefits programs and the university's right to modify, amend or terminate them.

Your University Benefits in Retirement

Overview

Benefits coverage for you and your eligible dependents in effect at the time of your retirement continues. In addition, group life insurance coverage for yourself in effect at the time of retirement also continues.

Dependent Eligibility

Only the eligible person(s) covered under your benefits plans at the time of your retirement can remain on the coverage. Covered dependent children remain on your benefits until they no longer meet eligibility requirements, up to the end of the month in which they turn 26.

The ability to add persons to your coverage is severely restricted once you have retired. Visit the Benefits Office website or call the SSC Contact Center for information on benefits eligibility.

Cost of Coverage

The amount of university and retiree contributions toward retiree benefit plans will vary based on the service date, age, retirement date, eligibility for Medicare, coverage level, and health plan or benefit option selected. Visit the Benefits Office website or call the SSC Contact Center for information.

Faculty or Staff with a Service Date of July 1, 1988 or Later

Upon your retirement, you will pay the full cost of benefits **up to and including the month you turn age 62**. If your date of birth is the first day of the month, university contribution will include the month of your 62nd birthday.

For example:

- If you turn 62 on October 1, the university contribution toward the cost of your benefits will begin with October coverage.
- If you turn 62 from October 2 through October 31, the university contribution will begin with November coverage.

Open Enrollment

Each year during the Open Enrollment period, you may change your health plan to one of the other health plans offered by the university. Coverage is effective the following January 1.

Moving out of a Managed Care Plan Service Area

If you are covered by a managed care plan and move outside the service area for more than 60 days, you

must change your health plan coverage by completing a Moving out of a Managed Care Service Area form. Complete and mail the form to SSC Benefits Transactions along with a letter stating where and when you are moving. You need to do this within 30 days after the date you move. Your new coverage will become effective the first day of the month after your move or the date the application is received, whichever is later. To download the form, see hr.umich.edu/forms, or call the SSC Contact Center and ask to have a copy of the form sent to you.

Important: Keep Your Address Up To Date

Notify the university immediately if your address changes. You may update your address online through Wolverine Access at wolverineaccess.umich.edu or call the SSC Contact Center at 734-615-2000. You must also notify TIAA and/or Fidelity Investments of your address change.

TIAA 1-800-842-2252

Fidelity 1-800-343-0860

Dental Plan

If you are enrolled in Dental Plan Option 1, 2 or 3, coverage for you and your eligible dependents will continue into retirement. During the annual Open Enrollment you may change your dental plan option. See the Benefits Office website for monthly rates.

Davis Vision Plan

If you are enrolled in Davis Vision, coverage for you and your eligible dependents will continue into retirement. See the University HR website for monthly rates. hr.umich.edu/benefits-wellness

Legal Services Plan

If you are enrolled in the Legal Services Plan when you retire, coverage for you and your eligible dependents will continue into retirement. See the Benefits Office website for monthly rates.

Life Insurance

- If you are enrolled in Group Life Insurance when you retire, you will be transferred to the Retiree Life Insurance Plan, and the amount of coverage will be reduced to the retirement level for your age.
- The amount will continue to reduce each year until you turn age 66, when the coverage becomes \$2,000.
- Life insurance for your spouse, other qualified adult, and children ends at retirement.

Other Plans after Retirement

The following plans end upon retirement.

- Long-Term Disability
- Dependent Group Life Insurance for your spouse, other qualified adult, and dependent children. You may convert these policies to an individual policy through MetLife.

- Flexible Spending Accounts:

Health Care Account. Only expenses incurred on or prior to the date of retirement are eligible to be reimbursed, unless coverage is continued under COBRA.

Dependent Care Account. Expenses are reimbursed up to the balance in the account at the time of retirement for expenses incurred through the end of the plan year of participation.

How to Pay for Your Benefits

Electronic Funds Transfer

Your monthly benefits premiums can be automatically deducted from your checking or savings account each month. The withdrawal will occur on the 20th of each month to pay for coverage for the following month. The withdrawal will be indicated on your bank statement and labeled as "UM Benefit Premium." There is no charge for this service; however, your financial institution may impose a fee if there are insufficient funds in your account when the withdrawal is made.

Complete the "Agreement for Preauthorized Benefit Premium Payments" form to set up the Electronic Funds Transfer and return it to the Payroll Office. You may obtain this form by calling the SSC Contact Center or visit the University HR website at hr.umich.edu/forms. If the funds are to be taken from a checking account, attach a blank check with "void" written across it.

Requests to start or cancel the Electronic Funds Transfer, or to change the account or financial institution from which the withdrawal is taken, must be received by the Payroll Office no later than the first day of the month in order to take effect that same calendar month.

Personal Check or Money Order

You will receive a monthly billing statement if you have a co-premium to contribute and you do not arrange for Electronic Funds Transfer. You must pay the premium by personal check or money order; cash payments cannot be accepted.

The procedure is:

1. You will receive a billing statement and remittance envelope in the mail at the end of the month to pay for the following month's coverage. For example, your January billing statement should arrive at the end of December.
2. The payment is due by the 1st of the month to pay for coverage for that month, and is accepted through the 30th of the month.
3. Make the check or money order payable to "University of Michigan."
4. Clip the coupon from the bottom of your billing statement and mail it with your check or money order in the envelope provided to:

University of Michigan – Payroll
Box 223081
Pittsburgh, PA 15251-2081

PLEASE NOTE: The University of Michigan will attempt to notify you when a payment is overdue. **If after multiple attempts a payment is not received, then the insurance will be canceled.**

Naming a Designee for Premium Payment

Retirees can designate someone other than themselves to handle their premium payments and receive payment information. Other benefit correspondence, include Open Enrollment information, will continue to be sent to the retiree.

You may submit in writing the designee's name, address, and phone number along with your name, UMID number, and a request to name them as a premium payment designee to:

SSC Benefits Transactions
4062 Wolverine Tower
3003 South State Street
Ann Arbor, MI 48109-1281
Fax: 734-763-0363

Your Health Plan and Medicare

What is Medicare?

Medicare is a federal health insurance program available to persons at age 65 or older. It is also available for people who have been entitled to Social Security disability benefits for 24 months, or have end-stage renal disease (permanent kidney failure). Medicare is directed by the federal Centers for Medicare & Medicaid Services (formerly Health Care Financing Administration). Medicare comes in three parts:

- Part A covers inpatient hospital services and has no monthly premium;
- Part B covers outpatient medical services and has a monthly premium;
- Part D covers outpatient prescription drugs and has a monthly premium for most people (certain individuals may qualify for zero or reduced monthly premium under the Medicare low-income prescription drug assistance program).

Local Social Security Administration offices take applications for Medicare Parts A and B. They also provide information and applications for Medicare low-income prescription drug assistance. People wishing to enroll in Medicare Part D must do so through a Medicare approved vendor.

How Medicare Parts A and B Affects Your Coverage

- Medicare becomes the primary coverage for you and any covered dependents age 65 years of age or older, or disabled once you have retired.
- Your U-M coverage becomes secondary or supplementary to Medicare.
- All services must be submitted to Medicare first for payment.
- Retirees and their dependents must enroll in Medicare benefits when first eligible. If you or a dependent who is eligible for Medicare fail to enroll when first eligible, your benefits will be drastically reduced until you are enrolled. U-M health plan coverage will not pay for services that would have been paid primary by Medicare if Medicare enrollment had occurred. There may be a penalty for late Medicare enrollment of 10% a year for each year you could have been enrolled.

Medicare Parts A and B Deadlines:

- If you and your spouse or OQA (Other Qualified Adult) are age 65 or older at the time of retirement, you must apply for Medicare within 30 days of retirement or your enrollment will be delayed causing claim problems until you are enrolled. The SSC Contact Center will give you a confirmation notice of your retirement date to take to your local Social Security Office to verify your eligibility to enroll under the Medicare Special Enrollment Period.
- If you are retiring within 4 months of turning age 65, you must apply 3 months before your 65th birthday. Coverage will begin the first day of the month in which your 65th birthday occurs.
- If you and/or your covered dependents are receiving Social Security income benefits by age 65, you will automatically be notified and enrolled in Medicare Parts A and B by Social Security. Coverage will begin the first day of the month in which the 65th birthday occurs.
- If you are already retired, and are not receiving Social Security benefits, you must complete an application to enroll in Medicare. You should plan on completing an enrollment form approximately ninety days before you attain the age of 65. On the first day of the month that you turn age 65, your coverage with the university will be changed so that the university's coverage will not pay for anything that Medicare Parts A and B would have paid for. You can phone 800-772-1213 (TTY 1-800-325-0778) to schedule an appointment with a Social Security counselor at an office near you or to request the enrollment forms by mail.

Medicare Part D (Prescription Drug Plan):

- The university advises that Medicare-eligible retirees and their Medicare-eligible dependents enrolled in the U-M health plan/prescription drug plan should not enroll in a Medicare Part D plan, unless they are first approved by the Social Security Administration to receive Medicare low-income prescription drug assistance. For information and applications for Medicare low-income prescription drug assistance, visit a local Social Security office, or contact the Social Security Office at 1-800-772-1213 (TTY 1-800-325-0778) or online at [ssa.gov](https://www.ssa.gov).
- In the event you are approved for Medicare Part D prescription drug low-income assistance, you should enroll in a standard Part D plan and continue your enrollment in a U-M health plan and prescription drug plan.
- Individuals that enroll in a standard Part D program should show both their Part D Prescription Drug Card and their U-M Prescription Drug Card when they fill a prescription at a pharmacy.
- Individuals who do not qualify for low-income assistance and sign up in a standard Part D plan and continue their enrollment in a U-M health plan will end up paying an additional monthly premium for Part D with no additional benefits.

Retirees should look for directions on the University HR website at hr.umich.edu or call the university Shared Services Center (SSC) Contact Center at 734-615-2000 locally or 866-647-7657 (toll free within the U.S.). TRS phone service is available by calling 711 and asking the operator to connect you to the SSC Contact Center.

If You Live Outside of the U.S.

If you plan to live outside the United States after you retire, you should know the following:

- Medicare does not cover services received in foreign countries.
- If you decline Medicare Part B because you're moving out of the United States and decide to return to the United States, there may be a penalty for late Medicare enrollment of 10% a year for each year you could have been enrolled. If you are not enrolled in Part B, your medical plan may reject charges for services received in the United States.
- Call the SSC Contact Center to speak with a counselor to determine your health plan options.

Can You Still Enroll in Medicare While You Are Working?

Yes. However, since your U-M coverage is the primary policy while you are an active member of the faculty or staff (including while you are on phased retirement or a furlough) you may not be able to use Medicare. Some people will enroll in Part A of Medicare if they are still working at age 65 because it is free and wait until retirement to enroll in Part B (and Part D only if applicable as described above) through the Special Enrollment Period.

Resources

U-M Shared Services Center

HR Contact Center

734-615-2000

866-647-7657

hr.umich.edu

Social Security Administration

800-772-1213

[ssa.gov](https://www.ssa.gov)

Medicare

800-MEDICARE

[medicare.gov](https://www.medicare.gov)

Medicare Part B Enrollment Periods

Enrollment Period	Timeline for Enrollment (for you and/or your spouse)	When to Enroll																
Initial Enrollment Period (IEP)	<ul style="list-style-type: none"> ▪ Begins 3 months before the month you turn 65 ▪ Ends 3 months after the month you turn 65 <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">If you apply in this month of your (IEP)</th> <th style="text-align: center;">Your Medicare Part B start day will be</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>The first day of the month in which you turn 65</td> </tr> <tr> <td style="text-align: center;">2</td> <td>The first day of the month in which you turn 65</td> </tr> <tr> <td style="text-align: center;">3</td> <td>The first day of the month in which you turn 65</td> </tr> <tr> <td style="text-align: center;">4 (the month you turn 65)</td> <td>The first day of the first month after you apply</td> </tr> <tr> <td style="text-align: center;">5</td> <td>The first day of the second month after you apply</td> </tr> <tr> <td style="text-align: center;">6</td> <td>The first day of the third month after you apply</td> </tr> <tr> <td style="text-align: center;">7</td> <td>The first day of the third month after you apply</td> </tr> </tbody> </table>	If you apply in this month of your (IEP)	Your Medicare Part B start day will be	1	The first day of the month in which you turn 65	2	The first day of the month in which you turn 65	3	The first day of the month in which you turn 65	4 (the month you turn 65)	The first day of the first month after you apply	5	The first day of the second month after you apply	6	The first day of the third month after you apply	7	The first day of the third month after you apply	<p>You and/or your spouse or OQA (Other Qualified Adult) would enroll during this period if:</p> <ul style="list-style-type: none"> ▪ You are retiring within this enrollment period ▪ You are already retired and you and/or your spouse or OQA are now turning age 65 ▪ Your OQA is turning 65 regardless of your employment status <p>Your OQA (Other Qualified Adult) must enroll during their initial enrollment period regardless of employment status.</p>
If you apply in this month of your (IEP)	Your Medicare Part B start day will be																	
1	The first day of the month in which you turn 65																	
2	The first day of the month in which you turn 65																	
3	The first day of the month in which you turn 65																	
4 (the month you turn 65)	The first day of the first month after you apply																	
5	The first day of the second month after you apply																	
6	The first day of the third month after you apply																	
7	The first day of the third month after you apply																	
Special Enrollment Period (SEP)	<ul style="list-style-type: none"> ▪ Any time you are covered by an employer or union group health plan through your or your spouse's current employment ▪ During the 8 months following the month that the employer or union group health plan coverage ends or when the employment ends 	<p>You and your spouse would enroll during this period if:</p> <ul style="list-style-type: none"> ▪ You are retiring some time after your initial enrollment period and are age 65 at retirement ▪ Enroll within 30 days of retirement for Medicare Part B coverage to begin the first of the month following your retirement date ▪ If you wait beyond 30 days your Medicare Part B coverage will not begin until the first of the month following application ▪ If you wait beyond 8 months, you will have to enroll during the (GEP). see below ▪ Waiting beyond 30 days will leave you with limited health coverage. The university will not pay for services Medicare should have covered. 																
General Enrollment Period (GEP)	<ul style="list-style-type: none"> ▪ January 1 through March 31 of each year ▪ Medicare Part B coverage will start on July 1 of the year you enroll ▪ The cost of Medicare Part B will increase 10% for each 12 month period you could have been enrolled but did not 	<p>You and your spouse or OQA would enroll during this period if:</p> <ul style="list-style-type: none"> ▪ You did not enroll during the Initial Enrollment Period or the Special Enrollment Period when first eligible 																

Group Term Life Insurance

When you retire, the amount of your group term life insurance will be the **lesser** of:

- The amount for which you were insured on the date of your retirement from the university; **or**
- The amount applicable to your age and your completed years of continuous service as shown in the table below.

During retirement, the amount of life insurance will decrease as your age increases until you reach age 66, at which time the life insurance will be \$2,000, and this amount will remain in effect for the rest of your life.

What happens to your insurance when you die?

If you die while your insurance is in force, regardless of how, when, or where death occurs, the full amount of your life insurance in effect at the time of death will be paid to your beneficiaries after written proof of your death is provided to the life insurance company and all necessary documents are processed.

Amounts of Insurance	
Your Age On and After Retirement	Amount of Insurance
50 years or less	\$15,000
51 years but less than 52 years	\$15,000
52 years but less than 53 years	\$15,000
53 years but less than 54 years	\$15,000
54 years but less than 55 years	\$15,000
55 years but less than 56 years	\$15,000
56 years but less than 57 years	\$14,000
57 years but less than 58 years	\$13,000
58 years but less than 59 years	\$12,000
59 years but less than 60 years	\$11,000
60 years but less than 61 years	\$10,000
61 years but less than 62 years	\$8,000
62 years but less than 63 years	\$6,000
63 years but less than 64 years	\$5,000
64 years but less than 65 years	\$4,000
65 years but less than 66 years	\$3,000
66 years and over	\$2,000

Additional Benefits for Retirees

Faculty and Staff Assistance Program (FASAP)

The Faculty and Staff Assistance Program (FASAP) is a resource for all active and retired university faculty and staff. FASAP provides confidential information to individuals with persistent and potentially troublesome personal problems in areas such as alcohol, drugs, marriage, finances, and emotional difficulties.

Ann Arbor Central Campus

1009 Greene Street
2076 Administrative Services Bldg.
Ann Arbor, MI 48109
Phone: 734-936-8660
Website: fasap.umich.edu

University Health System

U-M Health System retirees may contact the Employee Assistance Program (EAP) for counseling services.
Phone: 734-763-5409
Email: eap@umich.edu

Temporary Employment

Temporary Staffing Services offers assignments on the Ann Arbor and Medical campuses in a variety of positions ranging from secretarial, clerical, data entry, to skilled labor. If you are interested in temporary employment, contact:

Temporary Staffing Services

3003 S. State Street, Suite G250
Wolverine Tower
Ann Arbor, MI 48109
734-763-5740
hr.umich.edu/temps

Please note that under the Affordable Care Act you may become eligible for employee health coverage if you return to temporary employment after retirement. Learn more at hr.umich.edu/esr.

Athletic Tickets

Retirees can purchase athletic tickets to events by contacting the U-M Athletics Ticket Office:

1000 South State Street
734-764-0247
Ann Arbor, MI 48109
mgoblue.com

Recreation Sports Facilities

Retirees may continue to use university recreational facilities by purchasing a membership. Contact the Recreational Sports Business Office for details.

Central Campus Recreation Building (CCRB)
401 Washtenaw Avenue
734-763-3084

North Campus Recreation Building (NCRB)
2375 Hubbard Street
734-763-4560

Intramural Sports Building (IMSB)
606 E. Hoover Avenue
734-763-3562

Department Email: recsports@umich.edu

Department Website: recsports.umich.edu

Library Privileges

Retirees can have borrowing privileges at the U-M libraries. To register, take your U-M Retiree ID card to:

Circulation Services

104 Harlan Hatcher Graduate Library
920 N. University
Ann Arbor, MI 48109
734-764-0401

Computing Services

All Retirees

- Have continued use of their U-M email box by visiting mail.umich.edu, and use the same username, password, and directory entries used as an employee at no charge. A commercial Internet service is required to access email.

Retired emeritus or emerita faculty

- Have basic computing package services at no charge through U-M Information and Technology Services (ITS).
- May purchase computer hardware and software at discounted rates through the Computer Showcase.
- May use the full-service Campus Computing Sites.

Current services and information may be found at:

itcs.umich.edu/accounts/endaccount/fac-staff-ret.php

itcs.umich.edu/retirees/faq.php

ITS Service Center

Call (734) 764-HELP (764-4357)

Publications

- The *University Record* is mailed to retiree home addresses at no charge and is available online at www.ur.umich.edu
For subscription questions call 734-764-0105.
- The U-M Health Systems' quarterly publication *Inside View* is online at med.umich.edu/insideview

Retiree ID Card

Your U-M Retiree ID card will enable you to take advantage of many of the U-M retiree privileges you had as a staff member, such as athletic ticket discounts and library privileges. To receive your U-M Retiree ID card, have the Benefits Office verify your retirement on the ID Authorization Form. Then, take the form and your U-M Staff ID (if you still have it) to any ID Office listed on the form.

Retiree ID cards are valid for five years. After five years, retirees can exchange an expired card for a new card. Expired cards may be turned in, otherwise a replacement fee will apply. To renew your retiree ID card by mail, please send your written request along with the expired card to:

The University of Michigan Mcard Office
Wolverine Tower – G250
3003 South State Street
Ann Arbor, MI 48109-1278

University of Michigan Retiree Association (UMRA)

The **University of Michigan Retirees Association (UMRA)** is open to all retirees, their spouses, and spouses of deceased retirees. Annual dues are per household. To join, download a membership application from the UMRA website or request one from the UMRA staff office by calling 734-763-7385. Visit the UMRA online at: hr.umich.edu/umra

What are my income options when I retire?

1. Leave your money where it is.

By leaving the accumulations in the University of Michigan 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.

2. Elect a rollover.

You may rollover contributions and earnings to an IRA or to another employer's plan at any age once you have retired. TIAA Traditional accumulations in the Basic Plan are rolled over in a nine-year period through a process called the TIAA Traditional Transfer Payout Annuity. There are some important considerations to electing a rollover:

- **Minimum distribution grandfathering on pre-1987 403(b) amounts is lost:** The IRS generally requires that an individual begin to take a minimum distribution from his or her account by age 70 ½ once retired or terminated, or pay a severe tax penalty. Amounts attributable as of December 31, 1986 that are 403(b) are grandfathered, and are not subject to minimum distribution until age 75. Electing a rollover eliminates this grandfathering.
- **Loss of one of the exceptions to IRS early withdrawal penalty:** There is an Internal Revenue Service (IRS) 10% penalty if a distribution is made prior to age 59 ½. However, the penalty does not apply if you retire or terminate employment in the calendar year in which you reach age 55. This exception to the penalty applies to withdrawals from qualified retirement plans; it does not apply to IRA distributions. If you rollover U-M Retirement Plan accumulations to an IRA and then take a withdrawal from the IRA prior to age 59 ½, this exception to the penalty is no longer available to you.

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 and an IRS penalty generally applies to withdrawals made prior to age 59½.
- Cash withdrawals reduce any grandfathered pre-1987 403(b) accumulations you may have. This may be of importance if you are interested in minimum distribution as an income option.
- Contributions and earnings are available for cash withdrawal at any age once you have retired from the university.
- TIAA Traditional accumulations in the Basic 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.

4. Start a lifetime annuity with TIAA.

There is no requirement that you choose a lifetime annuity from TIAA. However, it is the only income option that is guaranteed to last as long as you live. 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. Call TIAA at 1-800-842-2252.

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 retired. 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. Furthermore, once you start receiving income under a two-life annuity, you can't change your annuity partner.

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(ies) if you include a guaranteed period.

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.

TIAA Traditional Transfer Payout Annuity

This option allows you to withdraw funds from TIAA Traditional in the Basic Plan in annual installments over 9 years when you retire or terminate employment. Each year, you'll receive about 10% of the total amount you chose to withdraw. For the portion of your TIAA Traditional accumulation that you don't withdraw, you'll

continue to have the same ability to transfer among TIAA's annuity accounts.

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 beneficiary(ies) 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.

The TIAA Traditional Transfer Payout Annuity is subject to mandatory 20% federal tax withholding and may be rolled over. In general, the IRS early withdrawal penalty will also apply to payments you receive if you are under age 59½.

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 terminated, retired, or on phased retirement. After 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 to the Minimum Distribution Option by April 1 following the year you turn 70½ — if you are no longer working — or following the year you retire or terminate, whichever is later.

Call TIAA
1-800-842-2252

TIAA and Fidelity Income Options

Cash Withdrawals

You may elect a cash withdrawal at any age once you have retired from the university. However, if you do not retire from U-M but merely terminate employment, you may not withdraw the university's contributions and earnings until age 55. There are three types of cash withdrawals: single-sum, lump sum, and systematic.

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 under way. 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.

In almost all cases, cash withdrawals are taxable as ordinary income. Federal tax rules generally

require TIAA and Fidelity to withhold 20% from taxable distributions and withdrawals may be rolled over. If you make cash withdrawals before age 59½, you may have a 10% early withdrawal penalty. Conversely, you must withdraw a federally mandated minimum amount of income after you reach age 70½ if you're no longer working, or face a severe tax penalty.

Minimum Distribution at 70½

The IRS requires that you begin receiving distributions from your retirement fund by April 1 of the calendar year following the calendar year you reach age 70½ once retired or terminated. If you are already over age 70½ when you retire or terminate, then you must take a distribution by April 1 of the following year.

Generally, 403(b) accumulations as of December 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 rollover 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 beneficiary(ies). 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.

TIAA 1- 800-842-2252

Fidelity Investments 1-800-343-0860

Early Withdrawal Penalty

The Internal Revenue Service (IRS) imposes a 10% penalty if a withdrawal is made from a qualified retirement plan, such as the U-M 403(b) and 401(a) Retirement Plan, 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 59½. This penalty does not apply to the U-M 457(b) Deferred Compensation Plan.

The IRS provides the following exceptions to the penalty:

- You terminate your employment or retire from the university in the **calendar year** in which you reach age 55, or later. In contrast, if you retire at age 50 but wait until age 55 to take a withdrawal, the IRS penalty still applies because you were not 55 in the calendar year in which you **terminated or retired**.

*This exception to the penalty **does not** apply to an IRA. If you rollover U-M Retirement Plan 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.*

- You terminate your employment or retire and then 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 become totally and permanently disabled. See Internal Revenue Code section 72(m) for the definition of 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 (does not apply to IRAs).
- In the event of your death.

Federal Income Tax

All income is eventually taxable. 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:

- 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.

This information is based on the university's current understanding of highly complex Internal Revenue Code (IRC) 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.

Michigan Income Tax

Michigan tax law permits you to subtract qualifying pension benefits included in your adjusted gross income from Schedule I of the Michigan MI-1040 tax form. This reduces your income that is subject to Michigan income tax. The amount you may subtract depends on the source of the benefit (public versus private retirement plans).

Pension benefits from a public retirement plan, such as the University of Michigan Basic Retirement Plan, are generally an allowed subtraction. This allows you to subtract TIAA and Fidelity distributions from the Basic Plan (your 5% and the 10% university contributions and earnings) on Line 12 of Schedule I of the Michigan MI-1040 tax form.

However, you cannot subtract distributions attributable to:

- Additional or supplemental contributions and earnings you made to the Basic Retirement Plan (those made in addition to your 5% contribution necessary to receive the U-M 10% matching contribution).
- Contributions and earnings you made to the Supplemental Retirement Account or SRA.
- Contributions and earnings you made to the U-M 457(b) Deferred Compensation Plan.

In addition, your ability to take a subtraction may be limited if you also receive benefits from a private pension. The booklet for the Michigan MI-1040 provides instructions for Line 12 to determine to what extent the subtraction may be taken for both public and private retirement plan benefits.

As always, you should seek expert tax advice for your own tax situation.

For more information, contact:

Michigan Department of Treasury
Lansing, MI 48922

Income Tax Information
800-487-7000

michigan.gov/treasury

Reference:

Michigan Income Tax Act of 1967, Michigan Income Tax Section 206.30(1)(f)(i) of the Act.

Published by

Benefits Administration Office
University of Michigan
Wolverine Tower — Low Rise G405
3003 S. State Street
Ann Arbor, MI 48109-1278

Web hr.umich.edu/benefits-wellness
askhr.umich.edu

SSC Contact Center

Benefits representatives are available by phone, Monday – Friday, 8 a.m. – 5 p.m. at 734-615-2000 (5-2000 from the Ann Arbor campus) or 866-647-7657 (toll-free for off-campus long-distance calling within the U.S.).

The Benefits Office is a unit of University Human Resources (UHR).

Laurita Thomas
Associate Vice President for Human Resources

Richard S. Holcomb, Jr.
Senior Director for Benefits

University of Michigan Board of Regents

Michael J. Behm, Grand Blanc
Mark J. Bernstein, Ann Arbor
Shauna Ryder Diggs, Grosse Pointe
Denise Ilitch, Bingham Farms
Andrea Fischer Newman, Ann Arbor
Andrew C. Richner, Grosse Pointe
Park Katherine E. White, Ann Arbor
Ron Weiser, Ann Arbor
Mark S. Schlissel (*ex officio*)

Nondiscrimination Policy Statement

The University of Michigan, as an equal opportunity/affirmative action employer, complies with all applicable federal and state laws regarding nondiscrimination and affirmative action. The University of Michigan is committed to a policy of equal opportunity for all persons and does not discriminate on the basis of race, color, national origin, age, marital status, sex, sexual orientation, gender identity, gender expression, disability, religion, height, weight, or veteran status in employment, educational programs and activities, and admissions. Inquiries or complaints may be addressed to the Senior Director for Institutional Equity, and Title IX/Section 504/ADA Coordinator, Office of Institutional Equity, 2072 Administrative Services Building, Ann Arbor, Michigan 48109-1432, 734-763-0235, TTY 734-647-1388. For other University of Michigan information call 734-764-1817.