

PENN

UNIVERSITY OF PENNSYLVANIA  
RETIREMENT PLAN GUIDE



TAX-DEFERRED RETIREMENT PLAN

SUPPLEMENTAL RETIREMENT ANNUITY PLAN



Penn  
Human Resources



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## TAX-DEFERRED RETIREMENT PLAN

During your one-year waiting period, you are encouraged to contribute even though you are not yet receiving the University match.

You may choose to contribute to the TDR Matching Plan and/or the Supplemental Retirement Annuity (see page 4 for information on the SRA plan) during this period.

Please note that if you are contributing to the TDR Matching Plan, your contributions will automatically begin to be matched once your waiting period is over. If you contribute to the SRA plan instead of the TDR, you must remember to begin contributing to the TDR plan after one year in order to begin receiving your matching contributions. The SRA plan is a voluntary non-matched retirement plan.

The Tax-Deferred Retirement (TDR) Plan provides you with a basic retirement contribution from the University, whether or not you choose to make your own contributions. If you do choose to make your own contributions, the University will provide a dollar-for-dollar match for contributions up to 5% of your salary (up to your maximum allowable contribution). The TDR Plan has two components: the Basic Plan and the Matching Plan, which are described in more detail on the following pages.

### Eligibility

The following Penn faculty and staff are eligible for the TDR Plan:

- full-time monthly paid staff,
- full-time weekly paid staff, and
- faculty in a benefits-eligible position.

You must be at least 21 years of age to participate in the TDR Plan.

### Waiting Period for University Contributions (Prior Service Credit)

University contributions under the TDR Basic and Matching Plans begin the first of the month after you complete one year of service. However, you may have the waiting period waived if you have prior service credit as described below.

### Previous Employment at Penn or the University of Pennsylvania Health System (UPHS)

If you were employed at Penn or the University of Pennsylvania Health System (UPHS) previously, your previous employment counts toward the one-year waiting period for University contributions. Contact the Benefits office to discuss your prior service credit.

### Previous Employment at Another Institution

If you were employed at another institution before coming to Penn, the waiting period can be waived for faculty and staff who meet all the following qualifications:

- your preceding employer was eligible to maintain a retirement plan under Section 403(b) of the Internal Revenue Code,
- you were employed for at least one year in a position eligible to participate in your previous employer's 403(b) retirement plan,
- you had no interim employment between your previous employer and Penn, and
- you were hired directly into an eligible position at Penn.

You must provide two things to verify your prior service:

1. A letter from your prior employer verifying your service.  
A sample letter is available on the Human Resources website at [www.hr.upenn.edu/benefits/benefits\\_forms/tdr\\_priorservice\\_sampleletter.pdf](http://www.hr.upenn.edu/benefits/benefits_forms/tdr_priorservice_sampleletter.pdf).

## 2. A Prior Service Credit Employee Certification form.

This form is available on the Human Resources website at [www.hr.upenn.edu/benefits/benefits\\_forms/tdr\\_prior-service\\_certification.pdf](http://www.hr.upenn.edu/benefits/benefits_forms/tdr_prior-service_certification.pdf).

Employees who do not meet all of the prior service qualifications must complete the one-year waiting period in order to receive University contributions. In this case, we encourage you to enroll in and make your own contributions to the TDR Matching Plan (and the Supplemental Retirement Annuity, if desired) during that one-year period.

### Basic Plan

The first component of the Tax-Deferred Retirement Plan is the Basic Plan. The University automatically makes TDR Basic Plan contributions for all employees after one year of service is completed. These contributions are a percentage of your salary based on your age as of January 1 of each year, and they range from a minimum of 1.5% of your salary to a maximum of 4% of your salary. No employee contributions are required. See the chart below for details.

Please note that even if you decide not to contribute your own money to the Tax-Deferred Retirement Plan, you will still receive Basic Plan contributions from the University. We recommend that you make an investment selection for these contributions. If you do not make an investment selection, the contributions will be automatically invested in a money market account with TIAA-CREF, which may not be the best investment account for you.

### Matching Plan

The second component of the Tax-Deferred Retirement Plan is the Matching Plan. Under the TDR Matching Plan, you may contribute up to 5% of your salary, and the University will match these contributions dollar for dollar. The matching contributions can begin after you have completed one year of service. You may make your own contributions to your account during that year of service, but you are not required to do so. Any Matching Plan contributions made by the University are in addition to the automatic Basic Plan contributions made by the University. See the chart below for details.

**The Tax-Deferred Retirement Plan**

Your Age	University Basic Contribution (no employee contribution required)	University Matching Contribution	Total Potential University Contribution	Total Potential Employee + University Contribution
Up to 30	1.5%	\$-for-\$ match on employee contributions up to 5%	6.5%	11.5%
30 - 39	3%		8%	13%
40 and over	4%		9%	14%

See the General Information section (beginning on page 5) for more about the TDR plan, including:

- information on the maximum amount that you may contribute through Penn's retirement plans,
- information on the benefits of pre-tax contributions and tax-deferral, and
- an example of how contributing to the TDR plan can benefit you at retirement.

## SUPPLEMENTAL RETIREMENT ANNUITY PLAN

### Eligibility

All Penn faculty and staff are eligible to participate in the SRA Plan, with the following exceptions:

- leased employees, and
- student workers.

If you are already contributing the full 5% through the TDR Matching Plan, you can use the Supplemental Retirement Annuity Plan (SRA) to invest additional funds for retirement. This plan is funded by voluntary employee contributions only. There are no matching contributions from the University under the SRA plan. You may contribute to this plan immediately upon your hire.

See the General Information section (beginning on page 5) for more about the SRA plan, including:

- information on the maximum amount that you may contribute through Penn's retirement plans,
- information on the benefits of pre-tax contributions and tax-deferral, and
- an example of how contributing to the SRA plan can benefit you at retirement.

If you are not eligible for the TDR Plan, please note that you may be eligible for a retirement benefit from Penn under the Retirement Allowance Plan (RAP).

For more information, visit the Human Resources website at [www.upenn.edu/u@penn](http://www.upenn.edu/u@penn).

## GENERAL INFORMATION ABOUT THE PLANS

### How Do the Retirement Plans Work?

The Tax-Deferred Retirement and Supplemental Retirement Annuity plans offer you a simple, convenient way to plan for your retirement. Here's a brief overview of how the plans work:

- Once you become a participant in either plan, money is periodically deposited into an investment account on your behalf.
- This money can be contributions from you and/or the University.
- The deposits occur with each of your regularly scheduled paychecks.
- You decide how the money will be invested.
- Once the money goes into your account, you begin to participate in the investment experience of the account (earnings or losses).
- The investment experience varies based on the investment selections that you make.
- Watch how compounding helps your account to grow.
- Your retirement benefits are determined by the balance in your account.

### Investment Carriers

You can set up your TDR and/or SRA retirement accounts through either – or both – of the investment carriers used by the University: TIAA-CREF and The Vanguard Group. Both carriers offer you a variety of investment options: fixed income, money market, bond, and stock funds. Where you invest your retirement savings is your decision.

### Retirement Eligible Salary

Contributions made to your account are based on a percentage of your salary. Salary refers to your regular base rate of pay or regular base salary. It does not include shift differentials, benefits, overtime pay, incentive payments, bonuses, or any other extra or additional pay.

### Pre-Tax Contributions

Your contributions to the TDR and the SRA plans are made with pre-tax dollars. Pre-tax means that the contributions are taken from your paycheck before federal income taxes are calculated. This lowers your taxable income, which means that you pay lower federal income taxes each paycheck. You are only taxed on the contributions – and your earnings – when you withdraw from your account(s).

Below is a chart that explains how your contributions can lower your taxable income.

	With 5% Pre-tax Contribution	No Pre-tax Contribution
Annual Salary	\$ 35,000.00	\$ 35,000.00
– Annual 5% Pre-tax Contribution	– 1,750.00	– 0.00
Annual Taxable Income	33,250.00	35,000.00
<b>Annual Federal Tax (27%)</b>	<b>\$ 8,977.50</b>	<b>\$ 9,450.00</b>

Annual Tax Savings– \$472.50

Because the contribution would reduce your taxable salary to \$33,250, you would pay \$472.50 less in current federal income taxes than you would on the full \$35,000. In other words, your \$1,750 contribution would only cost you \$1,277.50.

## Tax Deferral

Not only are your contributions to the retirement plans made with pre-tax dollars, but you also reap the benefits of tax-deferral on your account balance. Both the contributions that you and/or the University make to your accounts, as well as any investment earnings you gain on those contributions are tax-deferred. This means that you do not pay federal taxes on any money in your account until you actually take that money out of your account – which is usually not until retirement age. Because you're not being taxed on this money right now, you're earning interest on a larger amount than you would have if your account balance were not tax-deferred – so your retirement savings can grow at a much faster pace.

## How the Plans Can Benefit You

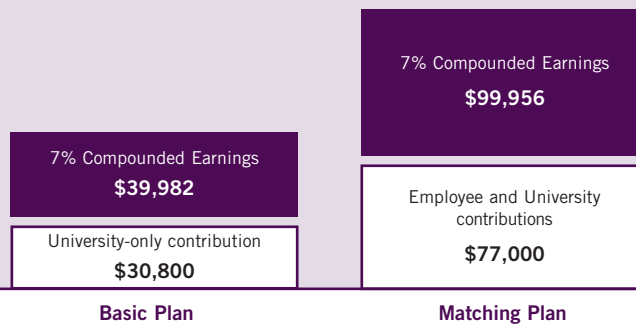
Below are examples of how participating in the TDR plan and/or the SRA plan can benefit you.

### Employee A: TDR Basic and Matching Plan

- Annual salary: \$35,000
- Participates in TDR Basic Plan and University Matching Plan starting at age 43
- Receives Basic Plan contribution of 4% (\$1,400/yr.)
- Contributes 5% annual salary (\$1,750/yr.) towards Matching Plan
- Receives University Matching Plan contribution of 5% (\$1,750/yr.)
- Retirement age: 65
- Years receiving Basic Plan and Matching Plan contributions: 22
- Account growth earnings: 7% effective interest rate (compounded monthly)
- Total annual Employee and University contributions: 14% (\$4,900/yr.)

## TAX-DEFERRED RETIREMENT PLAN

**Total Accumulation at Retirement = \$247,738**



### Employee B: SRA Plan

- Annual salary: \$35,000
- Participates in SRA plan starting at age 43 with a \$25.00 contribution per weekly paycheck
- Retirement age: 65
- Years contributing to SRA Plan: 22
- Account growth earnings: 7% effective interest rate (compounded monthly)
- Total annual Employee SRA contribution: \$1,300

#### SUPPLEMENTAL RETIREMENT ANNUITY PLAN

**Total Accumulation at Retirement = \$65,955**

7% Compounded Earnings  
**\$37,355**

Employee Supplemental  
contribution  
**\$28,600**

### Immediate Vesting

All contributions to the Tax-Deferred Retirement Plan (both yours and the University's) and the Supplemental Retirement Annuity are subject to immediate vesting. This means that if you leave the University at any time, you are always entitled to the full current accumulation in your account.

### Maximum Allowable Contribution

Your combined total pre-tax contributions under the TDR Matching Plan and the SRA plan generally cannot exceed the current IRS limits for the calendar year. Your maximum may be higher if you are age 50 or over or if you have 15 or more years of service with Penn. Each year, you will be notified of your maximum allowable contribution amount. If you have questions or want a personalized calculation, please contact the University of Pennsylvania Retirement Call Center (**1-877-PENN-RET** or **1-877-736-6738**).

### After You've Enrolled

Once you have enrolled, you should verify that your salary reduction amounts and allocation choices are correct. You will receive a confirmation of your elections from the University of Pennsylvania Retirement Call Center, as well as a welcome kit from your investment carrier(s) with information on your investment accounts, including your Personalized Identification Number (PIN). Be sure that all election and account information is correct, and keep your confirmation packets in an easily accessible place. You'll need your PIN and other account information to change funds and check the balances in your accounts.

### When Contributions Are Made

Contributions made by you and/or the University are added to your account(s) each payroll period, and are remitted to the funding agencies as soon as practicable.

Please note the University reserves the right to stop or reduce your contributions under applicable Internal Revenue Code limits. It is your responsibility to monitor the limits to your annual contribution amounts and to pay any taxes, tax penalties or interest due as a result of excess contributions.

### **Changing Your Contribution Amount**

You may enroll, change your contribution amount, or stop contributing at any time. To change your contribution, simply visit [www.upenn.edu/u@penn](http://www.upenn.edu/u@penn) to make the change online, or call the University of Pennsylvania Retirement Call Center at **1-877-PENN-RET (1-877-736-6738)**.

### **Changing Your Investment Allocation**

You may change your investment allocation for your TIAA-CREF accounts and/or Vanguard mutual funds (or just check your account balances) at any time simply by contacting the carriers directly. See the facing page for contact information. Use the Personal Identification Number (PIN) sent by your carrier(s), along with other account information, to transfer money between funds and check the balances in your accounts.

### **Distribution Options**

You have various options for taking your money out of the Tax-Deferred Retirement Plan and the Supplemental Retirement Annuity once you leave the University (retirement or termination of employment). Generally, federal income tax must be paid on the amount of any payment you receive from the plans. Keep in mind that you may pay a 10% early withdrawal penalty on the distribution amount unless you are age 59½ (some exceptions may apply). See below for a brief summary of some of your distribution options. More information may be obtained from your investment carrier(s).

- Fixed-period payments – This option provides you with income over a predetermined number of years. Payments stop when the period ends.
- Joint and Survivor Annuity – Also called a two-life annuity, this option provides income for your lifetime—and for the lifetime of your annuity partner, if he/she outlives you. The benefit payable to your annuity partner upon your death is an elected percentage of the benefit payable to you during your lifetime.
- Lump-sum cash distribution – Also called a single-sum distribution, this option permits you to receive 100% of your accumulation in cash.
- Minimum distribution – This option allows you to defer receiving income until the later of age 70½ or retirement, at which time you will begin receiving the minimum amount of income you are legally required to take.
- Roll funds over to an IRA – This option allows you to move some or all of your accumulation to a Rollover IRA.
- Single Life Annuity – Also called a one-life annuity, this option pays retirement income for your lifetime. At your death, all benefits cease.
- Systematic withdrawals – This is a cash withdrawal option that allows you to tailor payments to your specific needs, while also electing to stop, restart, or change your payment schedules and amounts whenever you choose.
- Transfer funds to another employer's plan – This option allows you to move some or all of your accumulation to the retirement plan of a subsequent employer (based on the plan rules of the subsequent employer).

You cannot take a distribution from your TDR account while you are still employed by the University. However, if you are contributing through the SRA plan, you may be able to make use of your account balance while you are still working at the University (loans and/or hardship withdrawals). Contact your investment carrier(s) for details (see the facing page for contact information).

## CONTACT INFORMATION

If you have questions about the University of Pennsylvania's Tax-Deferred Retirement Plan or the Supplemental Retirement Annuity, please call the phone numbers or visit the websites provided below.

For Information About	Contact
Enrollment Contribution and/or Vendor changes General Plan provisions Plan eligibility Distribution options	University of Pennsylvania Retirement Call Center (administered by TIAA) 1-877-PENN-RET (1-877-736-6738) <a href="http://www.upenn.edu/u@penn">www.upenn.edu/u@penn</a>
Investment allocation options Rollovers Account/Fund Transfers Distribution options	TIAA-CREF 1-877-PENN-RET (1-877-736-6738) <a href="http://www.tiaa-cref.org/upenn">www.tiaa-cref.org/upenn</a> or The Vanguard Group P.O. Box 1101 Valley Forge, PA 19482 1-800-523-1188 <a href="http://www.vanguard.com">www.vanguard.com</a>

*You should also contact the investment carriers if you have questions about:*

- What to expect regarding fees and expenses
- Hardship withdrawals and loan availability
- Transferring account balances to another employer's plan, or opening an IRA

Note: The provisions of the University of Pennsylvania's Retirement Plans are fully defined in the Plan Documents. In the event of any discrepancy between this summary and the Plan Documents, the Plan Documents will govern. The University reserves the right to amend the Plans in the future.

