

UNIVERSITY OF MISSOURI

Tax-Deferred Investment Plans

- *Tax Deferred Annuity Plan (403b)*
- *Deferred Compensation Plan (457b)*

Plan design effective August 1, 2008



This booklet is designed to provide an overview of the University of Missouri Tax-Deferred Investment Plans. While the University hopes to offer participation in these plans indefinitely, it has the right to amend or terminate any benefit plan. In addition to this booklet, the University plans to continue to use other methods of communication such as memos, meetings, newsletter articles or electronic media to help you stay informed.

The plans are governed by legal documents called plan documents. The University has taken care to present the information contained in this booklet in a way that is both accurate and easy to understand. However, in the event of a disagreement between this booklet and the plan documents, the plan documents will be followed.

It is important for you to have a good understanding of all this plan has to offer. Please review this booklet carefully. If you have questions, contact your Campus Benefits Representative at the appropriate address or phone number shown below.

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Introduction

Saving money is nothing new. You probably have been saving money in a variety of ways for a variety of reasons ever since you opened your first bank or savings account.

Even though most of us have had some practice saving money, it is still a difficult thing to do. After all, it is not easy to save for the future when you could easily use that money now.

Fortunately, the federal government has made it possible for nonprofit or educational institutions to allow their employees to save in a special way that makes providing for the future easier than ever before.

The University of Missouri Tax Deferred Investment Plans (TDI Plans) allow you to set aside a portion of your salary before federal and state income taxes are paid. This salary deferral is placed into an investment option that you choose, provided by the TDI Plans. The amount you defer and any earnings are not taxed until you receive them.

Participation in the University of Missouri TDI Plans is completely voluntary. Everyone has the chance to save part of his or her salary for future use. At the same time, you delay payment of taxes on this money and any interest it has earned until later - usually at retirement.

This summary of the TDI Plans is intended to help answer many commonly asked questions. Should you need additional information about the plan, please contact your Campus Benefits Representative.

There are many investment options included in the TDI Plans. Each has varying degrees of return and financial risk. This summary is not intended to advise you on any investment risks or tax issues arising from investing in any of these options through this type of plan. You may wish to contact your tax advisor or legal counsel for assistance in determining which option best fits your long-term goals.

Am I eligible to participate in the plans?

You are eligible to participate on your first day of employment if you are a part-time or full-time employee of the University. However, if you are employed in a student status or your earnings are not subject to taxation due to a tax treaty arrangement, you are not eligible to participate. Enrollment forms and a summary of the plan's investment options are available from your Campus Benefits Representative. Your participation in the plan becomes effective the pay period after you submit an enrollment form to your Campus Benefits Representative. You must give at least ten working days notice prior to the payroll effective date that you request.

What if I do not want to participate now?

If you do not participate in this plan when you are first eligible, you will be able to participate at a later date beginning the first pay period following your submission of an enrollment form.

What are the tax advantages of the TDI Plans?

Tax advantages are an important part of the TDI Plans. Of course, tax laws are subject to change and regulations are periodically examined by Congress and the IRS. Also, since each individual's financial situation is different, you should see your personal tax advisor about your own taxes.

You are probably most familiar with saving on what is called an "after-tax" basis. You save on an after-tax basis when you place savings into a credit union or bank savings account after paying federal and state income taxes.

Unlike saving on an after-tax basis, your deposits to your TDI account are made on a before-tax basis. They are called "Before-Tax Deposits" because they are transferred directly into your account before federal and state income taxes are computed and withheld. The amount you save in the TDI account will be subject to Social Security tax and city earnings tax, if applicable.

The following chart shows an example of after tax and before tax contributions and the effect they may have on your net take home pay. Please note this is presented for illustration purposes only. The effect will vary by individual persons.

	After Tax	Before Tax
Monthly Salary	\$3,000.00	\$3,000.00
Before-tax Deposits	\$.00	\$100.00
Taxable Income	\$3,000.00	\$2,900.00
Current Federal & State Income Taxes (estimate)	\$671.00	\$643.00
Total Take Home Pay	\$2,329.00	\$2,257.00
After-tax Savings Contribution	\$100.00	\$.00
Net Take Home Pay	\$2,229.00	\$2,257.00

These Before-Tax Deposits create a tax-deferral system UM faculty and staff can use, regardless of tax bracket.

Participating in the TDI Plans is wise if you, as many others, want to reduce your current federal and state income taxes and save for your retirement years. Your current taxable pay will be reduced by the amount of Before-Tax Deposits you authorize to be placed into your TDI account. Also, lower taxable pay means lower taxes. You do not avoid taxes altogether. You will have to pay taxes on the Before-Tax Deposits and any investment earnings when you receive them.

How do I make Before-Tax Deposits?

Participants in the plan may make Before-Tax Deposits to their accounts by signing an agreement that allows the University to set aside a specific amount of percent of salary for investment in the TDI Plans.

Forms authorizing the University to set aside a portion of your salary for Before-Tax Deposits into the TDI Plans are available from your Campus Benefits Representative.

How can I change my deposit decision?

By federal law, you may only have one agreement with the University to place money in each of the TDI Plans. You may increase, decrease or stop your deposits, and change investment choices at any time.

Change forms are available from your Campus Benefits Representative.

Why does this booklet refer to the TDI Plans? Is there more than one plan?

Yes. For many years the University of Missouri has offered a Tax-Deferred Annuity Plan (TDA) under section 403(b) of the Internal Revenue Code. Recent changes in federal law permit the University to also offer a Deferred Compensation Plan (DC) under section 457(b) of the Internal Revenue Code.

What is a 403(b) Plan?

Under Section 403(b) of the Internal Revenue Code, employees of 501(c)(3) non-profit institutions such as universities, colleges, research institutions, and foundations, and public school systems can set aside money for retirement on a pre-tax basis through a plan offered by their employer. To encourage saving for retirement through these plans, the federal government created special tax advantages for 403(b) contributions.

How does a 403(b) plan work?

A 403(b) plan is funded through payroll deduction only. You decide on the amount of money you want to contribute to the plan up to the maximum amount determined each year by the IRS. The contribution is deducted from your paycheck before income taxes are taken; however, Social Security tax is still paid on the deduction. There is no effect on future Social Security benefits. You choose where to invest contributions from among the plan's investment options. Income tax is not owed on contributions or any earnings on those contributions until they are withdrawn from the plan. You must give at least ten working days notice prior to the payroll date on which your change becomes effective.

What is a 457(b) Plan?

Under Section 457(b) of the Internal Revenue Code, employees of state or local governments, their agencies, and tax-exempt employers can set aside money for retirement on a pre-tax basis through a plan sponsored by their employer. To encourage saving for retirement through these plans, the federal government created special tax advantages for 457(b) contributions. Assets and income of a 457(b) plan will be held in trust for the exclusive benefit of participants and their beneficiaries.

How does a 457(b) plan work?

A 457(b) plan is also funded through salary deferral only. You decide on the amount of money you want to contribute to the plan up to a maximum amount determined by the IRS and the University. This limit is based on the lesser of a percentage of pay or a dollar limit. The amount contributed to the plan is deducted from your paycheck before income taxes are taken out. Social Security tax (FICA) is still paid on the contribution so there is no effect on future Social Security benefits. Income tax is not owed on the contributions or any earnings on the contributions until the money is distributed from the plan, usually at retirement or separation from employment.

How much can be contributed to a 403(b) and a 457(b) plan?

The Economic Growth and Tax Relief Reconciliation Act of 2001 provides for substantially increased contribution limits. The 403(b) elective deferral limit increased by \$1,000.00 each year through 2006. After 2006, any limit increases will be in \$500.00 increments. In 2008, the 403(b) elective deferral limit is \$15,500.00.

Likewise, the limit for elective deferrals into the 457(b) plan increased by \$1,000.00 each year through 2006. After 2006, any maximum contribution increases will be in \$500.00 increments. In 2008, the 457(b) elective deferral limit is \$15,500.00.

The following table summarizes deferral limits:

ELECTIVE CONTRIBUTION/DEFERRAL LIMITS

403(b)		457(b)	
<u>Year</u>	<u>Deferral Limits</u>	<u>Year</u>	<u>Deferral Limits</u>
2006	\$15,000	2006	\$15,000
2007	\$15,500	2007	\$15,500
2008	\$15,500	2008	\$15,500
The limit may be indexed for inflation in \$500 increments after 2006.		The limit may be indexed for inflation in \$500 increments after 2006.	

COORDINATION OF LIMITS

You can participate in both plans with the same employer and may defer up to the maximum amount in each plan. For example, a participant in both plans who is less than 50 years of age in 2008 is eligible to contribute \$15,500 into a 457(b) plan and may make an additional elective deferral up to \$15,500 into a 403(b) plan.

You may participate in either or both the 403(b) and 457(b) plan and you may separately defer any amount you choose in *each* plan, limited, of course by the respective maximums of each plan. As an example, you may contribute \$200 a month to the 403(b) plan and \$250 to the 457(b) plan. Your participation in one plan has no bearing on the other.

The University of Missouri imposes a required minimum amount to be invested each month. For the 403(b) plan that minimum is \$25.00 per month, or \$200.00 per year. The 457(b) plan minimum is \$25.00 per month.

The amount you may contribute to either or both the 403(b) and/or 457(b) plans is limited to the amount which is available after all applicable taxes and benefit deductions are satisfied. Specifically, the 457(b) plan limits contributions to no greater than 60% of eligible salary.

NON-ELECTIVE CONTRIBUTIONS

A 403(b) contribution is not treated as elective deferral under a salary reduction agreement if the contribution is made pursuant to a one-time irrevocable election by the employee at the time of initial eligibility to participate in the University of Missouri Tax Deferred Annuity Program. For UM employees, this is the first day of eligible employment.

A salary reduction contribution made under the one-time irrevocable election would not be subject to the Section 402(g)(1) elective deferral limit, which is \$15,500.00 in 2008.

This means that a new UM employee could defer more than the elective deferral limit by agreeing to the one-time irrevocable election within 30 days of the first day of employment. However, this is an irrevocable decision and the contribution amount cannot be changed or stopped as long as the participant remains an employee of the University of Missouri.

The amount of the irrevocable contribution cannot exceed the applicable Section 415 limit, which is \$46,000.00 in 2008.

Who is eligible for the Irrevocable Provision in the UM 403(b) Plan?

The Irrevocable 403(b) provision must be made at the time of initial eligibility to participate in the UM 403(b) Plan. Since the University of Missouri Tax Deferred Annuity (403(b)) Program is available to full time, part time, and temporary, non-student, employees as of the first day of employment, essentially, only new employees to the University of Missouri are eligible for this provision.

Can I make changes to the amount I defer under the Irrevocable 403(b) Provision?

No changes are permitted to the amount of the deferral once the one-time irrevocable election has been made. An employee or prospective employee who is considering using this irrevocable 403(b) plan provision must be aware that the only way this provision changes is by termination of employment with the University of Missouri.

What happens with the irrevocable contribution amount if my employment status changes?

An employee or prospective who is considering the using the 403(b) irrevocable provision must remember that changes to the contribution amount are not allowed. A change in employment status from full time to part time, for example, does not invalidate the irrevocable provision. In the case of an employee who has a change in employment status that does not have sufficient salary to support the original contribution amount, as much of the original contribution amount as possible will be taken from available salary.

The only way to stop the irrevocable contribution is to terminate employment with the University of Missouri.

Is there a matching contribution from the University of Missouri?

There is no matching contribution from the University to either the 403(b) or the 457(b) plans.

What are the “catch up” provisions?

Following is a summary of the rules that govern catch up contributions/deferrals

CATCH-UP CONTRIBUTIONS/DEFERRALS

	403(b)	457(b)																				
AGE 50 AND OVER	Participants who are age 50 or older are allowed to make additional catch-up contributions, phased in over 5 years.	Participants who are age 50 or older will be allowed to make catch-up contributions, phased in over 5 years:																				
	<table border="0"> <tr> <td></td> <td style="text-align: center;">Age 50 Catch-Up</td> </tr> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Deferral Limits</u></td> </tr> <tr> <td style="text-align: center;">2006</td> <td style="text-align: center;">\$5,000</td> </tr> <tr> <td style="text-align: center;">2007</td> <td style="text-align: center;">\$5,000</td> </tr> <tr> <td style="text-align: center;">2008</td> <td style="text-align: center;">\$5,000</td> </tr> </table>		Age 50 Catch-Up	<u>Year</u>	<u>Deferral Limits</u>	2006	\$5,000	2007	\$5,000	2008	\$5,000	<table border="0"> <tr> <td></td> <td style="text-align: center;">Age 50 Catch-Up</td> </tr> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Deferral Limits</u></td> </tr> <tr> <td style="text-align: center;">2006</td> <td style="text-align: center;">\$5,000</td> </tr> <tr> <td style="text-align: center;">2007</td> <td style="text-align: center;">\$5,000</td> </tr> <tr> <td style="text-align: center;">2008</td> <td style="text-align: center;">\$5,000</td> </tr> </table>		Age 50 Catch-Up	<u>Year</u>	<u>Deferral Limits</u>	2006	\$5,000	2007	\$5,000	2008	\$5,000
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<p>SPECIAL ELECTION</p>	<p>15-Year: The lifetime catch-up provision for 403(b) plans that existed prior to 1/1/02 is retained. If you have been employed by the University of Missouri for at least 15 years and have not contributed as much as you could have during your entire length of employment, you may be eligible to contribute an additional lifetime amount of up to \$15,000 to your 403(b) plan, contributing up to \$3,000 in any given year. Not all long-service employees are eligible and special rules apply.</p>	<p>457(b) Enhanced Limit: If you participate in the 457(b) plan and are within 3 years of normal retirement age, you may be eligible for an enhanced catch up that is limited to the lesser of:</p> <ol style="list-style-type: none"> 1. Two times the normal general limit, or 2. The normal limit plus any unused amounts from prior years. <p><u>Note:</u> You may not use the over 50 catch up in any year in which the enhanced limit applies if that limit is higher. This provision only applies to participants of the 457(b) plan. Secondly, a plan cannot provide for its last 3 years catch-up provisions to commence more than once.</p>
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Designated Roth 403b Plan Accounts Available August 1, 2008

Effective August 1, 2008, the University of Missouri Tax Deferred Annuity (403(b)) Plan will also feature the ability for an employee to designate some or all of his/her elective contributions under the plan as designated Roth contributions.

What is a Roth 403(b) account?

Participants in the University of Missouri 403(b) Plan may designate all or a portion of their elective deferrals to the plan as designated Roth 403(b) contributions. Designated Roth 403(b) contributions are made on an after-tax basis and are includible in an employee’s gross income. Designated Roth 403(b) contributions are maintained in a separate account, with separate accounting of earnings, gains, and losses.

What distinguishes a Roth 403(b) election from a traditional 403(b) election?

The primary differences between traditional tax deferred annuity contributions, as compared to the Roth 403(b) approach are:

	<u>Traditional</u>	<u>Roth 403(b)</u>
Contributions	Pre-Tax basis	After-tax basis
Distributions	Subject to taxes	Not Subject to taxes (certain rules apply)

Can I contribute to pre-tax elective and designated Roth 403(b) accounts in the same year?

You may make contributions to both types of accounts in the UM 403(b) Plan in a calendar year in any proportion that you like. However, the combined contribution amount of designated Roth 403(b) contributions and pre-tax 403(b) contributions must fall within the allowable limit (\$15,500 in 2008 plus \$5,000 for Age 50 or Older Catch up).

If I choose to begin making designated Roth contributions at the first of the year, but later I change my mind, can I then designate them as pre-tax elective contributions?

Once a Roth 403(b) contribution has been made, the contribution cannot be changed to a pre-tax contribution. While you may make changes to the amount designated as a Roth 403(b) contribution anytime during the year, those designated Roth 403(b) contributions already in the account must remain Roth 403(b) contributions.

How much can I contribute to my designated Roth 403(b) account?

The combined amount to your designated Roth 403(b) accounts AND pre-tax 403(b) accounts is limited by the 402(g) limit - \$15,500 in 2008 plus an additional \$5,000 in catch-up contributions if age 50 or older.

Do the same income restrictions for the Roth IRA apply to designated Roth 403(b) contributions?

There are no income limits when determining whether designated Roth 403(b) contributions can be made. Of course, you do have to have salary from which to make any deferrals.

Do I need a new account under my 403(b) plan to receive my designated Roth contributions?

Designated Roth contributions can be held in the same account as your traditional, pre-tax 403(b) contributions, but have to be kept completely separate from the pre-tax elective contributions.

What is a qualified distribution from a designated Roth 403(b) account?

A qualified distribution is one that is made after:

1. Five years from the date the first Roth 403(b) contribution was made, and
2. Participant reaches age 59 ½, is disabled, or dies.

If the distribution is being made to an alternate payee or beneficiary, the age, death or disability of the employee is used to determine whether the distribution is qualified.

A qualified distribution from a designated Roth account is not includible in the employee's gross income.

Am I required to take a distribution from a designated Roth 403(b) account?

Roth 403(b) accounts are subject to required minimum distribution rules.

Since designated Roth contributions are made after-tax, can I withdraw from my designated Roth account at any time and without taxes?

No. Plan restrictions for withdrawals for pre-tax elective 403(b) contributions also apply to designated Roth 403(b) contributions. If the plan allows for a distribution due to hardship, you may choose to receive it from your designated Roth 403(b) account. But such a distribution will consist of a pro-rata share of earnings and basis and the earnings will be included in gross income unless you have had the designated Roth 403(b) account for 5 years and are either disabled or over age 59 ½.

Can distributions from a designated Roth 403(b) account be rolled over to a designated Roth 403(b) account of another employer or into a Roth IRA?

The rollover of the distribution must be accomplished through a direct rollover. (i.e., a rollover to another designated Roth account is not available for any portion distributed directly to the employee) and can only be made to a 401(k) or 403(b) plan that has a designated Roth program, or to a Roth IRA.

Since designated Roth contributions are already included as part of wages, tips & other compensation on the Form W-2, do I have to indicate the contributions designated as Roth contributions on the Form W-2 as well?

Yes, contributions to a designated Roth account must also be separately reported on Form W-2, "Wage and Tax Statement."

Which companies participating in the University of Missouri 403(b) Program offer the Roth 403(b) option?

The following companies offer the Roth 403(b) option within the University of Missouri 403(b) program:

AIG Retirement (formerly VALIC)	American Century
Fidelity Investments (effective September 2008)	Metropolitan Life
Waddell & Reed	

What does "Portability" mean, as it applies to 403(b) and 457(b) Plans?

Portability is the ability to move your retirement money with you when you change employers, as well as the ability to move your retirement money between different types of tax deferred plans.

Rollover of distributions between 401(k), 403(b) and eligible governmental 457(b) plans is allowed. Employers retain the right to decide if their plans will allow such rollovers. The University of Missouri does allow rollovers of these types for you if you are eligible to participate in the 403(b) and 457(b) plans.

	TRADITIONAL 403(b)	ROTH 403(b)	457(b)
ROLLOVERS FROM OTHER PLANS	A 403(b) plan may, but is not required to, accept rollovers of distributions from a 403(b), 401(a) retirement, 401(k), profit sharing or stock bonus plan, or from a governmental 457(b) plan.	May accept rollovers from other Roth elective deferral accounts only.	Governmental 457(b) plans may, but are not required to, accept rollovers of distributions from a governmental 457(b) plan, 401(a) retirement, 401(k), profit sharing or stock bonus plan, or a 403(b) plan.

ROLLOVERS FROM IRAS	A 403(b) plan may, but is not required to, accept rollovers from an IRA that has been funded with assets from a 401(a) retirement, 401(k), profit sharing or stock bonus plan, 403(b) plan, or a governmental 457(b) plan, or an IRA, excluding after-tax amounts.	No	A 457(b) governmental plan may, but is not required to, accept rollovers from IRAs funded with assets distributed from a 401(a) retirement, 401(k), profit sharing or stock bonus plan, 403(b) plan or an IRA, excluding after-tax IRA amounts.
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Note:

1. To the extent non-457(b) money is rolled to a 457(b) plan, the two types of funds must be accounted for separately,
2. To the extent 457(b) money is rolled to a non-457(b) plan, the 457(b) plan money will be subject to the early distribution tax rules that apply to the receiving plan.

What happens to my money if I leave the University?

Since contributions to the 403(b) and 457(b) are through salary deferral, once you leave the University, your deposits to these accounts stop. Your 403(b) account and your 457(b) account can remain as they are at the investment company. Even though no new deposits are being made into these accounts, the principal plus earnings will be tax-deferred until withdrawals begin at retirement.

After leaving the University of Missouri for other employment, if the new employer's plan allows it, you may be able to deposit funds from your University of Missouri 403(b) or 457(b) into the new plan. Keep in mind that if this is done, the University of Missouri money falls under the tax rules of the new employers plan. For example, if 457(b) funds are rolled into a new employer's 401(k) plan, the 457(b) money must abide by 401(k) guidelines where distributions and taxes are concerned.

Your traditional 403(b) and 457(b) funds may also be rolled into a Rollover IRA.

What are the withdrawal provisions?

The primary purpose of 403(b) plans and 457(b) plans is to help provide you with long-term financial security through tax-favored savings plans. In exchange for the tax-favored status of these plans, the federal government limits withdrawals while still employed. In addition, some investment companies have policy or contract restrictions that include fees or interest penalties for early withdrawal. Be sure to review the company's policy before making any decisions. Following is a summary of withdrawal provisions for both:

WITHDRAWAL PROVISIONS

403(b)	457(b)
<p>Withdrawals restricted to the following reasons:</p> <ol style="list-style-type: none"> 1. Attaining age 59-1/2 2. Separation from service with the University of Missouri 3. Retirement 4. Death 5. Disability 6. Financial Hardship <p>In order to qualify for a financial hardship withdrawal, there must be a verifiable, immediate, and heavy financial need and there must not be any other resources reasonably available to you to handle that financial need.</p> <p>Withdrawals from a 403(b) plan due to financial hardship require the suspension of future 403(b) contributions for 6 months from the date of the hardship withdrawal.</p> <p>Funds withdrawn from a 403(b) account will be assessed federal and state income tax plus a 10% penalty if you are under the age of 59-1/2. The penalty tax can be avoided if withdrawals meet the following criteria:</p> <ol style="list-style-type: none"> 1. Is due to termination of employment on or after age 55 2. Is in the form of substantially equal payments for life or life expectancy <u>after</u> termination of employment 3. Is due to your disability or death 4. Is for unreimbursed medical expense to the extent eligible to be itemized on your income tax return, i.e., more than 7.5% of adjusted gross income. 5. If money is returned to you to correct a situation of excess contributions (contributing more to your account than the IRS limit allows) 6. Is payment to an alternate payee directed by a qualified domestic relations order (QDRO). 	<p>Withdrawals restricted to the following reasons:</p> <ol style="list-style-type: none"> 1. Retirement 2. Termination of employment 3. Unforeseeable emergency 4. Death of the participant <p>An unforeseeable emergency is a severe financial hardship resulting from a sudden illness, disability, or accidental property loss, subject to strict IRS guidelines.</p> <p>Withdrawals from a 457(b) plan due to unforeseen emergency require the suspension of future deferred compensation contributions for a period of at least 6 months.</p> <p>There is no penalty for withdrawal before age 59-1/2 in 457(b) plans, except to the extent the distribution is derived from money rolled over from a 401(a), 403(b), or IRA.</p>

If I make a withdrawal, can I return the funds to the plan at a later date?

The law does not permit either a 403(b) or a 457(b) plan to accept extra or special deposits to replace previously withdrawn funds.

What are minimum required distributions?

The federal government lets employees defer taxes on contributions to savings plans and any earnings on those contributions only so long. At a certain point, the government wants its tax revenue and requires participants in workplace savings plans to begin taking mandatory minimum distributions from these plans. You are generally able to postpone distributions from a current employer's retirement plans until April 1 of the year following the year you turn age 70-1/2 or the year you retire, whichever is later. This is called the Required Beginning Date. Distributions from IRAs and previous employer's plans must be made by April 1 of the year after you reach age 70-1/2.

Although the first distribution must be made by the applicable April 1, later payments must be made on or before December 31 of each distribution year. If the distribution is delayed as long as permissible – that is, until the required beginning date – the first two required payments must be made during the calendar year that contains the required beginning date.

However, IRS life expectancy tables have been modified to reflect current life expectancy, which will result in smaller required annual payments.

Minimum required distributions are not eligible to rollover. You can no longer defer paying income taxes on minimum required distributions.

May loans be offered in the 403(b) plan?

While loans from a 403(b) plan are permissible under IRS guidelines, there is no requirement that loans be offered. Consequently, some, but not all, of the companies participating in the University of Missouri 403(b) plan offer loans.

Who may borrow from a 403(b) plan?

Loans may be made available to almost anyone who participates in a 403(b) plan including current employees, both part-time and full-time. This also includes former employees if they retained their 403(b) accounts.

How much may a participant borrow from a 403(b) plan?

Loans from 403(b) plans are limited by a “50/50” rule: they generally cannot exceed the lesser of:

1. \$50,000.00; or
2. 50 percent of the participant's account balance

These limits are total limits over all accounts a participant may have in the plan. Loans may also be subject to additional limits and fees set by the investment company.

How is a loan from my 403(b) plan repaid?

Arrangements for repayment are made directly with your selected 403(b) company.

Are loans offered in the 457(b) plan?

Loans are not permitted from your 457(b) account.

May I contribute to an IRA if I am participating in the 403(b) or 457(b) plans?

Participation in the 403(b) or 457(b) plans does not hinder your ability to contribute to a Classic IRA or a Roth IRA, as long as certain IRS eligibility requirements are met.

Which companies are authorized by the University to offer investment options?

In the 403(b) Plan, the University contracts with a number of companies to provide a vast array of investment choices for you. A list of these companies is available from your Campus Benefits Representative, or on the UM Benefits website at:

<http://www.umsystem.edu/ums/departments/hr/benefits/investment>.

The sole investment company for the 457(b) plan is Fidelity Investments. Enrollment kits for the 457(b) Plan are available from your Campus Benefits Representative.

How do I select a company to manage my TDI account?

Your situation and needs are very personal and require individual attention. What is best for you is not best for everyone. You, or your investment advisor, should compare the programs offered to decide which would be best for you.

How often may I change my investment decisions?

How often you may change the direction of your investment options and transfer money in account balances is limited to the investment policy or contract restrictions of the company you have chosen to manage your TDI account.

Can I name a beneficiary for my account?

The choice of a beneficiary is yours. When you enroll, you will be given a Beneficiary Designation form that contains all the information for beneficiary election. In the event you want to change your designation of beneficiary, you need to contact the investment company or its representative.

Conclusion

The University's Tax-Deferred Investment Plans are another way for you to save for your future in a way that is easier than most and allows you to delay paying taxes until you make a withdrawal from your account in the future, at the time of retirement for most participants.

The choices are yours:

- You can decide how much to save (subject to the minimum deposits imposed by the University and maximum deposit limitations imposed by the IRS).
- You can decide the type of investment vehicle to use for your deposits.
- You can increase, decrease or resume deposits to the plan so long as they are made with adequate notice to your Campus Benefits Representative.
- You can select from a variety of settlement options upon termination. Your policy or contract may include these options and more:
 - An immediate lump-sum cash settlement
 - An annuity settlement
 - Installments for a selected period
 - A survivor annuity
- You can designate a beneficiary for the death benefit related to your account.
- You can have the right to select an installment or annuity settlement for the death benefit. If you do not make such a selection, your beneficiary has the right to make a selection.

There are a variety of companies that provide you with an array of investment options. It is important that you read the policies and contracts provided by these companies before you make your investment decision. Company representatives can answer questions about their specific investment options, contract provisions and limitations.

Your Campus Benefits Representative will provide you with a summary booklet as well as the forms you need to begin participation in or make changes to your account.

Notes: