UNIVERSITY OF MISSOURI SYSTEM
RETIREMENT PROGRAMS

Defined Benefit Retirement Plan SPD

Retirement, Disability, and Death Benefit Plan (Level One) (RDD)

Plan designs effective date January 1, 2025

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Retirement Program Introduction

Welcome to the University of Missouri System's Retirement Program. We are eager to make you aware of the retirement plans available, as they apply to you. This Defined Benefit Retirement Plan SPD ("DB Plan SPD") is a summary plan description describing benefits available to *level one members* of the *University's* Retirement, Disability, and Death Benefit Plan ("RDD" or "DB Plan").

Throughout this DB Plan SPD, the term "DB Plan" will be used to refer to provisions of the RDD plan document applicable to Level One Members (as defined below and in the RDD).

As warranted, you will receive supplemental information about the DB Plan and other Retirement Program plans for which you are eligible. In the event of a conflict between this DB Plan SPD and the actual plan provisions, the RDD plan provisions will govern. Other summaries are available to provide an overview of other plans within the *University's* Retirement Program. A description of the Retirement Program plans and the summary documents that describe these plans follows.

The *University* hopes to sponsor the plans within its Retirement Program indefinitely but reserves the right to amend or terminate them at any time, to the extent permitted by law. If any material changes are made in the future, you will be notified.

Please review this summary carefully and share it with your family. It's important that you fully understand your benefits to make the most of them. Should you need additional information about a plan, please refer to the plan documents online at https://www.umsystem.edu/ums/rules/collected_rules/benefit/ch500 or contact your HR Generalist or the UM System Office of Human Resources Service Center using the contact information below.

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Summary of the *University's* Retirement Program

The *University's* Retirement Program includes several retirement plan options. Your participation in these plans and the benefits you receive are dependent on when you were hired, or in some cases, rehired, by the *University*. Because your hire date determines your benefits under a specific plan, we have created this summary based on benefits available to you based on your hire date. A quick summary of the *University's* Retirement Program plans and the summaries of those plans is below so that you can review the plan documents and summaries applicable to you.

Retirement Program Plans

Retirement Program benefits are offered through the following plans sponsored by the *University*:

- **Retirement, Disability and Death Benefit Plan (RDD)**. The RDD is a defined benefit plan. The level of benefit received under the RDD depends on whether the employee is a "Level One Member" or "Level Two Member," which in turn depends on the employee's hire date or rehire date. Under the RDD, the *University* pays the majority of the cost of the benefits and the employee is required to make a contribution equal to a percentage of the employee's salary. Employees hired or rehired on or after October 1, 2019, will not accumulate any additional *service credit* (or *summer appointment service credit*) or accrue benefits under the RDD.
- **401(a) Employee Retirement Investment Plan (ERIP).** The ERIP is a defined contribution plan. Under the ERIP, the *University* makes matching contributions equal to a percentage of what the employee contributes to the 457(b) Eligible Deferred Compensation Plan (and in certain cases, a nonelective contribution as well). The matching percentage and the employee's eligibility for a nonelective contribution depend, again, on the employee's hire (or rehire) date.
- **401(a) Supplemental Retirement Plan (SRP).** The SRP is a defined contribution plan. Under the SRP, the employee is permitted to make a one-time irrevocable election. The *University* may also make additional nonelective contributions for certain designated employees. Participating employers in the Plan may make nonelective and matching contributions equal to a percentage of the employee's salary.
- **457(b) Eligible Deferred Compensation Plan (457(b) Plan).** The 457(b) Plan is a defined contribution plan. Under the 457(b) Plan, an employee may be automatically enrolled to defer a percentage of the employee's salary (the default percentage) depending on the employee's hire (or rehire) date. If applicable, the default percentage, which may be changed by the employee, depends on the employee's hire (or rehire) date.
- **Tax Deferred Annuity Plan (403(b) Plan).** The 403(b) Plan is a defined contribution plan. Under the 403(b) Plan, an employee is permitted to make a one-time irrevocable election and may also elect to defer a percentage of the employee's salary per pay period. Also, the *University* may make a nonelective contribution to a designated employee in an amount determined by the *University* at its discretion.

What is the difference between a defined benefit plan and defined contribution plan?

- *A defined benefit plan* is a retirement plan that promises to pay a specified amount at retirement based on factors such as salary, age, years of service, and a benefit multiplier. The benefit (the amount a member receives) at retirement is predetermined and will not fluctuate with the market (but depends on other factors at retirement).
- *A defined contribution plan* is a retirement plan that provides an individual account for each participant in the plan and provides benefits based on the amount contributed to that participant's account. The amount available at retirement is affected by returns generated by the investment(s) the participant selects and expenses charged to their account. The benefit at retirement will be based on total contributions by the participant and the *employer* to the plan on their behalf, as applicable, plus any investment gain and/or loss.

Summaries of the Retirement Program Plans

The names of the summaries describing the plans above (called summary plan descriptions) are as follows:

- **Defined Contribution Retirement Plan SPD ("DC Plan SPD")**. This summary applies to an eligible employee* hired or rehired on or after October 1, 2019, and describes the employee's benefit under the ERIP.
- **Defined Benefit Retirement Plan SPD ("DB Plan SPD")**. This summary applies to a "Level One Member" as defined by the RDD, and describes the Level One Member's benefit under the RDD. A "Level One Member" under the RDD is a member* who was (1) initially hired prior to October 1, 2012, (who is still employed) or (2) initially hired prior to October 1, 2012, earned a vested benefit under the RDD, experienced a termination from employment after earning such vested benefit and did not receive a lump sum payment under the RDD, and who was rehired by the University on or after October 1, 2012, but prior to October 1, 2019.
- **Hybrid Retirement Plan SPD ("Hybrid Plan SPD").** This summary applies to a "Level Two Member" as defined by the RDD, and describes the Level Two Member's benefit under the RDD. A "Level Two Member" under the RDD is a member* who was (1) hired on or after October 1, 2012, but prior to October 1, 2019; or (2) rehired on or after October 1, 2012, but prior to October 1, 2019, who does not otherwise meet the definition of "Level One Member" described above. This summary also describes the ERIP benefit for an eligible employee* who was (1) hired on or after October 1, 2012 but prior to October 1, 2019; or (2) rehired on or after October 1, 2012, but prior to October 1, 2019, who does not otherwise participate in the RDD as a "Level One Member," described above.
- **Voluntary Retirement Plans SPD ("VRP SPD")**. This summary describes benefits provided under the SRP, 457(b) Plan, and 403(b) Plan for an eligible employee.* Eligibility varies (see the plan documents), but is not based on the hire or rehire date like the benefits under the RDD and ERIP.

**The descriptions of the summaries above only describe the hire or rehire date requirements. However, benefits are also contingent on other eligibility factors and restrictions not discussed above, such as full-time status, academic or non-academic status, or employment classification. Read the summaries for more information.*

The Defined Benefit Retirement Plan SPD ("DB Plan SPD")

Introduction

This DB Plan SPD is intended to help answer many commonly asked questions. Should you need additional information about Level One benefits under the DB Plan, please refer to the RDD plan document, Section 530.010, online at http://www.umsystem.edu/ums/rules/collected_rules/benefit/ch500 or contact the UM System Office of Human Resources Service Center.

> To the extent this summary of the DB Plan references other *University* Retirement Program plans, a description of those plans (and how those plans are sometimes alternatively referenced) is located in the section above titled **A Summary of the *University's* Retirement Program.**

Key Terms

To help you understand your retirement benefits and how they work, this section provides definitions of important terms used in this DB Plan SPD.

Beneficiary
A person designated by a *member*, a *beneficiary*, or by the DB Plan who is or may become entitled to a benefit under the DB Plan. Any person designated as a *beneficiary* shall have no rights under the DB Plan until after the death of the *member*.

Committee
The *plan administrator* may delegate its duties and responsibilities to a *committee* that has been appointed to assist the *plan administrator*. The committee that assists the *plan administrator* is the Total Rewards Advisory Committee. A separate committee, the Investment Oversight Committee, has operating and supervisory responsibilities related to the selection and monitoring of investments.

Contract Year
The period from September 1 through August 31.

Division of Benefits Order (DBO)
An order issued by a court of competent jurisdiction dividing the pension amount payable from the DB Plan between the parties to any action for dissolution of marriage (also referred to as a divorce) which meets certain requirements outlined in RDD plan document Section 530.010.K.22.

Early Retirement
Retirement prior to age 65. A member can retire early if: (1) they're between the ages of 55 and 60, have completed 10 years of *service credit*, and have received at least one year of *service credit* after the age of 54; or (2) they are between the ages of 60 and 65, and are a *qualified member* (please note that the member must complete 5 years of *service credit* to become a *qualified member*).

Final Average Regular Salary
The average of the member's regular *salary* for the five consecutive highest-paid *salary years* they worked for the *University*.

Final Average Summer Appointment Salary
The average of your *salary* earned during your 5 consecutive highest-paid summer appointments. Summers you do not work are not considered in calculating the average. If you're employed for more than one summer appointment in any *contract year*, your *summer appointment salary* for those summer appointments will be combined and considered as one summer appointment. If you are employed on both 9-month and 12-month appointments during your career, special rules will apply.

Full-Time Employee
You hold a full-time appointment with a duration of at least 9 months and have a *full-time equivalency* of at least 75%. Prior to January 1, 2005, an employee on a 9-month service basis must have a *full-time equivalency* of 100%.

Full-Time Equivalency (FTE)
For a non-academic appointment which is not exempt from receiving overtime pay, 100% *full-time equivalency* means 2,080 hours of service during a *contract year*. For an academic appointment or a non-academic

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appointment which is exempt from receiving overtime pay, 100% *full-time equivalency* shall be determined on the basis of criteria established in accordance with applicable *University* policy.

Furlough
A period of time, not exceeding 30 days in any *contract year*, during which you are placed in a temporary, non-duty, non-pay status due to financial constraints of the *University* and after which you are expected to resume normal duties.

Guaranteed Payment Period
A definite period of time, elected by the *qualified member* prior to commencement of retirement benefits, during which retirement benefits will be paid to the *qualified member*, or in the event of the *qualified member's* death, a *joint annuitant* or *guaranteed period beneficiary*. A *qualified member* may select a 120 month *guaranteed payment period*.

Guaranteed Period Beneficiary
A person designated by a *qualified member* to receive a monthly retirement benefit following the death of the *qualified member* and/or the *joint annuitant*. The *guaranteed period beneficiary* may receive the monthly benefit up to the expiration of the *guaranteed payment period*. Any person designated as a *guaranteed period beneficiary* shall have no rights under the DB Plan until after the death of the *member* and the *joint annuitant* if applicable.

Joint Annuitant
A person designated by a *qualified member* to receive a lifetime monthly retirement benefit which will begin following the death of the *qualified member*. Any person designated as a *joint annuitant* shall have no rights under the DB Plan until after the death of the *member*.

Level One Member
A *member* who was:

- initially hired before October 1, 2012; or
- initially hired prior to October 1, 2012, earned a *vested* benefit under the DB Plan, experienced a *termination* from employment after earning such *vested* benefit but did not receive a lump sum payment under the DB Plan, and who was rehired by the *University* on or after October 1, 2012, but prior to October 1, 2019.

(Benefits for Level Two Members are outlined in the Hybrid Plan SPD.)

Member
Any employee of the *University* in any position paid out of the University's public funds for educational services, who is classified as (1) a *full-time employee* or (2) a part-time employee in a non-academic appointment who is not exempt from receiving overtime pay, and who completes at least 1,500 hours of service in a *contract year*. A *member* shall not include any:

- subsidiary employee (including health affiliate);
- student employee;
- per diem employee;
- adjunct faculty;
- temporary employee who works less than one thousand five hundred (1,500) hours in a *contract year*;
- resident physician hired on and after July 1, 1994;
- leased employee;
- non-common law employees (even if later determined to be one);
- employees of a participating employer prior to the date the participating employer adopts the DB Plan with the consent of the *University*; or
- individuals hired or rehired by the *University* on or after October 1, 2019 (regardless of whether or not the rehired individual was previously a *member* in the DB Plan).

Additional special rules may apply, refer to the RDD plan document for more details.

Normal Retirement
Age 65 or later. However, *qualified members* who have at least 25 years of *service credit* and retire after age 62 will be treated as if they had a *normal retirement* (i.e., their benefits will not be reduced as an *early retirement* benefit).

Plan Administrator
The department of the *University*, or such other person, or department as may be appointed by the *University* to supervise the administration of the DB Plan. The *committee* that assists the *plan administrator* is the Total Rewards Advisory Committee. A separate *committee*, the Investment Oversight Committee, has operating and supervisory responsibilities related to the selection and monitoring of investments.

Qualified Member
A *member* who has earned the right to receive benefits from the DB Plan. You must complete 5 years of *service credit* in order to be a *qualified member* and *vested* in your benefit.

Salary
Compensation for services regularly rendered, including the fair market value of income not paid as cash (housing and no charge room or board), including but not limited to:

- regular pay (including elective deferrals and contributions to *University* retirement plans or any other plan or arrangement (such as a flexible benefit plan));
- shift differential;
- chancellor’s housing allowance;
- contract pay;
- sick leave pay;
- accrued paid time off used to supplement workers' compensation payments from a third party for work incurred injury;
- personal days;
- vacation days;
- *summer appointment salary;*
- paid time off, including cashed-in paid time off;
- parental and caregiver leave pay with respect to leaves for which you receive *service credit;* and
- short-term disability pay.

Salary excludes:

- overtime;
- relocation incentive;
- additional, extra, or incentive compensation;
- prizes/awards, or bonuses;
- tenure buyout;
- benefit restoration plan;
- automobile allowances (or furnished automobiles);
- educational assistance;
- in lieu of retirement;
- moving expenses;
- patent royalties;
- tips;
- transition assistance;
- commissions (unless specifically authorized by the *plan administrator* or appointed *committee*);
- special services, projects, summer terms, or intersessions except as provided under *summer appointment salary*;
- in lieu of vacation other than in the context of a *termination* of employment;
- all settlement amounts except where the settlement agreement expressly provides that some or all of the amount shall be deemed *salary* for purposes of retirement benefit calculation; and
- any paid time off which is forfeited.

Your *final average regular salary* is the average of your regular annual *salary* for the five consecutive *salary years* you work for the *University* that produce the highest average. *Final average regular salary* does not include the excluded payments listed above. For the sake of clarity, *salary* does not include any compensation for services earned by an individual hired or rehired by the *University* on or after October 1, 2019.

Salary Year
For the purpose of determining a *member's final average regular salary*, the *salary year* shall be the *contract year*. In some circumstances, partial years may be used. See Section 530.010.D.2 of the RDD plan document for more details.

Service Credit
The period of employment taken into account in the determination of retirement benefits for a *member* of the DB Plan. No more than 1 year of *service credit* shall be awarded for service during any period of 12 consecutive months. How a year of *service credit* is earned depends on whether the *member* is working an academic or non-academic appointment and whether the *member* is a *full-time employee* or part-time employee. See the RDD plan document, Section 530.010.C. for specific *service credit* rules. For the sake of clarity, no individual hired or rehired on or after October 1, 2019, whether or not such individual was previously a *member*, shall be eligible to become a *member* entitled to accumulate any additional *service credit*.

Summer Appointment Salary
Salary paid to a *member,* who is employed under a regular, full-time 9-month academic staff appointment, for services performed during a summer appointment which is over and above the *member's* annual *salary* for the 9-month period immediately preceding the summer appointment. *Salary* for a summer appointment earned before May 1, 2011, which exceeds 2/9 of the *member's salary* for the 9-month period immediately preceding the summer appointment (or the 9-month period immediately following the summer appointment in the case of a *member* whose first appointment is a summer session appointment), is not *summer appointment salary*. *Salary* for a summer appointment earned on or after May 1, 2011, which exceeds 3/9 of the *member's salary* for the 9-month period immediately preceding the summer appointment (or the 9-month period immediately following the summer appointment in the case of a *member* whose first appointment is a summer session appointment) shall not be taken into account as *summer appointment salary*.

Summer Appointment Service Credit
The period of summer appointment employment taken into account for a *member* who is employed under a regular, full-time 9-month academic staff appointment in the determination of retirement benefits. A *member* shall receive 1 *summer appointment service credit* for each academic appointment of summer service during which such *member* earns a *summer appointment salary*. A maximum of one *summer appointment service credit* can be received during any one *contract year*. For the sake of clarity, no individual hired or rehired on or after October 1, 2019, whether or not such individual was a *member*, shall be eligible to become a *member* entitled to accumulate any additional *summer appointment service credit*.

Termination
The event following the last day for which you're employed by the *University* following your resignation, discharge, retirement, death, or failure to return to work from an approved leave of absence.

University
The Curators of the University of Missouri. The *University* is a governmental entity established as a public corporation under the Constitution and Statutes of the State of Missouri.

Vesting (vested)
Upon completion of five years of *service credit*, your benefit is nonforfeitable until a distribution occurs. Upon distribution, *service credit* is forfeited (except that such *service credit* will be counted toward the vesting requirements of the DC Plan if you are subsequently rehired by the *University* and are an eligible employee of the DC Plan, even if you took a full distribution of your benefit under this DB Plan). Refer to the DC Plan SPD for more information.

Key Things to Know about the DB Plan

Employee contributions are required.	*Members* in the DB Plan are required to contribute 1% of their *salary* up to the first $50,000 and 2% of their *salary* in excess of $50,000 for the calendar year. If you leave before becoming a *qualified member*, you are eligible for a refund of your employee contributions.
You become a *qualified member* (*vested*) after earning five years of *service credit*.	Being a *qualified member* means you're *vested* and have earned the right to receive a benefit.
You receive your fully earned retirement benefit if you retire at *normal retirement* age or later.	Retiring at *normal retirement* age of 65 or older means you are a *qualified member* and retire with no reduction in benefit.
You can retire early and receive a retirement benefit.	If you retire at age 55 with 10 years of *service credit* or at age 60 with 5 years of *service credit*, you are eligible for *early retirement* with a reduced benefit.
You receive a *normal retirement* benefit at age 62 with 25 or more years of *service credit*.	If you work to at least age 62 and have 25 or more years of *service credit*, you may retire early with no reduction in benefit.
The DB Plan provides benefits for your survivors if you die before retiring or leaving the *University*.	If you are a *qualified member,* your survivors may be entitled to receive either: • a lump sum payment; or • monthly payments.
If you attain *early* or *normal retirement*, you will decide how to receive your retirement benefit.	You may receive your benefit in either: • monthly payments; or • 10%, 20%, or 30% in a lump sum and the balance in monthly payments.
If you are a *qualified member* and leave before *early* or *normal retirement,* you are eligible to receive a benefit.	You may receive your benefit in either: • A lump sum payment up to age 65; or • monthly payments commencing between ages 55 and 65.

Getting Started in the DB Plan

Who is eligible to participate in the DB Plan?

With respect to *level one members,* you are eligible to participate as a *level one member* if you are a *member,* and if you were**:**

- initially hired before October 1, 2012; or
- initially hired prior to October 1, 2012, and:
  - earned a *vested* benefit under the DB Plan,
  - subsequently experienced a *termination* from employment after attaining said *vested* benefit,
  - did not receive a lump sum payment under the DB Plan, and
  - were rehired by the *University* on or after October 1, 2012, but prior to October 1, 2019.

When does participation in the DB Plan begin?

- *Full-Time Employees:* You automatically become a *member* on your first day as a *full-time employee* with the *University* provided you meet the definition of a *level one member* as defined above.
- *Part-Time Employees:* If you are a part-time employee you become a *member* if you are required to complete at least 1,500 hours of service in a *contract year*. If you are not required to complete at least 1,500 hours of service in a *contract year*, but actually work 1,500 hours in a *contract year*, you will become a *member* retroactive to the first day of the *contract year* in which you actually worked 1,500 hours.

Eligibility/Participation	
You <u>are</u> eligible to participate as a *level one member* if you are:	You <u>are not</u> eligible to participate as a *member* (including as a *level one member*) if you are:
a *full-time employee* **AND** you were: • initially hired prior to October 1,2012; **OR** • initially hired prior to October 1, 2012, earned a *vested* benefit under the RDD, experienced a termination from employment after earning such *vested* benefit and did not receive a lump sum payment under the RDD, and rehired on or after October 1, 2012, but prior to October 1, 2019. Special eligibility rules apply if you are a part-time employee who completes at least 1,500 hours of service in a *contract year*. See the RDD plan document for more information.	• a subsidiary employee (including health affiliate); • a student employee; • a per diem employee; • adjunct faculty; • a temporary employee who works less than 1,500 hours in a *contract year*; • a resident physician hired on or after July 1, 1994; • a leased employee; • a non-common law employee; or • an employee hired or rehired on or after October 1, 2019.

When am I eligible for a *vested* benefit?

Upon earning 5 years of *service credit* you become a *qualified member* and *vested* in your benefit.

> ***What is vesting?***
>
> If you have 5 years of *service credit*, you've earned the right to a DB Plan benefit when you retire or leave the *University*. You are *vested* and a *qualified member*.

When am I eligible for a retirement benefit?

- *Normal retirement:* You're eligible for a *normal retirement* benefit at age 65 (or at age 62 if you have at least 25 years of *service credit*) if you're a *qualified member.*
- *Early retirement:* You may want to retire before age 65. You're eligible for an *early retirement* benefit if you're a *qualified member* (5 years of *service credit*) and you're between ages:
  - 55 and 60 with at least 10 years of *service credit*, with at least one year of *service credit* earned after age 54; or
  - 60 and 65.

> ***Can I retire early?***
>
> If you're eligible, you can retire as early as age 55 and receive a reduced benefit from the DB Plan.

Who pays the cost of providing benefits?

- *University* contributions*:* The *University* pays the majority of the cost of your benefits under the DB Plan.
- Employee contributions*:* In addition, *members* are required to contribute 1% of their salary up to the first $50,000 in *salary* per calendar year. For those *members* with a *salary* over $50,000 per year, amounts earned in excess of $50,000 will be subject to a 2% contribution rate. An example for a person with $80,000 in salary would be:

1% x $50,000 = $ 500.00
2% x $30,000 = <u>$ 600.00</u>
Total Annual $1,100.00

Following are examples of what the annual contribution would be at various salary levels:

Salary	Annual Contribution	Salary	Annual Contribution
$30,000	$300	$70,000	$900
$40,000	$400	$80,000	$1,100
$50,000	$500	$90,000	$1,300
$60,000	$700	$100,000	$1,500

Federal law places a limit on the salary amounts that can be used in determining pension benefits. For *members* initially hired after 09/01/1996, that salary limit is $350,000 for 2025. The IRS may adjust this limit annually for cost of living. Further, salary for purposes of determining a *member's* annual contribution is not the same as how *salary* is defined in this DB Plan SPD (for example, although very similar to *salary* as defined in this DB Plan SPD, salary for purposes of this contribution requirement does not include non-cash income).

How is *service credit* earned in the DB Plan

How do I earn *service credit* – 12 month appointments?

You earn *service credit* by working as a *full-time employee* or as a part-time employee if certain conditions are satisfied (discussed below). As a *full-time employee*, you earn one year of *service credit* if you work on a full-time basis during the period beginning September 1 and ending August 31, a *contract year*. *Service credit* is counted in full years and days from the date you join the *University* to the later of your *termination* date or ending *service credit* date.

How do I earn *service credit* – 9 month appointments?

If you are a *full-time employee* and on a 9-month academic staff appointment:

- one academic semester counts as a half year of *service credit*; and
- one academic quarter counts as one-third of a year of *service credit* with proportionate *service credit* for shorter periods.

Are there any limits that apply to *service credit*?

- You cannot receive more than one year of *service credit* in any 12 consecutive months.
- No duplicative *service credit* will be awarded for any portion of the year in which *summer appointment service credit* is awarded.
- No period of employment during which you did not meet the definition of a *member* as defined in this DB Plan SPD will be considered for purposes of *service credit*.
- You cannot receive *service credit* under the DB Plan for any period of employment entitling you to *service credit* and benefits under the U.S. Civil Service Retirement System, FERS, or MOSERS.

Can I earn *service credit* for part-time employment?

You earn one year of *service credit* for each full *contract year* (September 1 through August 31) during which you work 1,500 hours or more. If you do not work a full *contract year* due to commencement or *termination* of employment, proportionate credit will be given for such *contract year* if you complete at least 1,500 hours or more.

Does unused accumulated sick leave count toward my benefit?

If you are eligible to retire from the *University,* see **When am I eligible for a retirement benefit?**, any unused accumulated sick leave will be counted as additional *service credit* in your final benefit calculation, but such additional *service credit* will not be taken into account in determining *vesting* or reaching a retirement age or *service credit* threshold. Also, any additional *service credit* on account of accumulated sick leave will not change the reduction in your benefits due to *early retirement*.

Am I eligible for *summer appointment service credit*?

If you are a *member* on a full-time, 9-month academic staff appointment and you earn *summer appointment salary* during the summer months following your 9-month appointment, you are eligible for *summer appointment service credit*. *Summer appointment service credit* is in addition to any *service credit* you earn during the *contract year*.

How do *summer appointment service credits* count toward my benefit?

You earn one *summer appointment service credit* for each summer during which you are a *member* on a full-time, 9-month academic staff appointment and receive *summer appointment salary*. You can earn a maximum of one year of *summer appointment service credit* during any one *contract year*.

A special rule may apply if, during your *University* career, you worked under both 9 and 11 month (or 12 month) appointments. Please contact the UM System Office of Human Resources Service Center, for further information. You cannot earn more than one year of *service credit* for any *contract year*.

Your *final average summer appointment salary* is your average *salary* earned during your 5 consecutive highest-paid summer appointments. Summers you do not work are not considered in calculating the average. If you're employed for more than one summer appointment in any academic year, your *salary* for those summer appointments will be combined and considered as one *summer appointment salary*.

For summers beginning in 2011, if your *summer appointment salary* exceeds 3/9 of your regular annual *salary* for any 9-month period immediately before your summer appointment (or the 9-month period following your summer appointment if your first appointment is a summer appointment), the overage will not be included as part of your *summer appointment salary*. For summers before 2011, If your *summer appointment salary* exceeds 2/9 of your regular annual *salary* for any 9-month period immediately before your summer appointment, the overage will not be included as part of your *summer appointment salary*.

How do breaks in service with the *University* affect my *service credit*?

You have a break in service if you experience a *termination* from employment at the *University* and returned to work as a *member* of the DB Plan at a later date. You do not earn regular *service credit* or *summer appointment service credit* during your break in service.

What happens if you experience a *termination* from employment and later return to work at the *University?*

If you are a returning *full-time employee* or part-time employee who is eligible to be a *member* under the DB Plan, rehired prior to October 1, 2019, your *service credit* (regular and any *summer appointment service credit*) prior to the break in service will be combined with *service credit* earned after your return to work, subject to the following exceptions:

- Your prior *service credit* will be forfeited, unless you again become a *qualified member* (based solely on *service credit* earned after the break) on or after August 1, 1997 if:
    - you had less than 5 years of *service credit* prior to the break; and
    - the number of years of your break is equal to or greater than your prior *service credit*.
- Individual periods of employment of less than one year prior to a break in service will not be taken into consideration.
- If you had at least 5 years of *service credit* prior to December 1, 1980, but were not a *qualified member* prior to the break, your prior *service credit* will be combined only if you earn at least two additional years of *service credit* after your return to work.
- Your prior *service credit* will be forfeited if you received a lump sum benefit payment of your full retirement benefit or a return of your member contributions.
- Special provisions apply when significant changes have been made to the DB Plan during a break in service. For example, if the benefit formula increased during your absence, your benefit may be calculated using two different formulas – the “pre-break” formula and the “post-break” formula, until you’ve been re-employed a certain period of time.

If you are rehired on or after October 1, 2019, and you were previously eligible to be a *member* under the DB Plan, upon your rehire you will no longer meet the definition of a *member* under the DB Plan and would be automatically enrolled in the DC Plan (as a participant eligible for benefits available to those hired or rehired on or after October 1, 2019), consistent with the following provisions:

- If you were a *qualified member* of the DB Plan prior to your *termination*:
    - Upon your rehire on or after October 1, 2019, you are not eligible to accumulate additional *service credit*, *summer appointment service credit*, *salary*, or *summer appointment salary* or to accrue additional benefits under the DB Plan; however, you are eligible to receive the benefit earned prior to the *termination* under the DB Plan subject to the RDD plan document rules.
    - You will be automatically vested under the DC Plan upon your rehire, as long as you otherwise meet the requirements to be an eligible employee as defined in the DC Plan SPD.
- If you were not *vested* in the DB Plan prior to your *termination*:
    - Upon your rehire on or after October 1, 2019, you are not eligible to accumulate additional *service credit*, *summer appointment service credit*, *salary* or *summer appointment salary* or to accrue additional benefits under the DB Plan.
    - If you are subsequently reemployed by the *University* as an eligible employee as defined in the DC Plan SPD within the five-year period following your *termination*, then all of such *service credit* earned prior to the *termination* shall be counted for vesting purposes in the DC Plan.

For more information about DC Plan benefits for post-October 1, 2019 hires and rehires and treatment of *service credit* accrued prior to a *termination*, refer to the DC Plan SPD or the ERIP plan document.

What happens if I take a leave of absence?

If you have a *University* approved leave of absence, please note that time during a leave of absence isn't recognized in determining *service credit* for benefit calculation purposes, unless it's for:

- military service, as long as you return to work within the time allowed by laws governing veterans' reemployment rights;
- an approved medical/sick leave with or without pay;
- furlough up to 30 days;
- a disability, as defined under the Long Term Disability Plan;
- a sabbatical, research, or development leave; provided you return to full-time employment with the *University* for at least one year no later than the beginning of the next *contract year* following the end of the leave;
- a seasonal leave that meets the following criteria:
    - the leave may not exceed 3 months in any *contract year*; and
    - the leave must be required by the *University* based on the seasonal nature of your specific job; and
    - you return to work immediately following the end of the leave;
- paid FMLA (Family Medical Leave Act); and
- administrative leaves.

NOTE: A leave of absence isn't recognized in determining *service credit* for *vesting* purposes unless it's for: military service (as long as you return to work within the time allowed by laws governing veterans' reemployment rights); a seasonal leave of absence; or a paid FMLA leave of absence (as long as the paid FMLA leave is followed by a return to active employment for at least 6 months).

What factors affect how my retirement benefit is calculated in the DB Plan?

Your retirement benefit is determined by your age at retirement and your:

- *service credit*;
- *summer appointment service credit*;
- *final average salary*; and
- *final average summer appointment salary*.

If you leave the *University* before you are eligible to retire, see **What happens when I leave the *University*?** for details about how your benefit is determined.

Is there a limit to the amount of salary that can be recognized for pension purposes?

For *members* of the DB Plan hired on or after September 1, 1996, the Internal Revenue Code limits the combined *salary* and *summer appointment salary* in a *contract year* for the purpose of determining your *final average salary* and *final average summer appointment salary*. The limit for 2025 is $350,000. This limit is periodically adjusted by the IRS.

Is there a limit to the benefit I can receive?

Yes, there is a maximum limit established by the Internal Revenue Code on the benefit payable from the DB Plan. If your benefit exceeds the maximum limit, you will be notified.

Who is a *qualified member*?

Being a *qualified member* means you are *vested* in the right to receive benefits from the DB Plan. You must complete 5 years of *service credit* in order to be *vested*. Once you're *vested*, you can't lose your right to your retirement benefit, even if you experience a termination from *University* employment before reaching the DB Plan's retirement age(s).

When do my retirement benefits begin?

Your *normal* or *early retirement* benefits will begin as of the date you retire. Benefits are paid at the end of each month. If you retire on any day after the first of the month, your first pension payment will be prorated.

If you are a *qualified member* who has attained the age of 59½, you may elect to commence payment of your retirement benefit while you are still employed by the *University* if (i) you have completed and filed with the *plan administrator* an in-service distribution application agreement and not revoked that application agreement and (ii) you are not entitled to accumulate additional *service credit* or *summer appointment service credit*. If you elect to commence payment of your retirement benefit while you are still employed by the *University,* the amount of your benefit will be determined as if you had retired on the date specified in your in-service distribution application agreement.

How is a *normal retirement* benefit calculated?

The amount of your benefit depends on when you retire. If you retire at age 65 or later, you will receive your *normal retirement* benefit. If you retire between the ages of 62 and 65, and you have at least 25 years of *service credit*, you will also receive your full benefit.

Your monthly retirement benefit is determined using a formula. The formula takes into account your *service credit*, *summer appointment service credit* (if applicable), *final average regular salary* and *final average summer appointment salary* (if applicable). As a *level one member*, you are eligible for level one benefits under the DB Plan.

Here's an example of how level one *normal retirement* benefits are calculated:

Level one *normal retirement* benefit calculation formula
Final average salary x 2.2% x years of *service credit* + *Final average summer salary* x 2.2% x number of *summer appointment service credits* (if applicable) = Your DB Plan annual retirement benefit

How it works…		
Assume you retire at age 65. Your *service credit* consists of 20 years of *service credit* and 10 years of *summer appointment service credit*. Your *final average regular salary* is $40,000.00 and your *final average summer appointment salary* is $8,500.00. Your annual *normal retirement* benefit based on regular service and summer appointment service would be calculated like this:		
To calculate regular service:		
I.	*Final average regular salary*	$40,000.00
II.	*Service credit*	20 years
III.	Regular credit annual *normal retirement* benefit (I. x II. x 2.2%)	**$17,600.00**
To calculate summer appointment service:		
IV.	*Final average summer appointment salary*	$8,500.00
V.	Number of *summer appointment service credits*	10
VI.	Summer credit annual *normal retirement* benefit (IV. x V. x 2.2%)	$**1,870.00**
Your total monthly *normal retirement* benefit is the sum of both of these benefits divided by 12. It would be calculated like this:		
Total monthly benefit ($17,600.00 + $1,870.00) ÷ 12		**$1,622.50**

If you have been employed under both 9- and 11- or 12-month appointments, certain additional adjustments apply to the sample calculation above. See Section 530.010.F.4 of the RDD plan document.

If you experienced a break in service during your employment with the *University*, certain additional adjustments apply to the sample calculation above. See Section 530.010.F.2.d., F.8., and F.9 of the RDD plan document.

How is an *early retirement* benefit calculated?

You receive a reduced *early retirement* benefit if you retire between ages:

- 55 and 60 with at least 10 years of *service credit* (with at least one year of *service credit* acquired after attaining age 54); or
- 60 and 65 with at least five years of *service credit*.

If you retire early and elect to receive your DB Plan benefits before your *normal retirement* date, your benefits are reduced because they are paid over a longer period of time. The reduction is shown below.

To retire early…

You need 10 years of *service credit* if you're between ages 55 and 60, and 5 years of *service credit* if you're between ages 60 and 65. (You must have 1 year of *service credit* after age 54 to retire.)

If your age at retirement is…	You will receive this percentage of your *normal retirement* benefit if you have…*	
	Less than 25 years of *service credit*	25 or more years of *service credit* exclusive of any unused sick time
55	66.7%	76.7%
56	70.0%	80.0%
57	73.3%	83.3%
58	76.7%	86.7%
59	80.0%	90.0%
60	83.3%	93.3%
61	86.7%	96.7%
62	90.0%	100%
63	93.3%	100%
64	96.7%	100%

* These percentages are only estimates. For more information on the *early retirement* benefits and for a retirement estimate, visit the pension benefits portal (Retirement Calculator) in myHR, or contact your HR Generalist or HR Service Center. Visit umurl.us/retcalc for details.

If you begin your benefits between the ages listed in the table above, the reduction will be prorated according to your age at the time your benefits begin.

Your monthly retirement benefit when taking *early retirement* is still determined using a formula. The formula takes into account your *service credit*, *summer appointment service credit* (if applicable), *final average regular salary*, *final average summer appointment salary* (if applicable) and the early retirement reduction factor. As a *level one member*, you are eligible for level one benefits under the DB Plan.

Level one *early retirement* benefit calculation formula

Final average salary x 2.2% x years of *service credit* x *early retirement* reduction factor
+
Final average summer salary x 2.2% x number of *summer appointment service credits* (if applicable) x *early retirement* reduction factor
=
Your DB Plan annual retirement benefit

How it works

Assume you retire at age 60. Your *service credit* consists of 15 years of *service credit* and 7 years of *summer appointment service credit*. Your *final average regular salary* is $40,000.00 and your *final average summer appointment salary* is $8,500.00. Your annual *early retirement* benefit based on regular and summer appointment service would be calculated like this:

To calculate regular service:		
I.	*Final average regular salary*	$40,000.00
II.	*Service credit*	15
III.	*Early retirement* reduction factor	83.3%
IV.	Regular credit annual *early retirement* benefit	**$10,995.00**

	(I. x II. x 2.2%)	
To calculate summer appointment service:		
V.	*Final average summer appointment salary*	$8,500.00
VI.	Number of *summer appointment service credits*	7
VII.	*Early retirement* reduction factor	83.3%
VIII.	Summer credit annual *early retirement* benefit (IV. x V. x 2.2%)	**$1,091.00**
Your total monthly *early retirement* benefit is the sum of both of these benefits divided by 12. It would be calculated like this:		
Total monthly benefit ($10,995+1,091) ÷ 12		**$1,007.17**

If you have been employed under both 9- and 11- or 12-month appointments, certain additional adjustments apply to the sample calculation above. See Section 530.010.F.4 of the RDD plan document.

What happens when I leave the *University*?

When you leave the *University*, any benefits you may have earned will be based on your *vesting* and retirement eligibility status as of your *termination* date. The following sections detail benefits and payment options available based on different benefit levels: non-*vested*, *vested* and retirement eligible.

Leaving as a non-*vested member*

A *member* who has not attained *vested* status in the DB Plan (and is therefore, not a *qualified member*) is considered to be non-*vested* as of their *termination* date. Non-*vested members* do not earn a benefit under the DB Plan but are eligible for a refund of their contributions to the DB Plan as described under **Who pays the cost of providing benefits?** above.

Non-*vested members* have the following options to receive their refunded contributions:

- Elect a lump sum distribution after *termination**/**
  a. As a direct payment subject to taxes and applicable penalties, or
  b. Rollover money to an individual IRA account or another qualified plan

  *The decision to elect a lump sum distribution of the refunded contributions may be deferred to your required beginning date (see "**When must I begin receiving my benefits (retirement, *vested* or non-*vested*)?**"). Interest accrues at 4.0% for each year deferred.

  See: **What happens if you experience a *termination* from employment and later return to work at the *University?* for treatment of *service credit* once a lump sum distribution is taken.

Leaving as a *qualified member (vested)*, not eligible for *early* or *normal* retirement

A *member* who has attained *vested* status in the DB Plan is considered a *qualified member* and has earned a benefit under the DB Plan as of their *termination* date. Your *vested* benefit will be calculated based on your *final average regular salary*, *final average summer appointment salary* (if applicable), *service credit*, and *summer appointment service credit* (if applicable), determined as of your *termination date*.

Qualified members (vested), not eligible for *normal* or *early* retirement, have the following **two options** to receive their benefit:

1. Elect to receive monthly payments of your benefit. Lifetime monthly payments may begin anytime between ages 55 and 65.
   a. You must be at least age 55 before monthly payments begin. If your payments begin before you reach age 65, your benefits will be reduced because they are paid over a longer period of time. The reduction is shown below:

If your age at commencement is:	You will receive this percentage of your normal deferred benefit at commencement*:
55	50.0%
56	53.3%
57	56.7%
58	60.0%
59	63.3%

60	66.7%
61	73.3%
62	80.0%
63	86.7%
64	93.3%
*These percentages are only estimates. For more information on the deferred benefits and for a benefit estimate, visit the pension benefits portal in myHR (Retirement Calculator), or contact your HR Generalist or HR Service Center. Visit umurl.us/retcalc for details.	

b. The following chart provides an overview of the payment options available to *qualified members (vested),* not eligible for retirement. Regardless of which payment option you choose, you will receive a lifetime benefit. Depending on the payment option, you may or may not choose to leave a benefit to a *joint annuitant* or a *guaranteed period beneficiary* following your death.

Payment options* (see definitions below for individual eligibility)	
Single Life Annuity**	With or without a 10 year guaranteed payment period.
Joint and Survivor Annuity**	50%, 75% or 100% continues to your joint annuitant after your death. You may elect a joint and survivor annuity with a 10 year guaranteed payment period.

*Payment methods other than a Single Life Annuity, with no guaranteed period, will result in a reduction in the monthly benefit amount to offset for the cost of continuing benefit payments after your death.

** If you're married, you need your spouse's written notarized consent to select a payment method other than a joint and survivor annuity with your spouse as the joint annuitant.

- For purposes of satisfying the federal tax laws relating to qualified retirement plans, the DB Plan recognizes same-sex marriages that are validly entered into in a jurisdiction whose laws authorize the marriage.
- A person who is in a registered domestic partnership or civil union is not considered to be a spouse for purposes of applying the federal tax law requirements relating to qualified retirement plans, regardless of whether that person's partner is of the opposite or same sex.

See **Payment Options Defined**, below for detailed information on the eligible payment options.

2. Elect 100% of your benefit as a lump sum distribution after *termination**/**
   a. As a direct payment subject to taxes and applicable penalties, or
   b. Rollover money to an individual IRA account or another qualified plan

   *The decision to elect a lump sum distribution may be deferred to a later date between the date of *termination* and your 65th birthday. Interest accrues at 7.5% for each year deferred, but not beyond your 65th birthday.

   See: **What happens if you experience a *termination* from employment and later return to work at the *University?* for treatment of *service credit* once a lump sum distribution is taken.

Leaving as a retirement eligible *qualified member*

A *qualified member* who has satisfied the requirements for retirement eligibility, see **When am I eligible for a retirement benefit?**, has earned a benefit under the DB Plan as of their retirement date. See, **What factors affect how my retirement benefit is calculated in the DB Plan?**.

The following chart provides an overview of the payment options available to retirement eligible *qualified members*. Regardless of which payment option you choose, you will receive a lifetime benefit. Depending on the payment option, you may or may not choose to leave a benefit to a *joint annuitant* or a *guaranteed period beneficiary* following your death.

Payment options* (see definitions below for individual eligibility)	
Single Life Annuity**	With or without a 10 year guaranteed payment period.
Joint and Survivor Annuity**	50%, 75% or 100% continues to your joint annuitant after your death. You may elect a

	joint and survivor annuity with a 10 year guaranteed payment period.

*Payment methods other than a Single Life Annuity, with no guaranteed period, will result in a reduction in the monthly benefit amount to offset for the cost of continuing benefit payments after your death.
**If you're married, you need your spouse's written notarized consent to select a payment method other than a joint and survivor annuity with your spouse as the joint annuitant.

- For purposes of satisfying the federal tax laws relating to qualified retirement plans, the DB Plan recognizes same-sex marriages that are validly entered into in a jurisdiction whose laws authorize the marriage.
- A person who is in a registered domestic partnership or civil union is not considered to be a spouse for purposes of applying the federal tax law requirements relating to qualified retirement plans, regardless of whether that person's partner is of the opposite or same sex.

A retirement eligible *qualified member* may elect to receive a portion of the retirement benefit as a lump sum at the start of retirement. You may elect a 10%, 20% or 30% lump sum of the actuarial present value of the benefit and receive the remainder as monthly payments under one of the payment options above. If you elect to receive a portion of your benefit as a lump sum, you may receive it in the form of:

- a direct payment subject to taxes and applicable penalties, or
- rollover money to an individual IRA account or another qualified plan.

Electing a lump sum will reduce the monthly payment options by the same percentage.

All of the payment options listed above may be combined with a 2% guaranteed automatic annual increase in exchange for a reduced initial monthly benefit. See "Optional guaranteed automatic annual increase in exchange for a reduced initial monthly benefit" in **Payment Options Defined**, below.

Payment Options Defined

Single Life Annuity
Under this payment option, you will receive a monthly benefit for your lifetime. After your death, the benefit stops.

Single Life Annuity with a 10 year guaranteed payment period
You may choose to reduce your retirement benefit to add a *guaranteed payment period* to your Single Life Annuity payment option. The *guaranteed payment period* begins on the date benefits originally commenced.

If you die before the *guaranteed payment period* ends (10 years), payments will continue to your *guaranteed period beneficiary* for the balance of the period. At the end of the *guaranteed payment period*, payments to your *guaranteed period beneficiary* will stop. If you outlive the *guaranteed payment period*, you will continue to receive your monthly benefit up until your death, however, the benefit will not continue to your *guaranteed period beneficiary* as the *guaranteed payment period* has been met.

If you're a *qualified member* who is eligible for retirement…
You will receive a benefit for the rest of your lifetime regardless of the payment option you choose. You may elect to reduce your benefit to leave all or part of your benefit to a *guaranteed period beneficiary* or *joint annuitant*.

You may name anyone you choose as a *guaranteed period beneficiary* except your *joint annuitant*. You may change the *guaranteed period beneficiary*(ies) at any time.

Joint and Survivor Annuity
Under this payment option, you may designate a person, a *joint annuitant*, who will receive all or part of your benefit after your death, for their lifetime. Your benefit is reduced to take into consideration the fact that the duration of monthly payments will cover two lifetimes instead of one. Following your death, payments continue to your *joint annuitant* for as long as he or she lives. You may choose for your *joint annuitant* to receive all or a portion of your monthly retirement benefit (50%, 75% or 100%). The 75% and 100% options are available only if your spouse is the designated *joint annuitant*.

If your *joint annuitant* dies before you do, your monthly benefits will automatically increase to the level of the Single Life Annuity payment option.

If a Joint and Survivor Annuity payment option is elected, the *joint annuitant* you have named cannot be changed once payments begin, with one exception. If you divorce after retiring, and your *joint annuitant* is your spouse, they may revoke their *joint annuitant* status by completing a notarized waiver within 60 days of divorce.

<u>Joint and Survivor Annuity with a 10 year guaranteed period</u>
You may choose to further reduce your Joint and Survivor Annuity payment option to add a *guaranteed payment period* that ensures payments continue to a *guaranteed period beneficiary* if both you and your *joint annuitant* die before the end of the *guaranteed payment period*. The *guaranteed payment period* begins on the date benefits originally commenced.

Following your death, payments are made to your *joint annuitant* for his or her lifetime. If both you and your *joint annuitant* die before the *guaranteed payment period* ends (10 years), payments equal to the amount that had been paid to your joint annuitant will continue to your *guaranteed period beneficiary* for the balance of the period. At the end of the *guaranteed payment period*, payments to your *guaranteed period beneficiary* will stop. If you or your *joint annuitant* outlive the *guaranteed payment period*, you or your *joint annuitant* will continue to receive the monthly benefit up until your deaths (as described above), however, the benefit will not continue to your *guaranteed period beneficiary* as the *guaranteed payment period* has been met.

If your *joint annuitant* dies before you do, your monthly benefits will automatically increase to the level of the Single Life Annuity payment option with the *guaranteed payment period*.

If a Joint and Survivor Annuity payment option is elected, the *joint annuitant* you have named cannot be changed once payments begin, with one exception. If you divorce after retiring, and your *joint annuitant* is your spouse, they may revoke their joint annuitant status by completing a notarized waiver within 60 days of divorce.

You may name anyone you choose as a *guaranteed period beneficiary* except your *joint annuitant*. You may change the *guaranteed period beneficiary*(ies) at any time.

<u>Optional guaranteed automatic annual increase in exchange for a reduced initial monthly benefit</u>
If you leave the University as a retirement eligible qualified member, you may elect a 2% optional guaranteed automatic annual increase in exchange for a reduced initial monthly benefit. This reduction is in addition to any other payment option reductions elected. You may not elect a 2% optional guaranteed automatic annual increase on any portion of your retirement benefit which you elect to receive as a lump sum distribution. Only that portion that constitutes your monthly benefit will be subject to the optional guaranteed automatic annual increases. This election must be made at the time of your retirement.

How do I decide which payment option to choose?

You should evaluate your retirement income requirements, and the benefits you may wish to provide to a *joint annuitant* as well as other factors before deciding on a payment option. You also may want to consult a qualified financial advisor for help deciding on a payment option.

You will not receive payments until you elect a payment option. Once you make an election, it's irrevocable except as described in **What happens in the case of a dissolution of marriage (also referred to as a divorce)?** section.

How do I apply for monthly benefits as a retirement eligible *qualified member*?

You will apply for retirement benefits by completing an electronic Notice of Intent to Retire (eNOI) form in MyHR. Step by step instructions are available at umurl.us/RetireNOI. Schedule a meeting with your campus HR Generalist (umurl.us/cbr) to discuss your plan, ask any questions about the retirement process, and submit your intent to retire. This electronic form should be submitted at least 60 days before your planned retirement date. This will ensure your payments begin on time and allow for verification of your employment and *salary* history, calculation of your benefits, and the payment options available to you.

Monthly retirement payments are direct deposited to your designated bank account at the end of each month. If you retire on any day after the first of the month, the amount of your first pension payment will be prorated. After that, your payment will cover the entire monthly period through the end of the month in which you die.

Apply for retirement at least 60 days in advance of….

…your official retirement date to ensure payments begin on time.

You should keep the *University* informed of name or address changes for you or your *beneficiaries* (or *joint annuitant*). Changes should be made online through myHR at myhr.umsystem.edu or sent in writing via email to retirement@umsystem.edu or via postal mail to UM System Office of Human Resources Service Center, 1105 Carrie Francke Drive, Suite 108, Columbia, MO, 65211.

Can I defer commencement of my benefits as a retirement eligible *qualified member*?

Yes, but not beyond the commencement date required by law, see **When must I begin receiving my benefits (retirement, vested or non-vested)?** below. However, you are encouraged to begin your monthly benefits no later than the date that your benefits are no longer subject to reduction for *early retirement*, because your monthly benefit amount will not increase after such date, by accruing interest or otherwise. If you defer receipt of your monthly benefit beyond the date that your benefits are no longer subject to reduction for *early retirement*, your monthly benefit payments will be calculated as of the date that you could commence unreduced monthly benefit payments. You will also receive a lump sum payment equal to the monthly benefits you should have received between the date you were eligible to receive an unreduced retirement benefit payment and the date benefit payments actually commenced**.**

How do I apply for monthly benefits as a *qualified member (vested)*, not eligible for *normal* or *early retirement*?

You must be at least age 55 before monthly payments begin. See, **Leaving as a *qualified member (vested)*, not eligible for *early* or *normal* retirement**. You may not defer payments past age 65. If you elect to commence a monthly lifetime payment, you should contact the UM System Office of Human Resources at least 60 days prior to the month you would like to receive your first payment. Special rules apply if you contact the *University* after you have surpassed your 65th birthday. Retroactive payments in a lump sum may be required under the Plan, which may have tax implications. You will not accrue interest that will increase the amount of your benefit under the terms of the Plan past age 65.

You should keep the *University* informed of name or address changes for you or your *beneficiaries*. Changes should be made online through myHR at myhr.umsystem.edu or sent in writing via email to retirement@umsystem.edu or via postal mail to UM System Office of Human Resources Service Center, 1105 Carrie Francke Drive, Suite 108, Columbia, MO, 65211.

How do I request a lump sum distribution of my deferred benefit (*vested* or non-*vested*)?

If you elect to take a lump sum distribution of your *vested* or non-*vested* benefit you should complete the lump sum election forms provided to you after your separation by the UM System Office of Human Resources. Contact the HR Service Center if you need a new copy of election forms. You may not defer your benefit past age 65. Any interest you accrue under the terms of the Plan will not continue past age 65.

When must I begin receiving my benefits (retirement, *vested* or non-*vested*)?

Under current law, if you were born *on or before June 30, 1949*, you must begin receiving your benefit on April 1 following:

- The calendar year in which you turn age 70½; or, if later,
- The calendar year in which your employment ends.

If you were born *after June 30, 1949, and before January 1, 1951*, you must begin receiving your benefit on April 1 following:

- The calendar year in which you turn age 72; or, if later,
- The calendar year in which your employment ends.

If you were born *on or after January 1, 1951, and before January 1, 1960*, you must begin receiving your benefit on April 1 following:

- The calendar year in which you turn age 73; or, if later,
- The calendar year in which your employment ends.

If you were born *on or after January 1, 1960*, you must begin receiving your benefit on April 1 following:

- The calendar year in which you turn age 75; or, if later,
- The calendar year in which your employment ends.

Tax Implications on payments or distributions from the DB Plan

How are my monthly retirement benefit payments affected by taxes?

When you receive monthly retirement (annuity) payments from the DB Plan, your benefits are considered taxable income. Federal tax law requires the *University* to automatically withhold federal taxes on your benefits before they are paid to you, unless you specifically request otherwise in writing. You also may request that applicable state taxes be withheld. The amount withheld will depend on your filing status and the number of exemptions you claim.

If you choose not to have taxes withheld from your benefits, you will be responsible for paying any applicable taxes when you file your tax return. If no taxes are withheld, or if the amount withheld is not enough to cover the actual taxes due, you may be required to make estimated tax payments throughout the year. You may also be subject to a tax penalty for under-withholding.

If you plan to reside outside the United States following your retirement, you may qualify for alternative tax treatment. Please contact the HR Service Center for further information.

What are some of the possible tax consequences when I receive a distribution from the DB Plan?

Generally, you must include any distribution in your taxable income in the year in which you receive the distribution. Distributions made to you when you are under age 59½ may be subject to an additional 10% tax unless you roll the distribution over to an IRA or other employer retirement plan as described below.
There are a couple of significant exceptions to the additional 10% tax for purposes of the DB Plan. One exception exists for a distribution that is part of a series of substantially equal periodic payments made for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated *beneficiary*. Another exception exists for you if you separate from service after attaining age 55.

Can I elect a rollover to reduce or defer tax on my distribution?

If your distribution is an eligible rollover distribution, you may defer the tax due by rolling the distribution over to an IRA or other employer retirement plan. Generally, an eligible rollover distribution does not include any distribution which is: (1) one of a series of substantially equal periodic payments made for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated *beneficiary*, or for a specified period of 10 years or more; or (2) a required minimum distribution. There are two types of rollovers.

> <u>Direct rollover</u>: For most distributions, you may request that a direct rollover (sometimes referred to as a direct transfer) be made to either an IRA or another employer retirement plan willing to accept the rollover. A direct rollover will result in no tax being due until you withdraw funds from the IRA or other employer retirement plan.
>
> <u>60-day rollover</u>: You may roll over a distribution to an IRA or another employer retirement plan willing to accept the rollover. This will result in no tax being due until you begin withdrawing funds from the IRA or other employer retirement plan. The rollover of the distribution, however, MUST be made within strict time frames (normally, within 60 days after you receive your distribution). A distribution which may be rolled over but which you do not directly roll over (see above) will be subject to mandatory federal income tax withholding at a rate of 20%. You may rollover the 20% amount withheld, but must replace the withheld amount from other sources. If you do not rollover an amount equal to the 20% withheld, the withheld amount is subject to tax.

If your distribution is not an eligible rollover distribution you will not be able to defer tax due on your distribution by rolling the distribution over to an IRA or other employer retirement plan. Withholding on distributions that are not eligible rollover distributions depends on whether the distribution is a periodic distribution (for example, annuity payments or installments) or non-periodic distribution. Withholding on periodic distributions will be determined as if the distribution were wages and withholding on non-periodic distributions will be 10% of the amount includible in income. Notwithstanding the foregoing, you may elect not to have withholding apply.

> <u>Pre-Tax to Roth Rollovers</u>: If you roll over pre-tax amounts to a designated Roth account in another employer plan or to a Roth IRA, the amounts will be taxed in the year of the rollover. However, the 10%

additional tax on early distributions will not apply. If you complete a direct rollover, no withholding will apply, but you may voluntarily enter into a withholding agreement with the *University*.

Tax Notice

Whenever you receive a distribution, you will receive a more detailed explanation of these options. However, the rules which determine whether you qualify for favorable tax treatment are very complex. You should consult with qualified tax counsel before making a choice.

In Special Cases

What happens if I die before I am eligible to retire?

If you are a *qualified member* and you die before you are eligible to retire, a death benefit will be paid that is the greater of the following amounts as of your *termination date*:

- Two times (2x) your regular annual *salary* as of the date of your death, not to exceed 100 times your projected monthly *normal retirement* benefit (for purposes of this calculation, your service would be determined as if you continued in employment until age 65, and your *final average salary* would be determined as of the date of your death); or
- The single sum actuarial equivalent value of your retirement benefit which would have been paid to you if you had retired the day immediately preceding the date of your death.

This death benefit will be paid in the following order of priority:

- Your surviving spouse;
- If no surviving spouse, or spouse consented to waiver of benefit via notarized document:
  - Your designated *beneficiary*(ies);
- If no surviving spouse and no designated *beneficiary*:
  - Your lineal descendants; children, or children of children in equal parts;
- If no surviving spouse, no designated *beneficiary*, or lineal descendants:
  - To your estate.

The *beneficiary*(ies) of your death benefit may elect to receive this benefit either as the above described lump sum or in the form of an actuarially equivalent monthly annuity payment. To be certain funds are distributed according to your preference it is important that you complete a Beneficiary Designation form. This form is located at umurl.us/retplans under the DB Plan section. This form is also available from your HR Generalist or the HR Service Center.

Additional information regarding the available of death benefits is described in the RDD plan document.

Do I need to name a *beneficiary*?

Naming a *beneficiary* ensures that your benefit is handled in the manner you intend in the event of your death. You should name a *beneficiary* when you first participate in any of the plans. If unmarried, you may designate any person or trust as your *beneficiary*. For married employees, your surviving spouse will automatically be your *beneficiary*, unless your surviving spouse has previously waived such rights by completing a notarized statement. You may also designate a contingent *beneficiary*(ies).

Update your *beneficiary* information
Whenever there are important changes in your life – such as marriage, divorce, or the birth or adoption of a child – review your *beneficiary* designation and consider updating.

If you don't name a *beneficiary* and you die while in active employment, any death benefits under the DB Plan will be paid as described above, see **What happens if I die before I am eligible to retire?** You may update your *beneficiary* designation at any time. To update your *beneficiary*(ies) you may complete a Designation of Beneficiary form located at umurl.us/retplans under the DB Plan section. This form is also available from your HR Generalist or the HR Service Center.

Refer to the VRP SPD for more information about designating beneficiaries in those plans in which you choose to participate.

Can I earn *service credit* under the DB Plan with another employer?

Over the years, special provisions have been added to the RDD plan document for various groups of employees. These provisions are applicable to former employees of Barnes College, the Children's Advocacy Center of St.

Louis, Ellis Fischel State Cancer Center, Missouri Rehabilitation Center, the St. Louis Mercantile Library Association, and the University of Kansas City. If you were employed by one of these entities immediately prior to your employment by the *University*, contact the HR Service Center for more information.

In addition, special provisions apply to employees who are entitled to benefits under the U.S. Civil Service Retirement Act as a result of service with the *University*. You cannot receive *service credit* under the DB Plan for any period of employment for which you are also receiving a Federal Retirement/Civil Service Retirement System benefit.

For public retirement system participants: You may purchase *service credit* under the DB Plan for the period of your participation in certain Missouri public retirement systems or for the period you were in non-federal public employment in Missouri if you:

1. are a *qualified member* in the DB Plan and you were previously a participant under certain public retirement systems within Missouri; and
2. you didn't earn a *vested* right to a retirement benefit under that prior public retirement system within Missouri or were employed in non-federal public employment in Missouri and not covered by a retirement plan.

What happens if I retire and later return to work?

If you retire, then return to work on or after October 1, 2019, in a benefit-eligible position for the *University*:

- Your retirement benefits will not be suspended and monthly payments you are receiving from the DB Plan will continue without interruption.
- You will not be eligible to accumulate any additional benefits under the DB Plan and any additional *salary, summer appointment salary, service credit* or *summer appointment service credit* for services performed after your rehire on or after October 1, 2019 will have no impact on the calculation of the benefit you are receiving from the DB Plan.
- If, upon your rehire on or after October 1, 2019, you meet the definition of an eligible employee as defined in the DC Plan SPD, you will be automatically enrolled in the DC Plan. Refer to the DC Plan SPD for more information.

Additional rehire rules:
UM will not rehire a former employee (i) who is less than age 59½ and (ii) who is currently receiving a retirement benefit, has received a lump sum retirement benefit, or has elected to receive a retirement benefit if the rehire (a) is pursuant to a discussion, understanding, or agreement (written or oral), that occurred prior to *termination* from employment with the *University* or commencement of a retirement benefit, or (b) violates any applicable guidance from the Internal Revenue Service with respect to what constitutes a bona fide *termination* from employment or retirement. This rule does not apply to anyone who is age 59½ or older and has completed the applicable benefit documents for in-service distribution from the DB Plan.

If you return to work prior to October 1, 2019, see **What happens if you experience a *termination* from employment and later return to work at the *University?*** in this DB Plan SPD for information on when *service credit* will and will not be combined between breaks in service.

Protecting Your Benefits

What happens if the DB Plan terminates?

If the DB Plan is terminated, you will immediately be 100% *vested* in the benefits you've earned as of the DB Plan's termination date. Trust fund assets will be used to provide benefits to retirees, *beneficiaries*, and active participants up to the total amount of assets in the fund.

Can my benefits be forfeited or delayed?

The DB Plan is designed to provide you with a continuing income when your active employment ends and you commence receiving a benefit. But some situations could affect DB Plan benefits. Those situations are summarized here:

- If you experience a *termination* from the *University* for any reason before you have earned five years of *service credit*, you will not receive a benefit. You will however be eligible for a refund of the contributions you made to the Plan. If you resume service with the *University*, your prior *service credit* may be forfeited.

- If you experience a *termination* from the *University* and return on or after October 1, 2019, you will not be eligible to accumulate any additional benefits under the DB Plan and any additional *salary, summer appointment salary, service credit,* or *summer appointment service credit* for services performed after your rehire on or after October 1, 2019 will have no impact on the calculation of your benefit from the DB Plan. If you do not keep your most recent address on file and the *University* can't locate you, benefit payments may be delayed. This is particularly important if you leave the *University* prior to retirement with a right to a deferred benefit.
- If you do not apply for retirement benefits at least 60 days prior to your retirement, your payments may be delayed.

Can my benefit be assigned to someone else?

Your retirement benefit belongs to you and may not be sold, assigned, transferred, or pledged under most circumstances.

If you (or your *beneficiary*) are unable to care for your own affairs, any payments due may be paid to someone who is authorized to conduct your affairs. This may be a relative or a court-appointed guardian.

What happens in the case of dissolution of marriage (also referred to as a divorce)?

The DB Plan will honor a court order (*Division of Benefits Order* – DBO) which meets certain criteria.

In the event that you and your spouse have a dissolution of marriage (also referred to as a divorce), there are several situations in which the DB Plan includes specific provisions which allow for the payment of benefits under the DB Plan to someone other than you or your designated *beneficiary*. Those provisions are located in the RDD plan document.

If your marriage is dissolved prior to the receipt of a rollover, lump sum payment, or the beginning of monthly retirement benefits under the DB Plan, the DB Plan will honor a *DBO* that provides for a portion of the benefit that accrued during the term of the marriage. The *DBO* must be received by the *University* and approved prior to the lump sum distribution or other commencement of payment.

If your marriage is dissolved after the commencement of retirement benefits under the DB Plan, the *DBO* may only apply to future payments received under the DB Plan.

A description explaining your rights and options under a *DBO* is available at umurl.us/retplans.

In addition, retirees or *qualified members* (*vested*) who have begun receiving monthly benefit payments and had elected a payment option which included their spouse as a joint annuitant, may submit a one-time request to remove their spouse as their joint annuitant in the event of a dissolution of marriage (also referred to as a divorce). This request must be submitted on the appropriate University designated form and contain the required notarization of both the retiree and the spouse along with a copy of the applicable divorce decree. The completed form must be provided to the Office of Human Resources within 60 days of the date of the dissolution. Retirees may contact the Office of Human Resources Service Center to request the applicable form.

How is the DB Plan funded?

The DB Plan is funded by contributions by the *University* and *members*. The amount of each *member's* contribution is fixed under the terms of the DB Plan (see **Who pays the cost of providing benefits?**). The *University* annually decides how much to contribute to the DB Plan based on advice from the DB Plan's actuary.