Retirement Plan Enhancements FAQ

What Will Not Be Changing

1. Is the university changing the benefit levels in place today?

No. The university is not adjusting the benefit levels that are currently in place for the IU retirement plans. For example, none of the following benefit levels will be changing:

- Terms of eligibility
- Level of employer contributions
- Vesting requirements for employer contributions

2. What IU retirement plans were included in the RFP?

The following IU retirement plans were included in the comprehensive review and request for proposal (RFP) process.

- Indiana University Retirement Plan
- Indiana University Retirement & Savings Plan
- Indiana University Tax Deferred Account Plan (TDA)
- Indiana University 457(b) Plan
- Indiana University Supplemental Early Retirement Plan

It is important to note that the comprehensive review and RFP process did not include the following plans:

- Public Employees’ Retirement Fund (PERF)
- 18/20 Plan
- IU Replacement Retirement Plans
- Phased Retirement Plan

3. Why are there no changes to the Public Employees’ Retirement Fund (PERF)?

PERF is a defined benefit retirement plan established and administered by the State of Indiana to provide retirement, disability, and survivor benefits for its participants. PERF is not managed by the university.

Strategic Review Process

4. What process did the university follow in making these changes?

In spring of 2018, the university’s Retirement Investment Committee initiated a comprehensive review of the IU retirement plans. These findings gave the Committee reason to believe that certain plan enhancements could be made that would benefit participants. As a result, the Committee initiated a competitive procurement process in fall of 2018. The request for proposal (RFP) process was initiated for the following reasons:
• To maximize retirement benefits by lowering the costs/fees incurred by participants and simplifying the administrative recordkeeping experience.

• To reduce investment overlap and offer investment options through a streamlined investment menu.

• To ensure that the IU retirement plans continue to meet increasing standards in a changing environment.

• To provide world-class retirement planning solutions to faculty and staff employees, including Roth contributions, rollovers, and unbiased education and communication materials.

5. **What is the Retirement Investment Committee?**

The university’s Retirement Investment Committee is composed of administrative staff and faculty representatives who are tasked with the responsibility of overseeing the IU retirement plans for the exclusive benefit of participants. The Committee includes membership from the Office of the Vice President for Human Resources, Office of the Vice President & Chief Financial Officer, and Office of the Vice President & General Counsel, as well as three faculty representatives from across IU who have expertise in the area of retirement plans.

6. **What are the responsibilities of the Retirement Investment Committee?**

The Retirement Investment Committee is generally responsible for oversight of the IU retirement plans, including the selection and monitoring of the service providers and investment options offered under the plans. The Committee’s responsibilities include the following:

• Developing and reviewing retirement plan investment policies.

• Monitoring and evaluating the performance of the service providers to the retirement plans.

• Selecting a range of well-managed investment options for the retirement plans sufficient to allow participants to establish an appropriate diversified retirement portfolio at a reasonable cost, including a default investment option for participants who do not make an affirmative investment election.

• Reviewing and monitoring performance of each investment option available under the retirement plans.

• Reviewing and monitoring the costs associated with the retirement plans.

7. **Why did the university hire a third-party consultant?**

The university engaged the services of a third-party independent consultant to help manage the strategic review and request for proposal (RFP) process. Working with an organization that knows and understands the many challenges and significant opportunities facing the higher education marketplace and that does not represent any particular investment company adds important perspective and expertise to the process.

The university chose Aon Hewitt Investment Consulting (AHIC) to assist with the strategic review and RFP process. AHIC’s first assignment was to review the IU retirement plans, compare them to industry best practices, and identify potential areas for improvement.
8. What were some of the key conclusions from the strategic review?

Recognizing that everyone does not have the same investment objectives, knowledge, retirement time horizon, or tolerance for risk, the Committee, with the assistance of AHIC, identified enhancements to the IU retirement plans that will benefit all participants by:

- Simplifying the recordkeeping process to help ensure compliance with Internal Revenue Service and Department of Labor requirements;
- Leveraging the value of the university’s combined retirement plan assets to lower administrative, recordkeeping, and investment management costs paid by plan participants;
- Encouraging retirement plan participation by simplifying the investment process and offering an investment menu with a wide variety of competitively priced options;
- Providing access to robust educational resources and retirement planning tools that will help participants build long-term financial security;
- Eliminating any potential for conflict of interest by separating the recordkeeping services providers from the investment option providers; and
- Unbundling administrative recordkeeping fees from investment management fees.

Recordkeeping Simplification

9. What is a provider of recordkeeping services?

A “provider of recordkeeping services” is the phrase used to describe the vendor responsible for completing the day-to-day administration functions of a retirement plan. For example, a provider of recordkeeping services maintains the contribution, investment, and distribution records for all participants. A provider of recordkeeping services also provides regular investment statements and communications to participants. They also furnish the websites and call centers required to support both participant and plan sponsor activities.

10. Why is the university changing the retirement plans’ provider of recordkeeping services?

Following the strategic review and request for proposal (RFP), the Retirement Investment Committee elected to consolidate providers to lower administration fees, simplify plan administration, reduce the risk of operational failures, and improve the overall participant experience.

11. What was the recordkeeping selection process?

In fall of 2018, a request for proposal (RFP) was prepared and distributed to the current providers of recordkeeping services for the IU retirement plans (Fidelity Investments® and TIAA), as well as to other prominent companies in the retirement marketplace. The RFP contained an extensive list of questions on topics such as client service, compliance monitoring and reporting, service capabilities, technology offerings, investment flexibility, fees, investment tools and services, communication programs, and quality standards.

Aon Hewitt Investment Consulting (AHIC) assisted the Retirement Investment Committee in analyzing the responses to the RFP based on goals and criteria established by the Committee. The Committee reviewed the results of this analysis and discussed the critical issues that were
identified. The Committee selected three firms as “finalists” based on both the scores and the Committee’s consideration of the critical issues.

In spring of 2019, the three finalists were invited to present to the Committee. Each finalist was given the opportunity to demonstrate why it should be selected as sole provider of recordkeeping services. The finalists also answered the Committee’s outstanding questions. After the three finalist presentations, the Committee deliberated and selected the provider of recordkeeping services that will best meet the needs of faculty and staff.

12. Why was Fidelity chosen to be the provider of recordkeeping services over TIAA?

Both of the university’s current providers, Fidelity and TIAA, along with several other prominent recordkeeping service providers, were part of the request for proposal (RFP) process. Fidelity won the bid due to its leadership and expertise in the higher education market, its top-quality recordkeeping and retirement planning capabilities, its overall ability to meet the university’s investment and education needs, and its competitive pricing proposal.

13. If I choose to leave my annuities with TIAA, will I log on to Fidelity NetBenefits® to view my TIAA holdings instead of TIAA.org?

No. You will continue to log on to TIAA.org to view your TIAA holdings or to make changes to your annuity investments with TIAA.

**Investment Streamlining**

14. How is the new investment menu simplified?

The new investment menu will be separated into four tiers, based on the style of the investment options offered:

- Tier 1 – Age-based target-date retirement funds
- Tier 2 – Passively managed funds
- Tier 3 – Actively managed funds
- Tier 4 – BrokerageLink®, a self-directed brokerage account that will allow participants to invest in additional mutual fund options

The investment options under Tiers 1, 2, and 3 were carefully selected by the Retirement Investment Committee to allow participants to construct well-diversified portfolios. These are referred to as the “core” investment options. The Retirement Investment Committee will regularly monitor the core investment options for their continued viability and integrity.

15. Why does the investment process need to be simplified?

Research has shown that offering too many investment options often leads to confusion and poor portfolio choices among participants. More importantly, these extra choices do not help participants form better portfolios or adequately save for retirement. The Retirement Investment Committee’s goal is to improve participant investment decisions by decreasing investment redundancy and overlap as well as organizing the core investment options into tiers in order to guide participants through the investment decision-making process.
16. Does investment process simplification mean that I will have fewer investment choices?

No. The proposed tiered investment structure will have a limited number of core investment options that will be regularly monitored by the Retirement Investment Committee for their continued viability and integrity. These investment options were selected by the Committee using an “open investment architecture” concept. Open architecture refers to the Committee’s ability to choose from the entire universe of options when deciding on the investment menu—not just the proprietary investment options offered by the provider of recordkeeping services. For participants who want additional investment options, BrokerageLink® will provide access to thousands of additional mutual fund options from hundreds of mutual fund companies.

17. Besides investment process simplification, are there other reasons to consider changing the investment menu?

Yes. The IU retirement plans currently have more than 200 investment options between the two current providers (Fidelity and TIAA). There are four primary reasons why the Retirement Investment Committee chose to streamline the number of investment options in the IU retirement plans:

1. Research⁴ has shown that excessive choice in a retirement plan causes many participants to make poor investment choices or to postpone decision making regarding their investments.

2. By consolidating contributions into fewer investment options with less redundancy and overlapping investment styles, the university can increase its purchasing power and obtain institutional pricing, which will lower overall investment management fees for the benefit of all participants.

3. The Committee can better meet its fiduciary responsibility to monitor funds on an ongoing basis to ensure that they remain prudent investments.

4. A streamlined investment menu allows the university to implement more effective and targeted communication strategies.

18. How will the “tiered” investment structure be beneficial to participants?

The new tiered investment structure will provide participants with a broad range of distinct investment options, but not so many that, when faced with choices, they will have a difficult time structuring an investment portfolio. The tiered investment structure will categorize investment options in a manner that will guide participants through the investment decision-making process. Participants will first select a path that is appropriate for them given their:

- Investment knowledge
- Time for managing their own investment portfolios
- Tolerance for risk
- Interest in making asset allocation decisions and selecting investment options

The tier’s investment options and participant education materials are then tailored to meet participants’ needs. For example, an investor who lacks the time and interest for managing his or her own investment portfolio, or a novice investor who is uncomfortable making his or her own fund selection and asset allocation decisions, may choose to select a pre-mixed asset allocation fund in Tier 1. Directed education materials will then assist the investor in selecting a target-date retirement fund based primarily on their time horizon and/or risk tolerance.
19. Will I continue to have a guaranteed interest annuity option?

Yes. The Retirement Investment Committee recognizes the importance of providing a guaranteed investment option under the IU retirement plans. The New York Life Guaranteed Interest Account, which offers daily liquidity with a competitive crediting rate, will be the guaranteed interest annuity option in the new investment menu.

20. I heard that the New York Life Guaranteed Interest Account still has liquidity restrictions—20% for a five-year period for a lump sum. Is that not accurate?

No. Individual participants will have no liquidity restrictions in the New York Life Guaranteed Interest Account (GIA). Participants may deposit and withdraw money on a daily basis at contract value. Participants can also choose to annuitize their portion of the GIA balance based on annuity purchase rates guaranteed in the GIA contract.

21. What is a self-directed brokerage account?

Fidelity BrokerageLink® is a self-directed brokerage account that gives participants who want to actively manage their investments access to an expanded selection of mutual fund investment options. Unlike the investment options available through the core investment menu, the investment options available through BrokerageLink were neither selected by nor will they be monitored by the Retirement Investment Committee.

22. Will the self-directed brokerage account have extra costs?

Participants who elect to use BrokerageLink will not pay an annual account service fee. However, the funds available through BrokerageLink are retail funds that may have higher expense ratios than the investment options available in the core investment menu. Additionally, some of the mutual funds available through BrokerageLink may have transaction fees or sales loads. Participants will be provided information on the expense ratios and have the option to search for funds that do not have transaction fees or sales loads. However, it is important to remember that participants can avoid these extra charges by utilizing the options available under the core investment menu.

23. What steps do I need to take to get set up in BrokerageLink?

Please review the Fidelity BrokerageLink® brochure and step-by-step instructions to learn how BrokerageLink works and what steps need to be taken to properly set up this account.

24. What do I need to do before January 1, 2020?

Each faculty and staff member will need to select their investments from the new investment menu during an “Early Choice Election Window” that Fidelity is hosting from November 11 through December 17, 2019. In addition, participants who do not already have an account with Fidelity will need to complete a beneficiary designation.

A transition guide, which you received at your home address of record in November 2019, contains more detailed information about what action may be required of you. In addition, there will be comprehensive education and communication materials in a variety of mediums to introduce all the new enhancements to faculty and staff, as well as to provide additional information on the investment menu. There will also be numerous on-campus seminars where you can meet one-on-one with a representative from Fidelity at no additional cost to you. Internet tools, including a dedicated web portal, will also be available to help you review the new
investment options and the other enhancements in greater detail.

25. What is the “Early Choice Election Window?”

Participants will have a period of time—referred to as the Early Choice Election Window—during which they can select their investment options under the new investment menu. The Early Choice Election Window is open from November 11 through December 17, 2019. Participant elections will be effective January 1, 2020. If you do not make an investment selection during the Early Choice Election Window, your future payroll contributions and your current mutual fund account balances will transfer into an age-based Vanguard target date fund (based on the date closest to when you turn age 65) under the new investment menu at Fidelity.

26. What will happen with my current Fidelity and TIAA investments?

On December 30, 2019, your current mutual fund investments held at Fidelity will be valued, liquidated, and then transferred to the new investment menu at Fidelity, according to your investment selections made during the Early Choice Election Window. If you do not make an investment selection during the Early Choice Election Window, your mutual fund investments held at Fidelity will transfer into an age-based Vanguard target date fund (based on the date closest to when you turn age 65) under the new investment menu at Fidelity.

On January 3, 2020, your current mutual fund investments held at TIAA will be valued, liquidated, and then transferred to the new investment menu at Fidelity, according to your investment selections made during the Early Choice Election Window. If you do not make an investment selection during the Early Choice Election Window, your mutual fund investments held at TIAA will transfer into an age-based Vanguard target date fund (based on the date closest to when you turn age 65) under the new investment menu at Fidelity.

Your current investments in a TIAA-CREF annuity contract will not be transferred to Fidelity unless you voluntarily choose to move them to the new investment menu. You can choose to transfer these investments to Fidelity prior to January 3, 2020, in late January 2020, or at any time in the future. Whether or not you move these investments is entirely your decision. It is important to note that some investments in TIAA Traditional may have withdrawal restrictions.

27. If I decide to move my TIAA Traditional via a Transfer Payout Annuity, can I send it to Fidelity throughout the 10 years of the payout?

Yes. You can transfer from TIAA Traditional into the new investment menu at Fidelity via a transfer payout annuity. We recommend you speak with a Fidelity representative regarding your personal circumstances and for assistance with completing the required paperwork, if you are considering moving assets in a TIAA-CREF annuity contract to the new investment menu.

28. I thought an annuity meant I was receiving a “lifetime income.” Is this accurate?

No. Much like a mutual fund, the annuities in the IU retirement plans are investments that help you generate the returns needed to build a long-term nest egg. The process of trading a sum of your retirement assets to an insurance or investment company in exchange for their promise to make a series of payments to you over time is known as “annuitization.” To annuitize is to “flip the switch” and start taking income from your investments. When you annuitize, you tell the insurance or investment company to start paying you, typically by filling out a form. For example, you might have the option to receive payments for a set number of years, or for the rest of your life. You should read your annuity contracts carefully to see which options are available for you. If you haven’t provided an insurance or investment company with instructions to annuitize your account, you likely haven’t converted your annuity to “lifetime income.”
29. When is the blackout period, and how does this affect me?

The blackout period is for TIAA participants only. It runs from 4 p.m. Eastern time on December 23, 2019, through the week of January 19, 2020. During the blackout period, you will be unable to make changes to your investments or take a loan or withdrawal from your TIAA account.

30. If I am not transferring my annuities, will I be able to view my balances at TIAA during this blackout period?

On January 3, 2020, at 4 p.m. Eastern time, existing mutual fund account balances at TIAA will be valued, liquidated, and then transferred to the new investment menu at Fidelity on January 6. Funds will be out of the market only one business day. As a result, participants with TIAA mutual funds moving to Fidelity will not be able to view their mutual fund balances as they transition. Participants will always be able to see their annuity balances at TIAA. However, participants will be unable to make changes to their investments or take a loan or withdrawal from their TIAA annuities during the blackout period.

31. Will this transition impact the market by moving so much money into the new lineup at the same time?

No. While the transition of assets is a large sum from a participant perspective, the amount represents a small fraction of the overall market.

32. What happens if my favorite investment fund is not available in the new menu?

The new investment menu will offer a broad range of choice to allow participants to form well-diversified portfolios. However, for those participants who want an investment fund that is not on the new investment menu, Fidelity BrokerageLink will provide access to thousands of additional mutual fund options from hundreds of mutual fund companies.

33. If part of my account is invested in TIAA annuities, but my future contributions will be invested with Fidelity, when I retire can I move my Fidelity account into my old TIAA annuities?

No. New contributions, transfers, or rollovers will be permitted into the legacy TIAA and/or CREF annuity options after December 23, 2019. You can, however, choose to open a personal IRA with any provider of your choosing, including TIAA, and roll your IU retirement plan account into that IRA.

34. If part of my account is invested in TIAA annuities that are not transferred to Fidelity, can I change my investment elections within these annuities after the transition is complete?

Yes. You can continue to make changes to your investments within your legacy TIAA-CREF annuity contracts: Retirement Annuity (RA), Supplemental Retirement Annuity (SRA), and/or Group Supplemental Retirement Annuity (GSRA). However, no new contributions, transfers, or rollovers will be permitted into the legacy TIAA annuity contracts after December 23, 2019.

35. Are there any tax implications of converting my funds away from an annuity?

No. As long as your IU retirement plan assets remain within the IU plans, there are no tax implications of converting funds from a TIAA annuity to a mutual fund in the new investment menu at Fidelity. The exchange from one investment in the plan to another is not a reportable
tax event. However, there may be liquidity restrictions. Depending upon your current investment portfolio, we recommend you speak with a TIAA representative directly with regard to your personal circumstances.

36. **My investments are at TIAA and I felt I had control over my account. How can the university force me to move my mutual funds to Fidelity?**

Investments at TIAA are held in both group custodial agreements and individual annuity contracts. The TIAA-CREF annuity contracts do not permit the Retirement Investment Committee to transfer funds held under those contracts to Fidelity. However, mutual fund investments at TIAA are held in group custodial agreements, which allow the Committee to take action on behalf of participants. The Committee has carefully selected a broad range of competitively priced investment options for participants under the new investment menu. By transferring the existing TIAA mutual fund investments to the new investment menu at Fidelity, the Committee can better leverage the value of the university’s combined retirement plan assets to lower administrative recordkeeping and investment management costs paid by all plan participants. At the same time, the Committee can ensure that the investment options available under the IU retirement plans have been evaluated and selected for the exclusive benefit of participants.

37. **What is an individual contract, and why doesn’t the money transfer automatically?**

Group contracts/custodial agreements generally name the plan sponsor as the contract holder. While each participant holds an interest in his/her account, the group contract gives the employer, as plan sponsor, the right to move assets to a new contract. Thus, the group contract operates much like a qualified plan (401(k) or 401(a) trust), where the employer controls the investment of trust assets. In an individual contract/custodial agreement, the contract holder is the participant; only the participant, and not the employer, can transfer assets to a new contract.

38. **How do I change my beneficiary?**

Beneficiary designations will not transfer to Fidelity for participants whose investments are currently with TIAA. Participants can make or update their beneficiary designations in January 2020. Current Fidelity participants can change or add beneficiaries at any time through the Fidelity NetBenefits website.

Please note that the university does not maintain beneficiary information for the IU retirement plans. Participants must make or update their beneficiary designations directly with Fidelity.

**Plan Costs**

39. **How are fees under the IU retirement plans record kept by Fidelity currently being paid?**

Today, plan administrative fees are paid through arrangements associated with certain investment options in the plans. Payment of recordkeeping costs through these arrangements is often referred to as “revenue sharing.” The “revenue sharing” received by Fidelity from the plans’ investment option service providers are made available to the plan at the plan level and used to offset plan expenses today and do not flow through participants’ accounts. Therefore, the payment of plan administrative fees through “revenue sharing” is not reflected on your quarterly account statement as a separate line item.
40. I thought I only paid the investment management expense ratio for my funds. Am I also paying for plan administration?

Yes and no. The current bundled fee arrangement pays for administrative (recordkeeping) costs through revenue sharing at the plan level. This process is described in the answer to question 39 above. While administrative fees are not currently deducted from your accounts, the investments offered through a plan that has bundled fees and revenue sharing through investment providers typically have higher expense ratios than investments in plans that don’t have a revenue-sharing arrangement in place. This is a complicated process that prevents seeing a line item of administrative costs, since they are assessed at the plan level and not at the participant level.

41. How are these enhancements impacting recordkeeping fees under the IU retirement plans?

By moving to a single provider of recordkeeping services, overall administrative recordkeeping fees are being reduced. Effective January 1, 2020, administrative recordkeeping fees will be charged as a quarterly flat dollar amount on a per-participant, per-plan basis.

Unbundling fees and assessing a fixed fee at the participant level, instead of at the plan level paid for through revenue sharing, simplifies the process for collecting fees and should be easier for you to understand what you’re paying for administrative costs vs. investment management. In addition, with flat-dollar, per-participant pricing, the more a participant saves, the more he or she will keep. As a participant’s account balance increases with additional contributions and investment earnings, his or her administrative fees will remain at the fixed flat-dollar level, so that it is competitive both at the time of transition and into the future.

42. Will there be any new fees imposed on the existing TIAA accounts?

At this time, no new fees will be imposed on the existing TIAA annuity accounts. However, TIAA will continue to assess an asset-based fee that covers the investment management and administrative recordkeeping costs of these assets.

43. How are these enhancements impacting investment management expenses under the IU retirement plans?

By eliminating redundant and overlapping investment options and consolidating assets into a streamlined investment menu of quality options, the IU retirement plans are able to take advantage of lower-cost share class options, resulting in lower investment management expenses for participants. For example, investment management expenses under the IU retirement plans have been reduced from an average of 0.57% to an average of 0.26% (as of June 30, 2019).

Some investment options in the plans are associated with revenue sharing, an arrangement in which payments are made to the plan’s provider of recordkeeping services by the plan’s investment option service providers as compensation for its shareholder and other services that benefit both the funds and the plan. Effective January 1, 2020, revenue sharing will be credited back as a “revenue credit” to the accounts of participants whose investments are associated with revenue sharing.

Participants will only pay the quarterly flat-dollar amount for administrative recordkeeping services under each plan.
Participant Communications

44. How will the restructuring result in clearer, more effective participant communications?

Research has shown that participant communications are negatively impacted in a structure where there are multiple providers of recordkeeping services, as any education that occurs is often a by-product of a sales pitch from these providers competing for participant accounts. The new recordkeeping structure will enable the university to focus on employee engagement and retirement planning and education. Moreover, streamlining the investment menu and organizing the investment options in a way that helps participants identify the types of investments that work best for them will help the university better meet the needs of faculty and staff and ensure their retirement readiness.

45. I currently have a loan with TIAA. What happens to this loan?

None of the loans at TIAA will transfer to Fidelity.

46. I currently have a Transfer Payout Annuity (TPA). Will this payout be affected?

Your TPA transfers to TIAA mutual funds will be impacted, unless you take action. You can redirect your TPA transfers to one or more of the annuity investment options remaining in your legacy Retirement Annuity (RA), Supplemental Retirement Annuity (SRA), and/or Group Supplemental Retirement Annuity (GSRA) contract(s), or you may redirect your TPA transfers to Fidelity. You must provide TIAA with updated investment instructions by December 23, 2019. To redirect your TPA transfers, please call TIAA at (800) 842-2552. If you do not take action, TPA transfers scheduled after the week of December 23, 2019, will automatically be redirected to the CREF Money Market Account.

Retirees, Former Employees, and Beneficiaries

47. Will retirees be affected?

Yes. Retirees, former employees, and beneficiaries with an account in an IU retirement plan will be affected the same as active participants. Specifically, your current mutual fund investments held at both Fidelity and TIAA will be valued, liquidated, and then transferred to the new investment menu at Fidelity, according to your investment selections made during the Early Choice Election Window. If you do not make an investment selection during the Early Choice Investment Election Window, your mutual fund investments held at Fidelity and TIAA will be automatically transferred into an age-based Vanguard target date fund (based on the date closest to when you turn age 65) under the new investment menu at Fidelity.

Your current investments in a TIAA-CREF annuity contract will not be transferred to Fidelity unless you voluntarily choose to move them to the new investment menu. It is important to note that some investments in TIAA Traditional may have withdrawal restrictions.

48. Is the 18/20 benefit affected by this change?

No. The 18/20 eligibility, interim benefit, and continued contribution calculation will not change. However, contributions are made to the same account as your base retirement plan. Therefore, all future contributions will go to Fidelity. Existing funds at TIAA will be valued, liquidated, and
then transferred during a blackout period to the new investment menu at Fidelity.

49. What are my options?

Retirees, former employees, and beneficiaries have the following options for their vested account balance in an IU retirement plan:

- Leave your retirement savings in an IU retirement plan to take advantage of the new enhancements;
- Roll over all or a portion of your vested account balance into an IRA or another employer’s retirement plan (if allowed by new employer); or
- Request a taxable distribution of all or a portion of your vested account balance.

It is important to note that distributions, other than a direct rollover, are taxed as ordinary income. IRS penalties may apply on distributions if you are younger than age 59½.

50. If I am receiving a required minimum distribution (RMD) from an IU retirement plan, will my distribution be impacted?

If 100% of your money is in mutual funds at TIAA and moving to Fidelity, then your RMD information will move to Fidelity and no action is required. Payments scheduled to go out during the blackout period will be advanced and sent prior to the blackout period. Subsequent payments will remain on the regular schedule.

If you have annuities at TIAA, then your RMD payments at TIAA will remain and continue as usual redeeming from your annuity balances. Payments scheduled to go out during the blackout period will be advanced and sent prior to the blackout period. Subsequent payments will remain on the regular schedule.

If you are receiving payments from Fidelity, they will continue as normal. The blackout period will not impact these payments.

Roth Contributions

51. What are Roth contributions?

Roth contributions are voluntary contributions that are made to a retirement plan or IRA on a post-tax basis. Roth contributions and earnings grow tax-free, and neither the contributions nor the earnings are taxed if certain holding requirements are met (see questions 54–56 for additional details).

Beginning in January 2020, Roth contributions will be available under the Indiana University Tax Deferred Account Plan (TDA) and the Indiana University 457(b) Plan. Participants will be able to voluntarily choose to make contributions to the TDA and/or 457(b) Plan as pre-tax contributions or Roth contributions, or a combination of both, up to a maximum of $19,500 for 2020 ($26,000 for participants age 50 and older).

52. How are Roth contributions to the TDA and 457(b) Plan different from Roth contributions to a Roth IRA?

There are some important differences between making Roth contributions to the TDA and/or 457(b) Plan and making contributions to a Roth IRA:
• Roth contributions and pre-tax contributions to the TDA or 457(b) Plan are subject to a combined limit of $19,500 for 2020 ($26,000 for participants age 50 and older). In comparison, Roth IRA contributions and traditional IRA contributions are subject to a combined limit of $6,000 for 2020 ($7,000 for IRA owners age 50 and older).

• There are no income restrictions on making Roth contributions to the TDA or 457(b) Plan. In comparison, contributions to a Roth IRA are subject to income limits based on tax filing status, so that higher earners cannot contribute to a Roth IRA.

• Roth contributions to the TDA or 457(b) Plan are subject to required minimum distributions (RMDs). In comparison, Roth IRAs are not subject to RMDs during the IRA owner's lifetime.

Roth contributions give participants additional flexibility for saving but may not be the best option for all participants. You should consult with your tax advisor or a Fidelity representative with regard to your personal circumstances.

53. When can I start making Roth contributions?

Beginning January 1, 2020, participants may make Roth contributions into the TDA or the 457(b) Plan.

54. What are the conditions for tax-free distributions of Roth contributions?

Distributions of Roth contributions are tax-free because the contributions were taxed at the time they were made to the plan. However, distributions of earnings on Roth contributions are only tax-free if the distribution is “qualified.” A distribution must satisfy the following requirements to be qualified:

• The Roth contributions must satisfy a five-year holding period; and

• The participant must be at least age 59½ or disabled, or the distribution must be made to a beneficiary following the participant’s death.

Earnings on Roth contributions will be taxed at distribution if these distribution requirements are not satisfied.

55. When does the five-year holding period begin?

The five-year holding period begins on January 1 of the year a participant makes his or her first Roth contribution. A participant can make his or her first Roth contribution at any time during the year, but the holding period will always start on January 1 of that year. The first Roth contribution will “start the clock” on the five-year holding period. There is no requirement to make a Roth contribution every year to satisfy the five-year holding period.

If a participant makes a direct rollover contribution of a Roth account into the TDA or 457(b) Plan, the five-year holding period will begin on the earlier of January 1 of the year the participant makes his or her first Roth contribution to the distributing plan or January 1 of the year the participant makes his or her first Roth contribution to the TDA or 457(b) Plan, as applicable.

56. What if a distribution of Roth contributions is not a qualified distribution?

If a distribution of a Roth contribution is not a qualified distribution, then the distribution will be treated as a prorated return of Roth contributions and earnings. The portion of the distribution that represents earnings will be subject to ordinary income tax (and a 10% penalty tax if the
distribution is prior to age 59½). The portion of the distribution that represents a return of Roth contributions will not be subject to ordinary income tax.

57. Can I convert my pre-tax accounts under the TDA or 457(b) Plan to Roth?

Yes. Participants will be able to convert their pre-tax accounts under the TDA or 457(b) Plan to Roth accounts beginning January 1, 2020. The conversion will be taxable to the participant, but post-conversion earnings will be tax-free if the distribution of the participant’s Roth contributions is qualified. Roth conversions give participants additional flexibility for saving but may not be the best option for all participants. You should consult with your tax advisor or a Fidelity representative with regard to your personal circumstances.

58. Do I have to take required minimum distributions (RMDs) from my Roth account in the TDA or 457(b) Plan?

Yes. Participants will still have to take an RMD by no later than April 1 of the year following the calendar year in which the participant turns age 70½ or is no longer employed by IU.

Rollover Contributions

59. What is a rollover contribution?

A rollover contribution is a transfer of an eligible distribution from a retirement plan and/or IRA to another retirement plan or IRA. A rollover contribution can be made directly from another retirement plan or IRA, or indirectly by the participant if made within 60 days of distribution to the participant. Direct rollover contributions are tax-free to the participant, and the rollover contributions will continue to grow with earnings tax-free until distribution.

Rollover contributions can be useful for participants who have account balances under a prior employer’s retirement plan or an IRA because it gives them the ability to consolidate retirement assets into a single plan.

60. What is an eligible distribution that can be rolled over?

An eligible rollover distribution is generally a lump-sum payment of all or a portion of the participant’s retirement plan account or IRA. An eligible rollover distribution does not include annuity payments, installment payments made over a period of 10 years or longer, required minimum distributions (RMDs), or hardship distributions.

61. When are rollover contributions being added to the TDA Plan or 457(b) Plan?

Beginning January 1, 2020, eligible distributions from another retirement plan or IRA can be transferred to the Indiana University Tax Deferred Account Plan (TDA) or the Indiana University 457(b) Plan. Consolidating retirement plan assets can make it easier to manage your retirement assets. However, a direct rollover may not be the best option for all participants. You should consult with your tax advisor or a Fidelity representative with regard to your personal circumstances.

DEFINITIONS

**Diversification**: The practice of investing in multiple asset classes and securities with different risk characteristics to reduce the risk of owning any single investment.

**Expense ratio**: A measure of what it costs to operate an investment, expressed as a percentage of its assets or in basis points. These are costs the investor pays through a reduction in the investment’s rate of return.

**Fee**: A charge for professional services.

**Investment company**: A corporation or trust that invests pooled shareholder dollars in securities appropriate to the organization’s objective. The most common type of investment company, commonly called a mutual fund, stands ready to buy back its shares at their current net asset value.

**Investment option**: An investment vehicle belonging to numerous investors that is used to collectively purchase securities such as stocks, bonds, and money market instruments. An investment option provides a broader selection of investment opportunities, greater management expertise, and lower investment fees than investors might be able to obtain on their own. Types of investment options include mutual funds and annuities.

**Mutual fund**: An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to parallel the performance of a selected benchmark or index.

**Provider of recordkeeping services**: The organization responsible for completing day-to-day administrative functions of a retirement plan including communications, websites, and call centers to support both participants and plan sponsors. The provider of recordkeeping services provides quarterly statements of investment performance and balances, participant reporting, testing, transaction support, financial counseling, and assistance with regulatory requirements.

**Share class**: Some investment funds and companies offer more than one type or group of shares, each of which is considered a class (e.g., Class A, Advisor, or Institutional shares). For most investment funds, each class has different fees and expenses, but all of the classes invest in the same pool of securities and share the same investment objectives.

**Target date fund**: A fund designed to provide varying degrees of long-term appreciation and capital preservation based on your current age and assuming a retirement age of 65. The mix changes over time to become less focused on growth and more focused on income. This fund is also known as a “lifecycle fund.”

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