INDIANA UNIVERSITY

UNIVERSITY HUMAN RESOURCE SERVICES

18/20 Retirement Plan

Summary of Plan Provisions

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Table of Contents

Material in this booklet is intended for informational purposes only and is not intended to serve as a legal representation of these benefits. Although the booklet is intended to be accurate, if there is any difference between this summary and other legal documents and regulations, those documents and regulations will govern.

This booklet should be read in its entirety since many of the provisions are interrelated.

While Indiana University intends to continue this plan indefinitely, it reserves the right to change or terminate it at any time.

For more information visit:

www.hr.iu.edu/benefits/1820/index.html

Introduction

The Indiana University Board of Trustees initially adopted the 18/20 Retirement Plan in 1959, with amendments in 1974, 1977, 1986 and October 1988 when the Board adopted current Plan provisions. The purpose of this Plan is to provide eligible employees with an opportunity to retire as early as age 64.

The 18/20 Plan consists of two distinct benefits: Interim Benefits and Continued Contribution Benefits. These benefit provisions are governed by the Internal Revenue Code (IRC). Interim Benefit provisions are provided under IRC Section 457(f) Deferred Compensation and Continued Contribution Benefit provisions are provided under IRC Section 403(b) Defined Contributions.

Both Interim Benefits and Continued Contribution Benefits are funded by Indiana University.

This booklet was prepared by the University Human Resources office, and it is intended to summarize the major provisions of the 18/20 Retirement Plan, as adopted by The Board of Trustees in 1988. Every effort has been made to make this summary as accurate as possible.

IU 18/20 Retirement Plan Highlights

Eligibility	Interim Benefits	Continued Contributions
All of the following criteria must be met to initiate benefits: • 18 years of participation in the IU Retirement Plan 15 % Level • 20 years of continuous full-time IU service • Age 64	Monthly payments based on a hypothetical monthly annuity amount at age 70, calculated as if IU Retirement Plan contributions are split: 50 % to CREF Stock and 50 % to TIAA Traditional Annuity The **maximum** amount of the Interim is Terminal Base Salary.	Monthly contributions to the IU Retirement Plan, based on Terminal Base Salary. *Terminal Base Salary = average budgeted base salary for the 5 years/60 months immediately preceding retirement.*
Benefit Payment Stream	**Gainful Employment**	**Tax Implications**
Both Interim Benefits and Continued Contributions are paid for up to 60 months, age 70 or death, whichever occurs first. Benefits are not payable to a beneficiary or an estate.	Benefits are forfeited for any month in which there is employment at Indiana University or any entity funded by the State of Indiana.	Interim Benefits are taxable at time of payment. Retirement Contributions are taxable at time of withdrawal from the IU Retirement Plan.

Plan provision details are described in the following Sections.

Eligibility

Eligibility to participate in this Plan includes all of the following criteria:

1. Have at least 18 years of participation in the IU Retirement Plan 15% Level (defined contribution retirement plan with IU contributions to retirement accounts at TIAA-CREF or Fidelity Investments for certain Academic and Administrative Staff employees). Individuals in the IU Retirement Plan 15% Level hired after July 14, 1988, should reference Note 1 below.

2. Have at least 20 years of continuous full-time service at IU

- Prior to January 1, 1989, only one interruption in service of not more than two years is allowed; after that date, no interruption in service is allowed. ("Interruption in service" means termination from IU. Leave with or without pay does not constitute an "interruption in service.")
- Periods of leave without pay do not count toward calculating years of full-time service, except that a leave for an IU-approved prestigious fellowship will count toward this service.

3. Retire from IU on or after 64th birthday

- Individuals with a 12-pay appointment may initiate 18/20 Plan benefits for the month following the month in which they turn age 64.
- Faculty with a 10-pay academic-year appointment may initiate 18/20 Plan benefits just prior to age 64 on:
  - January 1, if their 64th birthday falls during the following Spring semester (December 31st retirement date)
    or
  - July 1, if their 64th birthday falls during the following Summer or Fall semesters (May 31st retirement date)
- 18/20 Plan benefits are not provided after age 70 is reached.

No portion of 18/20 Plan benefits will be paid in the event the employee dies prior to age 64.

Note 1: As a result of an IRS ruling, IU Retirement Plan 15% Level participants hired after July 14, 1988, are not eligible for 18/20 Plan Interim Benefits. (This IRS ruling does not affect 18/20 Plan Continued Contribution Benefits.) Individuals affected by this IRS ruling are covered by a separate early retirement plan adopted by The Board of Trustees in September 2002 -- the IU Replacement Retirement Plan.

Note 2: Employees in the Geological Survey department and employees associated with external agency agreements that have excluded participation in this plan are not eligible for 18/20 Plan benefits.

Plan Provisions

The 18/20 Plan consists of two distinct provisions: monthly Interim Benefits paid to the participant and monthly Continued Contributions Benefits paid to the participant's IU Retirement Plan account at TIAA-CREF or Fidelity Investments. Both benefits are paid to the Plan participant only. Neither benefit provision includes residual benefits to a beneficiary, survivor, or estate.

Interim Benefit Provisions

Interim Benefit payments are based on a hypothetical annuity amount, not to exceed the participant's Terminal Base Salary. A general description of this hypothetical annuity is as follows:

A monthly payment based on a retirement account balance at age 70, or 60 months from the date of retirement, whichever occurs first, where account accumulations are based on:

- **actual IU Retirement Plan contributions during the participant's career at Indiana University and**
- **investment performance for a 50 percent allocation to CREF Stock and 50 percent to TIAA Traditional Annuity funds.**

Interim Benefit payments are limited to no more than the participant's Terminal Base Salary.

Terminal Base Salary is the participant's average budgeted base salary for the 5 years/60 months immediately preceding retirement. Budgeted base salary excludes any supplemental payments, including summer pay.

This hypothetical annuity will most likely be different than an annuity based on a participant's actual IU Retirement Plan accumulations, as there would have been different investment allocations.

A Step-by-Step Description of How the Interim Benefit is Calculated (for illustration purposes only, as a significant portion of the data necessary to complete this calculation is not available outside of University Human Resources):

1. **Determine the participant's hypothetical IU Retirement Plan account accumulations at the time of retirement by calculating:**
   - Actual IU Retirement Plan contributions from initial plan participation through date of retirement
   - Hypothetical account accumulations based on an investment allocation of 50 percent to TIAA Traditional Annuity and 50 percent to CREF Stock, including TIAA Traditional Annuity historical returns and the value of CREF Stock units at the time of retirement

Note 3: Fluctuations in associated investments (i.e., the value of CREF Stock units and TIAA Traditional fund earnings) will affect the results of these calculations. IU is not responsible for the changes in value or earnings of associated investments.

Note 4: The participant's actual IU Retirement Plan accumulations will be based on his/her investment allocations since initial plan participation, which may be substantially more or less than this hypothetical accumulation amount used for calculating 18/20 Plan Interim Benefits.

2. Determine the participant's hypothetical IU Retirement Plan account accumulations at age 70 or 60 months from the date of retirement, whichever occurs first, by calculating:

- The "total hypothetical accumulations at time of retirement" (as described above) is increased by additional IU Retirement Plan contributions provided by 18/20 Plan Continued Contribution Benefits provisions (described in a following section).
- An annual rate of return of 6 percent is applied to both the "total hypothetical accumulations at time of retirement" and the monthly Continued Contribution Benefits to determine hypothetical accumulations at age 70 or 60 months from the date of retirement, whichever occurs first.

3. Determine the single-life annuity payments for the "total hypothetical accumulation amount at age 70 or 60 months from the date of retirement, whichever occurs first" by calculating:

- The hypothetical annuity monthly payment based on single-life annuity conversion factors supplied by TIAA-CREF at the time of retirement for an individual initiating an annuity conversion at age 70 or 60 months from the date of retirement, whichever occurs first.

An annuity is a contract whereby periodic payments are made over a specified period to a recipient (annuitant) in exchange for a fixed premium. A single-life annuity makes payments over the lifetime of the recipient.

4. Determine the participant's Terminal Base Salary amount by calculating:

Annual equivalent of the average budgeted base salary for the last 5 years/60 months before retirement.

5. Determine the participant's monthly 18/20 Interim Benefit amount by:

Taking the lesser amount of the "hypothetical annuity" calculated above or the Terminal Base Salary calculated above to determine the annual equivalent Interim Benefit amount.

18/20 Plan Interim Benefits can be less than a participant's Terminal Base Salary as a result of any one or a combination of the following factors: 1) there have been disproportionately high base salary increases during the later years of employment, especially during the five years before retirement; 2) CREF Stock unit value at the time of retirement is lower than historical performance; 3) the plan participant has only a number of years of IU Retirement Plan participation at or close to the minimum required for 18/20 Plan eligibility, with both a smaller total amount of IU contributions and a shorter period of compounding investment returns; and 4) current single-life annuity conversion factors supplied by TIAA-CREF.

Terminal Base Salary is the maximum Interim Benefit amount.

Continued Contribution Benefit Provisions

Continued Contribution Benefit payments equal a monthly contribution to the participant's IU Retirement Plan account, in the same manner as IU contributions to this plan for active employees. Continued Contribution Benefits are based on the participant's Terminal Base Salary.

A Step-by-Step Description of How the Continued Contribution Benefit is Calculated:

A. Determine the participant's Terminal Base Salary amount by calculating:

- Average budgeted base salary for last 5 years/60 months

B. Determine the participant's IU Retirement Plan 15% Level annual contribution as:

- 11 percent of the first $7,800 of Terminal Base Salary and 15 percent thereafter (same calculation formula as the IU Retirement Plan 15% Level).

C. Determine the participant's monthly Continued Contribution Benefit amount:

- Divide the above IU Retirement Plan Contribution amount by 12.

Benefit Payment Stream

Both Interim Benefits and Continued Contribution Benefits are paid for the following period after satisfying all of the above eligibility criteria:

- For 60 months,
- Until death, or
- Until age 70, whichever occurs first.

Neither benefit provision includes residual benefits paid to a beneficiary, survivor, or estate.

Note: Participants who initiate 18/20 Plan benefits after age 65 will receive less than 60 months of benefit payments; for example, initiating benefits at age 68 will result in only 24 months of potential benefit payments. Eligible employees who continue to work past age 70 will receive no 18/20 Plan benefit payments.

For 12-pay employees, both benefit provisions are effective the month following eligibility and retirement from IU, with payments made on the last business day of the month for that month(with the exception of December, which is paid on the first business day of the following year). Interim Benefit amounts are processed as a direct deposit to the participant's checking or savings account, and Continued Contribution Benefit amounts are forwarded to TIAA-CREF or Fidelity in the same manner as for active employees.

For 10-pay employees, both benefit provisions are effective beginning either January or July, as appropriate, with the first payment made on the last business day of that month. Interim Benefits are paid on a 12 month basis and processed as a direct deposit to the participant's checking or savings account, and Continued Contribution Benefits amounts are forwarded to TIAA-CREF or Fidelity in the same manner as for active employees.

For Staff employees or any other employee with Terminal Pay for unused paid time-off benefits, including any vacation or PTO leave, and excluding Staff Honorary Leave, the Interim Benefit will be reduced by the amount of Separation Pay for each month or partial month of credited vacation time. This reduction in Interim Benefit payments will be applied to the first monthly Interim Benefit payment, and will continue until the total "reduction" is satisfied. (This reduction does not apply to Continued Contribution benefits.)

Both benefit provisions are discontinued when the earliest of the above payment periods ends; i.e., 60 months, death or age 70. Final payment for a participant turning age 70 occurs at the end of the month of the 70th birthday. Final payment for an individual dying during the month is the month preceding death.

Gainful Employment Rule

For each portion of a month that a participant is "gainfully employed" by Indiana University or any agency or government unit funded by the State of Indiana, he/she will forfeit both the full monthly Interim Benefit and Continued Contribution Benefit payments.

Gainful employment by Indiana University and agencies or governmental units funded by the state of Indiana includes such entities as the IU Foundation and Purdue University.

Gainful employment does not include voluntary services at Indiana University.

Semi-annually, in January and July of each year, 18/20 Plan participants must file a Gainful Employment Certification with University Human Resources. Failure to file this statement will delay benefit payments until University Human Resources receives the statement.

Intentional misrepresentation in the Gainful Employment Certification shall terminate all future 18/20 Plan benefits.

How to Apply for 18/20 Retirement Plan Benefits

1. One year to six months before the intended date of retirement, the employee should contact University Human Resources. At that time, the 18/20 Plan administrator will prepare an estimate of potential 18/20 Plan benefits.

2. The employee's home department should be notified of the intention to retire well in advance of the effective date. Academic employees should provide at least one regular semester's notice; Staff employees should provide at least three months notice. (These are recommended notice periods.)

3. Approximately three months prior to the effective retirement date, the potential 18/20 Plan participant will receive an application to complete. This application will be sent to the employee's IU email address, and will include a variety of 18/20 Plan and tax forms for completion. All of these forms must be fully completed and returned to the 18/20 Plan administrator, who will then prepare a final calculation of said benefits. (18/20 Plan benefits will not be approved until all forms are completed and returned to University Human Resources for review and verification of eligibility criteria.)

4. University Human Resources can provide information regarding other benefit program coverages for individuals with Retiree status such as health care, life insurance, and tuition benefit.

5. After retirement, 18/20 Plan participants should immediately notify University Human Resources of any address or bank account changes.

Tax Implications

Interim Benefit payments are considered taxable income, and as such, are subject to federal, state and local income taxes. IU will withhold income taxes at the time of payment, based on federal and state regulations. These benefit payments are not considered earned income and are not subject to FICA or other employment taxes.

Continued Contribution Benefit payments are made to the IU Retiremnet Plan, and as such are not subject to federal, state and local taxes until such time as the plan participant withdraws accumulations or receives an associated annuity payment. These payments are not considered earned income and are not subject to FICA or other employment taxes.

IU Retirement Plan Implications

Upon retirement from IU, a participant in the IU Retirement Plan is considered to have terminated employment, and as such, he/she has access to accumulations in associated retirement accounts at TIAA-CREF and/or Fidelity Investments. (Even though IU will continue to make contributions to a participant's IU Retirement Plan account, the participant has the option of withdrawing accumulated funds. Withdrawals can be in a variety of forms such as periodic or systematic lump-sum withdrawals, converting all or partial funds to an annuity contract, or a combination.)

Appeal Process

An employee or 18/20 Plan participant who wishes to appeal the application of any 18/20 Retirement Plan provision should send written notice of such, including details of the disagreement, to Retirement Program Services:

Indiana University
University Human Resources Office
Attn: Retirement Program Services
400 E. 7th Street, Poplars Building Room 165
Bloomington, Indiana 47405

Retirement Program Services will review the facts of the appeal and provide a written response, including the reasons for any decision and reference to specific Plan provisions. This response shall be provided within 60 days, unless special circumstances require additional time for processing the review.

Indiana University intends for this Plan to comply with Internal Revenue Code regulations, and if the law changes IU will need to amend this Plan accordingly.

University Human Resource Services
400 E. Seventh St., Poplars E165
Bloomington, IN 47405-3085