You can set aside more money for your retirement beyond what you are currently saving through the University with an additional voluntary retirement plan to supplement your retirement savings.

The University offers two voluntary plans: The 457 Deferred Compensation and the Optional Retirement Plan 403(b). These plans have many of the same benefits with a few differences in how much you can save right before retirement and when you can take out your money.

7 GREAT REASONS TO USE VOLUNTARY RETIREMENT PLANS

1. **Money can grow over time.** If you contribute over a long period of time, you can take advantage of compounding interest as your investments grow.

2. **Save money before taxes.** Your investment are made before federal or state income taxes are taken out of your pay so some people may see more in their pay check because they’re paying less taxes. You will only pay taxes on your savings when you take them out of the plan.

3. **It’s automatic.** Your investment is made before you see your pay, so you don’t have to think about it.

4. **Save a lot more.** You can contribute 100% of your gross annual salary to either the Optional Retirement Plan or the 457 Plan. For 2020, the limit is $19,500 in each plan or up to $39,000 if you participate in both plans. If you have questions on how much you can save, please call 612-624-UOHR (612-624-8647) or 800-756-2363 and select option 1 to reach the Employee Benefits Service Center.

5. **You might be able to use an additional tax credit of up to $1,000 on the first $2,000 contributed (or $4,000 if married filing jointly) to a plan, based on your income. Consult your tax preparer or the Internal Revenue Service if you have questions.

6. **Zero administrative fees.** The University negotiated with the investment companies to have no extra administrative or recordkeeping fees charged. Be aware that fees for each fund will still be charged, but there’s no overall administrative fee.

**SAVING EARLY IS A KEY TO GROWTH**

Although no two investments will have the same growth, people who save early can see their small investments grow over time. Here’s one scenario to show how saving a small amount regularly can pay off over 25 years:

**Growth of $100 Monthly Investments with 6% Annual Return**

- **5 Years:** $7,011
- **10 Years:** $16,469
- **15 Years:** $29,227
- **20 Years:** $46,435
- **25 Years:** $69,645

5 Years 10 Years 15 Years 20 Years 25 Years
ABOUT THE OPTIONAL RETIREMENT PLAN

The Optional Retirement Plan is a good fit for someone who:

• **Wants the flexibility to take cash out for a financial hardship.** The Optional Retirement Plan can be used for unexpected financial needs, such as college tuition for a child and paying for a home a financial hardship. More information on withdrawals is on page 5.

• **May retire before age 65.** A participating employee can tap their Optional Retirement Plan funds when they reach age 59½. An early withdrawal while working at the University requires the approval of the University.

• **Wants the option to take a loan against their plan.** The ORP plan may allow participants to take out a loan if allowed by their investment firm. The maximum can be up to 50% of your balance up to $50,000.

• **Plans to make catch-up contributions after age 50.** Saving extra dollars to “catch up” just before retirement can start once you turn 50 if you are in the ORP.

• **May want to access your ORP funds when you’re 59½.** If you invest in the ORP, you can have access to your money when you leave the University or when you reach age 59½, whichever comes first.

OPEN TO ALL FACULTY AND STAFF

All faculty or staff who are paid regularly can participate and there’s no minimum appointment or percentage of time required. The IRS rules ban students from saving in the Optional Retirement Plan.

SIGN UP ANYTIME, CHANGE IT ANYTIME

You can start saving through the Optional Retirement Plan any time you want—you don’t have to wait for Open Enrollment to get started. Check out the Schedule of Effective Dates for New Enrollment in this packet to see when you should expect to see a change in your pay statement.

Change or stop your contributions at any time. Just complete a new Retirement Savings Agreement and send it to Employee Benefits in the Total Compensation Department (see the address on page 6). A change in your contribution amount will be effective in the first full pay period of the following month.

DID YOU KNOW?

Retirement terms can be baffling, but we’re here to help you decode a few of them. “Deferred compensation” means that some of your pay—or compensation—is set aside by your employer for some point in your future. The mysterious numbers for plans, like “403(b)” or “457,” or refer to the Internal Revenue Service code which spells out the rules for each plan.
DID YOU KNOW?
There are many investment options in the Optional Retirement Plan. The Optional Retirement Plan offers a wide range of investment companies and products through four investment companies, from aggressive growth to interest-bearing accounts with low risk. The ORP offers five investment categories: general accounts/annuities, money market funds, bond funds, stock funds, and hybrid funds.

FLEXIBLE FUND OPTIONS
The investment companies and choices within the Optional Retirement Plan are fairly flexible. You can:
• Change funds within a company at any time. Some companies permit transfers by telephone or through their website—but check with the investment company on their own policies.
• Switch investment companies at any time. To switch to a new investment company, fill out a new Retirement Savings Agreement form and the account enrollment form for the new company.
• Move funds between investment companies—if they give the o.k. If you want to transfer existing funds, contact the investment company directly about their policies and possible limits on transfers.

PICK FROM MANY FUNDS
To get information on a specific fund or investment company, please call the company or check its website. Be sure to mention the plan numbers listed by the investment company, below.

CHOOSE FROM FOUR INVESTMENT COMPANIES
Note: All of these investment companies waive sales charges and account maintenance fees for University of Minnesota participants. For more information, visit humanresources.umn.edu/saving-retirement/investment-companies.

Fidelity Investments
• Website: fidelity.com
• Phone: 800-343-0860
• Address: 82 Devonshire Street, Boston, MA 02109
• Plan Numbers: Optional Retirement Plan-51274

Securian Retirement Services
• Website: umnplans.securian.com
• Phone: 651-665-3670 or 800-421-3334
• Address: 400 North Robert Street, St. Paul, MN 55101
• Plan Numbers: Optional Retirement Plan-1130

Deutsche Asset Management
• Website: deutschefunds.com/retire
• Phone: 800-541-7705
• Address: 222 South Riverside Plaza, Chicago, IL 60606-5808
• Plan Number: Optional Retirement Plan-063447

Vanguard Funds
• Website: vanguard.com
• Phone: 800-523-1188
• Address: Vanguard Financial Center, PO 1101, Valley Forge, PA 19482
• Plan Numbers: Optional Retirement Plan-091381
OPTIONAL RETIREMENT PLAN RESTRICTIONS

WITHDRAWALS
Funds in an Optional Retirement Plan (403(b) Plan) may be made available to you under one or more of the following circumstances:
• When you stop working for the University (also called “severance of service”)
• When you reach age 59½
• You become totally disabled
• Death

Hardship withdrawals are subject to a 10% penalty tax unless they are for out-of-pocket medical expenses totaling more than 7.5% of your adjusted gross income.

Payments will automatically have 20% withheld for federal taxes except for a “rollover,” annuities and regular installments over 10 years or more. If you are under age 59½ when you terminate your employment, payments that are not part of a rollover will be subject to an additional 10% penalty tax.

PAYMENT OPTIONS
If you leave the University, you can receive payments at any time, or you can wait until you retire to begin receiving them. Remember, money withdrawn is subject to federal and state income tax.

The Optional Retirement Plan rules allow you to take out money when you reach age 59½ even if you are also employed by the University. You will be required to take a required minimum distribution once you reach age 70½. The investment company will send you information on when you will need to take your required minimum distribution. When you retire, you will need to contact the investment firm so they can provide you with more up-to-date information based on your age and work status.

Your Optional Retirement Plan investments can be distributed to you in several ways, including a lump-sum option. Ask your investment company for more information about your options and any limitations.

FINANCIAL HARDSHIP WITHDRAWAL
If you experience a financial setback, you may be able to request a withdrawal from your Optional Retirement Plan. Before your request can be approved, you must show that the financial emergency meets the legal criteria.

The IRS allows hardship withdrawals under these circumstances:
• Purchase of a primary residence
• Payment to prevent eviction or foreclosure on your primary residence
• Pay for some damage to your principle residence
• Pay for college for your child
• Cover significant out-of-pocket medical expenses for you or your family
• Funeral expenses for the employee or their immediate family
**MAKING YOUR CONTRIBUTIONS**

**Start Investing Today**

The University will make the contributions to the Optional Retirement Plan and reduce your salary by the amount of the contribution before federal and state taxes are deducted.

Your contribution, or deferred income, will be taken from each paycheck beginning on the first pay period of the month after your completed forms are received by Total Compensation. A schedule is included in the enrollment packet to show when your Optional Retirement Plan contribution will appear on your pay statement.

**Stopping Your Contributions**

To stop contributing money to your Optional Retirement Plan, you must notify the University using the Optional Retirement Plan Retirement Savings Agreement. On the form, indicate that you want $0/0% for your salary deferral amount.

**Increasing Your Contributions**

You can save more for your retirement through the Optional Retirement Plan if you:

- **Have 15 years of service with the University.**
  You can get information on additional contribution opportunities. If you are signing up, check the box on the Optional Retirement Plan Savings Agreement form or contact the Employee Benefits Service Center at the number below.

- **Are age 50 or older and want to make catch-up contributions.** The amount that you can contribute changes, so contact the Employee Benefits Service Center at the number below if you have questions on the current amount. To begin contributing more, complete the Optional Retirement Plan Savings Agreement form with the new amount that you would like deducted from your pay.

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**ENROLL IN THE OPTIONAL RETIREMENT PLAN**

1. **Pick your savings amount.** Determine how much money you want to save each pay period. You can save either a set dollar amount or a percentage of your pay. If you use a percentage, you will save more money over time as your earnings increase.

2. **Pick your investments.** Review the investment firms and ask them via phone or online to share information on specific funds that you’re interested in. For more information, visit [humanresources.umn.edu/employee-benefits/retirement](http://humanresources.umn.edu/employee-benefits/retirement). The University of Minnesota also posts quarterly investment performance results on its website.

3. **Fill out two forms on the OHR website:**
   - Retirement Savings Agreement from the University of Minnesota
   - The account enrollment form for the investment company (or companies)

4. **Return the forms.** Send them via Campus Mail or U.S. mail to:

   University of Minnesota
   Employee Benefits
   200 Donhowe Building
   319 - 15th Avenue SE
   Minneapolis, MN 55455-0103
IMPORTANT INFORMATION

Please note that this booklet provides an overall description of the Optional Retirement Plan and is not intended to offer specific, personal investment advice. Should actual plan provisions vary from the descriptions in this booklet, the plan document will prevail. Be sure to carefully read over the appropriate prospectus or custodial agreement before investing in any fund or account. This plan is qualified for tax purposes under Section 403(b) of the Internal Revenue Code.

FOR MORE INFORMATION

If you have questions about enrolling, eligibility, how much you can have deducted from your paychecks, or other questions about the Optional Retirement Plan, call 4-UOHR (612-624-8647; 800-756-2363 and select option 1) to reach the Employee Benefits Service Center.

The University of Minnesota shall provide equal access to and opportunity in its programs, facilities, and employment without regard to race, color, creed, religion, national origin, gender, age, marital status, disability, public assistance status, veteran status, sexual orientation, gender identity, or gender expression.

Inquiries regarding compliance may be directed to the Director, Office of Equal Opportunity and Affirmative Action, University of Minnesota, 274 McNamara Alumni Center, 200 Oak Street S.E., Minneapolis, MN 55455, (612) 624-9547, eoaa@umn.edu. Website at www.eoaa.umn.edu.

This publication/material is available in alternative formats upon request. Please contact Susan Diekman, diekm003@umn.edu or 612-626-9824.

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