

## 2020 House Officer November Lump Sum Payments Saving for Retirement

The collective bargaining agreement between The University of Michigan House Officers Association and the University of Michigan calls for a lump sum payment to be included in the November 30<sup>th</sup> pay. You may direct some or all of the payment to the 403(b) Supplemental Retirement Account and/or to the 457(b) Deferred Compensation Plan as a tax-deferred or after-tax Roth contribution to save for retirement. The chart below lists the 2020 lump sum payment amount by level.

### FICA Withholding

All contributions are subject to FICA withholding (the 7.65% Social Security and Medicare tax). You may want to adjust the amount of your contribution by the value of the FICA tax. The chart below illustrates: (A) the amount of the payment; and, (B) the amount you could contribute minus the associated FICA tax withholding so your net pay is not further reduced by the FICA tax.

### Tax-Deferred Contributions

Tax-deferred contributions are **not** subject to federal and state income tax withholding when deducted, but are still subject to FICA tax.

### After-tax Roth Contributions

If you make an after-tax Roth contribution, the entire amount is subject to federal and state income tax withholding as well as FICA tax withholding when deducted.

Level	(A) Lump Sum Payment	(B) Lump Sum Payment Minus FICA
House Officer I	\$6,028	\$5,567
House Officer II	\$6,329	\$5,845
House Officer III	\$6,645	\$6,137
House Officer IV	\$6,978	\$6,444
House Officer V	\$7,326	\$6,766
House Officer VI	\$7,693	\$7,104
House Officer VII	\$8,077	\$7,459
House Officer VIII	\$8,481	\$7,832

# House Officer November Lump Sum Payment

## How to Contribute

### Enter Your Contribution Amount

Use Self Service > Benefits in Wolverine Access to direct the amount you wish to contribute in your **November paycheck**.

#### DEADLINES TO USE WOLVERINE ACCESS

**403(b) SRA:** 10/22 thru 11/18

**457(b):** 10/1 thru 10/31

### November Paycheck

Your elected contribution amount is deducted from your paycheck.

Please note that your contribution is subject to FICA (Social Security and Medicare tax). The value of FICA tax on your contribution is deducted from your remaining pay and will further affect your net pay.

### December Paycheck

Your elected contribution amount for the November paycheck is discontinued.

A contribution amount in effect as of the October 31 paycheck will continue to be deducted, however.

### IF YOU ALREADY CONTRIBUTE

- If you already make a contribution to the 403(b) SRA or 457(b) and wish to increase it to take advantage of the November lump sum payment, enter the **TOTAL AMOUNT TO BE DEDUCTED** (not just the amount of the increase) into Wolverine Access.
- The contribution will revert back to the amount that was in effect in your October 2020 paycheck beginning with your December 2020 paycheck. **No action** is required of you to reduce the amount you elected for the November paycheck to go back to the previous amount.

### IF YOU DO NOT ALREADY CONTRIBUTE

- If you do not already make a contribution to the 403(b) SRA or 457(b), the amount you elect to contribute from the November lump sum payment will occur as a one-time only deduction in the November paycheck.
- **December Paycheck**
- Your elected contribution amount for the November paycheck is discontinued.
- **No action is required of you to cancel** the contribution so it does not occur again.
- If you would like to have a contribution for December and beyond you will need to make another election in Wolverine Access for an amount to continue.

### DECEMBER PAYCHECK DEADLINES

**403(b) SRA:** 11/19 thru 12/16

**457(b):** 11/1 thru 11/30

**The Benefits Office will be conducting the following Zoom Meetings to answer any questions you may have.**

**Join Zoom Meeting 10/21/2020 12:15PM - 12:55PM**

[https://us04web.zoom.us/j/77226723813?](https://us04web.zoom.us/j/77226723813?pwd=Um4weXB2Yy9WZDZxU0ZKRjVhVWdTUT09)  
[pwd=Um4weXB2Yy9WZDZxU0ZKRjVhVWdTUT09](https://us04web.zoom.us/j/77226723813?pwd=Um4weXB2Yy9WZDZxU0ZKRjVhVWdTUT09)

Meeting ID: 772 2672 3813  
Passcode: 9j55VZ

**Join Zoom Meeting 10/22/2020 12:15 PM -12:55 PM**

[https://us04web.zoom.us/j/79050311783?](https://us04web.zoom.us/j/79050311783?pwd=NVB6QnFtY0F3ek44M0JQOFRsMVQvZz09)  
[pwd=NVB6QnFtY0F3ek44M0JQOFRsMVQvZz09](https://us04web.zoom.us/j/79050311783?pwd=NVB6QnFtY0F3ek44M0JQOFRsMVQvZz09)

Meeting ID: 790 5031 1783  
Passcode: 8eEM0h

**Join Zoom Meeting 10/22/2020 6PM-6:40PM**

[https://us04web.zoom.us/j/72271236316?](https://us04web.zoom.us/j/72271236316?pwd=RThQbUhWK2dldmZMckVBbWlOK0V0QT09)  
[pwd=RThQbUhWK2dldmZMckVBbWlOK0V0QT09](https://us04web.zoom.us/j/72271236316?pwd=RThQbUhWK2dldmZMckVBbWlOK0V0QT09)

Meeting ID: 722 7123 6316  
Passcode: 9PSS83

## How to Enroll or Adjust Your Contributions

Go to Wolverine Access at [wolverineaccess.umich.edu](http://wolverineaccess.umich.edu), click the **Faculty & Staff** tab, enter your username and UMICH password to log in, click **Employee Self-Service**, and then follow these steps.

### To Direct Your Lump Sum to the 403(b) SRA

1. Click the **Benefits** tile
2. Under Retirement Self Service, click **Initiate Ret Savings Elections**
3. Click the radio button for **Select this option to Enroll/ Change/Cancel Your Basic Retirement Savings Plan or your Supplemental Retirement Account (SRA)**
4. Click **Next**
5. Review the effective date and then click **Continue** to proceed
6. Click **Select** at the bottom of the page
7. Click **Edit** for the SRA vendor with whom you wish to invest or make a change
8. Click **TIAA SRA** or **Fidelity SRA**
9. Enter your contribution amount and then click **Store**
10. Review your elections and click **OK**
11. If you want to open an SRA with both investment companies, click **Edit** for the vendor you did not select in step 8, otherwise skip to step 14
12. Enter your contribution amount and then click **Store**
13. Review your elections and click **OK**
14. Click **Submit** to save your elections
15. Read the information on the Submit Benefit Choices page, and then scroll down and click **Submit**
16. Review your confirmation number and submitted elections
17. Click **Return to Enrollment** to review your event status
18. Click **Sign Out** at the top of the window to close self-service, and then click **Log Out** to securely exit Wolverine Access. If you are on a shared or public computer, click **Log Out** again to securely log out of all U-M weblogin applications.

### To Direct Your Lump Sum to the 457(b)

1. Click the **Benefits** tile
2. Under Retirement Self Service, click **Initiate Ret Savings Elections**
3. Click the radio button for **Select this option for the Enroll/ Change/Cancel Your 457(b) Deferred Compensation Plan**
4. Click **Next**
5. Review the effective date and click **Continue** to proceed
6. Click **Select**
7. Click **Edit**
8. Click **457(b) Deferred Compensation Plan**
9. Enter your per paycheck contribution amount, how much of this amount you wish to allocate to TIAA and or Fidelity, and then click **Store**
10. Review your elections and click **OK** to proceed
11. Click **Submit** to save your choices
12. Read the Salary Deferral Agreement, scroll down the page and click **Submit**
13. Review your confirmation number and submitted elections
14. Click **Return to Enrollment** to review your event status
15. Click **Sign Out** at the top of the window to close self-service, and then click Log Out to securely exit Wolverine Access. If you are on a shared or public computer, click Log Out again to securely log out of all U-M weblogin applications.

### IMPORTANT

You need to designate your investment fund choices and beneficiaries separately for each type of plan in which you enroll. Fund choices and beneficiary designations you have already made for one plan do not automatically carry over to the 457(b) or the 403(b) SRA (and vice versa). You need to designate your beneficiary separately each time you enroll in a new type of plan.

## SELECT YOUR FUNDS & BENEFICIARY

The enrollment process will default your investment fund and your beneficiary for each plan in which you enroll. You may change these at any time after your account has been created, for example, after you receive the welcome packet from the company. You need to make your designations for each type of plan in which you enroll and for each investment company you select. For example:

- *You enroll in the 403(b) SRA with TIAA and 457(b) with TIAA.*
- *You will need to designate your fund choices and beneficiary for each plan type, even though both are with the same investment company.*

### TIAA

#### Online

You can create your account at any time, select your investment funds and designate beneficiary online at: [tiaa-cref.org/umich/](http://tiaa-cref.org/umich/)

- Select “**Enroll Now**”
- Click on the type of plan for which you are creating an account: 403(b) Supplemental Retirement Account and/or the 457(b).
- Follow the online prompts and enter your selections.

#### By Phone

Call TIAA at 1-800-842-2252, Monday through Friday from 7 a.m. to 9 p.m. and Saturday from 8 a.m. to 5 p.m. (CT).

### FIDELITY INVESTMENTS Online

You can create your account, select your investment funds and designate your beneficiary online at any time by going to: <http://netbenefits.com/uofm>

- Select “**Enroll**”
- Click on the type of plan for which you are creating an account: 403(b) SRA and/or 457(b).
- Follow the online prompts and enter your selections.

#### By Phone:

Contact a Fidelity Retirement Services Specialists by calling 800-343-0860, Monday through Friday, 8:00 a.m. to midnight, Eastern Time if you have questions or need assistance.

## THE DEFAULT INVESTMENT FUND

A TIAA-CREF Lifecycle Index Fund or Fidelity Investments Freedom Index Fund is a mutual fund that is a diversified portfolio of other mutual funds offered by that company; essentially a fund of other funds. This includes domestic and international stock funds, bond funds, and money market funds. Each Lifecycle Index or Freedom Index Fund automatically selects the allocation of stock, bond, and money market funds that are appropriate for a target retirement date of approximately age 65.

The Lifecycle Index and Freedom Index Funds gradually adjust over time to become more conservative by decreasing the underlying equity holdings and increasing the fixed income holdings as the fund's target retirement date nears. The gradual shift into fixed income from equities provides the potential for growth while reduces volatility as the retirement date approaches.

TIAA-CREF Lifecycle Index and Fidelity Freedom Index Funds are actively managed; however, the underlying mutual funds within each portfolio are index mutual funds. An index fund is a passive investment strategy that aims to replicate the movements of a specific benchmark that are held constant, regardless of market conditions. Using underlying index funds are a lower cost option to meet your retirement savings goals.

Your date of birth will be included in the enrollment notice sent to your chosen investment company. This will determine the specific Lifecycle Index or Freedom Index Fund into which you will be enrolled.

Lifecycle Index and Freedom Index Funds provide a simple solution if you lack the time, confidence, or investment knowledge to create and manage a well-diversified portfolio. Each fund is professionally managed and provides you with a simple, single investment fund.

### U-M RETIREMENT PLAN WEBSITE

[hr.umich.edu/retirement-savings-plans](http://hr.umich.edu/retirement-savings-plans)

- Cash withdrawals, rollovers, loans and transfers
- Roth 403(b) SRA and Roth 457(b)
- Overview of the 403(b) and 457(b) plans
- Plan handbooks
- SRA hardship withdrawals & SRA disability withdrawals
- IRS contribution limits
- Your quarterly statements
- Divorce / QDRO
- Income options in retirement

# TIAA

## What is TIAA?

TIAA is the nationwide retirement and financial services system for people who work at more than 15,000 colleges, universities, independent schools, and other nonprofit education, hospital and health care, and research institutions throughout the United States. In fact, the University of Michigan was the first in the nation to offer TIAA in 1919.

TIAA has the highest rating for insurance financial strength from all four major rating agencies: Moody's; S&P; Fitch; A.M. Best and received the highest ranking for trust in the financial services and insurance industries by The Harris Poll (2010).

## What are my investment choices?

The investment fund is automatically defaulted to an age-appropriate TIAA-CREF Lifecycle Index Fund. You may change this at any time. TIAA-CREF offers more than 40 fund choices, including mutual funds, and fixed and variable annuities. Domestic and international stock funds, bond funds, money market funds and real estate funds are available, along with a guaranteed fixed annuity and socially responsible funds.

For a complete list of available investment funds visit: [tiaa-cref.org/umich](http://tiaa-cref.org/umich)

## TIAA Institutional Class Mutual Funds

All TIAA mutual funds available through the University of Michigan plans are offered under the Institutional share class. The Institutional Class is the share class with the lowest management fees and expenses TIAA offers and charges 25 basis point ( $\frac{1}{4}$  of a percent) less in expenses than the Retirement share class that is typically offered through most employers. The low fees mean more of your money remains in your account, working toward your financial future, and your retirement account balances have more earning potential.

## Where can I find more information?

You can meet with a TIAA investment professional by calling **1-800-732-8353**

**TIAA Telephone Counseling Center  
1-800-842-2776**

# Fidelity Investments

## What is Fidelity Investments?

Fidelity Investments was founded in 1946 by Edward C. Johnson II and today is the largest mutual fund company in the world. Fidelity is one of the nation's top providers of 403(b) retirement savings plans for not-for-profit organizations, including colleges and universities, healthcare institutions, foundations, and charitable organizations. The University of Michigan added Fidelity Investments to its retirement plan in 1989.

## What are my investment choices with Fidelity?

The investment fund is automatically defaulted to an age-appropriate Freedom Index Fund. You may change this at any time. Fidelity Investments offers over 100 mutual funds, including domestic and international stock funds, bond funds, money market funds and real estate funds. In addition, the Select Portfolio Funds allow you to invest in highly specialized sectors of the economy.

For a complete list of available investment funds visit: [netbenefits.com/uofm](http://netbenefits.com/uofm)

## Fidelity Freedom Index Funds: Class W

The Fidelity Freedom Index Funds available through the University of Michigan plans are offered as Class W shares. Class W is the share class with the lowest management fees Fidelity offers for the Freedom Funds. The low fees mean that more of your money goes to purchasing investments and you keep a higher percentage of the potential returns generated, which can help you reach your retirement goals faster.

## Where can I find more information?

You can meet with a Fidelity Investments professional by calling **1-800-642-7131**

**Fidelity Retirement Specialists  
1-800-343-0860**

# Frequently Asked Questions

## *Saving for Retirement: 403(b) SRA and 457(b)*

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### **Do I have to do anything to receive the lump sum payment?**

If you are eligible, the payment will be added automatically to your November paycheck.

### **Can I invest the lump sum payment?**

You can direct all or part of the lump sum payment into the U-M 403(b) SRA and/or the U-M 457(b). You may make your contributions as tax-deferred, after-tax Roth, or any combination of both.

### **Is there a U-M match for contributing?**

No

### **Is this my only chance to contribute to a 403(b) SRA and/or 457(b)?**

No. You can start a monthly contribution for the 403(b) SRA or 457(b) anytime. This is being offered now to coincide with the annual lump sum payment to encourage saving for retirement.

### **Do I have to make a regularly recurring monthly contribution?**

No, you may sign up for a one-time contribution for November, and no further contributions will occur unless you specify it.

### **Can I change my choice of investment funds after I enroll?**

Yes. *You can transfer money among the funds offered by TIAA and Fidelity at any time.*

### **When can I cash out or elect a rollover?**

- Once you have terminated your employment with the University you may cash out the 403(b) SRA or 457(b) at any age or roll it over to an IRA or another employer's retirement plan.
- You may take a loan at any time.
- Cash withdrawals that meet IRS definitions of hardship and disability are also available on the 403(b) SRA but not the 457(b).

### **Roth 403(b) SRA & Roth 457(b)**

Roth contributions are taxed when taken from your paycheck but offer the incentive that qualified distributions are tax-free when made after a 5-taxable-year period of participation **and** is either made on or after the date you attain age 59½, made after your death, or attributable to your being disabled. In contrast, tax-deferred contributions are not subject to income tax when deducted from your paycheck, but are taxed when you take a distribution.

Another incentive to the after-tax Roth 403(b) SRA and Roth 457(b) plans is that you may postpone distributions indefinitely during your lifetime (requires rollover to a Roth IRA) and you can even pass assets tax-free to your heirs.

### **Who may benefit from a Roth 403(b) or Roth 457(b)?**

- Those not eligible for a Roth IRA due to IRS income restrictions which do not apply to the U-M Roth plans.
- Young faculty and staff who have a long retirement horizon that will allow time to amass significant tax-free assets.
- Those who believe their income tax rates will rise in the future.
- Those who want tax diversification of having both after-tax and tax-deferred assets as a hedge against potential tax increases.

### **QUESTIONS?**

*Call the SCC Contact Center at 734-615-2000 or toll free at 1-866-647-7657*

#### **After-tax Roth plans visit:**

[hr.umich.edu/roth-option](http://hr.umich.edu/roth-option)

#### **403(b) SRA website**

[hr.umich.edu/403b-sra](http://hr.umich.edu/403b-sra)

#### **457(b) website**

[hr.umich.edu/457b-deferred-compensation-plan](http://hr.umich.edu/457b-deferred-compensation-plan)

### 403(b) Supplemental Retirement Account (SRA)

- You contribute a fixed dollar amount; there is no U-M match.
- Contribute up to \$19,500 for 2020; the limit is \$26,000 if you are age 50 or older.
- Withdrawals while you are still employed at U-M are available: 1) at age 59½ or older; or, 2) due to total and permanent disability; or, 3) due to financial hardship.
- Loans are available.
- Withdrawals are available at any age once you have terminated employment.

*Contribute up to \$39,000 in total between the 403(b) and 457(b)*

*Contribute up to \$52,000 if you are age 50 or older*

### 457(b) Deferred Compensation Plan

- You contribute a fixed dollar amount; there is no U-M match.
- Contribute up to \$19,500 for 2020; the limit is \$26,000 if you are age 50 or older.
- Withdrawals while you are still employed at U-M are available at age 59½ or older
- Loans are available.
- Withdrawals are available at any age once you have terminated employment.
- The IRS 10% penalty for withdrawals prior to age 59½ does not apply to the 457(b) but does apply to the Basic Retirement Plan and the 403(b) SRA.

#### Two Ways to Contribute

##### Tax-deferred

Distributions are taxed

##### Roth after-tax

Qualified distributions are tax-free

#### Two Ways to Contribute

##### Tax-deferred

Distributions are taxed

##### Roth after-tax

Qualified distributions are tax-free

### How are the 457(b) and the 403(b) SRA similar?

Both plans have the following in common:

- You can make tax-deferred contributions and/or after-tax Roth contributions.
- The same investment fund options.
- The same income options at any age once you have terminated employment.
- The ability to take a loan at any time.
- Cash withdrawals and rollovers at any age once you have terminated employment.

### How are the 457(b) and the SRA different?

- The IRS 10% penalty on withdrawals made before age 59½ applies to the 403(b) SRA but does not apply to the 457(b).
- The 403(b) SRA allows cash withdrawals as a current member of the faculty or staff if you become disabled, in the event of financial hardship, or at age 59 ½ or older. These are not available under the 457(b).
- The 457(b) allows cash withdrawals as an active member of the faculty or staff at 70 ½ or older.

### The 403(b) SRA may be a good option if:

You want the flexibility to cash out the SRA before you terminate employment due to:

- Disability
- Financial hardship
- At age 59½ or older

### The 457(b) may be a good option if:

- You anticipate taking a cash withdrawal before age 59½ and want to avoid the IRS 10% early withdrawal penalty.
- You already contribute the maximum allowable to the 403(b) SRA and want to save more.
- You **do not** need to cash out the accumulations before you terminate employment or reach age 59½.

**IMPORTANT:** Information is based on the university's current understanding of complex Internal Revenue Code (IRC) and U.S. Treasury Department regulations. It is provided for general informational purposes only. It is not intended to constitute tax, legal, accounting, estate planning or investment advice. It is the responsibility of the individual to address questions or concerns to a qualified professional.