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

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

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

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

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

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

How do I decide which payment option to choose?

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

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

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

You should apply for retirement benefits by completing a Notice of Intent to Retire (NOI) form at https://www.umsystem.edu/totalrewards/retirement and scheduling a meeting with your campus HR Generalist. This form should be completed at least 60 days before your planned retirement date. This will ensure your payments begin on time and allow for verification of your employment and *salary* history, calculation of your benefits and the payment options available to you.

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

Apply for retirement at least 60 days in advance of….
…your official retirement date to ensure payments begin on time.

You should keep the *University* informed of name or address changes for you or your *beneficiaries* (or *joint annuitant*). Changes should be made online through myHR at https://myhr.umsystem.edu or sent in writing to UM System Office of Human Resources Service Center, 1105 Carrie Francke Dr Ste 108, Columbia, MO, 65211.

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

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

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

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

You should keep the *University* informed of name or address changes for you or your *beneficiaries*. Changes should be made online through myHR at https://myhr.umsystem.edu or sent in writing to UM System Office of Human Resources Service Center, 1105 Carrie Francke Dr Ste 108, Columbia, MO, 65211.

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

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

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

Under current law, you must begin receiving your benefit on April 1 following:

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

Tax Implications on payments or distributions from the DB Plan

How are my monthly retirement benefit payments affected by taxes?

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

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

If you plan to reside in the United States, but outside of Missouri, Kansas, or Illinois, you should complete a Statement of Tax Responsibility form. Please contact the HR Service Center for further information. If you plan to reside outside the United States following your retirement, you may qualify for alternative tax treatment. Please contact the HR Service Center for further information.

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

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

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

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

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

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

> <u>Pre-Tax to Roth Rollovers</u>: If you roll over pre-tax amounts to a designated Roth account in another employer plan or to a Roth IRA, the amounts will be taxed in the year of the rollover. However, the 10% additional tax on early distributions will not apply. If you complete a direct rollover, no withholding will apply, but you may voluntarily enter into a withholding agreement with the *University*.

Tax Notice

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

In Special Cases

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

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

- Two times (2x) your regular annual *salary* as of the date of your death, not to exceed 100 times your projected monthly *normal retirement* benefit (for purposes of this calculation, your service would be determined as if you continued in employment until age 65, and your *final average salary* would be determined as of the date of your death); or

- The single sum actuarial equivalent value of your retirement benefit which would have been paid to you if you had retired the day immediately preceding the date of your death.

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

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

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

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

Do I need to name a *beneficiary*?

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

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

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

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

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

Over the years, special provisions have been added to the RDD plan document for various groups of employees. These provisions are applicable to former employees of Barnes College, the Children's Advocacy Center of St. Louis, Ellis Fischel State Cancer Center, Missouri Rehabilitation Center, the St. Louis Mercantile Library Association, and the University of Kansas City. If you were employed by one of these entities immediately prior to your employment by the *University*, contact the HR Service Center for more information.

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

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

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

What happens if I retire and later return to work?

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

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

Additional rehire rules:
UM requires the following process for rehiring a former employee (i) who is less than age 62 and (ii) who is currently receiving a retirement benefit, has received a lump sum retirement benefit, or has elected to receive a retirement benefit:

- The rehire cannot be pursuant to a discussion, understanding, or agreement (written or oral), that occurred prior to *termination* from employment with the *University* or commencement of a retirement benefit.
- You must have at least a 90-day break after the effective date of retirement/*termination* before consideration for rehire, unless the rehire is part of a competitive hiring process. In order to ensure that there is not an understanding or agreement to rehire prior to the effective date of retirement, you may not apply for a position until after the effective date of your retirement/*termination*.
- Your signature is required on applicable benefit documents acknowledging the rehire requirements.

Failure to comply with the above rehire requirements may result in the rehired individual's *termination* of employment pursuant to applicable procedures.

These rules do not apply to anyone who is age 62 or older and has completed the applicable benefit documents for in-service distribution from the DB Plan.

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

Protecting Your Benefits

What happens if the DB Plan terminates?

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

Can my benefits be forfeited or delayed?

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

- If you experience a *termination* from the *University* for any reason before you have earned five years of *service credit*, you will not receive a benefit (other than a refund of the contributions you made). If you resume service with the *University*, your prior *service credit* may be forfeited.
- If you experience a *termination* from the *University* and return on or after October 1, 2019, you will not be eligible to accumulate any additional benefits under the DB Plan and any additional *salary, summer appointment salary, service credit* or *summer appointment service credit* for services performed after your rehire on or after October 1, 2019 will have no impact on the calculation of the your benefit from the DB Plan. If you do not keep your most recent address on file and the *University* can't locate you, benefit payments may be delayed. This is particularly important if you leave the *University* prior to retirement with a right to a deferred retirement benefit.

- If you do not apply for retirement benefits at least 60 days prior to your retirement, your payments may be delayed.

Can my benefit be assigned to someone else?

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

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

What happens in the case of dissolution of marriage?

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

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

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

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

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

How is the DB Plan funded?

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