UNIVERSITY OF PITTSBURGH

403(b) PLAN

and

401(a) RETIREMENT PLAN

SUMMARY PLAN DESCRIPTION

Revised: October 2012

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INTRODUCTION

The University of Pittsburgh retirement program consists of three plans:

1. The University of Pittsburgh 403(b) Plan (the "403(b) Plan")[1],

2. The University of Pittsburgh 401(a) Retirement Plan (the “401(a) Plan”), and

3. The University of Pittsburgh Noncontributory Defined Benefit Pension Plan (the “Pension Plan”).

This summary plan description ("SPD") covers the 403(b) Plan and the 401(a) Plan. There is a separate summary plan description for the Pension Plan.

Most full-time and (non-student) part-time employees of the University are eligible to make contributions under the 403(b) Plan. In addition, “Benefits Eligible Employees” have the choice of either receiving a match under the 401(a) Plan or receiving a University paid pension under the Pension Plan.

You need to check the eligibility provisions of each plan in order to know whether you are eligible to participate. (See Chapter III below.) If you are eligible to participate in either the 401(a) Plan or the Pension Plan, you need to make a choice between them.

Because of the numerous changes in the tax laws, the University has recently amended all three of the plans and has revised the summary plan descriptions in order to reflect the changes.

If you make contributions to the 403(b) Plan (or are thinking about making contributions to the 403(b) Plan), please read this SPD carefully.

If there is a conflict between the SPD and the plan document, the plan document governs.

If you have any questions, feel free to contact the University’s Human Resources Benefits Department at 412-624-8160 and ask for a Retirement Analyst.

YOU SHOULD NOT RELY ON THIS SPD FOR LEGAL OR TAX ADVICE and should see your attorney or tax advisor if you need advice with regard to a particular situation.

Tax information is presented merely to help you understand how the plans operate and your options under the plans. Tax rules change frequently, and the tax information contained in this SPD may be obsolete before the University is able to issue a new SPD.

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[1] The 403(b) Plan was formerly known as the University of Pittsburgh Contributory Tax-Deferred Annuity Plan.

I. HOW DO I....?

A. Find Pitt Enrollment/ Election Change Forms

1. Log into the University's Portal at www.my.pitt.edu.
2. Enter Username and Password
3. Click on "My Resources" tab on the "My Pitt" portal home page, and
4. Select "Human Resources" from the drop down list.
5. Select "Retirement Plan Access- Manage Your Retirement Plan Elections" located on the right side of the screen.

If you want a paper enrollment form, go to the Human Resources Benefits Department.

If you make an election to change: (i) the amount of your contributions, (ii) the type of your contributions (403(b) v. Roth 403(b)), or (iii) the percentage of your new contributions going to TIAA-CREF v. Vanguard, the change becomes effective for the next month. If you are paid on a biweekly basis, the change becomes effective for the first pay period beginning in the next month.

Having Trouble Logging On?

- Call the Help Desk at 412-624 HELP (4357).

Need to Find Your Username?

- Go to: https://ww.hr.pitt.edu/lookup
  Click on the University of Pittsburgh Directory
  Enter last and first names and click "OK"

Want to Change Your Password?

- Go to: http://accounts.pitt.edu

B. Get Help with My Elections?

Call the University of Pittsburgh Retirement Plan Call Center at 800-682-9139 if:

1. You are already online and need help using the online system, or

2. You want to change the amount of future contributions or how future contributions are invested. If you want to change how past contributions are invested, go to the TIAA-CREF or Vanguard website.

C. **Check My Account Balances, Change Investments, or Move Past Contributions from one Fund to Another**?

1. **TIAA-CREF**

Website: www.tiaa-cref.org/pitt
[Go to "access my account".]

Automated Phone Service: 800 842-2252 (available 24/7)

Telephone Counseling Center – 800 842-2776
Representatives available Monday to Friday, 8 a.m. to 10 p.m.
Saturday, 9 a.m. to 6 p.m. (ET)

On-Campus Appointments
Consultants from the Pittsburgh office are available for on-campus appointments to assist you with your retirement planning. To schedule an appointment, please sign up online at www.tiaa-cref.org/moc

Web seminars:www.tiaa-cref.org/financialeducation

Hearing Impaired Service Line: 800-842-2755

2. **Vanguard**

Website: www.vanguard.com
Phone: 800-523-1188

Custom Pitt website: http://pitt.vanguard-education.com/ekit

Counseling: 800-662-0106 x14500
www.meetvanguard.com

On-Campus Appointments

Consultants are available for on-campus appointments to assist you with your retirement planning. To schedule an appointment, please sign up online at www.meetvanguard.com/ or call 800 662-0106, Ext. 14500.

Text Telephone Service: 800-523-8004

D. **Find Beneficiary Designation Forms**?

You may make beneficiary designations online, or you may choose to have beneficiary designation forms mailed to you. Forms should be returned to TIAA-CREF or Vanguard.

TIAA–CREF

1. Log on to **www.tiaa-cref.org/Pitt**
2. Select **My Profile**
3. Select **Beneficiaries**

If you have never used the TIAA-CREF secure Web site to access your account, you'll need to register first. Go to **www.tiaa-cref.org/register** to register. You will need one of your account numbers in order to complete the registration process.

VANGUARD

1. Log on to **Vanguard.com**
2. Select **My Profile**
3. Select **Beneficiaries**

Note: If you also have a non-retirement account with Vanguard, you may have to select **Employer Plan** before you click the **My Profile** tab.

If you invest with Vanguard, but have never used Vanguard's Web site to access your account, you'll need to register first. Go to **Vanguard.com/register** to register. You will need your plan number [091628] in order to complete the registration process.

E. **Move Money from TIAA-CREF to Vanguard or vice-versa?**

Call the investment organization that you want to move money to, and they will guide you through the process.

F. **Apply for a Loan?**

Call the TIAA-CREF Telephone Counseling Center: 800 842-2776

II. UNDERSTANDING YOUR ACCOUNTS

A. Plan History (in a nutshell)

The 403(b) Plan began on July 1, 1919 (at which time there was no Internal Revenue Code).

All plan assets were invested in TIAA-CREF annuities until July 1, 1985, at which point Vanguard mutual funds were added as investment options.

The 401(a) Plan became effective on January 1, 1994 and was adopted in order to make it easier for the University's retirement program to comply with various Internal Revenue Code requirements.

Prior to 1994 all matching contributions were made to the 403(b) Plan. From 1994 through 2001 some matching contributions were made to the 403(b) Plan, and some were made to the 401(a) Plan (for reasons related to the Internal Revenue Code). Since 2002 matching contributions have been made to the 401(a) Plan.

B. Why You Receive So Much Paper

You need to understand how many different types of accounts you have.

If you are receiving matching contributions, then you are participating in two plans: (1) the 403(b) Plan, and (2) the 401(a) Plan.

Within each plan, there are three different investment organizations: (i) TIAA, (ii) CREF, and (iii) Vanguard. [Yes, TIAA and CREF are separate organizations.]

So, if you make 403(b) contributions, receive a match, and divide your money among TIAA, CREF, and Vanguard in both plans, you have (at least) six different accounts, but wait; there's more.

Prior to 1994, if you invested through TIAA-CREF, 403(b) contributions that were matched, and the related matching contributions were invested in retirement annuities ("RAs") in the 403(b) Plan. If you made 403(b) contributions that were not matched, those contributions were (in general) invested in supplemental retirement annuities ("SRAs").

Two changes took place in 1994. First, the 401(a) Plan became effective, and the matching contributions for anyone contributing at least 6% of Compensation went into the 401(a) Plan.

Second, new 403(b) contributions were invested in group retirement annuities ("GRAs") or group supplemental retirement annuities ("GSRAs").

Therefore, if you were an employee prior to 1994, the amount of paper that you received from TIAA-CREF might have doubled in 1994.

If you were a University employee prior to 1994, it is possible that you have as many as eight different annuity accounts with TIAA-CREF in just the 403(b) Plan:

- TIAA RA
- TIAA SRA
- TIAA GRA
- TIAA GSRA
- CREF RA
- CREF SRA
- CREF GRA
- CREF GSRA

In addition:

- You could have both a TIAA GRA and a CREF GRA account in the 401(a) Plan.
- If you were hired prior to 2002, you may have matching contributions in both plans.
- In November 2003 TIAA-CREF mutual funds were added as investment options in both plans. Therefore, you may have TIAA-CREF mutual funds, as well as TIAA and CREF annuities in both plans.
- If you make Roth 403(b) contributions or after-tax contributions, those contributions need to be held in separate accounts from the regular 403(b) contributions.
- If you participated in a plan of another university before coming to Pitt or if you have money in a plan of the University of Pittsburgh Medical Center or University of Pittsburgh Physicians, you also receive statements for those plans.
- If you take out a loan, you need to deal with loan paperwork.

C. **How do I Consolidate Accounts**?

Under IRS and TIAA-CREF rules, there are limits on your ability to consolidate accounts. Nevertheless, there are certain steps that you can take, especially if you have money in RA or SRA annuities.

1. If you have money in an RA contract, you may transfer that money to a GRA contract. You may not transfer money from a GRA to an RA contract.

2. If you have money in an SRA contract, you may transfer that money to a GSRA contract. You may not transfer money from a GSRA to an SRA contract.
   If you want to move money from an RA or SRA contracts to a GRA or GSRA certificate, use the same procedure that you would use to move money from one fund to another within your GRA account.

3. If you have terminated employment with the University, you may take money out of the 401(a) Plan or the 403(b) Plan, make a "direct rollover" to an IRA and consolidate your accounts in an IRA. If you made Roth 403(b) Contributions, Roth accounts may be rolled over to a Roth IRA.

4. You may be able to take your money out of a former employer's plan and roll it over to an IRA.

5. Please note that transfers, as well as distributions on termination of employment, are subject to TIAA-CREF or Vanguard distribution rules. If you have money in a TIAA traditional annuity, it may take you nine years to transfer the money from the RA (or SRA) annuity to a GRA (or GSRA) annuity.

III. PARTICIPATION

A. 401(a) Plan v. 403(b) Plan v. Pension Plan

As discussed in Sections B and C below, almost all employees of the University are eligible to participate in the 403(b) Plan. If you are eligible to participate in the 403(b) Plan, you have the right to make contributions to the 403(b) Plan. You need to also be eligible to participate in the 401(a) Plan in order to get matching contributions.

As discussed in Section D below, if you are a "Benefits Eligible Employee", you may participate in either the 401(a) Plan or the Pension Plan. If you choose the 401(a) Plan and if you make a contribution to the 403(b) Plan, the University will make a matching contribution to the 401(a) Plan for you.

If you choose the Pension Plan, you may also elect to make contributions to the 403(b) Plan, but you will not get a match.

B. Employees Only

You must be an employee of the University (who receives a Form W-2) in order to be eligible to participate in any of the University's retirement plans. Former employees are not eligible to participate.

Fellows/ Postdoctoral Scholars: If you are a researcher who is not an employee, you are not eligible to participate. If your payments are not subject to FICA (Social Security) taxes, you are probably not an employee.

Dual Appointment with UPP: If you are an employee of both the University and UPP and if are paid through a common paymaster, you may participate in the 403(b) Plan and 401(a) Plan (if you are eligible) based on your Compensation for services to the University.

C. 403(b) Plan Eligibility

All employees of the University (including employees receiving long-term disability benefits under a plan of the University) are eligible to participate in the 403(b) Plan EXCEPT:

1. Nonresident aliens with no U. S. source income, and
2. Students to the extent that their services are not "employment" for purposes of the Social Security taxes.

Students: In general, students who have part-time jobs will not be eligible to participate. If a student has a full-time job, and if the University determines that the student's compensation is subject to FICA (Social Security and Medicare) taxes, the student may make contributions to the 403(b) Plan based on the portion of his Compensation that is subject to FICA taxes.

D. 401(a) Plan Eligibility

In general, if you are a "Benefits Eligible Employee", you need to decide whether you want to participate in the Pension Plan or the 401(a) plan. If you elect to participate in the 401(a) Plan, you will not be able to participate in the Pension Plan.

Benefits Eligible Employees: If your position is classified in category 1-9 below, you are eligible to participate in the 401(a) Plan, unless you are also part of an ineligible class.

1. Faculty full-time regular,
2. Part-time faculty in the tenure stream or tenured for no less than half-time,
3. Faculty part-time regular,
4. Librarians full-time regular,
5. Faculty librarians part-time regular at the Class Level of III, IV, or V for no less than 50% of effort,
6. Research associates full-time regular,
7. Staff full-time regular,
8. Staff part-time regular, and
9. Postdoctoral associates with an appointment date on or before June 30, 2005.

Your category of employment is determined in accordance with what has been entered into the University's Payroll System.

Ineligible Classes of Employees: If your category of employment is not listed above, you are not eligible to participate in the 401(a) Plan. In addition, the following groups of employees are not eligible to participate:

10. **Pension Plan Participants**: Anyone who is eligible for a calendar year to accrue benefits under the Pension Plan may not receive a matching contribution under the 401(a) Plan for the same calendar year.

11. **Employees Covered by a Collective Bargaining Agreement**: Union employees are not eligible for matching contributions unless their collective bargaining agreement provides for participation in the 401(a) Plan.

12. **Students (graduate and undergraduate) and Fellows**

13. **Part-time Faculty not in the Tenure Stream, part-time research associates, and part-time librarians Level I or II.**

14. **Employees Under the Age of Eighteen (18)**

15. **Postdoctoral Associates**: A Postdoctoral Associate whose appointment is dated on or after July 1, 2005 is not eligible to participate in the 401(a) Plan.

16. **Nonresident Aliens with no U.S. Source Income**

17. **Accelerated Option**: If you completed the "accelerated option" under the 401(a) Plan or the 401(a) Retirement Plan of the Medical and Health Sciences Foundation, you are not eligible for a match under the 401(a) Plan.

Change in Employment Classification: If you are a participant in the 401(a) Plan, and if your employment classification changes so that you are no longer a "Benefits Eligible Employee", your account balance under the 401(a) Plan becomes frozen. No new contributions will be made to your account, but your account continues to earn (or lose) money depending on how you invest it. Even if you cease to be a "Benefits Eligible Employee", you still may be able to make contributions to the 403(b) Plan.

If your employment status changes from "Ineligible" to "Benefits Eligible", you are treated (for purposes of determining eligibility to participate) as a new hire.

Participation in the 401(a) Plan

Current Employees: The 401(a) Plan was amended and restated as of January 1, 2009. If you were a participant on December 31, 2008, you remained a participant on January 1, 2009 unless you happened to have a change in employment status that caused you to become ineligible to participate.

New Hires: If you are a new hire (who is a "Benefits Eligible Employee"), you may elect to become a participant in either the 401(a) Plan or the Pension Plan. If, by the end of your first twelve full calendar months of employment (or as a "Benefits Eligible Employee"), you elect to make contributions to the 403(b) Plan, you will be deemed to have elected to participate in the 401(a) Plan. If you do not elect to make contributions to the 403(b) Plan by the end of your first twelve full calendar months of employment (or as a "Benefits Eligible Employee"), you will be deemed to have elected to participate in the Pension Plan.

Pension plus 403(b): If you want to enroll in the Pension Plan (and not the 401(a) Plan) and also want to make unmatched contributions to the 403(b) Plan, enroll in the Pension Plan before you elect to make contributions to the 403(b) Plan.

Switching Plans: If you are a participant in the 401(a) Plan, you may not switch participation to the Pension Plan. If you are a Benefits Eligible Employee who is a participant in the Pension Plan, you may switch participation to the 401(a) Plan.

If you are participating in the Pension Plan and want to switch to the 401(a) Plan, use the online enrollment system or contact a Retirement Analyst in the Human Resources Benefits Office.

Entry Dates: If you are a new hire (who is a Benefits Eligible Employee), your entry date depends on the date that you submit your election to participate.

If you are paid on a monthly basis and:

If: (i) your first day of work is on or before the first business day of the month, and (ii) you submit your election to participate by the end of the month of your first day of work, you become a participant as of the first day of the next month. Example: If your first day of work is September 1 and you submit your election to participate by September 30, you become a participant on October 1.

If you submit your election form after September 30, you become a participant as of the first day of the month following the month during which you submit the election form.

If: (i) your first day of work is after the first business day of the month, and (ii) you submit your election to participate by the end of the month following the month of your first day of work, you become a participant as of the first day of the second month following your first

day of work. Example: If your first day of work is September 15 and you submit your election to participate by October 31, you become a participant on November 1.

If you submit your election form after October 31, you become a participant as of the first day of the month following the month during which you submit the election form.

If you are paid on a biweekly basis and:

If: (i) your first day of work is on or before the first business day of the month, and (ii) you submit your election to participate by the end of the month of your first day of work, you become a participant as of the first day of the first pay period that begins in the next month. Example: If your first day of work is September 1 and you submit your election to participate by September 30, you become a participant as of the first pay period that begins in October.

If you submit your election form after September 30, you become a participant as of the first day of the first pay period following the pay period during which you submit the election form.

If: (i) your first day of work is after the first business day of the month, and (ii) you submit your election to participate by the end of the month following the month of your first day of work, you become a participant as of the first day of the second month following your first day of work. Example: If your first day of work is September 15 and you submit your election to participate by October 31, you become a participant on November 1.

If you submit your election form after October 31, you become a participant as of the first pay period following the pay period during which you submit the election form.

E. Former Employees/ Rehires/ Change in Status

If you terminate employment with the University and are rehired, you become eligible to make contributions to the 403(b) Plan as soon as you return (unless you return in a category of employees ineligible to participate).

Your treatment under the 401(a) Plan depends on whether you are treated as a new hire. If you are treated as a new hire:

1. You must elect to participate in the 401(a) Plan again, and there may be a waiting period before you become eligible for a match again.
2. None of your pre-break service will count for purposes of determining whether your future matching contributions are vested.
3. You will get the 100% match, instead of the 150% match, until you have enough service to be vested in future contributions, and

4. If you suffered a forfeiture when you terminated employment, your forfeited amount will not be restored.

In order for you to be able to participate in the Pension Plan, you must be treated as a new hire and as an Eligible Employee under the terms of both the 401(a) Plan and the Pension Plan, and you must elect to participate in the Pension Plan.

Faculty: If you terminate employment with the University and are then rehired as a member of the faculty:

- If more than 365 days pass before you again become an employee, you will be treated as a new hire when you again become an employee.

- If less than 366 days pass before you again become an employee, you will be not be treated as a new hire when you again become an employee.

Staff: If you terminate employment with the University and are then rehired as a member of the staff (or in a position that is not treated as faculty for benefits purposes), you will be treated as a new hire unless:

- You involuntarily terminated employment with the University due to position elimination or an employer-initiated reorganization and less than 366 days pass before you again become an employee of the University; or

- You again become an employee of the University not later than the tenth (10th) day after your last day of prior employment.

A reorganization is not "an employer-initiated reorganization" unless it is determined to be such by the Chancellor, the Executive Vice Chancellor, the Provost, or the Senior Vice Chancellor, Health Sciences, or his or her delegate.

Change in Status If you cease to be a "Benefits Eligible Employee" without terminating employment with the University, you will become a Participant again as of the first day that you again become a Benefits Eligible Employee and will not be treated as a new hire.

Veterans Notwithstanding the above, if you terminate employment because you are called up for military duty, you will not be treated as a new hire if you are re-employed by the University within the time period during which you have re-employment rights protected by federal law.

Disability Notwithstanding the above, if you are a former employee receiving benefits under a long-term disability plan of the University, recover from your disability, and again become an employee of the University within 365 days of the date on which you are medically released to return to work, you will not be treated as a new hire when you again become an employee.

365th Day: If the University is not open for business on the 365th day, then the 365 day deadline is extended until the close of business of the University's Office of Human Resources on the first business day following the 365th day. In addition, the 365 day period starts after your last day of work for the University.

IV. CONTRIBUTIONS AND ALLOCATIONS

A. Procedures

If you want to contribute to the 403(b) Plan, you need to complete an enrollment form.

You may enroll either by submitting an electronic form online or by completing a paper form and returning it to the Human Resources Benefits Department.

Online enrollment screens are available at www.my.pitt.edu. [See Chapter I for log on information.] If you do not have an account, go to www.HR.Pitt.edu and click on "Benefits".

You have the option to contribute on a pre-tax (or 403(b)), after-tax, or Roth basis. "Pre-tax" contributions are not subject to the federal income tax when made but are subject to other taxes. See Tax Notes/Rules below.

You may elect to contribute a fixed dollar amount per pay period or a percentage of Compensation.

If you want to contribute, you need to decide how to invest your contributions.

B. Compensation

Most contributions are based on "Compensation", which for purposes of the 403(b) Plan and the 401(a) Plan means your base salary or wages (including faculty third-term compensation) plus any salary reductions under the 403(b) Plan, flexible benefits plan, or the pre-tax transportation program.

"Compensation" does not include any taxable welfare benefits (other than long-term disability benefits), fringe benefits, cash payments under the flexible benefits plan in exchange for waiving benefits, lump-sum cash-outs of vacation or sick pay paid to terminating employees, expense reimbursements, moving expenses, bonuses, commissions, overtime, or payments under any early retirement, severance, or similar program. If you become eligible to participate in the middle of a plan year, your "Compensation" for the plan year does not include amounts paid before you became a participant.

Any payment (such as a scholarship, grant, stipend, or fellowship payment) that is not a payment for services (subject to FICA taxes) is not “Compensation” for purposes of the plans.

Dollar Limit: If you became a participant in a plan on or after January 1, 1996, the amount of your Compensation that may be taken into account under the plan is (because of Internal Revenue Code rules) subject to a dollar limit of $250,000 (indexed for 2012 and subject to cost-of-living adjustments).

If you became a participant in a plan prior to January 1, 1996, you are not subject to a dollar limit on the amount of Compensation that may be taken into account.

C. 403(b) Plan

You have the option to contribute to the 403(b) Plan: (i) on a pre-tax basis, (ii) on an after-tax basis, or (iii) on a Roth basis.

1. **403(b) Contributions**: The University refers to pre-tax contributions as "403(b) Contributions". [They are also known as "elective deferral contributions", "salary reduction contributions", or “tax-deferred annuity contributions".]

   If 403(b) Contributions are matched under the 401(a) Plan, they are referred to as "Matched 403(b) Contributions". If they are not matched, they are referred to as "Unmatched 403(b) Contributions" (formerly "supplemental retirement annuity contributions").

   You may elect to make 403(b) Contributions up through the lesser of: (i) the "§402(g) limit" or (ii) 99% of your "Compensation". For most employees, the §402(g) limit will be the lower limit.

   Priority: In general, 403(b) Contributions have the lowest priority of any amount that is withheld from your paycheck. Deductions will be made for taxes, welfare benefits (such as medical, dental, and vision benefits), fringe benefits (such as the flexible benefits plan and pre-tax parking), savings bonds, and anything else that you

elect to have withheld from your pay first. If your paycheck isn't large enough to cover everything that you elect to have withheld from it (plus taxes), the Payroll Department will reduce the amount of your 403(b) contributions, which may mean that you lose matching contributions.

§402(g) Limit: "402(g)" is the Internal Revenue Code section that governs the dollar limit on 403(b) contributions. The general dollar limit or §402(g) limit for 2012 is $17,000. The limit may increase in future years for cost-of-living adjustments. Your §402(g) limit may be higher if you are eligible for "15-year catch-up contributions" or "age 50 catch-up contributions" (discussed below).

Please note that the §402(g) limit applies per calendar year to <u>all</u> 401(k) and 403(b) contributions (both pre-tax and Roth) **for <u>all</u> plans in which you participate**, including non-Pitt plans. Therefore, if you participated in a 401(k) or 403(b) plan of another employer before you started work at the University (or if you hold a dual appointment and participate in a UPP plan), you need to take your 401(k) or 403(b) contributions under the other plan into account when calculating your maximum permitted contribution under the University's plan.

Excess Deferrals: If your contributions exceed your §402(g) limit, you must take a refund of the excess contributions. If the excess contributions remain in the plan, you could be taxed twice, once in the year of contribution and once in the year that the contributions are distributed.

If your contributions exceed your §402(g) limit because you participated in both the 403(b) Plan and a non-Pitt plan, you need to tell at least one of the employers from which plan you want the excess contributions distributed.

Conversion to After-Tax Contributions: If during a pay period your 403(b) contributions (including Roth 403(b) contributions, but not including contributions to non-Pitt plans) reach your §402(g) limit, your election to make 403(b) contributions (or Roth 403(b) contributions) will be converted to an election to make after-tax contributions; provided that the amount of after-tax contributions when added to 403(b) contributions and Roth 403(b) contributions will not exceed 8% of Compensation for the pay period. For example, if you elect to contribute 15% of Compensation and reach the §402(g) limit, your election will be converted to an election to contribute 8% of Compensation on an after-tax basis.

15-year Catch-up Contributions: If you have at least 15 (full-time equivalent) Years of Service with the University (not counting service with UPMC, UPP, or the Medical and Health Sciences Foundation), your §402(g) limit is increased by the least of the following:

(i) $ 3,000;

(ii) $15,000 reduced by catch-up contributions under the $3,000 limit for prior years;

(iii) the excess of $5,000 multiplied by your number of Years of Service over your 403(b) contributions (and Roth 403(b) contributions) for prior years, not including age 50 catch-up contributions, to the 403(b) Plan.

Age 50 Catch-Up Contributions: If you are (or will be) at least 50 years old by the end of a plan year, you make elect to make an additional $5,500 of "catch-up" 403(b) contributions. The $5,500 limit applies for 2012 and is subject to periodic cost-of-living adjustments.

Tax Notes/Rules:

This section deals only with special tax rules applicable to 403(b) contributions. Section C4, starting on the next page, has a comparison of the tax treatment of the different types of contributions.

(i) Although this SPD is written as if you make 403(b) contributions, under the Internal Revenue Code you are agreeing to have your salary or wages reduced in exchange for the University's making a contribution to the 403(b) Plan for you.

403(b) (pre-tax) contributions will not be included in your taxable income for purposes of the federal income tax (until they are distributed from the plan). They are included in income for purposes of the Pennsylvania income tax, local wages taxes in PA, and FICA (Social Security and Medicare) taxes.

Tax Credit: If your adjusted gross income ("AGI") is less than $28,250 ($56,500 if you are married filing jointly), you may be eligible for a tax credit for 403(b) contributions not in excess of $2,000. See IRS Form 8880. http://www.irs.gov/pub/irs-pdf/f8880.pdf

(ii) You need 15 years of full-time service, or its equivalent, in order to be eligible to make "15-year catch-up contributions". For example, if you work part-time on a 50% effort basis, you would need to work 30 years of 50% effort to be eligible to make "15-year catch-up contributions".

(iii) You become eligible to make "15-year catch-up contributions" after you complete 15 years of full-time service (or its equivalent). Therefore, most employees who become eligible to make such contributions will do so in the middle of a year.

(iv) You are permitted to make "age 50 catch-up contributions" at any time during the calendar year of your 50th birthday (or any later calendar year). You do not need to wait until your 50th birthday.

(v) If you are eligible to make both types of catch-up contributions, you must make the 15-year catch-up contributions first (because that is how Congress wrote the Internal Revenue Code).

2. **After-Tax Contributions** (not Roth contributions)

If you are a Benefits Eligible Employee who is a Participant in the 401(a) Plan you may contribute on an after-tax basis instead of on a pre-tax or Roth basis.

You may not contribute more than 8% of "Compensation" per pay period (on an after-tax basis), and you may contribute only to the extent that the contributions are matched under the 401(a) Plan. [If you have completed the "accelerated option" under the 401(a) Plan, you may not elect to make after-tax contributions.]

If you elect to make 403(b) contributions or Roth 403(b) contributions, you may not elect to make after-tax contributions during the same pay period. Nevertheless, if during a pay period your 403(b) contributions or Roth 403(b) contributions are limited by the "§402(g) limit", your election to make 403(b) contributions or Roth 403(b) contributions will be converted to an election to make after-tax contributions; provided that the amount of after-tax contributions when added to 403(b) contributions and Roth 403(b) contributions will not exceed 8% of Compensation for the pay period.

3. **Roth 403(b) Contributions**

Effective as of October 1, 2008 anyone who is eligible to make 403(b) contributions may also elect to make Roth 403(b) contributions. You may elect to make both 403(b) contributions and Roth 403(b) contributions in the same year.

Roth 403(b) contributions are subject to the same limits as 403(b) contributions. In fact, the "§402(g) limit" ($17,000 for 2012) and the limits on catch-up contributions (both types) apply to the sum of your 403(b) contributions and Roth 403(b) contributions.

4. **Tax Treatment**: **Roth 403(b) Contributions v. 403(b) Contributions v. After-Tax Contributions:**

If you make regular 403(b) contributions, the amount that you contribute is not subject to the federal income tax for the year that you make the contribution. [You are subject to FICA taxes and the PA income tax.] When the contributions are distributed from the 403(b) Plan, the contributions and all accumulated gain are subject to the federal income tax. Therefore, making 403(b) contributions enables you to defer federal income taxes until you take a distribution. [You may be able to continue to defer taxes on a distribution by making a rollover of your distribution to an IRA.]

If you make after-tax contributions, the amount that you contribute is subject to the federal income tax (and FICA taxes and the PA income tax) for the year that you make the contribution. When the contributions are distributed from the 403(b) Plan, the contributions are not subject to the federal income tax a second time, but any accumulated gain that is distributed will be subject to the federal income tax.

[NOTE: The IRS has complicated rules regarding how much of a distribution is after-tax contributions and how much is accumulated gain. You probably do not have the option to withdraw your after-tax contributions without taking any gain at the same time. However, if you take a distribution of your entire account, you could elect to make a direct rollover of everything in your account except the after-tax contributions to an IRA and keep the after-tax contributions.]

If you make Roth 403(b) contributions, the amount that you contribute is subject to the federal income tax (and FICA taxes and the PA income tax) for the year that you make the contribution. When the Roth contributions are distributed from the 403(b) Plan, the Roth contributions and all accumulated gain are not subject to the federal income tax <u>IF</u> you have a "qualified distribution". Therefore, making Roth 403(b) contributions enables you to avoid taxes, not merely defer taxes, BUT you need to meet certain requirements in order to avoid taxation (and hope that Congress doesn't change the tax laws).

Taxation of Roth 403(b) Contributions: "Qualified distributions" are not includible in gross income for purposes of the federal income tax.

"Nonqualified distributions" are taxed like after-tax contributions. The contributions are not taxed when they are distributed, but any accumulated gain that is distributed is taxed.

In order for a distribution to be a "qualified distribution", you must participate in the Roth feature for at least five years and the distribution must be made after you: (i) reach age 59½, (ii) suffer a disability (under IRS standards, which may not be identical to the standard for benefits under the University's long-term disability plan), or (iii) die. [Note: Making Roth 403(b) contributions does not give you any special rights to a distribution. You may not take a distribution until you are eligible for one under the 403(b) Plan.]

The five year period begins as of January 1 of the first year that you make Roth 403(b) contributions. Therefore, if you make a Roth 403(b) contribution in December 2012, your five year period ends on December 31, 2016.

Your five year participation period is calculated separately for every plan in which you participate. Therefore, making a Roth 403(b) contribution to the Pitt 403(b) Plan does not count for purposes of determining your five year period of participation under any other plan, and vice-versa.

D. 401(a) Plan

Except for certain disability contributions, discussed below, the only contributions to the 401(a) plan are University contributions made to match contributions made under the 403(b) Plan.

1. Basic Matching Rate (for vested participants)

If you have three or more "Years of Participation", for each dollar ($1.00) of contributions contributed to your account under the 403(b) Plan, your account under the 401(a) Plan receives an allocation of $1.50; PROVIDED, that:

(i) You must contribute at least 3% of Compensation in order to get a match, and

(ii) Contributions in excess of 8% of Compensation are not matched.

The matching rate is the same whether to contribute to the 403(b) Plan on a pre-tax, after-tax, or Roth basis.

Your match is determined for each pay period. There is no adjustment at the end of the year. If you contribute less than 8% of Compensation for a pay period, you lose the ability to get a full match for that pay period and may not make up the match by contributing more in a later period.

2. **New Hires/ Rehires**: As discussed in Chapter VII, you need three "Years of Participation" for your matching contributions to be 100% vested. If new matching contributions made to your account are not 100% vested, your matching rate is 100%, not 150%. Your matching rate becomes 150% after you become vested.

   Matching contributions made while you are not 100% vested must be invested with TIAA-CREF. After you become 100% vested, you may transfer those matching contributions (and any accumulated gain) to Vanguard if you so wish. 403(b) contributions made while your match is not vested may be invested with either TIAA-CREF or Vanguard.

   If you leave Pitt, are rehired, and are treated as a new hire, you are 0% vested in new contributions, which means that your matching rate on new contributions will be 100%, until you earn an additional three Years of Participation.

3. **Accelerated Option**: If you are age 52 and are vested, you may elect to enter the "accelerated option". If you are a participant in the "accelerated option", and if your contribution rate under the 403(b) Plan is at least 8% of Compensation, your account will receive an additional 2.5% of Compensation on top of the 150% match. For example, if you elect to make 403(b) contributions of 8% of Compensation, your total match will be 14.5% of Compensation.

   Use the online enrollment system [www.my.pitt.edu.] to elect the "accelerated option". You will not have access to the accelerated option enrollment screen until one month prior to your eligibility date.

   If you elect to participate in the "accelerated option" and elect to contribute less than 8% of Compensation, your matching rate is 150%, the same as if you were not in the "accelerated option".

   Your period of participation in the "accelerated option" lasts until the earliest of: (i) the 120th month since your date of entry, (ii) the date you cease to be a Benefits Eligible Employee, or (iii) the date you attain age 65. After your period of participation in the "accelerated option" ends, you are no longer eligible for any match under the 401(a) Plan. [You may make unmatched contributions to the 403(b) Plan.]

   Your "120 month clock" that determines your period of participation in the "accelerated option" keeps ticking regardless of any change in your election or your change in status as a Benefits Eligible Employee. The "120 month clock" keeps ticking even if you: (i) stop contributing, (ii) leave the University and return, or (iii) don't get paid over the summer. The only exception to the 120 month rule is for veterans who have protected rights when returning from military leave. For example, if you enter the "accelerated option" on April 1, 2013 at age 52, you will not be

eligible for any matching contribution after March 31, 2023, regardless of what happens in between, unless you have a protected right as a veteran.

Revocation: You may revoke an election to participate in the "accelerated option" by submitting a revocation in writing to the Human Resources Benefits Department by the last day of the twenty-third (23rd) month following the month during which your election became effective. If you revoke an election to participate in the "accelerated option", you may not elect to participate in the "accelerated option" again.

If you revoke your participation in the "accelerated option", then, beginning on the effective date of the revocation, no Matching Contributions will be allocated to your account until the amount of Matching Contributions (in dollars) that would have been allocated to your account at the 150% matching rate equals 105% of the amount of Matching Contributions (in dollars) attributable to the "accelerated option" (the extra 2.5% match) actually allocated to your account from the date that your election to participate in the "accelerated option" became effective until the date that the revocation became effective.

E. **Disability**

If you become disabled under the University's long-term disability plan, the insurance company may make contributions to the 401(a) Plan equal to the sum of: (i) what you would have contributed to the 403(b) Plan had you remained an employee, and (ii) the match you would have received on the contributions. All disability contributions are made to the 401(a) Plan, not the 403(b) Plan.

F. **Veterans**

If you go on military duty and return to the University within the period during which your re-employment rights are protected by law, you may (after you return) make the 403(b), Roth 403(b), or after-tax contributions that you would have been able to make had you remained employed by the University, and you will get the same match that you would have received had you remained employed and made those contributions. You have the lesser of five years or three times your period of qualified military service to make those contributions.

G. **HOW TO GET THE MAXIMUM MATCH**
(For Participants in the 401(a) Plan)

Your match is determined for each pay period. There is no adjustment at the end of the year. In order for you to get the maximum match for a calendar year, you must contribute at least 8% of "Compensation" for every pay period for that year.

If you contribute less than 8% of Compensation for a pay period, you lose the ability to get a full match for that pay period and may not make up the match by contributing more in a later

period. For example, an employee who is vested and who contributes 0% of Compensation for six months and 16% of Compensation for six months, gets a 0% match for six months and a 12% match for six months.

If your 403(b) or Roth 403(b) contributions reach your §402(g) limit before the end of the year, you need to continue to contribute on an after-tax basis for the remainder of the year in order to get the maximum match.

H. **Section 415 Limitation**

The maximum amount that may be allocated to your account under the 401(a) Plan for 2012 is the lesser of $50,000 or 100% of your "415 compensation" for the year.

If you are entitled to a matching contribution in excess of the 415 limit, your account will receive an allocation under the 401(a) Plan of an amount equal to the 415 limit, and the excess amount will be contributed to the 403(b) Plan up to the permissible limit under that plan. It is possible that some very highly paid employees may not receive a full 12% (or 14.5%) match.

Your contributions under the 403(b) Plan do not count against your 415 limit for the 401(a) Plan.

Outside Businesses: Under IRS rules one "415 limit" applies to the allocations you receive under the 401(a) Plan, and a separate "415 limit" applies to the sum of: (i) all allocations made to your accounts under <u>all</u> 403(b) plans in which you participate (not just Pitt plans), and (ii) the allocations under any defined contribution plan of any trade or business of which you own more than 50%. For example, if you have a consulting business (that you own more than 50% of), and if that business sponsors a defined contribution retirement plan, you need to take your contributions to the 403(b) plan into account when calculating the 415 limit for that plan.

If you own a business with a retirement plan, you should seek advice as to the contribution limits for that plan, and you need to inform your consultant as to the amount of contributions being made to the 403(b) Plan for you.

If you are a new hire who participated in a 403(b) plan of another employer before starting at Pitt, and if you own a business with a retirement plan, you should get professional advice as to the contribution limits for the plans. The IRS rules are especially complicated if your business operates on a non-calendar year.
If you own more than 50% of a trade or business with a retirement plan, you may contact the Office of Human Resources Benefits Department at (412) 624-8160 to discuss how that plan affects your ability to contribute under the University's plans.

V. INVESTMENT OF PLAN ASSETS

A. Participant Directed Investments

You have the responsibility to invest your accounts under both the 401(a) Plan and the 403(b) Plan. Because you have the ability to choose how to invest your accounts, the fiduciaries of a plan may be relieved of liability for any losses which result from following your investment instructions.

The University intends that both the 401(a) Plan and the 403(b) Plan meet the standards of an ERISA section 404(c) plan.

Your investment options consist of a variety of TIAA-CREF investment funds (both annuities and mutual funds) and Vanguard mutual funds. The investment funds are not listed here so that the University will not need to amend this SPD every time that a fund is added, dropped, or has a name change.

Upon becoming a participant, you should receive TIAA-CREF and Vanguard information packets which contain all of the following information (Ask the Human Resources Benefits Department for them if you do not receive them.):

1. A list of all of the available investment options.

2. A prospectus or detailed financial information for each investment options. (This information comes from TIAA-CREF and Vanguard.)

3. Toll free telephone numbers and internet access information. [See Chapter I.] You should receive a personal identification ("PIN") number in order to use the toll free telephone number. If you use the internet, you will choose a password the first time that you log on with either Vanguard or TIAA-CREF.

You have the right to receive the following information upon request (based on what is available to the trustees):

1. The current prospectus or financial information for each investment option in which you have invested,

2. The annual operating expenses for each such investment option,

3. A list of assets for each investment option. (This is usually prepared twice per year and may be out of date by the time you receive it.)

4. The past investment performance of each investment option.
   All of the above information should be available online.

B. Plan Expenses

There is no load or other charge for investing in any of the funds available under either the 401(a) Plan or the 403(b) Plan. Therefore, no fee will be deducted from your account because you choose any particular fund. Nevertheless, the funds do pay management fees and other expenses which reduce your rate of return. These expenses should be listed in the financial information for a fund.

Caveat: TIAA-CREF and Vanguard have the right to impose penalties for frequent trading and may do so in the future.

C. Changing Elections

You may change how your new contributions are invested or how your existing accounts are invested at any time by calling the TIAA-CREF or Vanguard toll free number or by using the internet. [See Chapter I for contact information.]

If you need help with changing your elections for future contributions, call the University of Pittsburgh Retirement Plan Call Center at 1-800-682-9139.

If you want to move money from TIAA-CREF to Vanguard, or vice-versa, you will need to contact both organizations and get a Release Form from the organization from which you want to move money and an Acceptance Form from the organization to which you want to move money.

D. Reports

You may check the status of your accounts online at any time. See Chapter I for contact information.

You have three options regarding statements:

1. If you do nothing, you will receive paper statements quarterly.

2. You may go online and elect to not receive paper, in which case you will not receive any statements, but you can still check the status of your accounts at any time.

3. You may go online and make an election for e-delivery of statements.

VI. DEATH BENEFITS

A. Beneficiary Designations

In general, if you are single when you die, your vested interest will be paid to your beneficiary or, if no beneficiary designation is on file with TIAA-CREF or Vanguard, to your estate.

If you are married when you die**,** regardless of whether you are married now, your vested interest will be paid to your spouse unless: (i) you have filed a beneficiary designation naming someone else as beneficiary, and (ii) your spouse has waived his/her right to be beneficiary in writing. See C below.

Where to Find the Forms: Beneficiary designation forms are available on the Vanguard and websites, on the Pitt website [www.my.pitt.edu], and at Pitt's Human Resources Office. See Chapter I for more information.

Where to File: File your beneficiary designation forms with TIAA-CREF and Vanguard. You may mail your forms or submit the forms electronically.

The University does not keep copies of beneficiary designation forms.

Is it Time to File New Forms? Many Pitt employees have not filed a new beneficiary designation form in years. You should review your current beneficiary designation forms (online), especially if you have married, divorced, become widowed, or had, adopted, or lost a child since you last completed a beneficiary designation form.

B. How Many Beneficiary Designations?

TIAA-CREF: As of the date when this SPD was prepared, if you file a new beneficiary designation with TIAA-CREF that beneficiary designation covered all of your TIAA-CREF investments in both the 401(a) and 403(b) Plans.

Caveats:

(i) If you filed a beneficiary designation with TIAA-CREF years ago, it is possible that the beneficiary designation covered some, but not all of your accounts. See Section B of Chapter II above for a list of all of the different types of accounts that you might have with TIAA-CREF. Therefore, even if you do not want to change your beneficiary, you should check whether the correct beneficiary is listed for all of your accounts.

(ii) If you worked for another employer that sponsored a plan that had investments with TIAA-CREF, you need to file separate beneficiary designations for that plan.

Different Beneficiaries:

- You may name a different beneficiary for the 403(b) Plan v. the 401(a) Plan.
- You may name a different beneficiary for TIAA investments v. CREF investments.
- You may name a different beneficiary for each type of TIAA or CREF annuity (RA v. GRA v. SRA v. GSRA) Your beneficiary designation for CREF GRA annuities covers your CREF mutual funds.

Please note that if you move money from one account to another, **the beneficiary designation in place for the account that holds the money on the day you die is the one that governs**.

Vanguard: If you want to file new beneficiary designations with Vanguard, you need to file separate designations for the 403(b) Plan and the 401(a) Plan.

Roth Accounts: One beneficiary designation covers both Roth and non-Roth accounts. If you have terminated employment with the University and want to have a separate beneficiary designation for Roth accounts, you need to take a distribution of your Roth accounts and make a direct rollover to a Roth IRA.

C. Special Rules for Married Participants

The Plan documents provide that, in general, **if you are married at your death** (regardless of whether you are married now)**, your vested interest will be paid automatically to your spouse, regardless of any beneficiary designation which you have made, <u>unless</u> your spouse has specifically waived his/her right to be beneficiary.**

Under this general rule, if you want to name your children or someone other than a spouse as beneficiary, you need to make certain that you have a beneficiary designation form with spousal consent on file. If you remarry, your new marriage will cancel all of your existing beneficiary designations (except those mandated by certain court orders), and you will need your new spouse's consent to name anyone other than the new spouse as beneficiary.

Annuities: If you elect to take a distribution from a plan in the form of an annuity, the assets that are converted into an annuity leave the plan and are no longer subject to plan rules regarding designation of beneficiaries. [Note there is a discussion below in Chapter VIII regarding annuities versus installment payments.]

Divorce: If you name your spouse as beneficiary, and if you later get a divorce, the plan documents have a provision that nullifies the designation of your ex-spouse as beneficiary upon the effective date of the divorce. The University strongly recommends that if you get divorced (or become widowed or get remarried), you review all of your beneficiary designations under all of your retirement plans (including non-Pitt plans) and make appropriate changes.

CAVEAT: The following warnings represent the University's understanding of the law at the time that this summary plan description was prepared. This SPD should not be regarded as legal advice. If you have a complicated situation regarding the designation of beneficiaries, the University encourages you to seek legal advice.

In general:

1. A prenuptial agreement, separation agreement, divorce settlement, civil union, or domestic partnership agreement will not override a beneficiary designation or the provisions of the plan document requiring spousal consent. Certain "domestic relations orders" will override the plan document or beneficiary designations.

2. **Common Law Marriage**: Pennsylvania does not recognize common law marriages created after December 31, 2004. If you are counting on the existence of a common law marriage in order to provide benefits for a spouse, the University recommends that you see a family law attorney regarding whether you have a valid common law marriage in Pennsylvania.

3. **Same-Sex Relationships**: Marital status will be determined in accordance with Pennsylvania law and applicable federal law, such as the Defense of Marriage Act. Therefore, as of the time that this SPD was prepared, same-sex marriages, civil unions, and domestic partnership arrangements are not recognized. The law with regard to these matters is evolving, and the University intends to administer its retirement plans in accordance with applicable law. If you do not have a marriage recognized in Pennsylvania and want a partner to be your beneficiary, file the necessary beneficiary designation forms to designate that person as your beneficiary.

4. **Domestic Partnerships**: An "Affidavit of Domestic Partnership" applies for purposes of medical, dental, vision, group dependent life, and staff bereavement benefits but does not apply for purposes of the 401(a) Plan or the 403(b) Plan. If you want your domestic partner (same sex or opposite sex) to be your beneficiary for purposes of the 403(b) Plan or 401(a) Plan, file a beneficiary designation form.

5. If: (a) you retire or otherwise terminate employment with the University, (b) you move out of Pennsylvania, and (c) state law is a concern for you, consider whether it makes sense for you to transfer your money from the Pitt plans to an IRA.

6. **Wills**: Your will governs who is the beneficiary of your estate. Your will does not govern who is the beneficiary of your accounts under the plans.

7. **IRAs**: If you terminate employment, take a distribution, and roll that distribution over to an IRA, remember to file a new beneficiary designation for that IRA.

D. **Vesting**

If you die while employed at the University, your account will become 100% vested (if not already vested). If you die while on military leave, you will be treated as if you died while employed by the University and will become 100% vested.

E. **Estate Planning**

The retirement plans are designed to help you accumulate wealth for retirement. They are not designed to help you accomplish your estate planning objectives. Do not assume that when you die, the money in your accounts will miraculously go (on a tax-free basis) to whomever you would like it to go.

If you have accumulated (or expect to accumulate) a substantial amount of money, you should consider whether to consult with a professional advisor and whether the University's plans are the appropriate place to leave your money after you terminate employment. It may be easier to do estate planning if you transfer your accounts to an IRA, especially if:

- you have remarried and have children from a first marriage,
- you want to name a trust as beneficiary of one of your accounts,
- your estate plan is based on a complicated distribution plan,
- you want to have different beneficiaries for Roth and non-Roth accounts, or
- you want to take advantage of the fact that there is no minimum distribution requirement for Roth IRAs during your lifetime.

The University does not guarantee that all of the distribution options currently offered by TIAA-CREF or Vanguard will be available when you die. If you attempt to use the University's plans for complicated estate planning, you (or your heirs) may find that a change in the plans nullifies your estate planning objective. Keep in mind that the University expects to need to amend the plans periodically as a result of changes in the Internal Revenue Code or IRS positions.

Taxes: If you die, your vested interest is (depending on the tax laws at that time) subject to the estate tax, and your beneficiary will be subject to the income tax when he or she takes a distribution. The combination of estate and income taxes can be very high.

If you name your estate as beneficiary, your account will be distributed to your estate, and the amount distributed will be subject to income and estate taxes.

VII. VESTING

A. **403(b) Plan**

All contributions to the 403(b) Plan are 100% vested.

B. **401(a) Plan**

The 401(a) Plan has a "vesting schedule." You are entitled to receive the matching contributions (and gain or loss on those contributions) allocated to your account only to the extent that the contributions are vested. If you leave before you are 100% vested, the unvested portion of your account will be forfeited.

The vesting schedule is:

Years of Participation	Vested Percentage
Less than 3	0%
3 or more	100%

Your account automatically becomes 100% vested if while employed at Pitt you attain Normal Retirement Age (65), die, or suffer a Total Disability. Total Disability means that you have suffered a total and permanent mental or physical disability which makes you eligible for benefits under the Social Security Acts.

C. **Year of Participation**

You receive credit for a Year of Participation for the following years:

1. Any Plan Year during which you both complete at least one thousand (1,000) Hours of Service and receive a match for at least six different months of the Plan Year. If you receive no Compensation for a particular month and have not terminated employment with the University, you will be deemed to have received a match for that month if you receive a match for the most recent month that you did receive Compensation; and
2. Any plan year for which you are entitled to credit for service with UPMC, UPP, or the Medical and Health Sciences Foundation. See Chapter XII.

D. **Forfeitures**

If you terminate employment, the unvested portion of your account will be forfeited as of your last day of employment with the University.

Amounts which are forfeited are first used by the plan administrator to restore the accounts of rehired employees (if necessary). Any remaining forfeitures are allocated as part of the matching contribution.

E. **Rehires**

Not New Hire: If you are rehired, and are not treated as a new hire when you return to work:

1. The unvested portion of your account which was forfeited will be restored to your account (still unvested).

2. All of your pre-break service will count toward determining whether your matching contributions are vested and whether you will receive the 150% or 100% matching rate.

New Hires: If you are rehired, and are treated as a new hire when you return to work:

1. The unvested portion of your account which was forfeited will not be restored to your account.

2. None of your pre-break service will count toward determining whether your future matching contributions are vested, which also means that: (i) you will receive the 100% matching rate until you earned have three additional Years of Participation, and (ii) if you didn't take a distribution when you left, you may have "old contributions" that are vested and new contributions that are not vested.

VIII. BENEFITS

A. Method of Distribution

If you have terminated employment with the University or are eligible for an in-service distribution, you may elect to receive your money in any form of distribution made available by Vanguard or TIAA-CREF; provided that:

1. You are subject to whatever restrictions Vanguard or TIAA-CREF impose.

2. If you are married, you must obtain your spouse's consent in order to receive an annuity other than a "qualified joint and survivor annuity". A qualified joint and survivor annuity has your spouse as primary beneficiary, and the survivorship percentage is at least 50% and not more than 100%. An example of a qualified joint and survivor annuity is a joint and 50% survivor annuity with your spouse as beneficiary.

3. Your distribution option must comply with IRS and Plan rules on " required minimum distributions", which begin to apply after you reach age 70½, or terminate employment with the University, whichever is later. See the section on "Time of Payment/ Required Minimum Distributions" below.

B. Annuities v Installment Payments

Annuities: Annuity payments are made by TIAA-CREF. They are not made out of the plan. [Technically it is possible to get an annuity from Vanguard, but participants who want annuities usually invest with TIAA-CREF.]

If you elect to receive any type of annuity, the annuity will be distributed from the plan to you, and you will receive a certificate signifying the transfer. [If an RA or SRA is distributed, you receive a contract. If a GRA or GSRA is distributed, you receive a certificate.] Once the annuity is transferred, any dispute that you have over the annuity is with TIAA-CREF, not with the plan administrator.

If you elect to receive a single life annuity, you are electing to receive payments for the rest of your life. When you die, payments cease. For example, if you die a week after your annuity starting date, TIAA-CREF will make only one annuity payment. On the other hand, if you live to be 110, the annuity payments keep coming.

If the annuity has a certain number of guaranteed payments, and if you die before the guaranteed number of payments are made, TIAA-CREF will make the guaranteed number of payments. For example, if you receive a single life annuity with 120 months of guaranteed payments and die after 80 months, TIAA-CREF will make 40 monthly payments to your beneficiary.

If you elect to receive a joint and survivor annuity, you are electing to receive payments for your life and payments for the life of your beneficiary. For example, if you elect to receive a joint and 50% survivor annuity with your spouse, after you die TIAA-CREF will pay your spouse 50% of the amount that you were receiving. If your spouse dies first, the payments stop with your death.

If you name as beneficiary someone who is not your spouse and who is more than 10 years younger than you (such as a child or grandchild), TIAA-CREF needs to make special calculations to make certain that the annuity complies with the required minimum distribution rules.

Installment Payments: Installment payments are made out of your account. Installment payments may be based on a fixed number of years, your life expectancy, or the joint life expectancy of you and a beneficiary (subject to the required minimum distribution rules).

If you elect to receive installment payments, you are entitled to receive payments only as long as there is money in your account. If the money runs out, the payments stop.

Caveat: TIAA-CREF may refer to installment payments as a type of annuity.

Which is Better?

The upside of annuity payments is that they last as long as you are alive. The downside is that if you die young, TIAA-CREF may get most of your money. Annuity payments may not keep up with inflation, but TIAA-CREF offers a type of annuity designed to deal with inflation.

The upside of installment payments is that you retain control over the money, and after you die your beneficiary receives any amount remaining in your account. The downside is that the money may run out depending on how long you live and how much you withdraw each year.

You may convert part of your account into an annuity. For example, you could convert your TIAA accounts to an annuity and take installment payments from your CREF and Vanguard accounts.

Beneficiary Designations: To the extent that you convert all or part of your vested interest to an annuity, you are taking money out of the plans. You need to make a separate beneficiary designation for the annuity (unless you take a single life annuity). If you elect to receive installment payments, you are leaving money in the plan. If you die before receiving your entire vested interest, your beneficiary designation(s) will govern who receives what is left.

C. Rollovers and Transfers

A “rollover” is a distribution that gets reported on Form 1099-R. In order to make a rollover, you must take a distribution, have 20% of the distribution withheld for federal income taxes, and then deposit the amount left after withholding in an IRA or a plan of another employer. You generally have 60 days to make a rollover. If you want to avoid having taxes withheld from a distribution, make a "direct rollover". See below.

A “transfer” is not a distribution (from the IRS' perspective) and does not get reported on Form 1099-R. The money goes from one account to another, and no tax is withheld. You may not make a transfer to an IRA. You may (under IRS rules) make a transfer to a plan of a new employer.

A “direct rollover” looks like a transfer, but is reported on Form 1099-R. Direct rollovers are not subject to 20% income tax withholding. If you want to move your money to an IRA and don't want to have taxes withheld as part of the move, you want to make a "direct rollover" to your IRA.

If you terminate employment with the University, you may take a distribution of all or part of your accounts and make a rollover, transfer, or direct rollover to an IRA or a plan of a new employer; provided:

1. Roth 403(b) accounts may be rolled over only to a Roth IRA or a Roth account under another plan.

2. If you have money invested with TIAA, you may not have immediate access to the entire account.

3. Another employer is not obligated to accept a rollover or transfer into its plan. For example, if you transfer to the University from the Medical and Health Sciences Foundation, you may not transfer your accounts to the University plans, and vice-versa.

4. You may not roll over distributions that are required under the " required minimum distribution" rules.

5. Installment payments being taken over a period of 10 years or more and all annuity payments may not be rolled over to an IRA or other plan.

D. Time of Payment/ Required Minimum Distributions

In general, you may not take a distribution until you terminate employment with the University. However, certain in-service distributions are permitted. See E below.

After you terminate employment with the University, you may elect to receive a distribution. You are not required to wait until a certain age to take a distribution.

Termination of Employment: For reasons related to grants, reorganizations, or the University's payroll system, some individuals are treated as having terminated employment with the University and as being rehired shortly thereafter. If you are rehired before you are able to take a distribution, you lose the ability to take a distribution until you terminate employment again.

If you terminate employment and are hired by the Medical and Health Sciences Foundation within 10 days of terminating employment with the University, you are treated as if you had not terminated employment with the University. [However: (i) if you manage to take a distribution anyway, you are treated as having terminated employment with the University, and (ii) you are treated as having terminated employment with the University for purposes of complying with the required minimum distribution rules.]

If you are an employee and become a post-doctoral scholar who is not considered to be an employee, you are treated as having terminated employment with the University.

Change of Address: If you terminate employment, don't take an immediate distribution, and move**, make certain that you inform TIAA-CREF and Vanguard of your new address**.

Required Minimum Distributions ("RMDs")

You are required by law to take a "required minimum distribution" (or "RMD") each year from each plan beginning with the year that contains your "required beginning date", which is April 1 of the calendar year after the later of the calendar year you: (i) terminate employment with the University, or (ii) attain age 70½. For example, if your 70th birthday is in October 2013, you will reach 70½ in April 2014, and you will be required to take a distribution by April 1, 2015, and unless you take a lump-sum distribution, you will be required to take a second distribution by December 31, 2015.

Your required minimum distributions will be based on your life expectancy, or your joint life expectancy with your beneficiary, as determined under tables in IRS regulations.

The 401(a) Plan and the 403(b) Plan have been amended so that if you have money in either plan as of your "required beginning date", TIAA-CREF and Vanguard will automatically make required minimum distributions to you. In order to make the requirement minimum distributions, TIAA-CREF and Vanguard will take a proportional amount out of each investment account that you have in either plan.

If you do not want TIAA-CREF and Vanguard to make required minimum distributions to you, you need to take a distribution of your entire vested interest (from both plans) prior to the beginning of the year you attain age 70½.

If you make a direct rollover to an IRA, you will need to take required minimum distributions from your IRA.

If you are an active employee of another employer and make a direct rollover to the retirement plans of the other employer, you will not need to take required minimum distributions until you terminate employment with the other employer. [If you leave money in Pitt plans, you need to take required minimum distributions from the Pitt plans.]
If you take all or part of your distribution in the form of an annuity, the annuity payments should comply with the required minimum distribution rules (for the portion of your account that was converted into an annuity).

Different Requirements: 403(b) plans, 401(a) plans, and IRAs are subject to different required minimum distribution ("RMD") rules.

401(a) Plan: You must take a separate RMD from each 401(a) defined contribution plan in which you have a vested interest. For example, if you have a vested interest in 401(a) defined contribution plans at three different employers, you must take three separate RMDs. [A "401(k) plan" is a type of 401(a) defined contribution plan.]

403(b) Plan: In general, all of your 403(b) accounts and 403(b) annuity contracts <u>from all employers</u> are aggregated for purposes of determining your required minimum distributions from 403(b) plans. Therefore, if you have money in a 403(b) plan of another employer, you have one required minimum distribution requirement for both that plan and the Pitt 403(b) Plan. The distributions that TIAA-CREF and Vanguard make (automatically) from the Pitt 403(b) Plan will not satisfy your required minimum distribution requirement because they won't be based on your accounts in the non-Pitt plan, and you will need to take an additional distribution from a 403(b) plan. You may take money out of the Pitt 403(b) Plan or the other 403(b) plan.

You are not required to take a required minimum distribution from the plan of any employer for whom you are still an active employee.

Roth Accounts: If you have a Roth 403(b) account, you have a separate required minimum distribution requirement for the Roth account than from the non-Roth accounts.

Traditional (**Non-Roth**) **IRAs**: If you have non-Roth IRAs, you have one RMD requirement for <u>all</u> of your non-Roth IRAs that is separate from your RMD requirements for the 401(a) and 403(b) Plans.

Roth IRAs: There is no RMD requirement for Roth IRAs while you are alive. [Your heirs have a RMD requirement after your death.] If you intend to leave money currently in the 403(b) Plan to your children or grandchildren, consider whether it makes sense to make a rollover of your Roth 403(b) account to a Roth IRA.

E. In-Service Withdrawals

If you are still employed by the University, you may take a distribution under the following circumstances:

1. **403(b) Plan**:

   Age 59½: If you have attained age 59½, you may elect to withdraw all or part of your account attributable to Unmatched Contributions or Roth Unmatched Contributions; provided that: (i) distributions are not permitted from the portion of an account invested in Retirement Annuities (RAs) or Group Retirement Annuities (GRAs), and (ii) distributions from Supplemental Retirement Annuities (SRAs) and Group Supplemental Retirement Annuities (GSRAs) are subject to the terms of those annuities.

   Age 62: If you have attained age 62, you may elect to take a distribution of any portion of your account if either: (i) you are no longer eligible for allocations of matching contributions under the 401(a) Plan (for a reason other than a failure to contribute to the 403(b) Plan), or (ii) you have entered into a phased retirement agreement with the Executive Vice-Chancellor, Provost, or Senior Vice-Chancellor, Health Sciences. For example, if you have completed the "accelerated option", you may elect to take in-service distributions.

2. **401(a) Plan**: If you have attained age 62, you may elect to take a distribution of the vested portion of your account if either: (i) you are no longer eligible for allocations of matching contributions (for a reason other than a failure to contribute to the 403(b) Plan), or (ii) you have entered into a phased retirement agreement with the Executive Vice-Chancellor, Provost, or Senior Vice-Chancellor, Health Sciences.

F. Loans

If you want to start the loan process, you need to download forms from the TIAA-CREF website or call the TIAA-CREF Telephone Counseling Center at 800 842-2776.

The loan rules are the same as for both the 401(a) Plan and the 403(b) Plan.

You must have vested money invested with CREF in order to borrow. If all of your vested interest is invested through TIAA or Vanguard, you will need to transfer money to CREF in order to borrow.

You may borrow (in total) from both plans up to the <u>least</u> of: (1) $50,000, (2) 45% of your vested interest with TIAA-CREF, or (3) 90% of your vested interest with CREF and the TIAA Real Estate Account. [TIAA-CREF aggregates your 403(b) Plan accounts and 401(a) Plan accounts for this purpose.]

The minimum amount that you may borrow is $1,000.

The interest rate will be the Moody's Corporate Bond Yield Average for the month ending two months before the loan is issued but not less than 4%. (Call 1-800-842-2776 to get the current rate.)

When you borrow, an amount equal to 110% of your loan amount (the collateral) will be moved from your CREF account to a separate TIAA Retirement Loan (RL) contract.

You must arrange to make payments directly to TIAA. (You can arrange to have automatic payments made from a bank account.) Loans are not repaid by payroll withholding.

Payments must be made at least quarterly. **If you fail to make a loan payment, you will have taxable income** (and if you are under age 59½, you will be subject to the 10% excise tax). As loan payments are made, amounts will be transferred from the Retirement Loan contract to the CREF Money Market Account.

In general, loans may not be made for a period in excess of five years. You may be able to have loan payments suspended if you are called up for military duty.

G. Domestic Relations Orders

The plan administrator is required by law to distribute benefits in accordance with certain court orders regarding child support, alimony payments, or division of marital property. If the plan administrator receives a court order affecting you, he will notify you promptly and will make a determination about whether he is required to follow the order.

H. Tax Consequences

If you elect to take a distribution, TIAA-CREF or Vanguard should give you a statement explaining the tax consequences at the time of distribution.

In general:

1. Any distribution that you receive will be taxable other than: (i) a distribution of after-tax contributions, or (ii) a "qualified distribution" from a Roth 403(b) account. If you receive any accumulated gain with after-tax contributions, that accumulated gain is taxable. The distribution of an annuity contract is not taxable, but annuity payments are taxable distributions.

2. You may avoid immediate taxation by making a rollover or transfer of any distribution. The following types of distributions are <u>not</u> eligible for rollover: (i) annuity payments, (ii) installment distributions that will be paid over a period of 10 years or longer, or (iii) required minimum distributions.

3. If you take a distribution that is eligible to be rolled over and do not elect to make a direct rollover to an IRA (or another plan), the plan administrator is required to withhold 20% of the taxable portion of your distribution for taxes. [Note: The 20% rate is the withholding rate, not your tax rate. You may owe more taxes when you file your Form 1040.]

4. If you terminate employment with the University prior to age 55 and take a distribution prior to age 59½, the distribution **MAY BE SUBJECT TO A 10% EXCISE TAX** (in addition to the income tax).

5. In general, distributions made on account of retirement are not taxed by the Commonwealth of Pennsylvania, but you may owe state income tax if you are a resident of another state at the time that you take a distribution.

6. If you are neither a resident nor citizen of the United States at the time that you take a distribution, you are subject to a different set of tax rules and should consult with your tax advisor.

7. Most tax rules have exceptions, including the ones above, and the rules change periodically. It might be a good idea to talk with a tax advisor before taking a distribution.

IX. CLAIMS PROCEDURE

A. Claims Procedure

If you have a question about your statement from TIAA-CREF or Vanguard, you should contact them.

If you have a question about your contribution elections, contact the Office of Human Resources Benefits Department.

If you have a dispute that cannot otherwise be resolved and believe that you are being denied any rights or benefits under the Plan, you may file a claim in writing with the Plan Administrator. [File the claim with the Office of General Counsel.] If any such claim is wholly or partially denied, the Plan Administrator will notify you of its decision in writing. Such notification will contain:

1. Reasons for the denial,
2. Reference to plan provisions on which the denial is based,
3. A description of any additional material or information necessary for you to perfect your claim and an explanation of why such material or information is necessary, and
4. A description of the plan's review procedures and the time limits applicable to such procedures.

Such notification will be given within 90 days after the claim is received by the plan Administrator or within 180 days if special circumstances require an extension of time.

B. **Review Procedure**

If you receive a written notice that all or part of your claim has been denied, you have 60 days to:

1. File a written request with the Plan Administrator for a review of the denied claim and of pertinent documents, and

2. Submit written comments, pertinent documents, records, and other information to the Plan Administrator.

If you file a request for review, you will be provided with a review that takes into account all comments, documents, records, and other information that you submitted relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator will provide you with written or electronic notification of its decision. A notification of an adverse decision will include:

1. Reasons for the adverse benefit determination,

2. Reference to plan provisions on which the adverse benefit determination is based, and

3. A statement that you entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

The decision on review will be made within 60 days after the request for review is received by the Plan Administrator, unless the Plan Administrator determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension shall be furnished to you prior to the termination of the initial 60-day period. In no event shall such extension exceed a period of 60 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

X. AMENDMENT AND TERMINATION

The University intends to continue the plans indefinitely; however, the Board of Trustees does reserve the right to amend or even terminate the plans at any time.

If a plan is amended, your vested interest will not decrease as a result of the amendment.

If the 401(a) Plan is terminated while you are an employee of the University, you will automatically be 100% vested in your account balance.

XI. MISCELLANEOUS ITEMS

A. **Assignments of Funds**: You may not assign any part of your account in either plan to pay a creditor except to comply with a Domestic Relations Order, and you may not use your accounts as collateral for a loan except a loan from a plan.

B. **Rollovers and Transfers**: The plan administrator may accept a rollover or transfer from another retirement plan if the rollover or transfer is permitted under the Internal Revenue Code and if TIAA-CREF and Vanguard are willing to do the necessary recordkeeping.

If you make a rollover or transfer into the plan, you may not have access to your money until you terminate employment with the University.

C. **Former Employees**: If you terminated employment with the University prior to 1985 (and weren't rehired), you are treated as owning the TIAA-CREF RA and SRA annuities that were in your name when you terminated employment. Because you own your RA and SRA annuities, those annuities are not assets of the 403(b) Plan, and if you have a dispute with TIAA-CREF, you should deal with TIAA-CREF directly.

XII. UPMC, UPP, AND THE FOUNDATION

A. **Glossary**

1. Foundation - means the University of Pittsburgh and University of Pittsburgh Medical Center Medical and Health Sciences Foundation.

2. UPMC- means the University of Pittsburgh Medical Center.

3. UPP- means University of Pittsburgh Physicians.

B. **Service with UPMC, UPP, or the Foundation**

If you worked at UPMC, UPP, or the Foundation prior to becoming an employee of the University, you may be entitled to credit under the 401(a) Plan for your service at UPMC, UPP, or the Foundation. [If you are simultaneously employed at the University and another organization, you get credit only for your service at the University.]

If you receive credit for service at UPMC, UPP, or the Foundation, that service counts for purposes of determining whether you are entitled to a 100% match or 150% match and for purposes of determining whether your matching contributions are vested. Service at organizations other than the University does not count for purposes of determining whether you are eligible for "15-year Catch-Up Contributions".

There are two issues with respect to service at UPMC, UPP, or the Foundation: (i) whether you are eligible for credit, and (ii) whether you had enough service at the other organization to be credited with a "Year of Participation" under the 401(a) Plan.

1. **Faculty**: If you receive a faculty appointment, you are eligible for credit for service with UPMC, UPP, or the Foundation if the period of time between when you left UPMC, UPP, or the Foundation and when you became a University employee is 365 days or less.

   For example, if an individual worked at UPMC, transferred to UPP (within 365 days of leaving UPMC) and then, within 365 days of terminating employment at UPP, became a faculty member at the University, he or she could start employment at the University with credit for service at both UPMC and UPP.

   Your 365-day period starts with the first day after your actual last day of work for UPP, UPMC, or the Foundation, as applicable, and ends 364 days later. However, if the University is not open for business on the 365th day, then the 365 day deadline is extended until the close of business of the University's Office of Human Resources on the first business day following the 365th day.

2. **Staff**:

   (i) If you started employment at the University prior to 2009, you were treated the same as faculty employees.

   (ii) Effective as of January 1, 2009, if you become a Participant in the 401(a) Plan and do not have a faculty appointment (and are not treated as faculty for benefits purposes), you will be given credit for service with UPMC, UPP, or the Foundation only if your position at UPMC, UPP, or the Foundation became a position at the University as a result of an employer-initiated reorganization.

A reorganization is not treated as an employer-initiated reorganization unless it is determined to be such by the Chancellor, the Executive Vice Chancellor, the Provost, or the Senior Vice Chancellor, Health Sciences, or his or her delegate.

3. **Years of Participation**: If you are eligible for credit for service with UPMC, UPP, or the Foundation, then you receive credit for a "Year of Participation" for any year during which you both completed at least one thousand (1,000) hours of service for UPMC, UPP, or the Foundation and received allocations under the 401(k) plan or 403(b) program of UPMC, UPP, or the Foundation for at least six different months of the year.

   If you were employed by UPMC, UPP, or the Foundation but received no compensation for a particular month, you will be deemed to have received allocations for that month if you received allocations for the most recent month that you received compensation.

XIII. GENERAL INFORMATION

A. **Employer's Name**: University of Pittsburgh of the Commonwealth System of Higher Education.

Address: 4200 Fifth Avenue, Pittsburgh, PA 15260

Business Telephone: (412) 624-8160

Employer Identification Number: 25-0965591

B. **Administrator's Name**: University of Pittsburgh of the Commonwealth System of Higher Education.

Address: 4200 Fifth Avenue, Pittsburgh, PA 15260

Business Telephone: (412) 624-8160

Administrator's Identification Number: 25-0965591

C. **Trustees**: Vanguard Fiduciary Trust Company;
J. P. Morgan Chase Bank, N.A. (Trustee of the group trusts that hold assets invested through TIAA or CREF)

D. **Agent for Service of Legal Process**: Office of General Counsel, University of Pittsburgh of the Commonwealth System of Higher Education

E. **Plan Numbers**: 403(b) Plan: 001
401(a) Plan: 003

F. **Plan Years:** Both plans operate on the calendar year (January 1- December 31).

G. **PBGC Insurance**: The plans are not insured by the Pension Benefit Guaranty Corporation ("PBGC") because the PBGC insures only defined benefit plans, and the 401(a) and 403(b) Plans are not defined benefit plans.

Value of $100 Per Month Investment
At Age 65

Starting	Rate of Return			
Age	4%	6%	8%	10%
20	$150,947	$271,599	$527,454	$1,048,250
25	**$118,196**	**$199,149**	**$349,101**	**$632,408**
30	$91,373	$142,471	$229,388	$379,664
35	**$69,405**	**$100,452**	**$149,036**	**$226,049**
40	$51,413	$69,299	$95,103	$132,683
45	**$36,677**	**$46,204**	**$58,902**	**$75,937**
50	$24,609	$29,082	$34,604	$41,447
55	**$14,725**	**$16,388**	**$18,295**	**$20,484**
60	$6,630	$6,977	$7,348	$7,744
65	**$0**	**$0**	**$0**	**$0**

Example: A 30 year old employee who earns $25,000 per year elects to contribute 8%. 8% x $25,000/12 mo./yr = $166.67/mo. Add the 150% match, and the employee has $416.67 per month being contributed on his behalf. If he continues to contribute $166.67 per month (plus a 150% match) and earn 6% per year until age 65, he will accumulate $ 593,630. ($416.67/$100 x $142,471 = $593,630.) If the employee decides to wait until age 40 to start contributing, his total accumulation would be about 51% less. It pays to start saving early. Please note that this chart does not take into account the effect of future pay raises or inflation. Furthermore, actual investment results will vary from year to year.