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# Your Michigan Retirement Plans State University

Long-term financial security doesn't happen by accident. It takes planning and a willingness to face the future. At Michigan State University (MSU), we are pleased to provide eligible employees with practical, flexible retirement plans for creating a strong foundation for retirement security. MSU provides a 403(b) Base Retirement Program (BRP), a 403(b) Supplemental Retirement Program (SRP), and a 457(b) Deferred Compensation Plan (DCP). This booklet describes the basic features and requirements of these retirement plans.

## MSU 403(b) Retirement Plan

The MSU 403(b) Retirement Plan is made up of two different programs: the MSU 403(b) Base Retirement program (BRP) and the MSU 403(b) Supplemental Retirement program (SRP).

### Base Retirement Program

The BRP is available to regular MSU employees working at least half-time (50% or more) for at least nine continuous months. It is a defined contribution plan operated under section 403(b) of the Internal Revenue Code. It consists of an employee contribution of 5% of your annual base salary and, when eligible (*see chart on page 4 for eligibility requirements*), a University matching contribution of 10% of your annual base salary – an immediate two for one match of your investment – for a total contribution of 15% of your annual base salary. Your 5% contribution is made on a tax-deferred basis. Since contributions are taken out before taxes, you pay less tax on your current taxable income. You do not pay taxes on either contributions or earnings until you begin receiving your retirement income from the plan. All contributions to the program are fully and immediately vested.

### BRP Plan Participation

Participation in the plan may be voluntary or required, based on your job category, age and full-time equivalent (FTE) service months (*see chart on page 4*). Service time is determined as follows:

- One FTE service month is allocated for each month of full-time employment (90% to 100% time);
- Three-quarters of an FTE service month is allocated for each month of three-quarter-time employment (65% to 89.9%);
- One-half of an FTE service month is allocated for each month of half-time employment (50% to 64.9%).

After you complete the required number of FTE service months according to your job category, you will be eligible for a University contribution to your BRP account (*see chart on page 4*).

Please note that if you participated in a retirement plan at another institution that made employer contributions, or if you are age 55 or older upon your employment at MSU, you may immediately participate and receive the University's contribution.

Regular employees age 35 or older are required to participate in the BRP after completing the indicated number of service months. Employees age 62 or older at the time of employment are never required to participate. However, once you are required to participate, you must continue to do so as long as you are employed in a required job category by MSU.



## Base Retirement Program Eligibility \*

<b>JOB CATEGORY</b> <i>(listed alphabetically)</i> <b>You must be an eligible employee working 50% or more and for 9 months or longer:</b>	<b>ELIGIBILITY to receive the University matching contribution (voluntary participation):</b>	<b>GUIDELINES for required (mandatory) participation in the Base Retirement Plan:</b>
Administrative Professional Association (APA) Administrative Professional Confidential/Non-Union Assistant Professor Associate Professor Coach Contract Appointments (Coordinator, Director, etc.) Executive Management Fraternal Order of Police (FOP) Hall Director (University Housing) IATSE Local 274 IUOE Local 324 (formerly 547) Librarian MSU Extension Academic Staff (Agent, Associate, Program Director, Home Economist) Nurse Professor Resident Advisor Senior Research Assoc. Specialist (CAS Probationary)	Immediately	Age 35 and 24 FTE service months of continuous employment
Administrative Professional Supervisors Association (APSA) AFSCME Local 1585 (including off-campus) AFSCME Local 999 Clerical Technical Confidential Clerical Technical Off-Campus Clerical Technical Union (CTU) MSU Extension Support Staff (4-H Program Associates)	Immediately	Age 35 – regardless of the length of service
Fixed Term Appointments (Specialist, Coordinator, etc.) Instructor, Asst. Instructor, Lecturer, Research Assoc. (hired prior to 10/1/2006) Off Campus and Non-Union (except MSU Extension Support Staff)	After completing 24 FTE service months of continuous employment	Age 35 and 24 FTE service months of continuous employment
Research Assoc. (hired on or after 10/1/2006)	After completing 36 FTE service months of continuous employment	Age 35 and 36 FTE service months of continuous employment
Consultant Instructor Intern/Resident Teacher Visiting Scholar	After completing 24 FTE service months of continuous employment	NEVER REQUIRED

\* MSU reserves the right to modify, change or delete eligibility in accordance with changes in union contracts or other relevant groups.

## Supplemental Retirement Program

When you retire, you may need income for 20, 30 or more years. While the BRP and Social Security may help cover basic living expenses, participating in the Supplemental Retirement Program may help add to your retirement savings.

MSU offers a voluntary, tax-deferred Supplemental Retirement Program (SRP). *This program is funded entirely by employee contributions on a pre-tax basis.* Your contributions are deducted from your salary before taxes are taken out. You also pay no taxes on the earnings in your SRP until you withdraw funds from the account. The SRP gives the following options:

- You can take advantage of tax-deferred retirement savings by enrolling in the SRP — even if you are not currently required to enroll in the BRP. And your contributions to the SRP are immediately vested.
- You have the option to increase your retirement savings through the SRP if you are participating in the BRP and want to take advantage of greater tax-deferred savings. Saving on a tax-deferred basis is such an attractive opportunity that the Internal Revenue Service limits the pretax amount you can contribute to the SRP. Employees who are at least age 50 may be eligible to make catch-up contributions under the SRP. To obtain information on the maximum contribution limit, please visit [www.hr.msu.edu/benefits/retirement](http://www.hr.msu.edu/benefits/retirement) or contact the MSU Human Resources Benefits Office.
- You may enroll in the SRP and change or cancel the amount of your contribution at any time.

## MSU 457(b) Deferred Compensation Plan

MSU offers a voluntary, tax-deferred 457(b) Deferred Compensation Plan (DCP). This plan is funded entirely by employee contributions on a pre-tax basis. The amount that can be contributed is completely separate from the amounts contributed to the 403(b) Plan. Contributions are deducted from your salary before taxes are taken out. You also pay no taxes on the earnings in your DCP until you withdraw funds from the account. The DCP gives the following options:

- You can take advantage of tax-deferred retirement savings by enrolling in the DCP — even if you are not currently enrolled in either the BRP or the SRP. Your contributions to the DCP are immediately vested.
- Saving on a tax-deferred basis is such an attractive opportunity that the Internal Revenue Service limits the pretax amount you can contribute to the DCP. Employees who are at least age 50 may be eligible to make catch-up contributions under the DCP. For information on the maximum contribution limit, please visit [www.hr.msu.edu/benefits/retirement](http://www.hr.msu.edu/benefits/retirement) or contact the MSU Human Resources Benefits Office.
- You have the option to increase, decrease, or cancel contributions to the DCP at any time.



## LOW EXPENSES

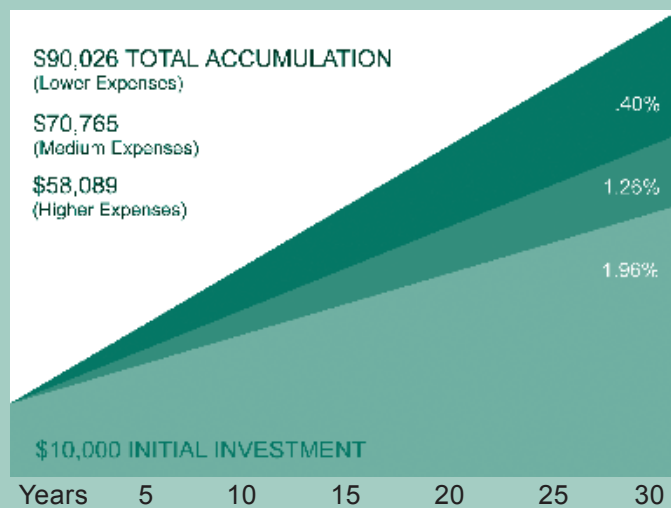
All investment sponsors incur expenses to conduct day-to-day business and provide services.

However, some companies have lower expenses, which means more of your money could be working to build a more secure financial future for you.

Some companies have a wide range of expenses:

- Agent commissions
- Sales fees, such as front-end or back-end loads
- Withdrawal fees
- Annual account maintenance fees
- Transfer fees

Each company provides specific information about their expenses in their fund or account prospectuses. Expenses have a direct effect on your retirement plan accumulations. This chart gives you an idea of how expenses can impact returns.



This chart shows the results, over a 30-year period, of an initial investment of \$10,000 in three hypothetical accounts with different expense levels. Each earns a hypothetical average annual return of 8%. After 30 years, the total accumulation in the account charging expenses of .40% would be almost \$20,000 higher than the mutual fund charging 1.26%, and almost \$32,000 higher than the account charging 1.96%.

*This chart is presented for illustrative purposes only and does not reflect actual performance, or predict future results of any fund or account. Be sure to check the specific expense charge for each fund or account in which you invest, as well as the taxes that may apply.*

## Selecting a Retirement Company

Before enrolling in the BRP, SRP or DCP, you will need to select an investment sponsor to manage your contributions. For more complete information about each investment sponsor please visit [www.hr.msu.edu/benefits/retirement](http://www.hr.msu.edu/benefits/retirement).

### Investment Philosophy

Familiarize yourself with the investment philosophy of the investment sponsor you are considering. Take a close look at the investment funds offered, and carefully read each fund's prospectus. Consider:

- the types of investments in the fund's portfolio;
- the fund's investment objectives, including the types of investments the fund will make and the risks it may take to achieve its goals;
- the fund's performance over the past one-, five- and ten-year periods;
- the evaluation of a particular fund by an independent ratings agency such as Morningstar, Inc., or Lipper Analytical Services, Inc.

### **Financial Stability and Experience**

Evaluate the stability and experience of an organization by reading through annual reports and analyses by independent rating agencies like A.M. Best Company, Moody's Investor Service, Fitch, and Standard & Poor's. These agencies evaluate a particular company's strength by examining its overall financial condition and capabilities.

### **Financial Education Services**

Take advantage of meetings, seminars and one-on-one counseling opportunities. See what's scheduled on campus or in your community, get detailed descriptions of event content and make reservations and/or schedule personal counseling appointments periodically throughout your career.

### **Receiving Income**

When choosing an investment sponsor for your retirement plans, you should consider one that provides a wide variety of payout options so that when the time comes, you'll be able to choose a distribution method that meets your needs. Some companies offer a wide range of income payment methods: lifetime income, cash, systematic and fixed-period payments and special types (e.g. interest-only, minimum distributions).

### **Changing Investment Sponsors**

You can direct your contributions to one of the available investment sponsors. You can change investment sponsors as often as once per month. You may choose a different investment sponsor for the BRP, SRP or DCP.

### **Transferring Account Balances Between Investment Sponsors**

You can transfer account balances, in part or in full, from one investment sponsor to another. However, some investment sponsors may apply certain fees for transferring funds. Please call the sponsor to find out their transfer policy.

### **Account Information**

You will receive account statements periodically from your investment sponsor. Most sponsors offer online secure access to your account information. You can obtain additional information by visiting the investment sponsor's Web site, or by calling the sponsor directly.

### **Retirement Investment Advisory Service**

MSU selected an independent third party that can provide unbiased retirement investment advice to MSU employees and retirees regarding their BRP, SRP and DCP. The provider, StraightLine Group, LLC was selected through an extensive proposal process. This is an optional service and the cost, if any, will be paid by the individual. For more details on their service, you can reach StraightLine at 877-EDU-403B (877-338-4032) or visit [www.myrplan.com/msu](http://www.myrplan.com/msu).





## Selecting Investments

### Diversification

Investing for retirement is for the long term, and diversification is a crucial element in any long-term investment strategy. Diversifying, or investing your retirement assets across a variety of different types of investments, is one of the best strategies to employ in seeking to reduce the overall risk associated with investing. An investment sponsor may offer investments in all four asset classes: stocks, fixed income, real estate and guaranteed investments.

Most investment sponsors offer a variety of investment choices. However, experts agree that more than 90% of all return on investments is based on asset classes – the type(s) of securities a fund or account invests in – not the specific funds or accounts themselves. In general, a well-diversified portfolio should include at least three of the four asset classes listed in the next column:

- **Guaranteed**

Because these accounts guarantee principal and a specified rate of return, they are the lowest-risk alternative for building long-term savings.

- **Fixed Income**

This category includes bonds and money market investments. In general, these securities are designed to pay a rate of interest over a set time period and then return the investor's principal. The value of fixed-income investments varies in response to interest and inflation rates.

- **Stock (Equities)**

Stocks, which represent ownership in companies, have historically outperformed other investments over long periods – although past performance does not guarantee future results. Stocks have also tended to be the most volatile in the short term.

- **Real Estate**

Investing in a portfolio of directly owned real estate offers a long-term growth potential from two sources, rental income from well-managed properties and capital appreciation from the properties themselves. Keep in mind that real estate values fluctuate over time.

## Analyzing Risk

Every person has a different threshold for risk, and only you can decide what is comfortable. Different types of investments carry different levels of risk. The amount of risk you're willing to take with your money is a personal matter.

Consider other savings and investments you may own, how comfortable you are with fluctuations in the value of your investments, your current age and how much longer you will be working before retirement. The longer your time horizon from an investment standpoint, the better you are positioned to wait for the ups and downs of the financial markets to smooth out.

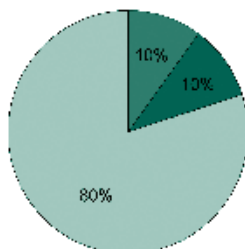
## Changing Your Investments Among Accounts

You may transfer accumulations from one investment choice to another offered by the same investment sponsor, subject to any stated limitations. You can also change your investment allocation anytime by contacting your investment sponsor or visiting their Web site. There are usually no charges for changing your allocation and you can generally make changes as often as you like.





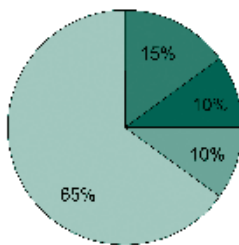
## Sample Portfolios



■ 10% Guaranteed ■ 10% Real Estate  
■ 80% Equities

### Aggressive

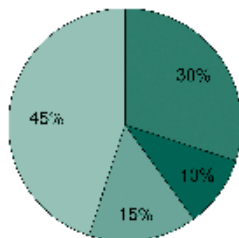
This portfolio provides a risk-tolerant investor with a way to take advantage of the long-term growth opportunities of stocks (equities). The guaranteed or fixed income accounts provide some balance to the risks of stock (equities) investing and real estate enhances diversification.



■ 15% Guaranteed ■ 10% Real Estate  
■ 10% Fixed Income ■ 65% Equities

### Moderately Aggressive

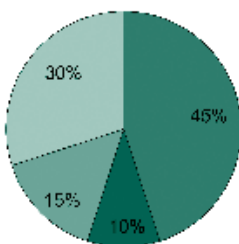
This portfolio seeks growth opportunity while maintaining a percentage in the guaranteed or fixed income accounts to help enhance overall safety. The stock (equities) accounts offer growth opportunity through broad diversification, indexed and active investment approaches, and participation in both domestic and global investments. Real estate adds diversification.



■ 30% Guaranteed ■ 10% Real Estate  
■ 15% Fixed Income ■ 45% Equities

### Moderately Conservative

This portfolio seeks a balance between safety and growth potential. It is diversified, including stock (equities) and real estate accounts, as well as a portion in the guaranteed or fixed income accounts.



■ 45% Guaranteed ■ 10% Real Estate  
■ 15% Fixed Income ■ 30% Equities

### Conservative

This portfolio's high percentage in the guaranteed or fixed income accounts makes it appropriate for someone who is primarily concerned with safety and stability. The stock (equities) portion offers broad stock market coverage, diversification, and real estate provides additional diversification.

*The sample portfolios presented here were not created specifically for you and may not take into account your particular goals or preferences. The ultimate contribution allocation decision is up to you after you consider investment information that is important to your circumstances. If you would like assistance in creating a portfolio that is more precisely tailored to your specific situation, please contact a representative of the company in which you are enrolled or would like to enroll.*



## Frequently Asked Questions

### **How much can I contribute to the SRP or DCP?**

The federal government sets limits on the amount of tax-deferred contributions you can make. Please visit [www.hr.msu.edu/benefits/retirement](http://www.hr.msu.edu/benefits/retirement) or contact the MSU Human Resources Benefits Office.

### **How do I obtain my account balance?**

You can call the investment sponsor or go to its Web site. You may also receive account statements directly from your sponsor.

### **How may I receive income from my plan account?**

You can receive income from your BRP, SRP or DCP account several ways. The best way to learn more about available income options is to contact your investment sponsor directly.

### **When can I start receiving income from my account?**

Distribution of any retirement account balances (BRP, SRP or DCP) are allowed upon retirement, termination of employment or resignation, regardless of your age or length of employment at MSU. You may also be able to take a distribution from your BRP or SRP account under these additional circumstances: attainment of age 59 1/2, disability, death or as a loan.

These payments may be subject to restrictions imposed by a investment sponsor. Please contact your investment sponsor for specific information about your account as well as to obtain the necessary information for requesting a distribution from your account.

### **What if I need the money but do not meet the above criteria?**

Loans are available to active MSU employees from the 403(b) Retirement Plan (including the Base and/or Supplemental). The minimum loan amount is \$1,000. Employees may have a maximum of two (2) MSU 403(b) Retirement Plan loans outstanding at one time. An employee who at any time has defaulted on a loan(s) from the MSU Plan (from any investment sponsor) will not be eligible to receive another loan from the Plan, unless the defaulted loan(s) is repaid in full. Fidelity is the only MSU-approved investment sponsor allowed to issue new loans. Loans are only available for specific purposes. For more information see [www.hr.msu.edu/benefits/retirement](http://www.hr.msu.edu/benefits/retirement). Loans are also available from the DCP without restriction

### **Suppose I want to consolidate other assets with my investment sponsor(s)?**

Some distributions may be eligible for a rollover, meaning they can be directly moved into an IRA or to a similar employer plan that accepts rollovers. In a direct rollover, the eligible rollover distribution is paid directly from one plan to an IRA or another employer plan. If you choose a direct rollover, you are not taxed on a payment until you take it out at a later date. Your investment sponsor can tell you what portion of your payment is an eligible rollover distribution and can describe in detail the tax consequences associated with this type of transaction.



### **What happens to my retirement account if I leave MSU?**

Your BRP/SRP/DCP account balances are fully and immediately vested. This means there is no minimum age or service requirement in order for you to own both your contributions and the University contributions in the BRP. You may withdraw the funds, subject to IRS regulations and possible tax penalties. However, there is no requirement to withdraw your funds when you leave MSU. The funds are not automatically distributed. Preservation of your retirement assets when changing jobs can ensure a more secure retirement.

**Note:** Vesting in the University's BRP is not the same as qualifying for official MSU retirement.

### **What happens to my account(s) if I die?**

You must designate a beneficiary. In the event of your death, the full value of your account is payable to your beneficiary(ies). Although you must designate a beneficiary when you enroll, you may change the designation at any time. It is important to remember to review your beneficiary designation whenever you have a change in your personal situation, e.g., marriage, divorce or death.

### **How can I contact the MSU Human Resources Benefits Office?**

If you have concerns or other questions about the MSU BRP, SRP or DCP, you can contact the MSU Human Resources Benefits Office located at 1407 South Harrison Road, Suite 140, East Lansing, MI 48823. Office hours are 8 a.m. – 5 p.m., Monday through Friday. Accommodations for unique needs are available beyond regular office hours and are available upon request. For more information, call 517-353-4434, extension 3, or e-mail [benefitsinfo@hr.msu.edu](mailto:benefitsinfo@hr.msu.edu).

Now that you have had an opportunity to review the information presented in this booklet, you need to select a investment sponsor. You will find more information about each investment sponsor at [www.hr.msu.edu/benefits/retirement](http://www.hr.msu.edu/benefits/retirement). Please contact the company in which you are interested for their enrollment information and prospectus. Please see the instructions at [www.hr.msu.edu/benefits/retirement/retirementenrollment.htm](http://www.hr.msu.edu/benefits/retirement/retirementenrollment.htm). You also may wish to contact StraightLine at [www.myrplan.com/msu](http://www.myrplan.com/msu).