OREGON PUBLIC UNIVERSITIES

Retirement Plans

Quarterly Newsletter - Q1 2018

2018 Contribution Limit Changes

The IRS increased the 402(g) contribution rates for 401(k), 403(b) and 457(b) plans this year, as well as increasing the maximum 415(c) limit for the ORP, which is the 401(a) plan. The employee compensation limit that is used for calculating contributions was also increased. See the chart below:

Defined Contribution plan Limits	2018	2017	Change
Maximum Employee Elective Deferral 402(g)	$18,500	$18,000	+$500
Employee Catch-up Contribution (if age 50)	$6,000	$6,000	No Change
Defined Contribution Maximum Limits - All Sources 415(c)	$55,000	$54,000	+$1,000
Employee Compensation Limit for Calculating Contributions	$275,000	$270,000	+$5,000

Did You Know

Saving as much as you can early in life can ease the pressure to reach certain milestones as you get closer to retirement. Make sure your money is working just as hard as you do to get you to your retirement goals! You can increase your contributions at any time by submitting a new Salary Reduction Agreement (SRA) to your Human Resources department. If you get it in by the 10th of the month, your changes will apply to your very next paycheck! Print and fillable SRA forms are available on our website here:

https://www.opurp.org/plan-forms

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Retirement 101

Beginning in 2018, this newsletter will have a learning section that will address the commonly asked questions regarding retirement. In each newsletter, we plan to have 2 to 3 of these questions answered for you to review. We are working with our partners at Fidelity Investments and TIAA to provide this information to you.

Question #1: What is a Target Retirement Date Fund?

Answer: We asked our friends at Fidelity Investments and they replied:

If you are looking for a single fund solution where you choose an age-based fund and do not need to maintain the account yourself, you may wish to consider a Fidelity Freedom® Index Fund – Institutional Premium Class. These target date funds are designed for investors who anticipate retiring in (or within a few years of) the year indicated in each fund's name. These funds invest in a combination of Fidelity domestic equity funds, international funds, bond funds, and short-term funds and are managed to become more conservative over time as they approach the target date. The investment risk of each of the Fidelity Freedom® Index Fund – Institutional Premium Class changes over time as the fund's asset allocation changes. The funds are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after the funds' target dates.

Who May Want To Invest in a Target Retirement Date Fund?

Someone who is seeking an investment option that gradually becomes more conservative over time and who is willing to accept the volatility of the markets. And/or, someone who is seeking a diversified mix of stocks, bonds, and short-term investments in one investment option or who does not feel comfortable making asset allocation choices over time.

Question #2: What is an Annuity?

Answer: We asked our friends at TIAA and this was their reply:

An annuity can provide income for life. We offer two types of annuities: variable or fixed. Variable annuities rise and fall with the markets. Fixed annuities provide a guaranteed return.

Step One - An annuity is available through an employer plan or IRA or through a personal annuity.

Step Two - You can put money in either all at once or contribute regularly over time.

Step Three - You are able to watch how your account performs over time.

Step Four - Once you retire, you can choose one of many income options, including income for life.

If you have any retirement questions you would like answered, please forward them to Crystal Farset at cfarset@uoregon.edu and we will include responses in future newsletters.

The 2018 Saver's Credit
A Program You Should Know About

If you are a worker who falls within a certain income range, you may be eligible for a program that allows you to save for retirement AND save on your taxes. This program is called the Saver's Credit, or what is also known as the Retirement Savings Contributions Credit. This credit applies to eligible contributions that you make to your employer-sponsored retirement plan, such as the 403(b) plans offered at the universities.

To be eligible for this program, the following conditions must be met:

- You must be 18 years of age or older
- You cannot be a full-time student (See IRS Form 8880, page 2 for the definition of a full-time student) https://www.irs.gov/pub/irs-pdf/f8880.pdf
- You cannot be claimed as a dependent on another person's return
- Your adjusted gross income must fall within certain parameters of the program (see charts below)

The amount of the credit can vary, and is based on your adjusted gross income (which is reported on your Form 1040A or 1040). According to the IRS, "the amount of the credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to $2,000.00 (or $4,000.00 if married filing jointly)". Please see the charts below for further information.

2018 Saver's Credit			
Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than $38,000	AGI not more than $28,500	AGI not more than $19,000
20% of your contribution	$38,001-$41,000	$28,501-$30,750	$19,001-$20,500
10% of your contribution	$41,001-$63,000	$30,751-$47,250	$20,501-$31,500
0% of your contribution	More than $63,000	More than $47,250	More than $31,500

2017 Saver's Credit			
Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than $37,000	AGI not more than $27,750	AGI not more than $18,500
20% of your contribution	$37,001-$40,000	$27,751-$30,000	$18,501-$20,000
10% of your contribution	$40,001-$62,000	$30,001-$46,500	$20,001-$31,000
0% of your contribution	More than $62,000	More than $46,500	More than $31,000

IMAGE SOURCES: IRS.gov

WEBPAGE LINK:
https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit

*All other filers consist of single, married filing separately or qualifying widow(er).

Certain transactions are not eligible for this credit. For example, rollover contributions are not able to be counted towards this credit. (A rollover contribution consists of money that was moved from another retirement plan or IRA.) It is also important to keep in mind that any eligible contributions may be affected or reduced by any distributions that you received from an IRA or retirement plan.

Contributions to the following retirement plans or IRA plans are eligible for the Saver's Credit:

- 403(b) plans
- Roth IRA
- Traditional IRA
- Simple IRA
- SARSEP
- Governmental 457(b) plans
- 401(k) plans
- 501(c)(18) plans
- Voluntary after-tax employee contributions to your qualified retirement and 403(b) plans.

For additional details about this program, please contact your financial advisor, TDI investment provider, tax consultant or tax preparer. The IRS website is also an excellent resource for learning more about this program, and is accessible at www.irs.gov.

Post-Doctoral Scholars Can Now Participate in Optional Retirement Plan (ORP)

Beginning January 1, 2018, newly hired post-doctoral scholars are no longer eligible for membership in the Public Employees Retirement System (PERS), but may participate in the Optional Retirement Plan (ORP) offered by the Oregon Public Universities once they become eligible, by contributing from 1% to 4% of their salary to the 403(b) Tax Deferred Investment (TDI) with TIAA or Fidelity.

Post-doctoral scholars may start contributing to the TDI upon hire, but would not be eligible for the ORP contributions until the first day of the month following the later of:

(a) Enrollment in the public university's Tax-Deferred Investment 403(b) Plan under ORS 243.820; or

(b) Completion of:

(i) Six hundred hours of employment, or the equivalent as determined by the governing board; and

(ii) Six months of employment that is not interrupted by more than 30 consecutive working days.

A post-doctoral scholar is defined as a person employed in a position that meets the requirements of section 1 of Chapter 569, Oregon Laws 2017, and Oregon Administration Rule 569-006-0300 which states that the position requires a doctoral or equivalent degree; the position is limited to a temporary and defined period of employment that shall not exceed five cumulative calendar years; and the faculty member of the employing institution of education provides the post-doctoral scholar with clinical or academic research training under formal mentorship.

For a post-doctoral scholar participating in the Optional Retirement Plan, the governing board shall contribute monthly to the ORP a percentage of the post-doctoral scholar's salary equal to the percentage of salary contributed by the post-doctoral scholar to the university's Tax-Deferred Investment 403(b) Plan under ORS 243.820, up to four percent of the post-doctoral scholar's salary in each pay period.

For more information, please contact your University benefits department.

TIAA

What is a Roth contribution option?

In your retirement plan, your pretax contributions have the potential to accumulate tax deferred and withdrawals are taxable.[1]

With the Roth option, your after-tax contributions have the potential to accumulate tax free. Withdrawals after age 59½ are tax free if distribution is no earlier than five years after contributions were first made. These potentially significant tax benefits are similar to a Roth IRA. There are other advantages to Roth contributions, including higher contribution limits than a Roth IRA.

Many Consider a Roth if they:	Features of a Roth:
Are not eligible to make Roth IRA contributions because of high income.	The Roth option does not have adjusted gross income (AGI) limits
Would like to make Roth contributions greater than the Roth IRA limit	Contribution limits are higher than those of the Roth IRA, allowing you to maximize your after-tax retirement savings
Feel confident their retirement income needs are met and want to leave a potential tax-free legacy	Assets may be passed along to your beneficiar income tax free
Would like to help protect their retirement assets from potential tax consequences	Having both pre-tax and after-tax assets in retirement accounts may provide a hedge against the uncertainty of future tax rates.
Are just starting out and in a lower tax bracket	The earlier you start, the more time you give your money to work for you. And withdrawals from a Roth are typically tax free.*

Is the Roth contribution option right for you?

While it's difficult to predict what your future tax situation may be, you'll want to estimate as best as you can, taking into consideration the best choice for your current tax circumstances and how they may change over time. You may want to consult your tax advisor.

If you expect your tax rate during retirement will be:	May opt for:
Higher than your current rate	After-tax Roth contribution option. Since you already paid taxes on your contribution, withdrawals are tax free.
Lower than your current rate	Pre-tax contribution option. While this money is taxable, you expect to benefit by being in a lower tax bracket during retirement.
Same as your current rate	Either or both.

Note: Roth contributions are included in your maximum contribution limits, plus any catch-up limits, if applicable.

* Withdrawals of earnings prior to age 59½ are subject to ordinary income tax and a 10% penalty may apply. Earnings can be distributed tax free if distribution is no earlier than five years after contributions were first made and you meet at least one of the following conditions: age 59½ or older or permanently disabled. Beneficiaries may receive a distribution in the event of your death. For governmental 403(b) plans, withdrawals are only allowed following separation from service or when you reach age 70½.

Traditional 403(b), Roth 403(b)		
	Traditional 403(b)	Roth 403(b)
Money going in	Pre-tax contributions are deducted from your salary before taxes are taken. That can reduce your taxable income.	After-tax contributions are subject to federal (and, where applicable, state and local) income tax withholding.
Earnings, if any	Are tax-deferred until withdrawn	Are tax-free as long as certain qualifying conditions are met.*
Money coming out	Distributions are taxable as current income when withdrawn.	Tax-free distributions if you are entitled to a distribution under the plan, as long as you've satisfied the five-year holding period and are age 59 1/2 or older (assuming you have separated from service, are disabled, or deceased).
Money moving on	Rollovers allowed to another Traditional governmental 457(b), 403(b), 401(a)/(k), or Traditional IRA or (if rolled directly) to a Roth IRA.	Rollovers allowed to another Roth account in a governmental 457(b), 403(b), 401(a)/(k), or Roth IRA. The period held under the 457 plan does not count toward the 5-year holding period under the Roth IRA. (Rollovers to plans other than a governmental 457(b) plan may be subject to the IRS 10% premature distribution penalty tax when withdrawn from the plan receiving the rollover, unless an exemption applies.)
Required minimum**	The IRS requires distributions to begin at age 70 1/2 or retirement, whichever is later.	The IRS requires distributions to begin at age 70 1/2 or retirement, whichever is later.

Life happens: Keep your beneficiaries current

When was the last time you checked the beneficiary information in your retirement account? Life changes, such as a new baby or a new partner, can mean a beneficiary change is needed too.

Don't assume you're covered because you've spelled out your wishes in a will. Retirement plan assets will be transferred according to the terms of your plan's beneficiary designation, not by the terms of your will. And if there's no named beneficiary—maybe you initially let your account default to "estate"—this also could delay settlement to your loved ones. It's easy to confirm or update your beneficiaries, no matter who your provider is:

TIAA	Fidelity Investments	VALIC & Other Closed Providers
• Go to www.TIAA.org/opurp and log into your account. Under the My Account tab, select Profile and choose Add/ edit beneficiaries. Note: You'll need a user ID and a valid email address to sign up. • From there, you can designate beneficiaries and select how much each should receive.	• Go to https://nb.fidelity.com/public/nb/opurp/home and log into your account. Under the Menu tab, select Profile and navigate to the Beneficiaries link. • To begin adding or editing your beneficiaries, select Get Started. • If you prefer not to update your account online, call 800-434-0860 for assistance.	• If you are a VALIC member, please call 866-283-4892 to request a Beneficiary Designation Form, or visit their website www.valic.com for more information. • If you have an account with a discontinued provider, contact information can be found on our website at https://www.opurp.org/tdi-guide#Section 6

REMINDER

Be sure to keep your contact information current with your employer and your provider. As your plan administrators, we want to ensure that you receive any plan updates or information, as well as account statements from your provider. Missing these communications and updates could result in not knowing when changes are made that affect your account.

As always, we strive to provide our participants with high quality options and services. For more information on our committees, meetings, and plan information, please visit our website at https://www.opurp.org

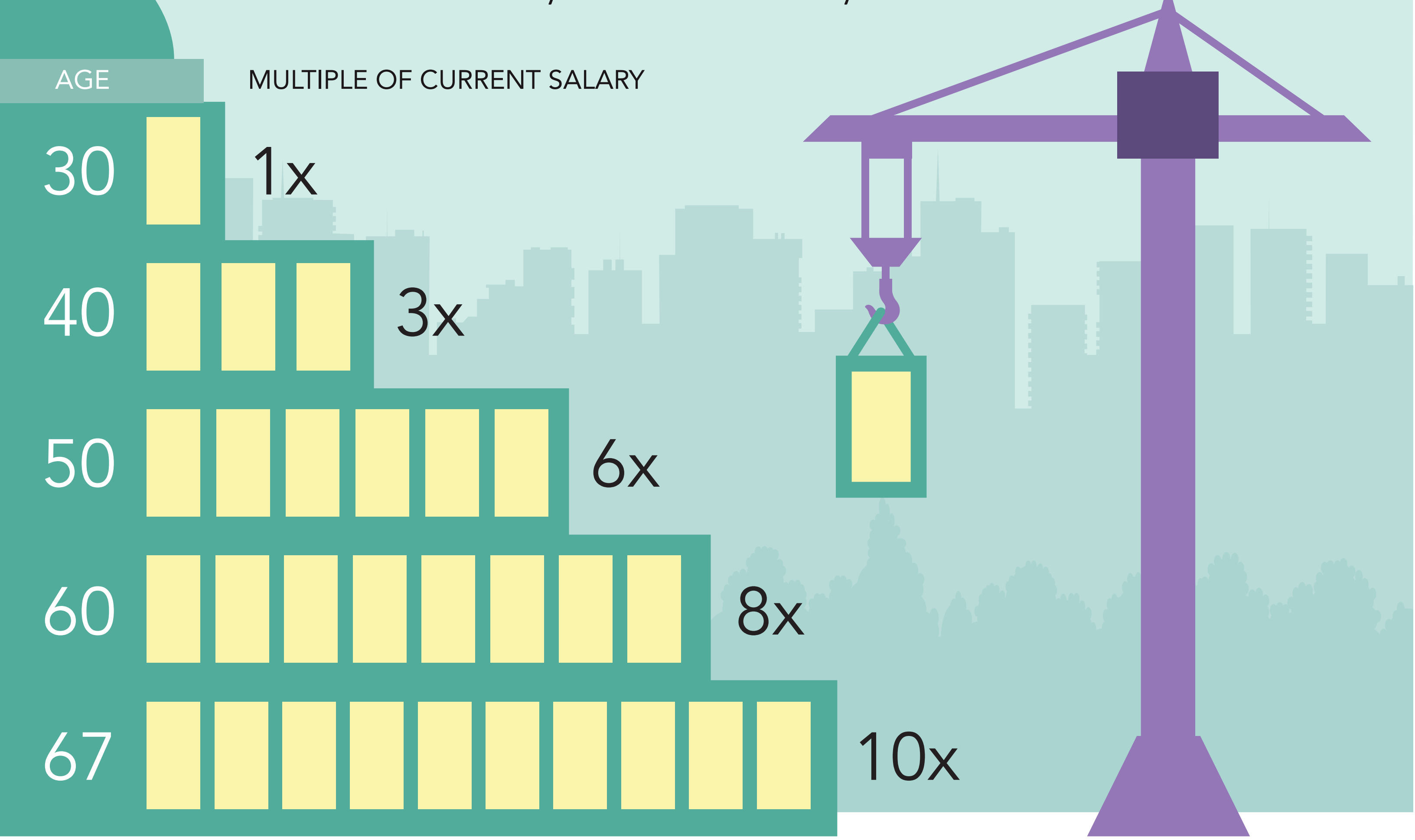
Contact Information

For questions about our plans and other inquiries, please call us at 541-346-8574 or email opurp@uoregon.edu

All of our plan guides, forms, and documents are available to download on our wesbite: https://www.opurp.org

Building your retirement

If you are an ORP member and want to be financially ready to retire by age 67, aim to have 10 times (10x) your final salary saved at retirement. This rule of thumb is applicable for investors with a broad range of income, from about $50,000 to $300,000 a year. Along the way, aim to have the following multiples of your current salary saved at each of your milestone birthdays.



The 10x savings rules of thumb are developed assuming age-based asset allocations consistent with the equity glide path of a typical target date retirement fund, a 15% savings rate, a 1.5% constant real wage growth, a retirement age of 67 and a planning age through 93. The replacement annual income target is defined as 45% of pre-retirement annual income and assumes no pension income. This target is based on Consumer Expenditure Survey 2011 (BLS), Statistics of Income 2011 Tax Stat, IRS 2014 tax brackets and Social Security Benefit Calculators. Fidelity developed the salary multipliers through multiple market simulations based on historical market data, assuming poor market conditions to support a 90% confidence level of success.

These simulations take into account the volatility that a typical target date asset allocation might experience under different market conditions. Volatility of the stocks, bonds and short-term asset classes is based on the historical annual data from 1926 through the most recent year-end data available from Ibbotson Associates, Inc. Stocks (domestic and foreign) are represented by Ibbotson Associates SBBI S&P 500 Total Return Index, bonds are represented by Ibbotson Associates SBBI U.S. Intermediate Term Government Bonds Total Return Index, and short term are represented by Ibbotson Associates SBBI 30-day U.S. Treasury Bills Total Return Index, respectively. It is not possible to invest directly in an index. All indices include reinvestment of dividends and interest income. All calculations are purely hypothetical and a suggested salary multiplier is not a guarantee of future results; it does not reflect the return of any particular investment or take into consideration the composition of a participant's particular account. The salary multiplier is intended only to be one source of information that may help you assess your retirement income needs. Remember, past performance is no guarantee of future results. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical calculations. Returns also will generally be reduced by taxes.

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