

**Office of Human Resources**

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**DATE:** February 5, 2016

**TO:** Employees Enrolled in the UA Retirement Plan

**FROM:** Becky Goins, Director of Employee Benefits

**SUBJECT:** Changes Effective in July

**Please carefully review the enclosed information.**

**It is the first in a series of notices about upcoming changes to the University's Retirement Plan.**

You may have heard that the University's Retirement Plan is changing. For most employees the changes will have no impact on how you participate in the plan.

But the University's Retirement Plan is an important benefit and we want everyone to understand what is changing and why the changes are needed.



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## First let's review how the "UARP" (University of Arkansas Retirement Plan) works.

The University contributes an amount equal to 5% of your eligible salary to your retirement account with TIAA-CREF and/or Fidelity. The University makes that contribution even if you don't contribute, or if you contribute less than 5%.

Then when you contribute more than 5%, the University matches that contribution dollar-for-dollar up to 10%. You select the investments which receive those contributions, and you have the flexibility to change investments and increase or decrease your contribution at any time.

## What is changing?

In November the Board of Trustees of the University of Arkansas approved a plan change. Beginning in July 2016, the University will begin moving toward a 5% required employee contribution. The required contribution process will begin slowly.

**Effective July 2016 those employees who do not contribute or contribute at less than 1% will have required employee contributions of 1%.** If you already contribute 1% or more on a pre-tax basis, you will see no changes for July 2016.

Each July the required employee contribution will increase by 1% until it reaches 5%.

July 2016 through June 2017	1% employee contribution required
July 2017 through June 2018	2% employee contribution required
July 2018 through June 2019	3% employee contribution required
July 2019 through June 2020	4% employee contribution required
July 2020 and forward	5% employee contribution required

**Also, for newly benefits-eligible employees hired on and after July 1, 2016, the vesting schedule will change from one year to two years.** Vesting applies only to the contributions made by the University; employee personal contributions are always immediately 100% vested. This change will not affect you; the current one-year vesting schedule will remain in place for employees already enrolled in the UARP as of June 30.

## What is not changing?

The University's base contribution of 5% to your retirement account is not changing. It will continue at 5%. The University's dollar-for-dollar match for your contributions of over 5% to a maximum of 10% is not changing. You will continue to have the flexibility to change investments and to increase your contributions at any time. And you still have the flexibility to decrease your contributions, but to only as low as the required employee contribution level.

## **What am I required to do?**

Nothing. The employee required contributions will automatically follow the schedule as outlined. If you currently contribute less than 1% and you don't choose to increase that contribution before July 1, 2016, it will be increased to 1% at that time.

## **Why is the University doing this?**

Saving for retirement is important. Today about 18% of UAMS employees make no contribution to their retirement account. While the University contributes 5% to retirement for employees, that 5% alone over the course of an entire career will not build a sufficient retirement account. Simply put, we have employees who will not be able to afford to retire. This change will help employees prepare for the future.

## **If I need more retirement contributions, why doesn't the University just contribute more to my account?**

System-wide the University contributes almost \$90 million per year to employees' retirement accounts. Increasing the University's 5% base contribution would mean less money for other benefits programs, primarily health insurance.

## **I don't want to do this. Can I just drop the retirement plan?**

No. Arkansas law and Board Policy of the University of Arkansas require that all benefits-eligible employees of the University participate in a retirement plan. As long as you are employed in a benefits-eligible position with the University, and in fact with any other state agency or institution in Arkansas, you will be required to participate in a retirement plan.

## **I'm already contributing over 1%. Will my contribution increase?**

No, your contribution will not increase this July. But it could in future years, based on the schedule outlined earlier. For example, if you already contribute 3%, your required contribution level will not increase until July 2019 when the required employee contribution reaches 4%. And if you already contribute 5% or more, your required contribution level will not increase.

## **What if I already contribute but all of my contribution is after-tax into a Roth account?**

IRS regulations do not allow required employee contributions to be treated as Roth deferrals. The required contribution percentage will be re-characterized as a pre-tax contribution. For example, if you are contributing 10% to a Roth account today, effective July 1<sup>st</sup> (and unless you make other election changes), 9% of your pay will continue to be made to the Roth account, and 1% will be moved to pre-tax status.

## **I'm already contributing at the maximum elective deferral allowed. What does this change mean to me?**

Most employees don't ever have to worry about this. But if this affects you, it means you will be able to contribute more to your retirement because the required contribution does not count against the maximum elective deferral limit.

"Maximum elective deferral" refers to the IRS limit on how much you can contribute to your 403(b) retirement plan on a pre-tax or deferred basis. The limit this year is \$18,000 if you are under age 50, \$24,000 if you are age 50 plus. If you have already hit the limit before July, the 1% required contribution would continue. The 1% required contribution would only end if you reached the overall contribution limit of \$53,000 which applies to all 403(b) contributions, including those made by UAMS.

You don't have to worry about the various limits that apply to your UA retirement plan. The Office of Human Resources monitors this and will either turn off your contribution or move it to another available bucket should you reach an applicable limit. However, if you make retirement contributions to any other employer plan, such as the VA Thrift Savings Plan, you are responsible for making sure your combined contributions are within IRS limits. Contact our office if this is the case and we can assist you.

## **How does this employee contribution requirement compare to the employee contribution for the Arkansas Public Employee Retirement System (APERS)?**

APERS requires new enrollees to immediately contribute at 5% with no opportunity to reduce or change that contribution level. It may also be useful to know that the Arkansas Teacher Retirement System requires participants to contribute at 6% and almost all other Arkansas public colleges and universities, including ASU, UCA and Arkansas Tech, require employees to contribute at 6% with no opportunity to reduce that contribution.

## **I know I should increase my retirement contribution but I've been putting it off. I'm ready to get started. What do I do next?**

You can increase your contribution at any time! You do not have to wait until July 2016 to begin and you can certainly contribute more than the required contribution percentage. Simply contact Human Resources at (501) 686-5650 to complete a new salary deferral form and your contributions can begin with the next available payroll.

Here's a tip to build your retirement. Each time you get a pay raise, increase your retirement by 1%. This is especially critical if you are doing less than 10% and therefore not benefiting from the 10% "free money" UAMS match. If you increase your retirement contribution by just 1%, you would still get to take home some of your raise, but also enjoy it later by increasing your retirement savings.

## **I have more questions about my retirement account.**

The Human Resources Office is here to help. Contact us at (501) 686-5650 or [AskHR@uams.edu](mailto:AskHR@uams.edu). We are located on 4C of the Central Building.

Also, if you have questions about your account balance or current investments with TIAA-CREF or Fidelity, please contact them directly at 800-842-2252 for TIAA-CREF and at 800-343-0860 for Fidelity.

TIAA-CREF and Fidelity will conduct financial seminars this spring to help you learn the basics of saving for retirement. Those will be announced at a future date via UAMS Announcements.