Summary of ERIP

Employee Retirement Investment Plan (ERIP)

Plan design | Defined benefit portion
---|---
Multiplier formula | 1% of pay, average of 5 highest consecutive years of salary, service credits
Vesting | 5 years of service

Defined contribution portion

UM base defined contribution | 2% of Pay
UM match | 100% of up to an additional 3% of pay
Vesting | 3 years of service (need not be consecutive)

An overview of ERIP

Defined benefit portion

The ERIP has two components: (1) the defined benefit portion and (2) the defined contribution portion. The defined benefit portion is structured as a typical pension plan. You are automatically enrolled in this benefit; you do not need to actively enroll. Your retirement benefit is determined by your age at retirement and your:

- Service credits
- Average of highest five consecutive years of salary, including summer appointment salary
- A 1% multiplier

You earn service credits by working as a benefit-eligible employee. Regular service credit is counted in full years and days from the date you join the university to your termination date. Contract service credit is gained if you work on a benefit-eligible basis during the period beginning September 1 and ending August 31—a contract year. The Summary Plan Description at www.umsystem.edu/totalrewards/retirement has more information about earning service credits.

Vesting: In order to receive a benefit from the defined benefit portion of the plan, you must vest to become a qualified member. This means that you must complete five years of service credit to be vested and receive a benefit from the defined benefit portion of the plan. Please refer to the Summary Plan Document at www.umsystem.edu/totalrewards/retirement for more detailed information on vesting.

Employee Contributions: Employees will contribute 1% of their first $50,000 of eligible salary. Once the employee reaches the $50,000 threshold, the contribution increases to 2% of eligible salary. Contributions reset to 1% each January.

Retirement: You are eligible to retire as early as at least age 55 with at least 10 years of service credit, or at least age 60 with at least five years of service credit. A reduction in benefit may apply for retiring early. One year of service credit must be achieved after age 54.

Survivor Benefit: If a vested member dies while actively employed, the plan provides a minimum benefit of at least one time your regular annual salary as of the date of your death. The Summary Plan Description at www.umsystem.edu/totalrewards/retirement has more detailed information on this benefit.

Beneficiary Designation: It is important to name beneficiaries—i.e., those whom you intend to inherit your benefit in the event of your death. To designate a beneficiary(ies) under the defined benefit portion of the plan, obtain a beneficiary form at www.umsystem.edu/totalrewards/retirement. Please return the completed form to your campus benefits office.
Defined contribution portion

The defined contribution portion of the plan is made up of employee and employer contributions. The university will make a base contribution of 2% of your eligible salary. In addition, the university will match 100% of your voluntary contributions to the 457(b) voluntary retirement plan (VRP), up to 3% of your eligible salary. These employer contributions, along with your contributions to the 457(b) plan and your investment earnings and/or losses, will equal the value of your account. Please see the box to the right and the hypothetical illustration below for details.

What makes up the defined contribution?

- Employee contribution to the 457(b) Plan
- UM Match to 457(b) (up to 100% of 3%)
- UM Base Contribution to 401(a) (2%)

ERIP contributions: hypothetical illustration based on an annual salary of $50,000.

<table>
<thead>
<tr>
<th>Contribution type</th>
<th>% of salary</th>
<th>Annual contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>UM base contribution to 401(a)</td>
<td>2%</td>
<td>$1,000</td>
</tr>
<tr>
<td>Employee contribution to 457(b)</td>
<td>3%</td>
<td>$1,500</td>
</tr>
<tr>
<td>UM match contribution to 401(a)</td>
<td>3%</td>
<td>$1,500</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8%</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

Enrollment: Upon employment, you will be automatically enrolled in the 457(b) plan at a deferral rate of 3%. This is done to ensure you receive the FULL university matching contribution. It is VERY important that you contribute at least 3% of your eligible salary to the 457(b) plan to obtain the maximum contribution from the university; however, if you do not wish to have the 3% deducted from your first and ongoing pay, you should change your 457(b) plan contribution rate not more than 30 days after your first eligibility date. You may change your deferrals at any time during your employment by logging on to your account on the Fidelity NetBenefits website at https://nb.fidelity.com/public/nb/default/home or by contacting a retirement representative at 1-800-343-0860.

Vesting: You are immediately 100% vested in your contributions to the VRPs (457(b), 403(b), and 401(a)). The university’s matching contributions to the ERIP (UM base contribution and matching contribution) vest following three years of credited service. Please note that these years do not need to be consecutive, and vesting differs from the defined benefit portion of the plan. The Summary Plan Description at www.umsystem.edu/totalrewards/retirement has more information about vesting.

Choosing your investments: You select how to invest all—yours and the university’s—contributions to the defined contribution portion of your plan. The investment choices are the same as they are for the VRPs. For more information on VRPs, see http://www.umsystem.edu/totalrewards/retirement/vrp.

Maximize your match!

You will be automatically enrolled in the 457(b) plan at a contribution rate of 3%. This is done to ensure you receive the FULL university matching contribution.

If you wish to change your matching contribution to the 457(b) plan before your first paycheck, you should do so within the first 30 days of eligibility.

You may also change your contribution rate at any time online at https://nb.fidelity.com/public/nb/default/home or by calling a retirement representative at 1-800-343-0860. Changes to 457(b) contribution rates are effective the following month. However, if you change your contribution rate to 0, that will be effective as soon as administratively possible.