

UW TSA 403(b) Question and Answer Guide

About Tax-Sheltered Annuities (TSAs)

What is a TSA plan?

A tax-sheltered annuity (TSA) plan is a retirement savings program authorized by section 403(b) of the Internal Revenue Code for employees of educational institutions, churches, and certain non-profit agencies. It allows eligible employees to set aside a portion of their income on a pre-tax basis for retirement.

The UW TSA Plan is for supplemental retirement savings and participation is voluntary. You make the entire contribution. There is no employer match. For most employees, the University contributes to the Wisconsin Retirement System, the state's primary pension plan.

Who can participate in the plan?

All permanent, project, and Limited Term Employees (LTEs) of the University of Wisconsin as well as student hourly employees and graduate assistants – with the exception of research assistants, some employees-in-training, fellows, and interns – are eligible to participate.

Eligible employees can enroll at any time.

Who oversees the UW TSA 403(b) Plan?

The Board of Regents of the University of Wisconsin System established the TSA 403(b) Plan as of October 1977. A ten-member faculty/academic staff committee, the Tax-Sheltered Annuity Review Committee (TSARC), advises the UW president on the Plan. Among its duties, the TSARC is responsible for reviewing criteria used to select TSA vendors, monitoring performance of the TSA vendors and recommending appropriate actions, and setting the level of the fee for participation.

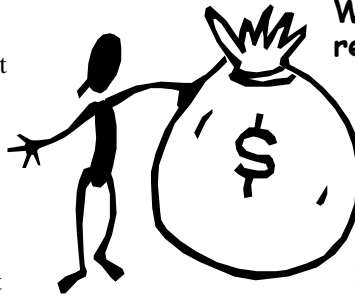
Why should I invest with the TSA Plan?

There are five important reasons to participate in the UW TSA Program:

1. It's an easy way to accumulate additional savings you will need to supplement your retirement income.
2. Your contributions reduce your current taxable income. You save on taxes while saving money for retirement!
3. Both your principal and your earnings grow on a tax-deferred basis.
4. It is a flexible, low-cost program with a wide array of investment options.
5. It's portable. You can take your savings with you if you move to a different employer.

Can the TSA meet all my investment objectives?

No. We all have diverse investment objectives that must be met with different investment techniques. The investment objective for a TSA is retirement security.



Why do I need supplemental retirement income?

Retirement is expensive. Your WRS pension and Social Security will provide only part of what you will need. The rest must come from personal savings.

On top of that, people are living longer. And instead of working longer most of us would like to retire earlier. Some of us may even be retired longer than we will have worked! That is a fine goal, but we must figure out a way to pay for it.

Remember, you need to plan your retirement for your life expectancy. Consider modern medicine and the possibility that you could be retired for 40 years!

How does a contribution to the TSA 403(b) plan reduce my taxable income?

Your TSA contribution is not counted in your gross income for tax purposes. Assume an annual gross income of \$36,000 and single filing status with one exemption. The following chart shows how an annual TSA contribution of \$2,400 saves you \$360 in federal taxes and \$175 in state taxes while you save \$2,400 for retirement. Contributing to a TSA account may put you in a lower marginal tax bracket, saving you even more money in taxes.

	With TSA	Without TSA
Annual Gross Income	\$36,000	\$36,000
TSA Contribution	(2,400)	0
Adjusted Gross Income	33,600	36,000
Social Security Withheld	(2,754)	(2,754)
Federal Income Tax Withheld	(3,760)	(4,120)
State Income Tax Withheld	(1,903)	(2,078)
After-Tax Income	25,183	27,048
TSA Retirement Account	\$2,400*	\$0
*Plus earnings or minus losses		

The \$2,400 savings only cost \$1,865 in take-home pay.

Your TSA account is taxed as ordinary income when you receive it after retiring – *possibly* at a lower rate.

How does tax-deferred growth benefit me?

If you buy shares of a mutual fund with *after-tax* dollars, you owe taxes each year on the dividends and capital gains your fund realizes. If you sell one fund and buy another, you owe taxes on the profit.

In a *tax-deferred* investment, you get to keep and invest the tax money you would otherwise owe each year. The extra dollars produce more earnings. You can shift your money among funds without incurring capital gains taxes. Though you must pay taxes when you withdraw your TSA money, your net return will be higher than with a *taxable* account earning the same return.

What makes the program inexpensive?

The University has negotiated low-cost investment options for you:

- All funds are no-load: there are no sales commissions or broker fees. In addition, none of the mutual funds has 12b-1 (marketing or advertising) fees.
- Most UW TSA investment companies have no annual fees.
- Most investment choices have lower than average expense ratios.
- Since this is a tax-deferred investment program, you can move your investments within the TSA Program without incurring tax liabilities.
- The annual University fee is only \$9.00 – you pay this only in years during which you contribute.

I don't have any extra money for investing right now. When I'm older, it will be easier to save, won't it?

It is sadly ironic that those who most need to save for retirement often have the hardest time doing it. Take a close look at your budget and you may find money to save. Of course, if you have credit-card debt, it is important to pay that off first.

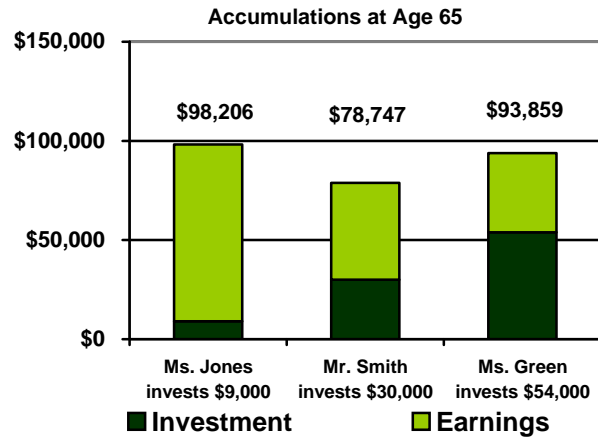
Saving early is the easiest way to accumulate money because time is on your side.

Consider three hypothetical employees:

- Ms. Jones contributes \$75 per month for ten years – from age 25 to 35 – and nothing after that.
- Mr. Smith starts later but contributes more – \$100 per month for 25 years, from age 40 to 65.
- Ms. Green begins saving \$300 per month at age 50.

Assuming that all the investments earn 7% per year, this chart shows their total accumulations at age 65.

Which result would you prefer?



In this example, investing a small amount early resulted in more retirement earnings than investing a much larger amount later.

Because of compound interest the money you contribute now is very valuable. And once you set aside some money, you may find – as many others have reported – that you don't even miss it.

Keep your long-term goals in mind and decide what's truly important to you. Perhaps you can cut down on movies and dining out, tighten your clothing budget, or find less expensive ways to entertain at home.

There are lots of resources available to give you direction on how to budget your money and how to find the money to save. You can start by looking at the investment companies' web sites in the TSA Program. Go to www.uwsa.edu/hr/vendors for links to their websites.

Contributing to Your UW TSA

How much can I contribute to the TSA Plan?

You may contribute as little as \$8.00 biweekly or \$20.00 per month.

The maximum annual contribution limit for 2007 is \$15,500. Certain special provisions may allow you to contribute more than this amount.

If you are age 50 or older you can contribute a "catch-up" amount – an additional \$5,000 in 2007 over and above the standard maximum, no matter how much you've contributed in the past.

	Basic	Age 50 and Over Catch-up	Total
2007	\$15,500	\$5,000	\$20,500

The basic limit and the Age 50 catch-up may be indexed each year by the IRS in \$500 increments based on the Consumer Price Index (inflation). The IRS usually publishes this information in the last quarter of the year for the following year.

If you have 15 years or more of service with the UW, you may have an additional "catch-up" opportunity allowing extra contributions of up to \$3,000 per year to a cumulative maximum of \$15,000 over five or more years.

This is a true catch-up opportunity available only to those who have not contributed the full amount in the past. The additional amount is permitted only if your TSA contributions averaged less than \$5,000 per year over the course of your UW employment.

If you want more tax-deferral opportunities, you may also participate in the Wisconsin Deferred Compensation 457 Program managed by the Department of Employee Trust Funds. See www.uwsa.edu/hr/benefits/retsav/wdc.htm.

I contribute to an IRA. Does that affect my TSA contribution?

No, you can contribute the full amount to both programs as long as your income falls under the maximums for an IRA. The contribution limit for a traditional or Roth IRA in 2007 is \$4,000 plus an additional \$1,000 if you are age 50 or over.

Will my TSA contribution affect my Social Security or WRS benefit?

No. You get full credit under Social Security and the Wisconsin Retirement System for the salary you contribute to your TSA account.

How do I contribute to the TSA Plan?

You complete a form called the Salary Reduction Agreement (SRA) that authorizes the University to deduct a specified amount from your salary before taxes and send it to the investment company or companies that you have selected and signed up with. Contributions can only be taken from salaries that will be paid to you after you file the SRA. When you contribute to the TSA 403(b) plan, you invest set amounts of money every pay period and participate in dollar cost averaging.

You can get a Salary Reduction Agreement at your staff benefits office or on the web at www.uwsa.edu/hr/sra.htm.

Is dollar cost averaging like market timing?

No, when you try to time the market, you try to buy low and sell high. This is very difficult – if not impossible – even for the experts. Using dollar cost averaging, you invest on a regular schedule. When the price per share is low, you buy more shares; when the price per share is high, you buy fewer shares. You end up buying more shares at a low price and fewer at a high price. Your average cost is lower than the average market price.

Here's a chart to show you how it works:

	Regular Investment	Price Per Share	Shares Purchased
January	\$100	\$10.00	10.000
February	\$100	\$12.50	8.000
March	\$100	\$15.00	6.670
April	<u>\$100</u>	<u>\$10.00</u>	<u>10.000</u>
Total	\$400	\$47.50	34.670
Average Market Price		\$11.88	(47.50/4 months)
Average Cost		\$11.54	(\$400/34.670)

Of course, your average cost may be higher than the **current** market price if asset values decline.

What if I change my mind and want the money back?

The Salary Reduction Agreement is a legally binding document and moneys you contribute while the SRA is in effect generally cannot be taken out until you reach a "distributable event." See *Distributions from your TSA* (page 6) for your options on taking the money out.

I got a nice inheritance from my aunt. Can I invest that in the TSA Plan?

Not directly. In order to be tax-deferred, contributions must come out of your wages before taxes are taken. You could, however, live off your inheritance and defer your salary – up to the yearly maximum – into the TSA plan.

How do I change the amount I contribute to my TSA?

Simply fill out a new Salary Reduction Agreement (SRA) and submit it to your benefits office. You can start, stop, or change your TSA contributions at any time – as often as you wish: www.uwsa.edu/hr/sra.htm.

How do I change the funds I invest in?

Contact your investment company (or companies). Once you've signed up, you can make changes to your fund selection over the phone, online, or in writing.

What if I want to move my investments?

Within the same company: You can move your current balance and/or your future contributions to a different fund within the same company simply by contacting the company. Internet transactions are often available. Some specialty funds have redemption fees. These are usually applied to discourage short-term trading.

With a new company: To transfer existing investments or to send future contributions to a new investment company:

- Call the new company and ask for a 403(b) transfer request. Your new company is responsible for contacting the old company and requesting the money.
Exception: If you are transferring money from Ameriprise/RiverSource or Lincoln you must use their form. You also need the new company's form. Complete both and send them to your new company. Alert your new company that it must submit the Ameriprise/RiverSource or Lincoln form.
- If you're not signed up with the new company, request a UW 403 (b) enrollment kit – complete the forms and return them to the new company. Or you could sign up online.
- Expect the entire process to take two to four weeks. Your new company will notify you of the amount received, the date it was invested, and the number of shares or units in your new account. If you have heard nothing after three weeks, contact the new company to be sure it has all the necessary paperwork.
- If you want to send future TSA contributions to the new company, complete a new Salary Reduction Agreement (SRA) for future contributions and file it with your Staff Benefits office. Check your quarterly statements to be sure that both your new and your transferred assets are invested as you intended.

If you are transferring your investment from Lincoln National or RiverSource Life Insurance company, you may have to pay a surrender charge. Some mutual funds have short-term trading fees on certain funds. Check with your investment company, so you are aware of any fees before you transfer.

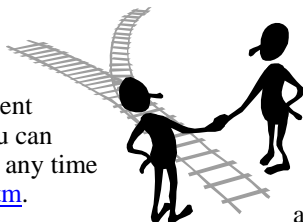
You may not transfer your money to a company that is not authorized under the Program. However, if you are eligible for a distribution (see page 6), you may roll your distribution over to any company you choose.

For more information, refer to the article *Tips for Transferring Moneys* www.uwsa.edu/hr/benefits/retsav/transfertips.pdf on the TSA website or check with your benefits office.

I have money in another retirement plan. Can I combine it with my UW TSA account?

If you are permitted to withdraw your money from your old plan, you can roll the tax-deferred portion to an account with a UW TSA investment provider – except for the Wisconsin Retirement System. The WRS does not accept roll-ins.

Money on which you already paid taxes will not be accepted. The money will be treated like other 403(b) money for all tax purposes, except that you may be allowed to withdraw it before terminating employment or reaching age 59 ½ – usually with a 10% tax penalty. Check with the new company if you are interested in this feature – not all companies offer this option.



The UW TSA Program will accept tax-deferred money from 401(a) "qualified" plans, 401(k), 403(a), 403(b), and 457 governmental deferred compensation plans, as well as from traditional IRAs. Be aware that if you roll your 457 account into a non-457 plan, it becomes subject to the 10% early withdrawal penalty.

If you decide to roll over a retirement account, be sure to elect a direct rollover, in which the money is paid directly to the new plan. Otherwise, 20% of the account will be withheld for income tax. Unless you can make up the 20% from your own pocket, your new investment will represent only 80% of the old account.

Making Your Investment Choices

What can I invest in?

There are six investment companies and the Wisconsin Retirement System (WRS) in the TSA 403(b) Program – offering over 300 investment options for your TSA dollars. You select a company (or more than one) from among those authorized under the Program and then choose from among the funds the company offers. Options range from conservative to aggressive and include **mutual funds** that offer stock, bond, and money market investments, insurance companies that offer **annuities** with variable and fixed rates of return, and the Wisconsin Retirement System.

You'll find contact information for the UW TSA investment companies on page 8. A complete list of investment options with recent returns is available upon request from your institution's Staff Benefit Office or on the TSA web site at www.uwsa.edu/hr/returns.htm.

So even though this is called the Tax-Sheltered Annuity Plan, I don't have to invest in an annuity?

That's right. The name stems from the program's early days. In addition to two insurance companies and TIAA-CREF, there are three mutual fund companies and the Wisconsin Retirement System in the program.

What kind of investments can I make with an insurance company?

When you invest with an insurance company, you contribute to an annuity. While you are investing, this is a "deferred" annuity. You are accumulating your assets to take out at some time in the future. There are two types of annuities:

- **Fixed Dollar Annuity.** You pay a premium to an insurance company. In return, the insurance company guarantees your principal – the amount of your contribution – and pays you interest at the current interest rate set by the company, which cannot be less than the rate guaranteed in your annuity contract. Although fixed annuities generally do not earn a high return, they are secure, provided the insurance company is financially strong.
- **Variable Annuity.** You select one or more "sub-accounts." The sub-accounts – very similar to mutual funds – invest in common stocks, bonds and/or money market instruments. Your contributions purchase a number of units of the fund. The value of the contract at any time depends on the total number of units you own and the investment performance of the sub-account. Except as specifically provided in your contract, the insurance company does not guarantee your principal in a variable annuity.

But even if you invest with an insurance company and have an "annuity" – be it fixed or variable – you do not have to take that money out as an annuity. See *Distributions ...* on page 6.



What is a mutual fund?

A mutual fund is a portfolio of stocks, bonds, or other securities managed by professionals who combine all of the fund's moneys to seek a common investment objective. The pooled money can have significant buying power so that a fund can own hundreds of individual securities or stocks. Mutual funds vary significantly in size and the types of assets they hold. Each fund has specific investment criteria and objectives, which are detailed in the prospectus, the booklet that describes the mutual fund. Some mutual funds specialize in stocks of large, medium, or small U.S. companies, while others are international in focus or specialize in U.S. government or corporate bonds, or international bonds.

While you are saving, each contribution purchases a number of shares of the fund. The value of your account depends on the number of shares you own and the investment performance of the fund's assets.

Investing in mutual funds gives you:

- **Diversification.** A diversified fund reduces the risk of investing in the market by pooling the money of many investors and purchasing securities issued by a number of different companies.
- **Professional Management.** The fund manager has information resources that are not available to most individual investors. The manager chooses the investments and times the buys and sells with knowledge of the overall market.
- **A Range of Objectives.** There are mutual funds to meet the objectives of aggressive growth, growth, income, and preservation of capital.
- **Ease of Movement within a Fund Family.** Each investment company in the TSA Program offers a family of funds. You can move from one fund to another or invest in a number of different funds at the same time. If your financial objectives are diversified or change over time, they can be met within the fund families offered through the TSA Program.

Remember, your mutual fund investment is NOT guaranteed. You can lose money.

Are all the investment options approved by the TSA Review Committee?

No. The TSA Review Committee approves investment companies, NOT particular funds. An approved company may offer any of its investment options that meet federal requirements for 403(b) plans and the cost guidelines established by the Committee. The Committee cannot guarantee the performance of any particular fund offered under the Program but attempts to ensure that the Program offers low-cost options with a wide variety of investment objectives.

My broker has suggested a certain fund that is not on the list of offered funds. Can I invest my TSA dollars in a company that is not approved by the TSA Review Committee?

No. You may contribute only to companies approved by the TSA Review Committee, and you may not transfer TSA account balances to non-approved companies while you continue to be employed at the UW.

For administrative efficiency and to ensure compliance with federal law, the UW must limit the number of TSA investment companies (vendors) with which it does business. The Program seeks to offer a high-quality selection of investment options in the basic asset classes, combined with low cost and good customer service. It does not offer access to all companies or funds.

There are so many choices! How do I pick an investment?

Like most activities, it takes practice to feel knowledgeable about investing. You aren't expected to pick the top-performing investment on your first try, but you should be able to find a few that are likely to meet your goals. Here are some ways to get started:

Decide on a company first. It's easy to change funds quickly within a company, but it takes time to move your money to a different company. All investment company providers have web sites with extensive information on their funds as well as toll-free numbers you can call for information. See page 8 for contact information.

Choose a company that offers a broad variety of funds at a reasonable cost and provides customer service and education that you like. Then *ask the company* for investment suggestions based on your age, risk tolerance, and financial goals.

Develop an asset allocation plan. In other words, decide what percent of your money should be invested in each of the different asset classes (stocks, bonds, short-term investments, and possibly real estate), then stick to it. Investments range from the very conservative (fixed annuities, money market funds, and U.S. government bond funds) to the very aggressive (small-cap funds, sector funds, and aggressive growth funds). Depending on your age, the time remaining until you need your money, and your willingness to accept risk, some combination of asset classes makes most sense for you.

Many tools exist to help you create an asset allocation plan. For starters, check the UW TSA companies' websites. Once you have a plan, it will be easier to narrow down your investment choices and you will be less fearful about making mistakes.

Consider an asset allocation fund, a balanced fund, an index fund, or a target date (lifecycle) fund.

Asset allocation funds hold varying percentages of the major asset classes (stocks, bonds, and short-term investments like money-market funds) in their portfolios according to stated conservative, moderate, or aggressive investment objectives.

Balanced funds invest in both stocks and bonds, usually in about a 60/40 ratio. The bond component may reduce overall returns but should help to stabilize the fund when stocks are volatile.

Index funds attempt to mirror the make-up of the market itself (or a sector of the market). They will not perform much better than their benchmark, but should not do much worse either and their expenses tend to be lower than actively managed funds.

Target Date or Lifecycle funds structure their assets based on a target distribution date. As the target gets nearer, the fund moves from aggressive to conservative investments.

You may find the **Selected Investment Returns** helpful in your search: www.uwsa.edu/hr/benefits/retsav/selected.pdf The first page lists all the **index funds** available in the TSA plan; page two lists the best performing **balanced funds** in order of five-year returns and all the **asset allocation** and **target retirement date funds**. The remaining pages list the best performing funds in the most important investment categories in order of five-year returns.

Attend an Individual Counseling Session. UW TSA investment companies are required to offer free investment education sessions to UW employees and their families. Individual counseling sessions are available at almost every institution every semester. If sessions are not offered, telephone appointments can be arranged. This is a way to get your questions answered and get help with your investment portfolio, and there's no obligation! (Sessions are listed at www.uwsa.edu/hr/counsel.htm. TSA staff contact information is on page 8.)

Ask a professional. Ameriprise/RiverSource and Lincoln Insurance companies will provide you with an agent to help select your investments. Part of your fees pay for his or her time.

A financial planner can help you think through your goals and investment choices, but expect to pay for the service. If you need help on how to choose a financial planner, see www.uwsa.edu/hr/benefits/retsav/financialplanner.pdf

Are my TSA investments guaranteed?

Usually no. If you choose a fixed annuity, the insurance company guarantees your principal and a minimum rate of return. But if you choose a variable annuity or a mutual fund, the value of your investment will fluctuate with the market. You could lose money.

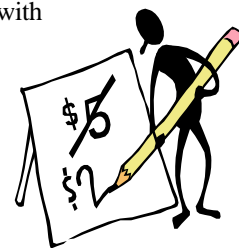
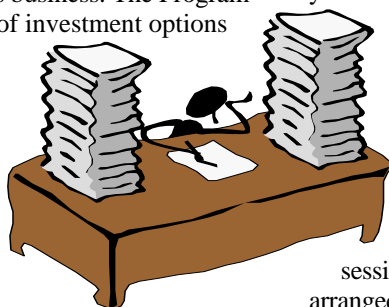
What fees and expenses are charged for participation in the TSA Program?

None of the investments in the TSA Program has loads (sales commissions or broker fees). However, you should be aware of the following charges:

University fee. The Program charges an annual fee to cover the University's administrative costs. This fee, currently \$9.00 per year, is automatically deducted from your paycheck when you join the Program and each March thereafter. You only pay this in years in which you contribute to the plan.

Investment Company fees. These fees depend on the company and the type of investment you select. Most TSA investment companies have no direct fees. The UW TSA Review Committee has set maximums for most investment company charges.

• **Annual fees.** Each company is permitted to charge an annual fee of up to \$30 per participant. Most companies have waived this fee.



- **Insurance company charges.** If you purchase an annuity from an insurance company, you may pay a surrender charge of up to 8% if you withdraw your funds during the first years of the contract or transfer them to a different company.

Contracts issued after January 1, 2008 will have no surrender charges; however, contracts issued before 1/1/08 may have surrender charges lasting up to 8 years.

You may also pay a mortality and expense risk (M&E) charge on variable annuity accounts. Most of this charge is agent compensation, although it also provides a guaranty that if you die, your beneficiaries will receive a specified amount, typically the amount you contributed or a specified “stepped-up” amount. In the UW TSA Program, this cost cannot exceed 1.25% of your average fund balance in the previous year.

- **Redemption (short-term trading) fees.** Certain specialized funds charge a redemption fee for withdrawal or transfer before a specified period (30 to 365 days or more) has elapsed. Often these are referred to as “short-term trading fees” and are imposed to discourage market timing.

Certain investors buy and sell mutual fund securities quickly to take advantage of short-term discrepancies between the

current price of a security that is trading in overseas markets and the stale value of that security held by the fund. The technical term for this is stale-price arbitrage. This practice generates higher trading costs that all investors must bear.

Short-term trading fees can be a disincentive to trade rapidly in and out of a fund and can go a long way to protect the interests of long-term shareholders. Typically, international funds, small and mid-cap funds, and specialty funds are most vulnerable to arbitrage and are most likely to impose fees. Since these fees go to the fund itself rather than to the fund’s advisor or the company, they benefit long-term shareholders.

Expense ratios. All funds have operating expenses that are deducted from assets before returns are published. The expense ratio is the annual percentage of a fund’s net assets that is used to pay the operating costs of the fund. The expense ratio reduces your earnings, so a low expense ratio is desirable, all other things being equal.

Each fund’s prospectus will disclose the current expense ratio for that fund. The expenses ratios are also listed in the TSA fund returns on our web site at www.uwsa.edu/hr/returns.htm. The **Selected Returns** list the expense ratios for the best performers by fund category as High, Average, or Low as compared to the Morningstar average for that fund type.

Distributions From Your TSA

When can I take money out of my TSA account?

The TSA plan is a long-term savings vehicle to be used for retirement. IRS regulations limit the access you have to your savings. You may withdraw your contributions only:

- when you leave employment with the UW System, reach age 59 ½, or become disabled; or
- in cases of substantial financial hardship.

Withdrawals before age 59 ½ may result in tax penalties.

What is a financial hardship?

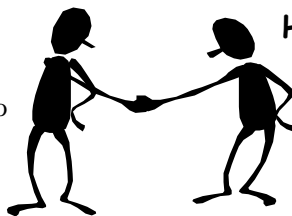
The IRS Code specifies that distributions due to financial hardship are allowed only when there is an **immediate** and **heavy** financial need and the distribution is **necessary** to satisfy the financial need.

The IRS has identified four situations that meet the criteria of an immediate and heavy financial need:

- Uninsured medical expenses
- Purchase of a primary residence
- College tuition
- To prevent eviction from or foreclosure on the individual’s primary residence.

You must first exhaust all other means to meet the financial needs listed above, including taking a loan from your TSA account.

The UW System does not take any role in approving hardship withdrawals. Each company handles this process independently. Most companies will allow you to self-certify that you meet the hardship requirements. If you receive a hardship distribution, you must also stop making TSA contributions for 6 months.



How is my TSA money taxed when I take it out?

It is taxed as regular income to you in the year you receive it. For that reason, plan carefully how you take your distributions, so that taking a large distribution in one year does not put you into a higher tax bracket.

Even though you are not 59 ½, as long as you terminate employment at age 55 or older, you may take distributions from your TSA accounts without being subject to the 10% tax penalty for early withdrawal.

Can I borrow against my TSA funds?

Yes, however, loan services are currently available only from insurance companies and Fidelity. If you have been investing with a different mutual fund company, you can get a loan by first transferring your money to an insurance company or Fidelity, although that could take over a month to accomplish. Our insurance companies are Ameriprise/RiverSource Life Insurance Company, Lincoln National Life, and TIAA-CREF. Each company has its own procedures.

Under IRS regulations, the maximum amount you may borrow is the lesser of \$50,000 or one-half of your account balance (but at least \$10,000). You must start to repay your loan right away and it must be fully repaid within five years unless the loan is used to acquire your principal residence.

What happens to my TSA if I die?

The investment company account application includes a Beneficiary Designation section that should be filed with your investment company. You can change the designation by notifying the company in writing.

If you do not file a beneficiary designation, the investment company will determine your beneficiary in accord with your individual contract or custodial agreement.

What if I leave employment with the university system?

If you leave employment at the University of Wisconsin System, you can:

- Leave your TSA account as it is. It will continue to grow tax-deferred. Be sure to keep the company updated on home address changes so that you continue to get your quarterly statements of account.
- Roll your TSA into your new employer's retirement plan, provided the new plan will accept the rollover.
- Roll your TSA into an IRA.
- Withdraw the money – but there may be substantial tax penalties if you are under age 59 ½! If you have terminated employment at age 55 or later, there is no penalty.

When you leave employment with the University of Wisconsin System or reach 59 ½, your TSA investment is no longer restricted to the companies approved by the Program. At that time, you may take a distribution and roll your funds into any investment vehicle permitted by law.

For more about distributions, see the notice based on IRS model language at www.uwsa.edu/hr/benefits/retsav/tsa.htm.

Can I use my TSA account to buy service credits?

Yes, federal law permits you to transfer moneys from a 403(b) account to a governmental retirement plan to purchase service credits. If you have forfeited service in the Wisconsin Retirement System (WRS) and wish to buy it back, you can pay for it from your UW TSA account. Contact the Department of Employee Trust Funds – eff.wi.gov, 877-533-5020 – which administers the WRS, for more information.

What are my options for receiving payments from my TSA?

The forms of payment are very flexible. You can take your money in one or more lump sums, in a regular series of payments, or as an annuity for a specific period of years, for

your life or the lives of you and a joint survivor. Even if you invested in an annuity through the TSA Program, you need not take your savings in the form of an annuity. You can select any payout option you wish.

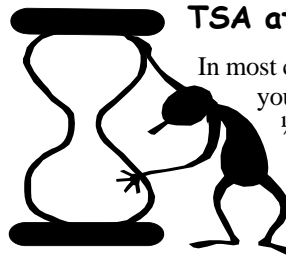
What is an annuity?

An annuity is a regular payment to you (or to you and a joint survivor) for your lifetime(s) or for a guaranteed number of years. If you decide to take your TSA account in the form of an annuity, you use your savings to purchase the annuity from an insurance company.

If you select a fixed annuity, you receive uniform monthly payments of a fixed dollar amount. The monthly payment will depend on your age, the amount you invest, and the payout design you elect. Your payments are guaranteed by the insurance company. If you select a variable annuity, the payout amounts are tied to changes in the market value of the underlying funds and may fluctuate. The value of a variable annuity and the amount of payments are not guaranteed.

Even though you have been investing in an annuity with a life insurance company, you do not have to take your money out in the form of an annuity. If you do want an annuity, please be aware that you do not have to get that annuity from the same company you have invested with. Shop around and compare the results and expenses. It may save you thousands of dollars!

Do I have to take distributions from my TSA at any certain time?



In most cases, you must begin receiving income from your TSA by April 1 of the year after you turn 70 ½. If you neglect to take the distribution, you will incur a 50% penalty on the minimum amount you should have received. Your investment company will calculate your minimum required distribution upon request.

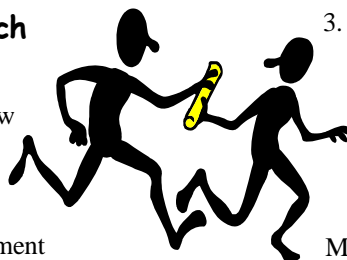
Exception: If you are still working at the UW at age 70 ½, you can delay taking a distribution from your TSA until April 1 of the year following your termination of employment. (If you have accumulations from previous employers, you should begin taking distributions on those accounts by April 1 of the year after you turn 70 ½.)

Getting Started...

How much should I contribute each month to my TSA account?

Many resources exist to help you determine how much you should set aside each month for retirement. Most use some variation of the same basic recipe:

1. Estimate the income you will need in retirement (somewhere between 70% and 100% of your pre-retirement income—depending on your lifestyle in retirement). Usually the lower your pre-retirement income, the higher the percentage you will need in order to live comfortably in retirement.
2. Subtract the income you expect to receive from part-time employment, Social Security, pensions, and savings already put aside.



3. Multiply the remainder by your expected years of retirement and adjust for inflation and return on savings. This is your goal.
4. Based on the time remaining until you retire, calculate the extra amount you must save each month to reach your goal.

Most UW TSA investment companies have worksheets to help you calculate your savings goal. Here is an easy-to-use worksheet available on the Internet:

- The American Savings Education Council's **Ballpark Estimate**. www.asec.org.

How do I get started?

- **Select one or more companies** from the following list that can help you meet your retirement needs with the flexibility you need to manage your account.
- The **TSA Quick Guide** www.uwsa.edu/hr/tsaquick.pdf gives current information on your investment company options.
- **Contact the company for more information and to request an enrollment packet.** It will give you information about the company and an account application. If you prefer, many companies have online enrollment. Go to www.uwsa.edu/hr/benefits/retsav/tsaenroll.htm.
- **Sign up with the company (or companies) you choose.** Fill out the paperwork and submit it or go online to enroll. If you need help choosing your investments, call the company. Someone will help you!!
 - * You can also sign up with a company online: Go to www.uwsa.edu/hr/benefits/retsav/tsaenroll.htm.
- **File a Salary Reduction Agreement (SRA)** with your institution's Staff Benefits Office. The SRA is available at your Staff Benefits Office or on the web at www.uwsa.edu/hr/sra.htm.

The SRA authorizes the Payroll Office to withhold a designated dollar amount and specifies the compan(ies) to which you wish your money to be sent.

If you select an insurance company, your agent can prepare this agreement for you.

The account application specifies the investment funds you have selected. **It must be on file with the investment company before the company receives your first salary deferral.**

If you have submitted your application by mail – fourteen days lead-time is strongly recommended. Remember online enrollment is **immediate!**

- If the investment company does not have your account application and they receive a salary deferral for you, **they must send the money back!**
- **Be sure you are not contributing more than federal regulations allow.** Limits are listed on our web site: www.uwsa.edu/hr/benefits/retsav/limits.htm.
- For new and updated information, check our web site, www.uwsa.edu/hr/benefits/retsav/tsa.htm.

UW TSA Program Investment Company Contacts & Fees

Links to the TSA 403(b) Program investment companies are on our web site at www.uwsa.edu/hr/vendors.htm

		UNIVERSITY FEE:	\$9.00 per year, deducted from payroll when you join the Program and in early March each year thereafter.		
		INVESTMENT COMPANY	ANNUAL FEE	SURRENDER/REDEMPTION CHARGE	MORTALITY/ RISK CHARGE
Insurance Companies	Ameriprise/RiverSource 877-640-6894 www.ameriprise.com	\$30 New contract only: Waived for accounts over \$50,000	Old contract: 7% years 1-3; declining to 0% in year 9 New contract: 7% years 1-3, thereafter 0%. Contracts issued after 1-1-2008 will have no surrender charge.	Old contract 1.00% New contract 1.10% 2008 contract 1.25%	
	Lincoln National Life 608-231-2231 or 800-967-2046 www.lfg.com	None	Old Contract: 8% for 5 years; then 4% for 3 yrs; then 0% New Contract: 6% yrs 1-3, declining 1% per year to 0% in yr 9. Contracts issued after 1-1-2008 will have no surrender charge.	1.002%	
	TIAA-CREF 800-842-2776 www.tiaa-cref.org/	None	None	.005% (Included in the expense ratio)	
Mutual Fund Companies	Dreyfus 800-358-0910 www.dreyfus.com	None	Selected funds have a 1% charge on redemption of shares held less than a minimum period. See prospectus.	n/a	
	Fidelity 800-343-0860 www.fidelity.com/atwork	None	Selected funds have a redemption charge on shares held less than a minimum period. Fidelity Select Funds have a standard redemption fee. See prospectus.	n/a	
	T. Rowe Price 800-492-7670 www.troweprice.com/wisconsin	None	Selected funds have a charge on redemption of shares held less than a minimum period. See prospectus.	n/a	
	Wisconsin Retirement System 608-266-3285 or 877-533-5020 etf.wi.gov	None	No withdrawal or transfer permitted before employment terminates; after termination – no surrender charge.	n/a	

This brochure is designed to give you basic information about the UW TSA Program. It is not intended as legal or tax advice. While every effort was made to provide accurate information, in case of conflicts, federal law, the contract or custodial agreement issued by your investment company, and the UW TSA Plan Document will be followed.

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