

PR 3C

Office of the President
December 11, 2001

Members, Board of Trustees:

ADMINISTRATIVE REGULATION REVISION

Recommendation: that the Board approve the attached revision of AR II-1.6-1, the University of Kentucky Retirement Plan, to permit persons on Uniformed Services Leave to continue making retirement contributions and to eliminate the one year waiting period for employee participation in the University of Kentucky retirement plan.

Background: The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) requires that employees who take Uniformed Services leave must be permitted to make retirement contributions during that leave. The Plan does not currently address such contributions.

The existing retirement plan permits new employees to participate in the retirement plan only if they have a pre-existing retirement contract. We are advised that this limitation is no longer permitted under non-discrimination provisions of the U.S. Tax Code.

Action taken: Approved Disapproved Other _____

UNIVERSITY OF KENTUCKY RETIREMENT PLAN
(APPROVED BY THE BOARD OF TRUSTEES)

I. Introduction

The policies governing the University of Kentucky Retirement Plan are set forth in this administrative regulation. The University of Kentucky Board of Trustees has authorized three retirement plan carriers, effective July 1, 1988, to be utilized by University of Kentucky employees: Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF); Fidelity Institutional Services Company (Fidelity Investments); and Twentieth Century Investors, Inc. (Twentieth Century). It is the Board's intention that University employees be given a wide range of investment options during the years in which contributions are being made on the employees' behalf as well as a wide range of withdrawal options at the time of retirement. The term "retirement plan carrier", as used throughout this administrative regulation, includes all three retirement plan carriers that have been authorized by the Board of Trustees.

The policies governing insurance benefits for University retirees are a part of the Staff Personnel Policy and Procedure Administrative Regulations and are found in Numbers 91, 93, and 94. Information on these insurance programs is not included in this Administrative Regulation.

II. Retirement Groups and Plans

A. Group I Personnel and Plan

1. Group I Personnel

Eligibility of personnel for classification in Group I is conditioned upon: (a) regular full-time employment, (b) employment in a faculty position or a position otherwise specifically approved for Group I by the President, and (c) occupation of a position not covered by the United States Civil Service Retirement Plan or the Federal Employees Retirement System.

2. Group I Plan - Participation Requirements

Participation of Group I personnel employed prior to July 1, 1964, is as follows:

a. Voluntary for employees who had attained age 56 prior to July 1, 1964, and for employees who have completed one year of continuous service but have not attained age 30.

b. Mandatory for employees who had completed one year of continuous service and attained age 30 but not age 56 as of July 1, 1964.

c. Mandatory upon the completion of one year of continuous service

and attainment of age 30 for all other such employees.

Participation of Group I personnel employed on or after July 1, 1964, is voluntary ~~upon completion of one year of continuous service~~ for those employees who have not attained age 30 and mandatory ~~upon the completion of one year of continuous service and the attainment of for those employees who have attained~~ age 30.

An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

~~_____The preliminary service period shall be waived, upon request, for employees with tenure or for employees who own retirement contracts issued by one or more of the authorized retirement plan carriers.~~

3. Group I Plan - Contributions and Vesting

Notwithstanding any provision to the contrary contained herein, all Group I personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Contributions toward retirement benefits for participating Group I personnel shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

<u>By the Participant</u>	<u>By the Institution</u>	<u>Total</u>
5%	10%	15%

Beginning July 1, 1996, the University shall withhold the contribution of the participant from regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier(s) selected by the participant for the purchase of retirement benefits.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the University's retirement regulations to the contrary, for plan years beginning on or after January 1, 1996, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) annual maximum includable compensation limit. The OBRA '93 annual limit is

\$150,000, as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined (determination period); this period may not exceed 12 months. If a determination period consists of fewer than 12 months, the OBRA '93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1996, any reference in this plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual maximum includable compensation limit stated in this provision. The University of Kentucky Retirement Plan Year is deemed to begin July 1 of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA '93 annual limit in effect for that prior determination period. For this purpose, the OBRA '93 annual limit is \$150,000 for the first day of the first plan year beginning on or after January 1, 1996.

Notwithstanding the above, employees who became participants in the University's retirement plan before the first day of the plan year beginning on or after January 1, 1996, will not be subject to this annual limit.

a. The participant will direct the portion of the combined retirement contribution that is to be remitted to each carrier, if two or more carriers are selected. The participant also must advise each retirement plan carrier of which investment options have been chosen and, if two or more options are selected with a single carrier, of the part of the retirement contribution that is to be allocated to each option.

b. A participant may change the ratio of allocating funds among retirement plan carriers and/or change options by completing the appropriate paper work. Changes in allocating contributions among the plan options is accomplished by the participant directly with the retirement plan carrier.

In addition to contributions based on basic annual salary, contributions also shall be applied on compensation paid to faculty members for service during an interim between regular assignment periods, provided the faculty members are employed full-time by the University for at least one full month of continuous service in the interim, on a basis other than a fee schedule, without reduction in rate of earned salary per month as described in AR II-1.3-2. An interim between regular assignment periods for a faculty member on a regular nine-month, ten-month, or eleven-month assignment basis is defined in AR II-1.1-7.

Retirement benefits purchased with the combined employee and

University contributions shall become the property of individual participants immediately upon purchase. All benefits are for the sole purpose of providing retirement and/or death benefits.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employer and/or employee contributions, then these percentages shall not be applied to the extent of violating applicable laws. In such cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

4. Group I Plan - Termination of Contributions

Contributions on behalf of Group I personnel in the Retirement Plan through December 31, 1987, shall terminate at the end of the fiscal year in which the employee attains age 65 or upon the earliest occurrence of any one or more of the following.

- a. Cessation of regular full-time employment
- b. Retirement

Beginning January 1, 1988, retirement plan contributions on behalf of Group I personnel shall terminate upon retirement or cessation of regular full-time employment.

B. Group II Personnel and Plan

1. Group II Personnel

Eligibility of personnel for classification in Group II is conditioned upon: (a) regular full-time employment with the University or, upon approval of the Board of Trustees, with an agency for which the University serves as fiscal and payroll agent, (b) employment in a position classified as technical and scientific staff, office and clerical staff, or service and maintenance staff, and (c) occupation of a position not covered by the United States Civil Service Retirement Plan.

2. Group II Plan - Participation Requirements

Participation of Group II personnel employed prior to July 1, 1971, is as follows:

- a. Voluntary for employees who had attained age 56 before July 1, 1971, and for employees who have completed one year of continuous service but have not attained age 30.
- b. Mandatory for employees who had completed one year of continuous service and attained age 30 but not age 56 as of July 1, 1971.

c. Mandatory upon the completion of one year of continuous service and the attainment of age 30 for all other such employees.

Participation of Group II personnel employed on or after July 1, 1971, is voluntary ~~upon the completion of one year of continuous service~~ for those employees who have not attained age 30 and mandatory ~~upon the completion of one year of continuous service and the attainment of those employees who have attained~~ age 30.

An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

~~The preliminary service period shall be waived, upon request, for employees who own retirement contracts issued by one or more of the authorized retirement plan carriers.~~

3. Group II Plan - Contributions and Vesting

Notwithstanding any provision to the contrary contained herein, all Group II personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Contributions to the retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

<u>For the Fiscal Year</u>	<u>By the Participant</u>	<u>By the University</u>	<u>Total</u>
1971-72	0.5%	1.0%	1.5%
1972-73	1.2	2.0	3.2
1973-74	1.9	3.0	4.9
1974-75	2.6	4.0	6.6
1975-76	3.3	5.0	8.3
1976-77	4.0	6.0	10.0
1977-78	4.0	6.5	10.5
1978-79	4.0	7.0	11.0
1979-80	4.0	7.5	11.5
1980-6/30/91	4.0	8.0	12.0

1991-93	4.25	8.5	12.75
1993-94	4.5	9.0	13.5
1994-95	4.625	9.25	13.875
1995-96	4.75	9.5	14.25
1996-97	4.875	9.75	14.625
1997-98	5.0	10.0	15.0

Beginning July 1, 1996, the University shall withhold the contribution of the participant from regular wage payments, add its contribution, and remit the combined sum to the retirement plan carrier(s) selected by the participant for the purchase of retirement benefits.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the University's retirement regulations to the contrary, for plan years beginning on or after January 1, 1996, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) annual maximum includable compensation limit. The OBRA '93 annual limit is \$150,000, as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined (determination period); this period may not exceed 12 months. If a determination period consists of fewer than 12 months, the OBRA '93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1996, any reference in the plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual maximum compensation includable limit stated in this provision. The University of Kentucky Retirement Plan Year is deemed to begin July 1 of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA '93 annual limit in effect for that prior determination period. For this purpose, the OBRA '93 annual limit is \$150,000 for the first day of the first plan year beginning on or after January 1, 1996.

Notwithstanding the above, employees who became participants in the University's retirement plan before the first day of the plan year beginning on or after January 1, 1996, will not be subject to this annual limit.

a. The participant will direct the portion of the combined retirement contribution that is to be remitted to each carrier, if two or more carriers are selected. The participant also must advise each retirement plan carrier of which investment options have been chosen and, if two or more options are selected with a single carrier, of the part of the retirement

contribution that is to be allocated to each option.

b. A participant may change the ratio of allocating funds among retirement plan carriers and/or change options by completing the appropriate paper work. Changes in allocating contributions among the plan options is accomplished by the participant directly with the retirement plan carrier.

Each retirement contract issued in accordance with the foregoing is for the sole purpose of providing retirement and/or death benefits.

Retirement benefits purchased by University contributions shall become the property of individual participants as follows:

c. If the participant was employed prior to July 1, 1971: upon the completion of five years of continuous University service. Only years of continuous service immediately prior to July 1, 1971, are to be included in this computation.

d. If the participant was employed on or after July 1, 1971: upon the completion of five years of continuous participation in this plan or on July 1, 1988, whichever event occurs first.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employer and/or employee contributions, then these percentages shall not be applied to the extent of violating applicable laws. In such cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

4. Group II Plan - Termination of Contributions

Contributions on behalf of Group II personnel in the Retirement Plan through December 31, 1987, shall terminate at the end of the fiscal year in which the employee attains age 65 or upon the earliest occurrence of any one or more of the following:

- a. Cessation of regular full-time employment
- b. Retirement

Beginning January 1, 1988, retirement plan contributions on behalf of Group II personnel shall terminate upon retirement or cessation of regular full-time employment.

C. Group III Personnel and Plan

1. Group III Personnel

Eligibility of personnel for classification in Group III is conditioned upon: (a) regular full-time employment with the University or, upon approval of the Board of Trustees, with an agency for which the University serves as fiscal and payroll agent, (b) employment in a position classified as administrative staff, managerial specialist staff, or professional staff, (c) occupation of a position not covered by the United States Civil Service Retirement Plan or the Federal Employees Retirement System; and (d) approval by the President or his delegate.

2. Group III Plan - Participation Requirements

Participation of Group III personnel employed prior to July 1, 1972, is as follows:

a. Voluntary for employees who had attained age 56 before July 1, 1972, and for employees who have completed one year of continuous service but have not attained age 30.

b. Mandatory for employees who had completed one year of continuous service and attained age 30 but not age 56 as of July 1, 1972.

c. Mandatory upon the completion of one year of continuous service and attainment of age 30 for all other such employees.

Participation of Group III personnel employed on or after July 1, 1972, is voluntary ~~upon the completion of one year of continuous service~~ for those employees who have not attained age 30 and mandatory ~~upon the completion of one year of continuous service and the attainment of for those employees who have attained~~ age 30.

An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

~~The preliminary service period shall be waived, upon request, for employees who own retirement contracts issued by one or more of the authorized retirement plan carriers.~~

3. Group III Plan - Contributions and Vesting

Notwithstanding any provision to the contrary contained herein, all Group III personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Contributions to the retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

<u>For the Fiscal Year</u>	<u>By the Participant</u>	<u>By the University</u>	<u>Total</u>
1972-73	1.0%	2.0%	3.0%
1973-74	2.0	4.0	6.0
1974-75	3.0	6.0	9.0
1975 through 6/30/91	4.0	8.0	12.0
1991-93	4.25	8.5	12.75
1993-94	4.5	9.0	13.5
1994-95	4.625	9.25	13.875
1995-96	4.75	9.5	14.25
1996-1997	4.875	9.75	14.625
1997-1998	5.0	10.0	15.0

Beginning July 1, 1996, the University shall withhold the contribution of the participant from regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier(s) selected by the participant for the purchase of retirement benefits.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the University's retirement regulations to the contrary, for plan years beginning on or after January 1, 1996, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) annual maximum includable compensation limit. The OBRA '93 annual limit is \$150,000, as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined (determination period); this period may not exceed 12 months. If a determination period consists of fewer than 12 months, the OBRA '93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1996, any reference in the plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual maximum compensation includable limit stated in this provision. The University of Kentucky Retirement Plan Year is deemed to begin July 1 of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA '93 annual limit in effect for that prior

determination period. For this purpose, the OBRA '93 annual limit is \$150,000 for the first day of the first plan year beginning on or after January 1, 1996.

Notwithstanding the above, employees who became participants in the University's retirement plan before the first day of the plan year beginning on or after January 1, 1996, will not be subject to this annual limit.

a. The participant will direct the portion of the combined retirement contribution that is to be remitted to each carrier, if two or more carriers are selected. The participant also must advise each retirement plan carrier of which investment options have been chosen and, if two or more options are selected with a single carrier, of the part of the retirement contribution that is to be allocated to each option.

b. A participant may change the ratio of allocating funds among retirement plan carriers and/or change options by completing the appropriate paper work. Changes in allocating contributions among the plan options is accomplished by the participant directly with the retirement plan carrier.

Each retirement contract issued in accordance with the foregoing is for the sole purpose of providing retirement and/or death benefits.

Retirement benefits purchased by University contributions shall become the property of individual participants as follows:

c. If the participant was employed prior to July 1, 1972: upon completion of three years of University service. Only years of continuous service immediately prior to July 1, 1972, are to be included in this computation.

d. If the participant was employed on or after July 1, 1972: upon completion of three years of participation in this plan or on July 1, 1988, whichever event occurs first.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employer and/or employee contributions, then these percentages shall not be applied to the extent of violating applicable laws. In such cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

4. Group III Plan - Termination of Contributions

Contributions on behalf of Group III personnel in the Retirement Plan through December 31, 1987, shall terminate at the end of the fiscal year in which the employee

attains age 65 or upon the earliest occurrence of any one or more of the following:

- a. Cessation of regular full-time employment
- b. Retirement

Beginning January 1, 1988, retirement plan contributions on behalf of Group III personnel shall terminate upon retirement or cessation of regular full-time employment.

D. Group IV Personnel and Plan

1. Group IV Personnel

Eligibility of personnel for classification in Group IV is conditioned upon: (a) regular full-time employment, (b) occupation of a position covered by the United States Civil Service Retirement Plan, and (c) eligibility rights under the United States Civil Service Retirement Plan.

2. Group IV Plan - Participation Requirements

Participation of Group IV personnel employed on or after January 1, 1973, is voluntary ~~upon the completion of one year of continuous service.~~

An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

~~The preliminary service period shall be waived, upon request, for employees with tenure or for employees who own retirement contracts issued by one or more of the authorized retirement plan carriers.~~

3. Group IV Plan - Contributions and Vesting

Contributions to the retirement plan shall be made in accordance with the following schedule for the period of January 1, 1973, through June 30, 1987:

Contributions as a Percent of Basic Annual Salary

<u>By the Participant</u>	<u>By the Institution</u>	<u>Total</u>
1%	2%	3%

Beginning July 1, 1987, contributions to the retirement plan shall be increased as follows:

Contributions as a Percent of Basic Annual Salary

<u>By the Participant</u>	<u>By the Institution</u>	<u>Total</u>
4.0%	8.0%	12.0%
4.25%	8.5%	12.75%
4.5%	9.0%	13.5%
4.625%	9.25%	13.875%
4.75%	9.5%	14.25%
4.875%	9.75%	14.625%
5.0	10.0	15.0

Beginning July 1, 1996, the University shall withhold the contribution of the participant from regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier(s) selected by the participant for the purchase of retirement benefits.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the University's retirement regulations to the contrary, for plan years beginning on or after January 1, 1996, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) annual maximum includable compensation limit. The OBRA '93 annual limit is \$150,000, as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined (determination period); this period may not exceed 12 months. If a determination period consists of fewer than 12 months, the OBRA '93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1996, any reference in the plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual maximum includable compensation limit stated in this provision. The University of Kentucky Retirement Plan Year is deemed to begin July 1 of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA '93 annual limit in effect for that prior determination period. For this purpose, the OBRA '93 annual limit is \$150,000 for the first day of the first plan year beginning on or after January 1, 1996.

Notwithstanding the above, employees who became participants in the University's retirement plan before the first day of the plan year beginning on or after January 1, 1996, will not be subject to this annual limit.

a. The participant will direct the portion of the combined retirement contribution that is to be remitted to each carrier, if two or more carriers are selected. The participant also must advise each retirement plan carrier of which investment options have been chosen and, if two or more options are selected with a single carrier, of the part of the retirement contribution that is to be allocated to each option.

b. A participant may change the ratio of allocating funds among retirement plan carriers and/or change options by completing the appropriate paper work. Changes in allocating contributions among the plan options is accomplished by the participant directly with the retirement plan carrier.

Retirement benefits purchased with the combined employee and University contributions shall become the property of individual participants immediately upon purchase. All benefits are for the sole purpose of providing retirement and/or death benefits.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employer and/or employee contributions, then these percentages shall not be applied to the extent of violating applicable laws. In such cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

4. Group IV Plan - Termination of Contributions

Contributions on behalf of Group IV personnel in the Retirement Plan through December 31, 1987, shall terminate at the end of the fiscal year in which the employee attains age 65 or upon the earliest occurrence of any one or more of the following:

- a. Cessation of regular full-time employment
- b. Retirement

Beginning January 1, 1988, retirement plan contributions on behalf of Group IV personnel shall terminate upon retirement or cessation of regular full-time employment.

E. Group V Personnel and Plan

1. Group V Personnel

Eligibility of personnel for classification in Group V is conditioned upon:
(a) regular full-time employment; (b) occupation in a position covered by the Federal Employees

Retirement System (FERS) Act; and (c) participation rights under the FERS retirement plan.

2. Group V Plan - Participation Requirements

Participation of Group V personnel hired on or after January 1, 1973, but no later than March 31, 1987 is voluntary ~~upon completion of one year of continuous service.~~

An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

~~_____ The preliminary service period shall be waived, upon request, for employees with tenure or for employees who own retirement contracts issued by one or more of the authorized retirement plan carriers.~~

3. Group V Plan - Contributions and Vesting

Contributions to the retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

<u>By the Participant</u>	<u>By the Institution</u>	<u>Total</u>
1%	2%	3%

Beginning July 1, 1988, the University shall withhold the contribution of the participant from the regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier(s) selected by the participant for the purchase of retirement benefits.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the University's retirement regulations to the contrary, for plan years beginning on or after January 1, 1996, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) annual maximum includable compensation limit. The OBRA '93 annual limit is \$150,000, as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost of living adjustment in effect for a calendar year applies to any period beginning in such calendar year over which compensation is determined (determination period); this period may not exceed

12 months. If a determination period consists of fewer than 12 months, the OBRA '93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1996, any reference in the plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual maximum includable compensation limit stated in this provision. The University of Kentucky Retirement Plan Year is deemed to begin July of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA '93 annual limit in effect for that prior determination period. For this purpose, the OBRA '93 annual limit is \$150,000 for the first day of the first plan year beginning on or after January 1, 1996.

Notwithstanding the above, employees who became participants in the University's retirement plan before the first day of the plan year beginning on or after January 1, 1996, will not be subject to this annual limit.

a. The participant will direct the portion of the combined retirement contribution that is to be remitted to each carrier, if two or more carriers are selected. The participant also must advise each retirement plan carrier of which investment options have been chosen and, if two or more options are selected with a single carrier, of the part of the retirement contribution that is to be allocated to each option.

b. A participant may change the ratio of allocating funds among retirement plan carriers and/or change options by completing the appropriate paper work. Changes in allocating contributions among the plan options is accomplished by the participant directly with the retirement plan carrier.

Retirement benefits purchased with the combined employee and University contributions shall become the property of individual participants immediately upon purchase. All benefits are for the sole purpose of providing retirement and/or death benefits.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employer and/or employee contributions, then these percentages shall not be applied to the extent of violating applicable laws. In such cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

4. Group V Plan - Termination of Contributions

Contributions on behalf of Group V personnel in the Retirement Plan

through December 31, 1987, shall terminate at the end of the fiscal year in which the employee attains age 65 or upon the earliest occurrence of any one or more of the following:

- a. Cessation of regular full-time employment
- b. Retirement

Beginning January 1, 1988, retirement plan contributions on behalf of Group V personnel shall terminate upon retirement or cessation of regular full-time employment.

F. President, Vice Presidents, and Chancellors

Annual contributions to the Retirement Plan shall be made on behalf of the President, each Vice President, and each Chancellor in an amount equal to the aggregate of employee and University contributions otherwise provided herein for Group I employees. Provided, however, that nothing contained herein shall be construed to impair the retirement entitlement of any President or Vice President employed in that capacity as of September 18, 1979. The Chairperson of the Executive Committee of the Board of Trustees, on behalf of the Board, shall execute contracts with the individual officers providing for the age of retirement of the officers and the other details of the arrangement authorized by this Retirement Plan.

III. Retirement Dates

A. Retirement Prior to Age 65

Retirement prior to age 65 generally is considered as early retirement. Early retirement is authorized when the combination of the employee's age and years of regular full-time service (with a minimum of 15 years of continuous service at the time of retirement) equals or exceeds the number 75. Regular part-time service will be counted on a pro rata basis. Employees taking advantage of this early retirement must provide written notification through normal administrative channels to their appropriate chancellor or vice president at least three months in advance of the desired retirement date.

1. An employee who is taking early retirement and who is eligible for benefits as provided in Section IV.B shall be permitted to retire with entitlement to all University benefits except supplemental retirement income if applicable (as calculated under Section IV.B) at the time of retirement. Any supplemental retirement income is subject to the following conditions:

(a) Payment of supplemental retirement income shall not begin until the month in which the early retiree attains age 65;

(b) Service credit for supplemental retirement income shall not accrue after the person retires;

(c) The salary used to determine supplemental retirement income shall be the basic annual salary for the last year of active employment;

(d) An early retiree who elects to proceed under this option shall not receive supplemental retirement benefits which exceed 20% of the basic annual salary received during the last year of active employment plus 1% of such salary for each year of active service to the University.;

(e) The computation of supplemental retirement income will be based on the assumptions in Section IV.B.6, except that the value of the single life annuity option is to be computed on the basis of the employee's age at the time early retirement commences; and

(f) Supplemental retirement benefits are not payable to survivors in the event the retiree dies prior to the attainment of age 65.

2. An employee who is taking early retirement but is not eligible for benefits as provided for in Section IV.B shall be permitted to retire with entitlement to all other University benefits.

B. Normal Retirement

The normal retirement date for all employees of the University of Kentucky employed on or after July 1, 1964, and those employed prior to that date who attain age 56 after June 30, 1964, is hereby established as the end of the University's fiscal year in which the employee attains age 65 or, upon administrative approval at least three months in advance, during the month in which the employee attains age 65.

C. Mandatory Retirement

1. General

With the exceptions described in Sections III.C.2 and III.C.3, no mandatory retirement date is applicable to employees of the University of Kentucky.

2. Executives

The mandatory retirement date, as an executive, for all employees of the University of Kentucky employed in bona fide executive or high policy making positions for two or more years prior to the attainment of age 65 and who are entitled to an immediate nonforfeitable annual retirement benefit from the University which equals or exceeds the amount per year specified by federal statute is hereby established as the end of the University's fiscal year in which the employee attains age 65.

3. Law Enforcement Officers

The mandatory retirement date for all law enforcement officers of the University of Kentucky shall be at the end of the University's fiscal year in which the employee attains age 70.

D. Disability Retirement

1. Prior to Normal Retirement Date

An employee with an extended period of service to the University may, at the discretion of the President, be permitted to retire prior to age 65, upon the employee's request if same is supported by a statement of a licensed physician certifying that the employee cannot engage in normal employment because of physical or mental disability. The benefit level in such a special case shall be related to the period of service and rate of compensation at retirement, and shall be conditioned upon continuance of the employee's total disability.

2. Subsequent to Normal Retirement Date

An employee who has elected to continue in employment beyond his or her normal retirement date, as established herein, may be required to retire in the event that the said employee's condition of health becomes such that it prevents the discharge of assigned duties and responsibilities.

3. In Conjunction with Long Term Disability Plan

An employee entitled to disability benefits after age 65 under the Long Term Disability Program, who qualifies for retirement and supplemental retirement income pursuant to this plan, will be eligible to retire and activate supplemental retirement income under the following conditions:

a. The amount of annual supplemental retirement income to be provided shall be determined according to the formula provided in Section IV.B.1;

b. University-sponsored disability plan benefits are to be deducted from supplemental retirement income; and

c. Supplemental retirement income will be adjusted at the time disability benefits cease according to the formula provided in Section IV.B.1.

IV. Retirement Benefits

A. Benefits Through Retirement Plan Carriers

Each participant is entitled, at retirement or upon electing participation in the

Phased Retirement Program under AR II-1.6-2, to activate any or all retirement benefits that have been acquired under the University of Kentucky Retirement Plan in accordance with procedures and rules established by the retirement plan carriers. In addition to lump sum or partial lump sum provisions, there will be both annuitized and nonannuitized methods of withdrawal. There may be variances in the retirement withdrawal options among the carriers. All retirement plan carriers do not offer the same withdrawal options.

B. Minimum Annual Retirement Benefit and University Supplemental Retirement Income

1. Group I Personnel

For each Group I employee (see II.A.1) who was age 40 or older prior to July 1, 1964, and who was employed by the University prior to July 1, 1964, and who retires pursuant to the provisions hereof, the University will provide an annual supplemental retirement income during the lifetime of the employee, where necessary, to assure a minimum annual retirement benefit. The minimum annual retirement benefit shall be the following percentage of the basic annual salary at the employee's retirement date (unless the employee is serving outside the country on a University project and, in which case, the salary to be used in the computation shall be the basic annual salary received at the University during the year immediately preceding such foreign service):

- a. 20% plus 1% for each year of eligible service to the University

plus

- b. For the employee who had attained age 56 prior to July 1, 1964, 1% for each full year by which retirement precedes the end of the fiscal year in which the employee's 70th birthday is attained.

or

For the employee who had attained age 51, but not age 56 prior to July 1, 1964, the following percentage:

<u>Age</u>	<u>Percentage</u>
51	1
52	2
53	3
54	4
55	5

In no event shall the applicable percentage exceed 20% plus 1%

for each year of eligible service. Any service credit allowed for years of part-time employment shall be computed on an appropriate fractional basis.

Annual supplemental retirement income, if any, shall be determined according to the following equation or formula:

$$\begin{array}{rcl} \text{Fixed Annual} & & \text{Computed1} & & \text{Computed2 Annual} \\ \text{Supplemental} & & \text{Minimum} & & \text{Retirement} \\ \text{Retirement} & = & \text{Annual} & - & \text{Benefit from} \\ \text{Benefit} & & \text{Retirement} & & \text{the Funded Plan} \\ & & \text{Benefit} & & \text{Accumulations} \end{array}$$

1 Computed as explained above in this section

2 Computed on the basis of assumptions in Section IV.B.6.a.

Under the conditions of this formula, an employee would receive supplemental retirement income only if the computed annual retirement benefit from the funded plan accumulations is less than the computed minimum annual retirement benefits to which the employee is entitled.

2. Group II Personnel

For each Group II employee (See II.B.1) who was employed prior to July 1, 1971, and who had attained age 40 as of that date and has at least 15 years of consecutive service as of the employee's retirement date the University will provide an annual supplemental retirement income during the lifetime of the employee where necessary to assure a minimum annual retirement benefit under the plan equal to 20% of the basic annual salary received by the participant at the retirement date plus 1% of that salary for each year of eligible service at the University. The amount of annual supplemental retirement income to be provided shall be determined according to the formula provided in IV.B.1.

Information regarding computation of the minimum annual retirement benefit and annual supplemental retirement income for the participant employed prior to July 1, 1964, and who has been continuously employed since that date, is provided in Section IV.B.1.

3. Group III Personnel

For each Group III employee (see II.C.1) who was employed prior to July 1, 1972, and who had attained age 40 as of that date and has at least 15 years of consecutive service at the employee's retirement date the University will provide an annual supplemental retirement income during the lifetime of the employee, where necessary, to assure a minimum annual retirement benefit under the plan equal to 20% of the basic annual salary received by the participant at the retirement date plus 1% of that salary for each year of eligible service at the

University. The amount of annual supplemental retirement income to be provided shall be determined according to the formula provided in IV.B.1.

Information regarding computation of the minimum annual retirement benefit and annual supplemental retirement income for the participant employed prior to July 1, 1964, and who had been continuously employed since that date, is provided in Section IV.B.1.

4. Group IV Personnel

For each Group IV employee (see II.D.1) who was employed by the University prior to January 1, 1973, and whose University employment includes periods of eligible service covered in part by the United States Civil Service Retirement Plan and in part by the Group IV Plan and/or by the older University unfunded plan, the University will provide an annual supplemental retirement income during the lifetime of the employee, where necessary, to assure a minimum annual retirement benefit equal to that which would have been received had all eligible service been exclusively under the University's unfunded retirement plan. The amount of supplemental retirement income, if any, to be provided shall be computed using the following equation or formula:

Fixed Annual Supplemental Retirement Income	=	Computed1 Minimum Annual Retirement Benefit	-	Computed2 Annual Benefit from the Funded Plan Accumulations Retirement	-	Computed3 Annual Benefit from Civil Service
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1Computed as explained in Section IV.B.1.

2Computed on the basis of assumptions in Section IV.B.6.a.

3Computed on the basis of assumption in Section IV.B.6.b.

Under the conditions of this formula, an employee would receive supplemental retirement income only if the sum of the computed annual benefit from the Civil Service retirement plan plus the computed annual retirement benefit received from the funded plan accumulations is less than the computed minimum annual retirement benefit to which the employee is entitled.

If an employee eligible for Civil Service retirement benefits elects to retire at an age earlier than the normal University retirement age of 65, all retirement benefits will be calculated on the age attained at retirement rather than age 65. Any University supplemental retirement benefit due the employee will be deferred until the employee attains age 65.

The policy described herein applies to retirements which become effective on or after January 1, 1974. Employees whose service is in part with the University of Kentucky and in part with the U.S. Veterans Administration are not covered under the Group IV

Plan.

5. Group V Personnel

Employees covered under the Group V plan do not have minimum annual retirement benefit rights.

6. Assumptions in Computation of Supplemental Retirement Income

In determining whether participation in the Civil Service and/or the funded retirement plan(s) has produced the minimum annual retirement benefit described in Sections IV.B.1 through IV.B.4, the following assumptions shall be used:

a. Assumptions Applicable to Calculation of Benefit from the Funded Plan

(1) That all retirement contributions, both from the employee and the University, were invested in a TIAA annuity contract (regardless of the percentages actually allocated to the authorized retirement plan carriers), and

(2) That the retiring employee elected the single life annuity option the value of which is computed on the basis of the employee's age at time of normal retirement (regardless of the option(s) actually elected).

b. Assumption Applicable to Calculation of Benefit from Civil Service

That the retiring employee elected the single life annuity option (regardless of the option(s) actually elected).

7. Periods of Service

As used in this retirement plan, "period of service" means the number of years of full-time employment plus credit allowed for part-time employment plus periods in an approved leave of absence status. Periods of service and eligible service shall be computed to the nearest half-year.

The term "eligible service" means the number of years of full-time employment plus credit allowed for part-time employment plus periods in an approved leave of absence status plus periods in an approved disability status occurring prior to the retirement date. Eligible service also includes service that is derived from Staff Personnel Policy and Procedure regulations that govern utilization of temporary disability leave in conjunction with retirement

under this Administrative Regulation.

Only years of continuous service immediately preceding retirement shall be counted in computing periods of eligible service, except where a leave of absence approved by the Board of Trustees or its Executive Committee is of record. When an approved leave is for employment other than by the University, and when the absence is in excess of one year, years of absence in excess of one shall not be counted in determining supplemental retirement income, except by specific agreement at the time the leave is taken or in exceptional instances upon recommendation of the President and approval of the Board of Trustees. The period during which an employee receives benefits under the University's Total Disability Program will be included in the total period of service factor used in the computation of benefits under the non-funded retirement program.

An employee who has had a break in continuous service with the University and, except for the required minimum of fifteen years of continuous service at retirement, otherwise qualifies for retirement benefits may count total service at the University in order to establish a minimum annual retirement benefit, provided total service is equal to at least fifteen years. In any event, the last re-employment date must have preceded the establishment of the funded retirement plan for the group of employees, in which the retiring employee is or was eligible to participate.

8. Retirement Age

The retirement age required under each of the various subsections of Section III may be modified by the provisions of Staff Personnel Policy and Procedure regulations that govern utilization of temporary disability leave in conjunction with retirement age.

C. Retirement Benefits Offset(s)

Any University employee who, at the time of retirement, is eligible for payments by the University under provisions of the unfunded retirement plan or under provisions for supplemental retirement income associated with the funded retirement plan, shall have any continuing benefits that are payable after retirement under the Workers' Compensation Laws or Unemployment Compensation Laws deducted from the University benefit payment. It is intended that the employee receive the total amount of the greatest single benefit but in no event receive any combination of benefits that will exceed the greatest single benefit.

Reduction in University benefit rates as a result of Workers' Compensation payments and/or Unemployment Compensation payments will be adjusted in the event that all or any portion of such payments are discontinued.

D. Benefits in Case of Death Before Retirement

In the event of a University employee's death prior to the commencement of retirement benefits, an income or lump-sum benefit will be paid by the retirement plan carrier to the participant's designated beneficiary or beneficiaries according to policy established by the carrier.

V. Survivorship Option

A. Employees eligible for supplemental retirement income pursuant to Section II.F. or IV.B. may elect a spouse survivor option as to such benefits.

B. The election may be filed at any time prior to the month in which the employee attains age 65, or thereafter at any time prior to retirement.

C. If the survivor option is elected supplemental retirement income will be reduced to an amount which is the actuarial equivalent (as determined by TIAA at the time of retirement) of a joint and two-thirds benefit to the surviving spouse payable for life.

D. Election of this option is revocable prior to the beginning of the month in which the employee attains age 65 unless, at an earlier date, benefits have been paid or accrued pursuant to said election. In all other cases the election is irrevocable.

E. Election of this option may not be exercised posthumously.

F. Survivor benefits pursuant to the provisions of this section are not payable, even though an election has been filed prior to retirement, unless the employee has (1) attained normal retirement age or (2) has been granted disability retirement pursuant to Section III.D.1.

VI. Contributions During Leave of Absence With Pay

A participant on leave with pay shall make the employee contribution and receive the University contribution based on the amount of the salary that is paid through the University payroll. Contributions to a participant's retirement plan shall be made on the actual salary paid through the University payroll, not to exceed the annual salary.

VII. Contributions Under Uniformed Services Leave

A participant on Uniformed Services Leave shall have the ability to continue making retirement contributions to the plan.

VIII. Employment Beyond Retirement

Employees who have elected to retire from University service under any of the provisions hereof shall not be eligible for reemployment except to perform duties for which fee schedules have been approved or upon the specific prior action of the Board of Trustees granting

approval of the appointment.

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