

**UNIVERSITY OF MAINE SYSTEM  
RETIREMENT PLAN  
FOR CLASSIFIED STAFF**

**Summary Plan Description**



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UNIVERSITY OF MAINE SYSTEM

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RETIREMENT PLAN  
FOR CLASSIFIED STAFF**

A Publication of the University of Maine System  
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## INTRODUCTION

The University of Maine System Retirement Plan for Classified Staff was established in 1961 to provide pension benefits to eligible classified employees. Since then, it has been revised several times.

The purpose of this booklet is to explain in everyday language the benefits, rights and obligations you have under your pension plan. Please refer to the official plan document, which is available in the System Office of Human Resources (Bangor), if you wish more extensive information. In the event of any conflict between this booklet and the plan document, the plan document will govern.

The University also provides you with a statement each year so that you can easily keep track of the benefit you have earned under the plan.

The University of Maine System has established this Plan for the benefit of its employees. The provisions of the Employee Retirement Income Security Act of 1974 (ERISA) do not generally apply to this Plan.

Plan participants are entitled to:

- ◆ Examine all Plan documents; and
- ◆ Obtain copies of all Plan documents (for a reasonable charge).

We hope you will find this information helpful and will discuss it with your family. If you have any questions or concerns after reading the booklet, please contact the Human Resources or Benefits Office at your University or the System Office of Human Resources at (207) 973-3380 or (207) 973-3382.

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## **HIGHLIGHTS OF THE PLAN**

The retirement program for classified staff includes two plans: this defined benefit retirement plan and the Optional Retirement Savings Plan. Participation in the Optional Retirement Savings Plan with TIAA-CREF is optional and is discussed in more detail beginning on page 12. The highlights of the defined benefit plan are as follows:

- ◆ Your employer pays the entire cost of the defined benefit Plan.
- ◆ The Plan provides a pre-retirement death benefit if you die while an active employee.
- ◆ The benefits payable under the Plan are in addition to those you will receive from Social Security.
- ◆ The Plan provides payment options which will pay a lifetime income to your spouse or other dependent upon your death after retirement.

The benefits described in this booklet are payable to Plan members who retire or terminate on or after July 1, 1998. You are also eligible to participate in the Optional Retirement Savings Plan which offers the opportunity for pre-tax employee contributions and a matching contribution from the University. This plan also provides benefits to your selected beneficiary(ies) if you die while an active employee (see TIAA-CREF Summary Plan Description).

## ***PART I - Defined Benefit Plan***

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### **Who Is Eligible?**

If you were an eligible employee as of June 30, 1998 and elected to remain in the defined benefit Plan, you are a plan participant.

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### **Who Pays For My Benefits?**

Your retirement benefits are provided at no cost to you. The University pays for the entire cost of the Plan. The University's annual contribution to the retirement fund is based on calculations made by an Actuary. The retirement fund is completely separate from the rest of the University's assets. The retirement fund is held in trust under agreements with investment groups.

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### **How Is My Retirement Benefit Calculated?**

The formula used to calculate your retirement benefit uses:

1. The average of your highest 10 consecutive years of gross (includes overtime) compensation from the University
2. Your Credited Service, which is the total number of years you have worked as a full-time, part-time, or benefits regular classified employee at the University (up to a maximum of 30 years)
3. A factor of .0125 (.0125 increases to .0150 for participants with 20 or more years of Credited Service)

The actual formula is:

$$\begin{array}{l} \text{High 10-year average of compensation} \\ \times \\ \text{.0125 (or .0150)} \\ \times \\ \text{Years of Credited Service (up to 30 years)} \end{array}$$

Please note that credited service in the formula reflects actual service. For example, two years at half-time counts as one-year of credited service in the formula. Compensation, however, is converted to a full-time equivalent in calculating the high ten-year average of compensation.



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### **What Is Vesting And When Am I Vested In This Plan?**

Vesting is the point at which you have earned the right to the pension benefit you have accrued in the defined benefit Plan. Once you have earned this right, it cannot be taken away from you.

If you were an active Plan participant on or after July 1, 1998, you are vested in the Plan.

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### **What Happens To My Accumulated Sick Leave When I Retire?**

When you retire, your unused sick leave up to the maximum permitted by your collective bargaining agreement is used to calculate an additional amount that is added to your annual retirement benefit.

The additional amount is calculated as follows:

Total unused sick leave (up to the maximum)

×

Hourly Rate of Pay

×

.0125 (or .0150);

Once this amount is calculated, it is added to your annual retirement benefit.

For example, if you have accumulated 1,440 hours of sick leave when you retire and your hourly rate of pay is \$10.25, the formula would be:

$$1,440 \text{ hours} \times \$10.25 \text{ per hour} \times 0.0125 = \$184.50.$$

The \$184.50 would be added to your annual pension.

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### **What Are The Different Ways My Pension Can Be Paid?**

When you decide to retire, you will be asked to complete an Application For Benefits, available at your campus Human Resources or Benefits Office, in which you choose one of several options for how your pension will be paid. Your choice must be made in writing before you begin receiving benefits. Once you begin receiving benefits, you may not change the payment option.

These are the payout options available:

1. **Life Annuity** (or lifetime-only benefit) – This option provides a retirement benefit to you during your lifetime. However, when you die no benefits would be paid to any beneficiary. This option provides the largest monthly retirement benefit of the available payout options.
2. **Ten-Year Certain and Continuous** – Under this option, pension benefits are guaranteed for your lifetime. Should you die within 10 years after benefit payments begin, your beneficiary would continue to receive the same benefit you were getting until the 10 year period ends. Should you die after receiving benefits for 10 years, your beneficiary would not receive payments. The 10 year guarantee reduces the monthly pension benefit you receive.
3. **Joint and Survivor Benefit Options** – Under this option, a percentage of your pension is continued to your beneficiary for the rest of his or her lifetime. You may choose to have 100%, 66<sup>2</sup>/<sub>3</sub>% or 50% of your pension paid to your beneficiary after your death. The higher the percentage you choose for your beneficiary, the more your monthly benefit will be reduced. If your beneficiary is not your spouse, you will not be permitted to choose a joint option if this choice would cause your monthly benefit to be reduced to less than 50% of what you could have received under the Life Annuity option. This means you can not choose a beneficiary who is much younger than you. Furthermore, if you choose a joint life option and your beneficiary dies before you, no benefits will be paid after your death, and the amount of your pension will not change.

The following example illustrates the effect of different payout options for the Building and Grounds Maintenance Worker example used previously. Assuming that both the employee and the employee's beneficiary are 65 years old when the employee retires, the following payout options apply.

### Retirement Payout Options

Example: Building and Grounds Maintenance Worker

14 years, 3 months of service

Annual Benefit = \$2,885

**Monthly Benefit\***

<b>Payout Option</b>	<b>Employee/Beneficiary**</b>	
Life Annuity	\$240	0
10-yr. Certain & Continuous	\$219	\$219
50% Joint & Survivor	\$214	\$107
66 <sup>2</sup> / <sub>3</sub> % Joint & Survivor	\$207	\$138
100% Joint & Survivor	\$194	\$194

\*For purposes of illustration, benefit amounts are rounded to the nearest whole dollar.

\*\*Payable only upon death of retiree. Under the 10-yr Certain & Continuous option, beneficiary only receives benefit until 10<sup>th</sup> anniversary of benefit commencement date.

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## How Does The Retirement Date I Select Affect My Benefit?

Your pension will not be paid until you retire. Your Normal Retirement Date is age 65. You can receive your full benefit at your Normal Retirement Date.

If you continue to work after you turn 65, those years of full-time, part-time, or benefits regular University credited service will be counted toward the 30 year maximum in the formula. In addition, your gross earnings after age 65 will be considered in determining your 10 years of highest consecutive compensation.

If you choose to terminate employment with the University before age 65, your retirement benefit will be based upon your years of credited service and high 10-year earnings average up to that point. This benefit is payable at age 65. However, if you begin receiving benefits before age 65, your benefit will be reduced based on your age when you start to receive benefits. This reduction is necessary because your monthly benefits will be paid over a longer period of time. The table below shows the percentage of the age 65 benefit that is payable to you at various ages before age 65.

If you have less than 25 years of service or you terminate prior to age 55:

<b>Your Age When Retirement Benefits Start</b>	<b>Percentage of Age 65 Benefit Payable</b>
55	50%
58	60%
60	66.67%
62	80%
64	93.33%

If you have more than 25 years of service and terminate on or after age 55:

<b>Your Age When Retirement Benefits Start</b>	<b>Percentage of Age 65 Benefit Payable</b>
55	70%
58	80%
60	86.67%
62	100%

Consider this example:

You retire at age 62, you have less than 25 years of service, and you start collecting your pension right away. If your full monthly retirement benefit would be \$300, then the life annuity option at age 62 would be \$240. If you chose one of the other payout options, your benefit would be further reduced.

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## **What If I Leave The University Before I Retire?**

If you leave the University before retirement (age 55 or greater), you are entitled to a monthly benefit when you reach age 65. This benefit is based upon your earnings and years of credited service when you left the University. However, if you die after leaving the University but before you begin to draw a benefit, your beneficiaries will not receive any benefits from the plan.

You may choose to have your pension begin as early as age 55 in a reduced amount (identical to the reduction for early retirement). You will still have to complete an Application for Benefits and choose a payout option.

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## **What If I Die Before I Retire?**

All *active* participants in the Plan are automatically covered by a pre-retirement death benefit which will provide a payment to your designated beneficiary if you die before you retire. This pre-retirement death benefit is *in addition to* University life insurance. The amount of the pre-retirement death benefit available through the Retirement Plan is \$500 for each completed year of University service.

All active participants in the Plan should have a beneficiary designation on file. This beneficiary can either be the person you have designated for the regular University life insurance or it may be a different person. If there is no beneficiary designation on file, benefits will be paid to your estate.

Any questions regarding the pre-retirement death benefit or your designated beneficiary on file should be directed to your campus Benefits/Human Resources Office.

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## **What If I Become Disabled?**

The University of Maine System has a Long Term Disability (LTD) Plan for eligible employees, which is described in a separate booklet. If you become disabled and you are under 60 years old, you may receive Long Term Disability until you are 65. At that time, your LTD benefits cease and your pension benefits begin. The years during which you receive LTD benefits count as years of continuous and credited service in the defined benefit retirement formula. Your annual gross earnings during this time are assumed to equal your earnings during the last year that you worked.

If you become disabled after the age of 60, you may receive Long Term Disability benefits up to a maximum of 60 months (the exact length of time depends upon your age when you become disabled). When you turn 65, you may choose to continue receiving LTD benefits or you may begin drawing your pension. Your campus Benefits or Human Resources Office can provide information to assist you in making this choice.

Eligibility for the enhanced factor in the retirement formula (See Page 3 – How Is My Retirement Benefit Calculated?) or enhanced early retirement factors (See Page 7 – How Does The Retirement Date I Select Affect My Benefit?) must have been met prior to qualifying for LTD benefits.

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### **Can I Get Back Any Benefits If I Lose Them?**

If you were rehired prior to July 1, 1998 after having left the University, you may be able to count your earlier years of full-time, part-time, or benefits regular service. In order to do this, the period of your absence must be less than your prior, continuous service. If your period of absence is equal to or greater than your prior, continuous service, you will be treated as a new employee as far as the Plan is concerned.

For example, suppose you left the University after four years of employment. If you were rehired prior to July 1, 1998, and within four years, your prior years of service and gross earnings will be counted in the retirement benefit formula. If you returned after four years, or after July 1, 1998, your prior years of service and earnings are disregarded for purposes of this Plan.

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### **What Happens If I Become a Professional Employee?**

If you are vested in the defined benefit Retirement Plan and you become a professional University employee, you will receive benefits when you retire from the Plan based upon the number of years of credited service while you were a classified employee. Your earnings will be based on the highest 10 consecutive years of gross (includes overtime) compensation as a classified and/or professional employee. This retirement benefit will be in addition to whatever retirement benefit you earn as a professional employee. If you were not vested in the defined benefit Retirement Plan when you became a professional, your professional service counted toward vesting in the defined benefit Retirement Plan.

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### **What Can I Expect From Social Security?**

Employees covered by this plan are covered by Social Security: therefore, you may also receive benefits from Social Security. Social Security benefits may be payable in the event of your death or disability as well as retirement.

Your Social Security benefits are based on your earnings from the University and from other covered employment. You may go to your local Social Security office for a record of your past wages that were subject to Social Security taxes. You may also request from the Social Security office a booklet which explains in detail how to calculate your Social Security benefits. The Social Security Administration's toll-free phone number is 1-800-772-1213. This number is in operation from 7a.m. to 7p.m. (EST) on business days.

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## How Is The Plan Administered?

The University of Maine System is the plan administrator with overall responsibility for the operation of the Plan. As the plan administrator, it is responsible for appointing a Retirement Committee to carry out certain administrative duties. Although the Retirement Committee cannot in any way alter the terms, conditions or benefits of the plan, it does answer questions and make decisions regarding interpretations and application of basic plan administrative provisions. Any changes to the Plan itself must be made by the University of Maine System Board of Trustees.

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## How Do I File An Application For Benefits?

You can get an Application For Benefits from your campus Benefits or Human Resources Office or from the System Office of Human Resources, 107 Maine Avenue, Bangor, ME 04401.

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## How Do I File An Appeal If My Application Is Denied?

If all or part of your Application for Benefits is denied, the Retirement Committee will notify you in writing of the reasons for the denial with specific reference to appropriate plan provisions. If you disagree with the Committee's decision, within 90 days of receiving the Committee's letter you may:

- 1) by written application, request a hearing by the Committee,
- 2) review pertinent documents in the possession of the Committee, or
- 3) submit issues and comments in writing to the Committee.

Within 60 days (or 120 days in certain circumstances) after receiving your request for review, the Committee will notify you of its final decision and the specific reasons for its decision.

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## Is There Anything Else I Should Know?

1. ***Continuance of the Plan*** - The University fully intends to continue your Retirement Plan indefinitely and to meet any foreseeable situations that may occur. To protect against any unforeseen situations, the University does reserve the right to change the Plan and, if necessary, discontinue it. If it is necessary to discontinue the Plan, the assets of the Trust Fund will be used to provide benefits in accordance with the Plan Document.
2. ***Assignment of Benefits*** - For the protection of your interests and those of your dependents, your benefits under the Plan are not (to the extent permitted by law)

subject to garnishment or attachment, and your benefits cannot be assigned to someone else except in the following situation: under the Retirement Equity Act, court orders (such as divorce decrees) may require benefit payments to the former spouses of employees or to other “alternate payees.” These court orders must be Qualified Domestic Relations Orders which meet specific standards stated in the Act. The court may order that benefit payments to former spouses or other alternate payees begin before the employee retires as long as the employee is 55 years old. Qualified Domestic Relations Orders should be sent to the System Office of Human Resources, 107 Maine Avenue, Bangor Maine. After checking that the Order meets legal specifications, the administering bank will be instructed to take appropriate action.

3. ***The Plan Year*** for the defined benefit Plan is July 1 to June 30, which is also the University's Fiscal Year.
4. The ***Name of the Plan*** is the University of Maine System Retirement Plan for Classified Staff.
5. The Plan’s assets are held in a trust fund under the control and management of the trustee:

Mellon Bank  
1 Boston Place  
Boston, MA 02108

Contributions to the Plan are actuarially determined and placed with the Trustee. Plan benefits are paid solely from the trust fund.

## ***PART II - Optional Retirement Savings Plan***

As its name makes clear, this is a strictly voluntary program. It is made available through TIAA-CREF.

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### **Who Is Eligible?**

All employees participating in the defined benefit retirement plan.

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### **What Contributions Will Be Made?**

Eligible employees can elect to contribute up to 4 percent of base pay to the program; the University will provide a dollar for dollar match for every 1 percent the employee puts in, up to a maximum match of 4 percent. In other words, if an employee contributes 2 percent, the University will provide a 2 percent match; if an employee contributes 4 percent, the University will provide a 4 percent match.

If you choose, this account can be set up as a tax shelter. That decision is up to you. If you do choose to set it up as a tax shelter, contributions are taken out before either federal or state taxes are calculated, thereby reducing taxable income. In addition, all earnings in these accounts are tax deferred, meaning that you do not pay taxes on the earnings until you withdraw the money. There are restrictions, however, imposed by the IRS as to when you can withdraw these funds. Please contact your campus Benefits or Human Resources Office about these restrictions before signing up.

Vesting in this plan is immediate, and the TIAA-CREF contracts are fully cashable at retirement. Please note that a withdrawal of TIAA Traditional Annuity accumulations is subject to a 2.5% surrender charge and must be made within 120 days of termination. There is no surrender charge or time limit on the withdrawal of CREF and TIAA Real Estate Account accumulations.

For specific details on this plan, please check the TIAA-CREF summary plan description or check with your Benefits or Human Resources Office.

### ***Part III - Additional Voluntary Tax-Sheltered Annuities***

If you want to save even more money toward retirement, you can take part in a 403(b) and/or 457(b) voluntary tax-sheltered annuity program.

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#### **Who Is Eligible?**

All employees.

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#### **What Is It?**

Under the 403(b) plan, you can contribute up to the maximum allowed by the Internal Revenue Service into accounts offered by either TIAA-CREF or any of the approximately 50 different companies or mutual funds available through the University of Maine System. Under the 457(b) plan, you can also contribute up to the maximum allowed by the Internal Revenue Service into accounts offered by TIAA-CREF, Fidelity, ING, or VALIC.

Contributions are taken out before either federal or state taxes are calculated, thereby reducing taxable income. In addition, all earnings in these accounts are tax-deferred, meaning that you do not pay taxes on the earnings until you withdraw the money. There are restrictions, however, imposed by the IRS as to when you can withdraw these funds. Please contact your Benefits or Human Resources Office about these restrictions before signing up.

The University does not provide matching funds for this program.

## **Non-Discrimination Notice**

In complying with the letter and spirit of applicable laws and in pursuing its own goals of diversity, the University of Maine System shall not discriminate on the grounds of race, color, religion, sex, sexual orientation, national origin or citizenship status, age, disability, or veterans status in employment, education, and all other areas of the University. The University provides reasonable accommodations to qualified individuals with disabilities upon request.

Questions and complaints about discrimination in any area of the University should be directed to Sally Dobres, Equal Opportunity Director, University of Maine System, Office of Human Resources, 107 Maine Avenue, Bangor, ME 04401, (207) 621-3199 (voice) or (207) 973-3300 (TTY/TDD). Inquiries or complaints about discrimination in employment or education may also be referred to the Maine Human Rights Commission. Inquiries or complaints about discrimination in employment may be referred to the U.S. Equal Opportunity Commission.

Inquiries about the University's compliance with Title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race, color, and national origin; Section 504 of the Rehabilitation Act of 1973 and Title II of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability; Title IX of the Education Amendments of 1972, which prohibits discrimination on the basis of sex, and the Age Discrimination Act of 1975, which prohibits discrimination on the basis of age, may also be referred to the U.S. Department of Education, Office of Civil Rights (OCR), Boston, MA 02109-04557, telephone (617) 223-9662 (voice) or (617) 223-9695 (TTY/TDD). Generally, an individual may also file a complaint with OCR within 180 days of alleged discrimination.