



## UH TAX-DEFERRED ANNUITY PROGRAM SUMMARY

The University of Hawai'i Tax-Deferred Annuity (TDA) Program is a **voluntary** supplemental retirement income investment program offered to eligible employees (including student employees) of the University of Hawai'i. The TDA Plan is authorized and regulated by Section 403(b) and 403(b)(7) of the Internal Revenue Code (IRC) and Chapter 303 of the Hawai'i Revised Statutes.

### TDA Plan

- A TDA Plan is a voluntary retirement income investment plan made available to eligible employees (including student employees) of tax-exempt education and research organizations, public schools, churches, and other non-profit organizations.
- The TDA plan allows eligible employees (including student employees) to contribute pre-tax dollars to an employee-selected investment service provider authorized to provide TDA products. The eligible employee authorizes a reduction in salary of a qualified amount (contributions) which is paid to the investment service provider. The investment is not part of the employee's reportable income for federal and state income tax purposes. Taxes are paid when funds are distributed, normally at retirement.

### TDA Contributions

- The maximum amount an employee is allowed to contribute is governed by applicable IRC regulations and should be calculated by the employee's TDA agent or registered representative. Upon request, the Office of Human Resources (OHR) will assist employees with their Maximum Allowable Contribution (MAC) calculation. The annual maximum for TDA contributions is the lesser of either 100% of compensation or the limit listed below:

	<u>Regular MAC Limit</u>
2011	\$16,500

Employees 50 or more years of age are eligible for higher deferral limits, either 100% of compensation or the limits as follows:

	<u>Regular MAC Limit</u>	<u>Add'l Deferral</u>	<u>MAC if Age 50 or more</u>
2011	\$16,500	\$5,500	\$22,000

Future deferral limits are indexed to inflation and announced annually by the IRS.

- Over contributions in excess of the maximum allowable are subject to tax penalties and fines.

- TDA account balances of 403(b) retirement funds can be transferred to another 403(b) product. With the passage of the Economic Growth Tax Relief Reconciliation Act (EGTRRA), employees have significantly greater pension portability. Upon separation from UH employment, account balances may be transferred to an Individual Retirement Account (IRA) or to 401(a), 401(k), 403(b) or 457 plan sponsored by a new employer. All 403(b) withdrawals/distributions are taxable and may be subject to tax penalties. Check with your service provider for further details.

### **TDA Investment Products**

- Participants have a choice of fixed annuities, variable annuities and custodial accounts (mutual funds) as service providers. An annuity is a contract by which a participant invests in the general account of the insurance company service provider. The insurance company guarantees the principal and a specified interest rate. Upon retirement, the insurance company agrees to make regular payments to someone for a fixed period of time or for life. Variable annuities have values that fluctuate based upon market performance and offer no guarantee of principal or rate of return. The separate accounts of variable annuities function like mutual funds, except variable annuities are wrapped within an insurance product. Custodial accounts offer a variety of mutual funds as investment vehicles and, like variable annuities, have values that fluctuate based upon market performance without a guarantee of principle or rate of return.

### **Enrollment in the UH TDA program**

- National Benefit Services, LLC (NBS), the University's third-party administrator, makes available a list of authorized TDA service providers and agents/registered representatives via their website (<http://www.nbsbenefits.com/uh403b>). Eligible employees (including student employees) may select and contact any of the authorized TDA service providers listed. After processing an account application with the TDA service provider, complete a UH Form 82, UH 403(b) Salary Reduction Agreement, and submit it to NBS via fax or mail. Current copies of the UH Form 82, a listing of due dates and other forms may be downloaded and printed from the NBS website.

If you have additional questions about the UH 403(b) TDA Plan, contact NBS toll-free at (800) 274-0503 extension 240 or via email to [uh403b@nbsbenefits.com](mailto:uh403b@nbsbenefits.com) or your respective service provider.