

TSA Program Highlights

The UW Tax-Sheltered Annuity 403(b) Program is your supplemental retirement savings program. All University of Wisconsin employees are eligible to participate and can enroll at any time.

In spite of a stagnant economy and continued mandatory furloughs this past year, the TSA 403(b) Program was a popular retirement savings plan for UW employees. On the whole, slightly more than 31.5% of UW permanent employees contributed to 403(b) accounts in our plan last year.

The older the age bracket, the greater the percentage of participation in the TSA Program: approximately 10% of the 20-29 year old employees participate, while over 36% of the employees in the 50-59 age bracket and 42% of those in the 60-69 age bracket participate. Our employees contribute generously at 10.39% of salary on average.

Contributions in 2010 increased by approximately \$1 million to over \$73 million, although participation decreased slightly by 85 participants to 10,596 employees. With improved markets, accumulated assets increased by almost 10% to over \$1.56 billion, continuing to recover some of what they had lost in 2008.

According to investment company reports, roughly 71.65% of all contributions were invested in equity funds – up from 69.35% in 2009, but not at the 78% we saw in 2007.

See the **2010 TSA Annual Report** online at our web site – just google: “uwsa tsa annual report.” It contains many items of interest, including the top 50 funds ranked according to contributions. Take a look! ■

Roth 403(b) coming in November!

Great news! A Roth 403(b) option will be available in the UW Tax-Sheltered Annuity 403(b) Program beginning with the payroll payable November 1.

The UW TSA Review Committee endorsed the Roth 403(b) as soon as federal regulation made it available in 2006 as part of the Pension Protection Act; however, the constraints of our former payroll system did not make the option possible. With our new HRS system we are able to make programmatic adjustments to offer this option.

Four UW TSA companies, TIAA-CREF, Fidelity, T. Rowe Price and Lincoln will offer the Roth 403(b) option; Dreyfus and Ameriprise/RiverSource cannot offer the option because of recordkeeping issues.

In a Roth 403(b) account, contributions are included in taxable income in the year they are made, but the account balance and earnings are not taxed when distributed (subject

to certain restrictions). Participants can contribute through payroll deduction using the Roth 403(b) option to the same kinds of investments that are in our pre-tax 403(b) plan, including funds with special lower-priced share classes.

In the past University of Wisconsin System employees could elect to participate in their UW TSA 403(b) Program by contributing pre-tax salary dollars. Contributions and earnings grow over their career and are taxed when withdrawn from the plan at a later date. Beginning in November participants can make either pre-tax or after-tax contributions or a combination of both options.

TSA companies will also provide materials and hold informational sessions. See page 4 of this newsletter or www.uwsa.edu/hr/counsel.htm for information.

Roth faqs on page 3

Even in tough times it's important to save

The biggest factor in determining how much you'll have at retirement is the amount you save. Sure, your asset allocation, your choice of funds, the market, all play an important role in your account balance available to you at retirement. But ultimately – if you don't save it, it can't grow.

In today's tough economic environment, we all may need to tighten our belts and budget – especially with the recent reduction in our salaries we've seen this year because of our contribution to the Wisconsin Retirement System and paying higher health insurance premiums. We will need to pay closer attention to what – and how – we spend the money we have.

There are steps we can take, though, so that tight budgets don't have to drastically alter our living standard or cut into our retirement savings. The tips for savings abound, including using the library rather than buying books or movies, using coupons, evaluating your TV service and possibly

canceling cable, consolidating trips, using public transportation or carpooling, buying in bulk, shopping the sales, and more.

As our budgets are stretched thin, if you do need to cut back on your retirement savings, please remember, **saving something is better than saving nothing.**

Many of us may be tempted to stop saving for retirement. Saving for retirement isn't very exciting to begin with, and now it may seem to be an easy fix to the strain we are all feeling. As Jason Zweig, author of *Your Money and Your Brain* says, “Saving money doesn't feel good.” When you save money you are choosing delayed rather than immediate gratification.

As Zweig points out, “You can buy a pair of shoes today or have a nice retirement fund 20 years from now.” As with most decisions, financial decisions tend to be emotionally driven. Using MRIs, scientists have looked at the brain as it is making money choices. We get a dopamine rush from buying the shoes. So we need to keep in mind how very important it is to save for our long-term goals. Because of the importance of compounding and the time value of money, interrupting our retirement

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The **TSA Inve\$tor** is published semiannually in the spring and fall to provide information on investing, retirement planning, and University of Wisconsin retirement benefits. Contact your staff benefits office on how to participate in the TSA program.

Information, investment options, and returns are listed at the TSA Web site: www.uwsa.edu/hr/benefits/retsav/tsa.htm



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Important to save *continued from page 1*

savings can have a long-term negative effect on our balance at retirement.

As David Bach writes in the *Automatic Millionaire*: “The single biggest investment mistake you can make [is] not using your

TSA Review Committee news

The Tax-Sheltered Annuity Review Committee (TSARC) is a ten-member committee of faculty and academic staff appointed by the UW System president to provide oversight of the Program and advice on Program issues.

This fall the committee welcomes two new members. Anoop Dhingra, Associate Professor of Mechanical Engineering at UW-Milwaukee and Sue Norton, Professor of Business at UW-Parkside, each begin a new three-year term.

Dr. Dhingra’s background is in Mechanical Engineering, but his interests include financial planning and investing. He is a long-time participant in the UW TSA 403(b) Program and looks forward to the opportunity to help his colleagues participate in the Program.

Dr. Norton has a background in human resources management, as well as special interests in compensation and benefits and gender issues.

T. Rowe Price live webinars

T. Rowe Price will offer two live webinars this fall – *Enrollment* and *Roth 403(b) Contributions* – each at several times. These are live presentations over the web, and there will be time for you to ask questions and get your questions answered.

Enrollment is a 40-minute interactive program designed to introduce T. Rowe Price, discuss the importance of saving for retirement, highlight plan provisions, and introduce the plan’s investment options to UW employees.

Roth 403(b) Contributions is a 20-minute interactive program designed to introduce the new Roth option. You will learn about the advantages and disadvantages of Roth 403(b) contributions, review a Roth contribution profile quiz, and learn what a qualified Roth distribution is.

TSA Program news

Remember to check your UW earnings statements when you make a change to your deferrals to verify that the change has been processed. Also, check the quarterly statements you receive from your investment company to make sure you have been credited with the correct amounts. Mistakes are rare, but they do happen!

Fidelity is proud to unveil a new website especially designed for the University of Wisconsin. Go to plan.fidelity.com/uofw.

T. Rowe Price is pleased to announce that a new tool *Retirement Income Manager* will be

[retirement] plan and not maxing it out.” As our budgets are stretched thin, if you do need to cut back on your retirement savings, please remember, saving **something** is better than saving **nothing**. ■

She has served on the System-wide Compensation Advisory Committee and believes in the importance of planning and investing for long-term goals, including retirement. We welcome both new members as wonderful additions to the committee.

One current member, Howard Erlanger, Voss-Bascom Professor of Law at UW-Madison, has graciously consented to continue to serve and has been reappointed to a three-year term.

We are indebted to all TSA Review Committee members for their hard work and dedication to providing a great low-cost supplemental retirement savings plan for all UW employees.

All members of the TSARC welcome your comments and suggestions about the Program. The TSARC will meet in Madison on October 21. This meeting is open to the public. Contact rstephenson@uwsa.edu for more information. ■

Friday, October 21 – *Roth*, 10:00 a.m.; *Enrollment*, noon

Monday, October 24 – *Enrollment*, 10:00 a.m. and 6:00 p.m.; *Roth*, 2:00 p.m.

Tuesday, November 1 – *Enrollment*, 10:00 a.m.; *Roth*, noon

Monday, November 7 – *Enrollment*, 9:30 a.m. and 1:30 p.m.; *Roth*, 11:30 a.m.

You may sign up and watch the presentations on your own computer. Listen to the audio portion on the telephone. Registration Link – Web Meetings: rpstrowepricereg32.fugent.com.

If you do not have computer access at the time of a webinar and would like to take part, please contact your benefits office. It may be possible for them to accommodate you. ■

available on its website soon. It can help you determine how much income you will have in retirement.

T. Rowe Price’s webinar *Retirement Investing from Beginning to End* is now recorded and available to you. It explains risk and return, and helps employees make the most of their investment choices. The plan’s investment options are discussed and profiled using market capitalization, investment style, and geographic characteristics. Go to www.wisconsin.edu/hr/benefits/retsav/trpwebinar.htm. ■

Roth 403(b) frequently asked questions

What is a Roth 403(b) TSA?

A Roth 403(b) is an after-tax contribution to the UW Tax-Sheltered Annuity (TSA) Program. You do not pay any federal or state income tax on the earnings realized from Roth investments, and since you have already paid taxes on the contributions themselves, when you withdraw the money, the entire account is tax-free – subject to IRS restrictions.

What IRS restrictions???

In order to be excludable from gross income, or tax-free, your distribution must be a *qualified distribution*.

A qualified distribution is one that occurs at least five years after the year of your first Roth contribution (counting the first year as part of the five) and is made:

- On or after attainment of age 59½,
- On account of the employee's disability, or
- On or after the employee's death (paid to beneficiaries).

What if I want to take money from my Roth 403(b) account BEFORE I have met the Qualified Distribution criteria?

If you take a distribution from your Roth account before your Roth account has been open five years or before you are age 59 ½, the amount of the distribution that represents your earnings is includable in gross income and is taxable. The amount that represents your Roth contribution is not taxable.

As a hypothetical example, say your Roth contributions are \$9,000 and your account value has grown to \$12,000. Divide $9,000/12,000 = .75$ If you want to take out \$4,000, 75% of that or \$3,000, (representing your contributions) is non-taxable, while \$1,000 represents the earnings on those contributions and is taxable.

Penalties for early withdrawal may also apply.

How is that different from a Roth IRA?

In a Roth IRA you can take a distribution from the contribution portion at any time, and it's not taxable.

Can I choose to re-classify my contributions as either post-tax or pre-tax after I've made them?

No – what starts as a Roth, stays a Roth; the same for pre-tax.

But you can change your future contributions at any time by submitting a new Salary Reduction Agreement.

The UW TSA Program offers loans – can I take a loan from my Roth accumulations?

Yes. The same loan rules apply to both pre-tax and post-tax UW TSA accumulations.

Can I contribute to both a UW Roth 403(b) and an individual Roth IRA?

Yes, you can contribute to both.

Can I roll my Roth IRA into my UW Roth 403(b)?

No, Roth IRAs can only be rolled into other Roth IRAs.

However, you can roll Roth 403(b) or Roth 457 accounts from previous employers into your UW Roth 403(b) account.

What are some differences between a Roth 403(b) and an individual Roth IRA?

The Roth 403(b) is part of the UW's TSA 403(b) Program – the UW's supplemental retirement savings plan. You have access to the same pre-tax options that are available – including the low-cost TIAA-CREF Premier Share Class of funds and the low-cost Fidelity K share class of mutual funds.

An IRA is an Individual Retirement Account (or Agreement) that you set up and administer yourself. Your choice of invest-

ments is not restricted, but you may have to meet minimum investment amounts (often \$2,000) and other requirements.

Here are a few more differences:

Limits

Roth 403(b) – 2011 limit = \$16,500 + \$5,500 if you are 50 or over (and an additional \$3,000 if you are eligible for the 15-year rule service catch-up).

Both pre-tax and after-tax 403(b) contributions count towards this limit. For example, if you are under 50, you could contribute \$8,250 pre-tax and \$8,250 Roth after-tax to the TSA Program for a total of \$16,500.

Roth IRA – 2011 limits = \$5,000 + \$1,000 if you are 50 or over.

Eligibility

Roth 403(b) – Any UW employee can participate.

Roth IRA – Highly-compensated individuals are not eligible.

Minimum Required Distributions (MRDs)

Roth 403(b) – Distributions are required at age 70 ½.

Roth IRA – No distributions are required.

Please note: In retirement you may roll your Roth 403(b) account into to a Roth IRA.

Who might benefit from the Roth 403(b)?

Post-tax Roth 403(b) contributions might benefit you if:

- You have a longer time until retirement. This gives you longer to accumulate tax-free earnings.
- You expect to be in a higher tax bracket in retirement.
- You are a highly compensated employee who is not eligible for a Roth IRA.
- You want some tax diversification in retirement.
- You want to leave tax-free money to your beneficiaries.

Who might be better off with pre-tax 403(b) contributions?

Pre-tax contributions might benefit you if:

- You expect your tax rate to drop in retirement.
- You are in a higher-tax bracket and you want to save money on taxes now.
- You're able to contribute more, because you're saving pre-tax.
- You can qualify for certain valuable tax credits, such as the earned income tax credit or the saver's credit, by saving pre-tax and reducing your taxable income.

How do I start?

If you are already having pre-tax deductions and you want to start Roth deductions, all you need is to submit a new Salary Reduction Agreement to your benefits office. It's available online at www.uwsa.edu/hr/sra.htm or Google "uwsa tsa sra." You need to submit the SRA at least two weeks before your pay date in order for it to be entered in time.

You can choose pre-tax, Roth after-tax, all of one or the other or a combination of both.

You don't have to make any changes with your TSA investment company; they simply receive the contributions identified as pre-tax or post-tax.

If you are not yet contributing in our TSA Program, go to our enrollment page to sign up (Google "uwsa tsa").

Where do I get more information?

Sign up for and go to an individual counseling session or a workshop (see page 4 for times), call your investment company for information, or read the materials on their websites. ■

This article is not intended to contain tax or investment advice. Consult a qualified professional for advice on your personal situation.

TSA Inve\$tor

Human Resources

780 Regent St., Suite 224

Madison, WI 53715

Individual Counseling

Would you like to sign up for the Program or make some adjustments in your investments but aren't sure how? **Free** sessions are here for you! Other sessions will be scheduled.

Check our web site for updates – www.uwsa.edu/hr/counsel.htm.

Dreyfus – To schedule an appointment, e-mail custserv@dreyfus.com.

Madison – October 20

Stevens Point – Oct. 19

Fidelity – To schedule an appointment, sign up online at www.fidelity.com/atwork/reservations or call 1-800-642-7131.

La Crosse – Nov. 14

Stout – Nov. 8

Madison – Oct. 19–21; Nov. 16–18;

Superior – Oct. 18

Dec 14–16

Milwaukee – Oct. 27

T. Rowe Price – Live webinars are available on the following days and times. See page 2 for more information.

Oct. 21 – 10 am, 12 noon.

Nov. 1 – 10 am, 12 noon

Oct. 24 – 10 am, 2 pm, 6 pm

Nov. 7 – 9:30 am, 11:30 am,

TIAA-CREF – To schedule an appointment, call 1-800-732-8353.

Green Bay – Nov. 21–22

Stevens Point – Oct. 19–21

Madison – Nov. 2–4;

Whitewater – Nov. 1 and 29

Dec. 6–8

Platteville – Nov. 30, Dec 1–2

TSA events are free and open to all UW employees and their families.

TSA Basics Getting Started in the TSA Program: Invest for the Long-term & the Roth 403(b)!

Learn about the TSA 403(b) Program—your voluntary retirement savings plan—and the basics of investing from UW TSA staff.

Madison – November 10, 10:00 am

21 N. Park St., Room 5045. [Registration required.](#)

Free campus bus #85 drops you right at the door.

For information call 262-5650 or 262-1805 or e-mail benefits@ohr.wisc.edu.

UW TSA 403(b) Investment Company Contacts & Program Fees

	UNIVERSITY FEE	\$15.00 per year, deducted from payroll when you join the Program and in early March each year thereafter.		
	COMPANY	ANNUAL FEE	SURRENDER/REDEMPTION CHARGE	MORTALITY/RISK CHARGE
Mutual Fund Cos.	Dreyfus 800-358-0910 www.dreyfus.com	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	n/a
	Fidelity 800-343-0860 plan.fidelity.com/uofw	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. Fidelity Select Funds have a standard short-term redemption fee. See prospectus for details.	n/a
	T. Rowe Price 800-922-9945 rps.troweprice.com/wisconsin	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	n/a
Insurance Cos.	TIAA-CREF 800-842-2776 www.tiaa-cref.org/uwsa	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	.005% (Included in the expense ratio)
	Ameriprise/RiverSource 888-947-2872 www.ameriprise.com/UW403b	\$30 New contract only: Waived for accounts over \$50,000	CRA Select contract: 7% years 1-3; declining to 0% in yr 9 RAVA contracts: 7% years 1-3, thereafter 0%. Contracts issued after 1-1-2008 have no surrender charge.	CRA contract 1.00% RAVA 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 yr to 0% in yr 9. Contracts issued after 1-1-2008 have no surrender charge.	1.002%