# Western Kentucky University

## RETIREMENT MANUAL

# Introduction to RETIREMENT AT WKU

Western Kentucky University offers a variety of savings and investment opportunities to assist with your retirement planning. In this booklet you will find an overview of the retirement options available to you as a WKU employee.

## MANDATORY RETIREMENT PLANS:

All full-time employees and certain part-time employees are required to participate in one of the following retirement plans. Plan participation depends on one's employment category:

**Defined Benefit Plans –** A defined benefit plan is qualified under Section 401(a) of the Internal Revenue Code and pays benefits based on a formula. Both the employee and the University contribute a percentage of salary to the applicable retirement system. Upon retirement, participants are eligible to draw a retirement allowance for life or a designated period regardless of how much is contributed to the retirement system over one's career.

**Defined Contribution Plan Option –** WKU's Defined Contribution Plan is qualified under Section 403(b) of the Internal Revenue Service and pays benefits based strictly on contributions and interest earned on those contributions. Both the employee and the University contribute a percentage of salary to the selected company for funding of the individual retirement accounts.


GO TOPS!

**KERS –** The Kentucky Employees Retirement System (KERS) is applicable for all positions that do not require certification or a 4-year college degree. Regular full-time employees must participate by law. Part-time employees who average 100 or more hours of work per month over a calendar or fiscal year must also participate.

**KERS-H –** The Kentucky Employees Retirement System – Hazardous Duty Coverage (KERS-H) is applicable for any position whose principal duties involve active law enforcement, and as approved by the Retirement System.

**TRS –** The Teachers' Retirement System (TRS) is applicable for all positions that require either certification or graduation from a four-year college or university as a condition of employment. All full-time faculty and staff meeting the eligibility criteria are covered by TRS. Part-time employees who hold positions equal to 70% time or greater are also covered by TRS.

**ORP –** The Optional Retirement Plan (ORP) is a defined contribution plan and is available to those who would otherwise be required to participate with TRS. The providers of WKU's ORP are Fidelity, VOYA, TIAA and Corebridge Financial.

## SUPPLEMENTAL RETIREMENT PLANS:

All employees working at least 20 hours per week are eligible to participate in WKU's supplemental retirement plan offerings. Employee participation in these plans is voluntary and includes employee contributions only. Plans are designed to provide a supplemental savings vehicle to the mandatory retirement plans outlined above. All supplemental retirement plans are qualified under Section 403(b), 457(b), or 401(k) of the Internal Revenue Code. Employees are eligible to participate in any of the following supplemental retirement plan types: 401(k), 403(b), ROTH 403(b) and 457(b).

The following pages will provide a more thorough description of the plans mentioned above.

## KENTUCKY EMPLOYEES RETIREMENT SYSTEM (KERS) & KENTUCKY EMPLOYEES RETIREMENT SYSTEM - HAZARDOUS DUTY COVERAGE (KERS-H)

### ELIGIBILITY

KERS is applicable for all positions that do not require certification or a 4-year college degree. Regular full-time employees must participate by law. Part-time employees who average 100 or more hours of work per month over a calendar or fiscal year must also participate. KERS-H is applicable for any position whose principal duties involve active law enforcement.

### FUNDING SOURCES

KERS and KERS-H benefits are funded through both employee and employer contributions. Contribution rates are determined by the KPPA Board of Trustees based on state statutes and vary based on initial participation date. Current contribution rates for employees and employers are as follows:

| APPLICABLE RETIREMENT SYSTEM | EMPLOYEE CONTRIBUTION (PARTICIPATION DATE PRIOR TO 9/1/2008) | EMPLOYEE CONTRIBUTION (PARTICIPATION DATE ON OR AFTER 9/1/2008) | EMPLOYER CONTRIBUTION |
|---|---|---|---|
| KERS | 5% | 6%<br>5% to members account & 1% to insurance fund | 85.03% |
| KERS Hazardous | 8% | 9%<br>8% to members account & 1% to insurance fund | 31.82% |

HILLTOPPERS

## SERVICE RETIREMENT

Retirement eligibility is dependent on the member's age, years of service credit, participation date and type of service (non-hazardous or hazardous). See the table below for retirement eligibility criteria based on participation date and type of service:

| RETIREMENT ELIGIBILITY | KERS NON-HAZARDOUS | KERS HAZARDOUS |
|---|---|---|
| Requirements for Unreduced Retirement Benefit (member prior to 9/1/2008) | a.) Age 65 or older, with at least 48 months of service credit, OR<br>b.) 27 or more years of service credit | a.) Age 55 or older, with at least 60 months hazardous duty service credit, OR<br>b.) 20 or more years of service credit |
| Requirements for Unreduced Retirement Benefit (member on or after 9/1/2008 through 12/31/2013) | a.) Age 57 or older, if member's age and service equal 87, OR<br>b.) Age 65, with at least 60 months of service credit | a.) Age 60 or older with at least 60 months of service credit, OR<br>b.) 25 years or more years of service |
| Requirements for Reduced Retirement Benefit (member prior to 9/1/2008) | a.) 25, but less than 27 years of service, under age 65, OR<br>b.) 55, with at least 5 years of service credit | a.) Age 50, with at least 15 years of service credit |
| Requirements for Reduced Retirement Benefit (member on or after 9/1/2008 through 12/31/2013) | a.) Age 60 or older with at least 120 months of service credit | a.) Age 50 or older, with at least 180 months of service credit |
| Requirements for Unreduced Retirement Benefit (member on or after 1/1/2014) | a.) Age 57 or older, if the member's age and years of service equal 87, OR<br>b) Age 65 with at least 60 months of service credit | a) Any age with 25 or more years of service, OR<br>b) Age 60 with at least 60 months of service credit |

## DETERMINING RETIREMENT BENEFITS

KERS and KERS-H prior to 1-1-14 are Defined Benefit Plans. A Defined Benefit Plan pays benefits based on a formula. *The formula for calculation of retirement benefits is:*

Final Compensation

X Benefit Factor

X Years of Service Credit

= Annual Benefit

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# KENTUCKY EMPLOYEES RETIREMENT SYSTEM (KERS) & KENTUCKY EMPLOYEES RETIREMENT SYSTEM – HAZARDOUS DUTY COVERAGE (KERS-H)

## FINAL COMPENSATION

| APPLICABLE RETIREMENT SYSTEM | FINAL COMPENSATION: (PARTICIPATION DATE PRIOR TO 9/1/2008) | FINAL COMPENSATION: (PARTICIPATION DATE ON OR AFTER 9/1/2008) |
|---|---|---|
| KERS | Average 5-highest or 3-highest years of salary | Average of last (not highest) five full fiscal years of salary |
| KERS Hazardous | Average 3-highest years of salary | Average of highest three full fiscal years of salary |

## BENEFIT FACTOR

The benefit factors used to calculate retirement benefits are set by statute and vary depending on the type of service, amount of service, and both participation and retirement dates.

**Benefit Factors: Participation date prior to 9/1/2008**

**KERS: 1.97%**
Does not have 13 months credit for 1/1/98 –1/1/99

**KERS: 2.0%**
Has 13 months credit for 1/1/98 – 1/1/99–1/1/99

**KERS-Haz. 2.49%**
Only KERS members in hazardous duty position approved by Board are eligible

"Retirement is like being out of school for the summer but the summer never ends!" — unknown

**Benefit Factors:**
**Participation date 9/1/2008 through 12/31/2013**

| KERS Service Credit | FACTOR |
|---|---|
| < 120 months | 1.10% |
| 121 – 240 months | 1.30% |
| 241 – 312 months | 1.50% |
| 313 – 360 months | 1.75% |
| > 360 months | 2.00% |

| KERS - Haz. Service Credit | FACTOR |
|---|---|
| < 120 months | 1.30% |
| 121 – 240 months | 1.50% |
| 241 – 299 months | 2.25% |
| > 300 months | 2.50% |

**YEARS OF SERVICE –** The years of service used to calculate retirement benefits may include current service, prior service, purchased service, and sick leave service. The value produced by the retirement formula *(final compensation X benefit factor X years of service)* is divided by twelve to get a monthly payment under the Basic Option. Below is an example of how a monthly retirement allowance would be calculated:

John Doe works in a Non-hazardous position and participates in KERS (hired prior to 9/1/2008). He retired August 1, 2021 with Final Compensation of $30,000 and 27 years of Service Credit. In John's case, his retirement benefit totals:

**$16,200 per year ($1,350 per month)**
**$30,000 X 2.0% X 27 years = $16,200 annual benefit allowance**

KERS and KERS-H on or after 1-1-14 are Hybrid Cash Balance Plans. A Hybrid Cash Balance Plan has characteristics of both a defined benefit plan and a defined contribution plan. The formula for calculation of retirement benefits is:

**Accumulated Account Balance X Actuarial Factor = Your Monthly Life Annuity Amount**

For more information specific to the Hybrid Cash Balance Plan details, please visit ***kyret.ky.gov***

**RECIPROCITY OF SYSTEMS –** Members who have established membership and maintained active accounts in more than one state-funded retirement system may determine their eligibility for retirement benefits by combining service credit in all systems.

State-funded retirement systems include the Kentucky Employee Retirement System, including KERS-Hazardous, the County Employees' Retirement System, the State Police Retirement System, the Legislators' Retirement Plan, the Judicial Retirement System, or the Teachers' Retirement System.

**SURVIVOR BENEFITS –** Several survivor benefit options are available to members whose death occurs before retirement and for members whose death occurs after retirement. There is also a $5,000 death benefit for retirees.

**HEALTH CARE COVERAGE –** Upon retirement, benefit recipients (including disability benefits and survivor benefit recipients) and their dependents are eligible for access to optional health care coverage with KERS. Members with a participation date between July 1, 2003 and August 31, 2008 are eligible after earning 120 months of service. Members with a participation date on or after September 1, 2008 must have at least 180 months of service to be eligible for the health care coverage with KERS.

# TEACHERS' RETIREMENT SYSTEM (TRS)

## ELIGIBILITY

All WKU full-time faculty and professional staff occupying positions requiring certification or graduation from a four-year college or university as a condition of employment are eligible for TRS. Part-time employees who hold positions equal to 70% time or greater are also covered by TRS.

## CONTRIBUTION RATES

Current contribution rate for employees and employers are as follows:

**TRS 1,2 and 3** — For members with entry date prior to 1/1/2022:

- 8.185% ...... **Employee**
- 15.185% ....... **Employer**

**TRS 4** — For members with entry date on or after 1/1/2022:

- 9.775% ...... **Employee**
- 9.7755% ....... **Employer**

## FUNDING SOURCES

TRS benefits are funded through both employee and employer contributions. The contribution rates are set by state statutes. Contribution rates are determined by the TRS Board of Trustees. TRS 4 members are eligible to make voluntary contributions to supplement their foundational benefit.

"When I retire I will get up at 6 o'clock in the morning & go drive around really slow & make everybody late for work." – Unknown

## SERVICE RETIREMENT

Participants in **TRS 1,2 or 3** are eligible to retire at:

- **ANY AGE...** with twenty-seven (27) years of service;
- **AGE 60...** with at least five (5) years of service;

Participants in **TRS 4** are eligible to retire at:

- **AGE 57...** with thirty (30) years of service;
- **AGE 60...** with ten (10) years of service;
- **AGE 65...** with five (5) years of service

## DETERMINING RETIREMENT BENEFITS

TRS is a Defined Benefit Plan qualified under Section 401(a) of the Internal Revenue Code and pays benefits based on a set formula. Both the employee and the University contribute a percentage of salary to TRS. Upon retirement, participants are eligible to draw a retirement allowance for life or a designated period regardless of how much is contributed to the retirement system over one's career.

*The formula for full service retirement is as follows:*

**Final Compensation**
**X Multiplier**
**X Years of Service Credit**
**= Annual Benefit**

Live ★ Love ★ Laugh

### FINAL COMPENSATION

TRS final average salary is based on the five (5) highest annual salaries, or three (3) highest if you qualify, regardless of the system under which the service was rendered.

### MULTIPLIER

The value applied to each year of TRS service using the sum of the age and career factors.

### YEARS OF SERVICE

The years of service used to calculate retirement benefits may include current service, prior service, purchased service, and up to a maximum of six (6) months of sick leave service.

### VESTING

The member is vested after five (5) years of service. "Vesting" simply means that the member has earned the right to a future retirement benefit.

### RECIPROCITY OF SYSTEMS

Members who have established membership and maintained active accounts in more than one state-funded retirement system may determine their eligibility for retirement benefits by combining service credit in all systems.

### SURVIVOR BENEFITS

Survivor benefits are available to member's beneficiaries. Members are eligible for life insurance benefits.

### HEALTH CARE COVERAGE

Upon retirement, benefit recipients (including disability benefits and survivor benefit recipients) and their dependents are eligible for access to optional health care coverage with TRS. Members with a participation date on or after September 1, 2008 must have at least fifteen (15) years of service to be eligible for the health care coverage with TRS.

Explore

# OPTIONAL RETIREMENT PLAN (ORP)

**ELIGIBILITY –** The ORP is available to those individuals who would otherwise be required to participate in the Teachers' Retirement System (TRS). Employees may elect the ORP as an alternative to TRS, only upon initial employment.

**FUNDING SOURCES –** The ORP is a Defined Contribution Plan qualified under Section 403(b) of the Internal Revenue code and pays benefits based strictly on contributions and interest earned on those contributions. Both the employee and the University contribute a percentage of salary to the selected provider for funding the employee's individual retirement account.

## CONTRIBUTIONS TO THE ORP ARE CURRENTLY FIXED AT:

**6.16%** ...... **from the member**

**8.74%** ...... **from the University**

Although the University contributes to ORP accounts, the benefits payable to the participants are not the obligation of the University, Commonwealth of Kentucky, or the Teachers' Retirement System. The benefits and other rights of the ORP are the liability and responsibility of the participant and the designated companies to which contributions have been made. Participants may transfer between the ORP providers as desired. The providers of WKU's ORP are ***Fidelity, VOYA, TIAA*** and ***Corebridge Financial (formerly AIG and Valic)***.

**VESTING -** The member is immediately vested.

## *IMPORTANT INFORMATION ABOUT SELECTING YOUR RETIREMENT PLAN*

Retirement plan selection between TRS and the ORP must be made within the first thirty (30) days of employment. If no election is made, the employee is automatically enrolled in TRS.

### CHOOSING TRS:

Retirement plan selection in TRS is irrevocable.

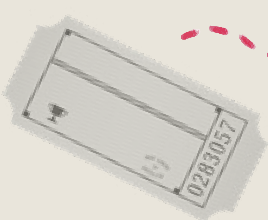
### CHOOSING THE ORP:

An employee who has elected the ORP as his/her retirement plan may make a one time, lifetime change and elect to participate in TRS. When such election is made, membership in TRS is effective the first of the month following receipt by TRS of the employee's membership application.

### NOTE:

Employees who switch from the ORP to TRS may purchase prior service credit for the period they participated in the ORP. This purchase must be completed within the first six years and six months of employment.

The chart on page 12 outlines the differences between TRS and ORP.



**RETIREMENT MANAGER –** WKU's ORP and Supplemental Retirement Plan enrollment and salary deferral change process is paperless through a web-based portal called Retirement Manager, ***myretirementmanager.com***. Retirement Manager provides online plan enrollment and salary deferral change capabilities across all ORP, 403(b), ROTH 403(b), 401(k) and 457(b) vendors.

If you are interested in opening a retirement account, wish to make changes to an existing deferral election or switch to a different vendor, you will need to access this website to do so.

A brief online tutorial will assist you with logging into the system for the first time as a new user and enrolling or making changes to an existing account.

**SUPPLEMENTAL RETIREMENT OFFERINGS –** All employees working on average at least 20 hours per week are eligible to participate in WKU's supplemental retirement plan offerings. Employee participation in these plans is voluntary and includes employee contributions only.

Plans are designed to provide a supplemental savings vehicle to the mandatory retirement plans outlined in the previous pages.

All supplemental retirement plans are qualified under Section 403(b), 457(b), or 401(k) of the Internal Revenue Code.

Contributions to the plan are made through payroll deduction and may be invested in any of the following investment vehicles: 401(k), 403(b), ROTH 403(b), or 457(b).

Customary contributions to 403(b), 457(b) and 401(k) plans are made on a "pre-tax" basis. Contributions and investment earnings accumulate tax-free, but will be taxed as ordinary income upon withdrawal. Employees also have the option to make contributions on an "after-tax" basis through the ROTH 403(b) option.

If you make "after-tax" ROTH contributions your investment earnings will accumulate tax-free and will be considered tax-free at the time of withdrawal as long as your withdrawal is qualified.

The chart on page 12 outlines the main differences in the four types of supplemental retirement plans available at WKU and the annual contribution limits.

"See life with curious eyes, then every day becomes a joyous adventure." – unknown

## DEFINED BENEFIT VS. DEFINED CONTRIBUTION
### TEACHERS' RETIREMENT SYSTEM (TRS) VS. OPTIONAL RETIREMENT PLAN (ORP)

| | DEFINED BENEFIT PLAN<br>TEACHERS' RETIREMENT SYSTEM (TRS) |
|---|---|
| VENDORS | TRS - Visit trs.ky.gov for specific plan details |
| Service Retirement | Upon retirement, participants are eligible to draw a retirement allowance for life regardless of how much is contributed to the retirement system over one's career.<br>– The formula at full retirement is as follows:<br>*Final Compensation x Benefit Factor x Years of Service Credit = Annual Benefits*<br>Contributions to TRS 1,2,3: 8.185% Employee and 15.865% employer<br>Contributions to TRS 4: 9.775% Employee and 9.775% Employer |
| Vesting | Employee is vested after 5 years of service |
| Investment Allocation Decisions | Made by TRS financial and investment professionals. TRS 4 members may make voluntary contributions towards a supplemental benefit. |
| Investment Risk & Rewards | Employee assumes no investment risk |
| Inflation Protection/COLA | Annual 1.5% cost-of-living adjustments after retirement, subject to approval |
| Portability | Upon separation from employment, members are eligible to withdraw their contributions. Employer contributions are not eligible for withdrawal. Account withdrawals are paid as lump-sum distributions, part of which may be taxable at the time of withdrawal, or may be rolled over to an IRA, an eligible employer plan or another qualified plan.<br>– Member is no longer eligible for TRS service retirement once account is withdrawn. |
| Disability Benefits | After 5 years of service, members are eligible to apply for disability benefits under the disability allowance program. |
| Death & Survivor Benefits | Qualified survivors are eligible to receive benefits. Members are eligible for life insurance benefits. |
| Health Care Benefits | Upon attaining retirement status, individuals (including disability benefit recipients and survivor benefit recipients) and their dependents are eligible for access to optional health care coverage with TRS. |
| Traditional Method of Payment at Retirement | A lifetime annuity. Several different payment plans to protect survivors are available. |

## DEFINED CONTRIBUTION PLAN
### OPTIONAL RETIREMENT PLAN (ORP)

Members can elect from four retirement vendors:

- Fidelity
- VOYA
- TIAA
- Corebridge Financial

Eligible to withdraw funds at age 59 1/2. Income at retirement is based on the value of the member's account. Contributions to the ORP are currently fixed at:

- 6.16% from the employee
- 8.74% from the employer

Employee is immediately vested

Each employee makes all investment allocation decisions for his/her account

Investment risk is assumed entirely by the employee. All gains or losses accrue to the member's account.

Automatic cost-of-living adjustments are not provided

Upon separation from employment, members are eligible to withdraw the full value of their account. Both employee and employer contributions and the gains or losses on those contributions are eligible for withdrawal.

– Account withdrawals are paid as lump-sum distributions, part of which may be taxable at the time of withdrawal, or may be rolled over to an IRA, an eligible employer plan or another qualified plan.

Account balance is available to members who terminate employment and withdraw their account.

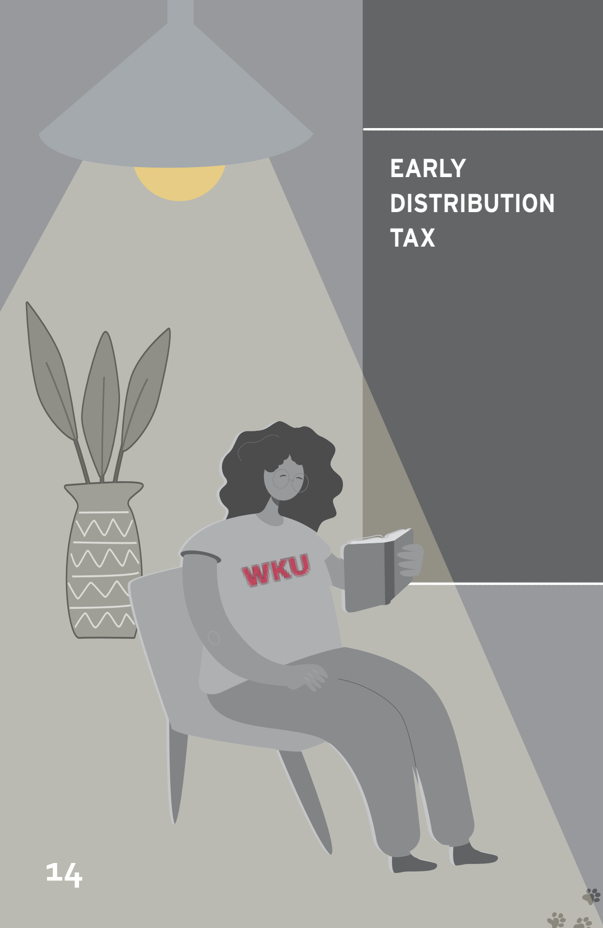
Account balance available to beneficiaries. A spouse may continue to manage the member's account or withdraw the account.

Healthcare coverage is NOT available to retirees.

Members can take payment through a rollover, a lump-sum withdrawal or a variety of lifetime annuities.


## SUPPLEMENTAL RETIREMENT PLAN COMPARISON CHART

| | 403(b) | ROTH 403(b) |
|---|---|---|
| ANNUAL IRS CONTRIBUTION LIMIT | 402 (g) limits are released by the IRS each year. NOTE: This limit applies to elective deferrals made to all 403(b) and/or 401(k) plans in which an individual participates | |
| ANNUAL IRS CATCH-UP CONTRIBUTION PROVISION | 1.Participants who have 15 or more years of service with a qualified employer may contribute additional elective deferrals in an amount of $3,000.<br><br>2.Participants age 50 or older, who have maxed out on their contributions under other limits, may contribute additional elective deferrals based on IRS annual limits. NOTE: A participant employed by a governmental institution may take advantage of two age 50 catch-ups, one through a 403(b) or 401(k) plan, and one through a 457(b) plan. | |
| DISTRIBUTABLE EVENTS | Separation from employment, age 59 +, disability, death or financial hardship (with respect to elective deferrals, not including earnings, only). | |
| TAXATION | When distributed to the participant. | When contributed to the plan. NOTE: Income taxes are payable on non-qualifying withdrawals from Roth account earnings. Federal restrictions and tax penalties may apply to withdrawals made prior to attainment of age 59 +. |
| EARLY DISTRIBUTION TAX | Amounts withdrawn prior to attainment of age 59 + are subject to additional 10% early withdrawal tax, except for certain exceptions: 1.) Death 2.) Disability 3.) Series of substantially equal periodic payments after separation from service 4.) Deductible medical expenses 5.) Tax levy 6.) Separation from service after attainment of age 55 7.) QDRO 8.) Qualified reservist distribution | Roth 403(b) accounts are subject to minimum required distribution rules; However, rolling a Roth account into a Roth IRA prior to age 70 + might avoid this requirement. |



| 401(K) | 457(b) |
|---|---|
| 402 (g) limits are released by the IRS each year.<br>NOTE: This limit applies to elective deferrals made to all 403(b) and/or 401(k) plans in which an individual participates | Total contribution limits are released by the IRS each year.<br>NOTE: This limit is separate from the limits applicable to a 403(b) plan and a 401(k) plan. |
| Participants age 50 or older, who have maxed out on their contributions under other limits, may contribute additional elective deferrals based on IRS limits. NOTE: A participant employed by a governmental institution can take advantage of two age 50 catch-ups, one through a 403(b) or 401(k) plan, and one through a 457(b) plan. | 1.) For Governmental institutions, participants age 50 or older, who have maxed out on their contributions under other limits, may contribute additional elective deferrals based on IRS limits..<br><br>NOTE: A participant employed by a governmental institution can take advantage of two age 50 catch-ups, one through a 403(b) or 401(k) plan, and one through a 457(b) plan. |
| Separation from employment, age 59 +, disability, death or financial hardship (with respect to elective deferrals, not including earnings, only). | Separation from employment, age 70 +, death, or unforeseeable emergency |
| When distributed to the participant. | When distributed to the participant. |
| Amounts withdrawn prior to attainment of age 59 + are subject to additional 10% early withdrawal tax, except for certain exceptions:<br><br>1.) Death 2.) Disability 3.) Series of substantially equal periodic payments after separation from service 4.) Deductible medical expenses 5.) Tax Levy 6.) Separation from service after attainment of age 55 7.) QDRO 8.) Qualified reservist distribution | Early distribution tax does not apply.<br><br>NOTE: For governmental institutions, if the 457(b) plan contains rollover amounts from a 403(b) plan or a 401(k) plan, then those amounts are subject to the early distribution tax. |

## GLOSSARY OF TERMS

**DEFINED BENEFIT PLAN –** An employer-sponsored retirement plan for which retirement benefits are based on a formula indicating the exact benefit that one can expect upon retiring. Investment risk and portfolio management are entirely under the control of the plan.

**DEFINED CONTRIBUTION PLAN –** A retirement plan wherein a certain amount or percentage of money is set aside each year for the benefit of the employee. Retirement benefits cannot be predetermined in advance as they are determined by contributions and investment earnings (or losses) over time.

**RETIREMENT VENDOR –** The outside company which offers and administers the specific plans and invests contributions into the funds selected.

**ASSET ALLOCATION –** The process of dividing a portfolio among major asset categories such as bonds, stocks or cash. The purpose of asset allocation is to reduce risk by diversifying the portfolio. The ideal asset allocation differs based on the risk tolerance of the investor. For example, a young executive might have an asset allocation of 80% equity, 20% fixed income, while a retiree would be more likely to have 80% in fixed income and 20% equities.

**SALARY REDUCTION AGREEMENT –** Authorization for the University to reduce your salary to allow for the purchase of a supplemental retirement benefit on your behalf and to remit the designated amounts each pay period to the investment company or companies indicated on the form.

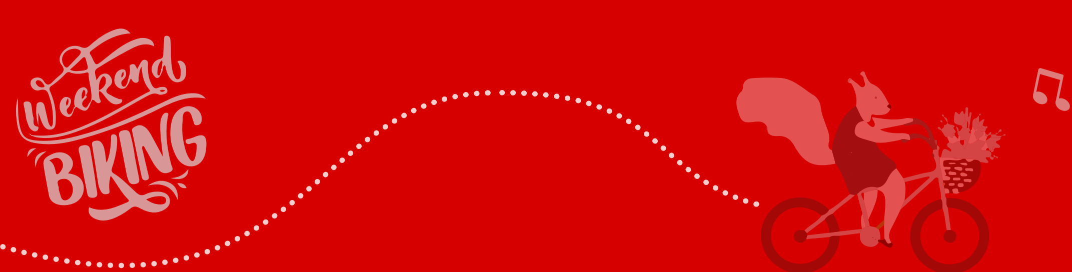
**TAX SHELTERED –** Any financial arrangement (as a certain kind of investment or allowance) that results in a reduction or elimination of taxes due.

**TAX DEFERRED –** Refers to investment earnings such as interest, dividends or capital gains that accumulate free from taxation until the investor withdraws and takes possession of them. The most common types of tax-deferred investments include those in individual retirement accounts (IRAs) and deferred annuities, such as a 403(b).

**ROTH 403(B) –** Contributions to a Roth 403(b) are subject to up front income tax withholding while distributions from a Roth 403(b) are tax-free for federal income tax purposes provided they are qualified distributions.

**TRADITIONAL 403(B) –** Contributions to a traditional 403(b) are not subject to federal income tax withholding; distributions from a traditional 403(b) are taxed as ordinary income tax rates in the year the money is received.

**COMPOUND INTEREST –** Interest computed on the original principal plus any accrued interest. Thus if 5% is the rate of interest per year and the principal is $1,000, the compound amount after one year will be $1,050, after two years it will be $1,050 × 0.05 = $1,102.50, after three years it will be $1,102.50 × 0.05 = $1,157.63, and so forth. The growth of the compound amount is exponential and not linear.



# THE POWER OF COMPOUNDING INTEREST

The best way to ensure your future financial success is to ***start saving today***. The amount of money you start with is not nearly as important as getting started early. Every year you put off investing makes your ultimate retirement goals more difficult to achieve.

**TO MAKE COMPOUNDING WORK FOR YOU –** Start early. The younger you start, the more time compounding has to work in your favor, and the greater wealth you can build. The next best thing to starting early is starting now.

**MAKE REGULAR INVESTMENTS –** Don't be haphazard. Remain disciplined, and make saving for retirement a priority. Do whatever it takes to maximize your contributions. Be patient. Do not touch the money. Compounding only works if you allow your investment to grow. The results will seem slow at first, but persevere. Most of the magic of compounding returns comes at the very end.

**The following chart shows that waiting just five years may cost you more than you may think.**

| BEGINNING AGE | ACCT. BALANCE AT AGE 65 | YEARS LOST BY WAITING | LOST EARNINGS |
|---|---|---|---|
| 25 | $702,856 | 0 | $0 |
| 30 | $461.835 | 5 | $241,021 |
| 35 | $300,059 | 10 | $402,797 |
| 40 | $191,473 | 15 | $511,383 |
| 45 | $118,589 | 20 | $584,267 |
| 50 | $69,669 | 25 | $633,187 |
| 55 | $36,833 | 30 | $666,023 |
| 60 | $14,793 | 35 | $688,063 |

*This illustration assumes a $200 monthly contribution that earns interest at 8%.

Enjoy each step along the way...
and dance at least once a day!

# Other Important Things to Know

## ABOUT YOUR RETIREMENT PLANS AT WKU

### WHO TO CONTACT WHEN YOU NEED HELP:

**Visit us online at www.wku.edu/hr/retirement. You may also email or call the Benefits Team at benefits@wku.edu and 270-745-5306 if:**

- You are checking on your eligibility to participate in a retirement plan
- You want to know how to enroll
- You want to know your voluntary limit for the calendar year
- You need help logging on or using Retirement Manager, the online retirement portal

**Call your designated retirement carrier if:**

- You want to change fund allocations with a carrier
- You would like a prospectus on individual funds
- You want to transfer money from one retirement carrier to another retirement carrier
- You would like to set up one-on-one retirement counseling for investment advice
- You would like to check on your account balance
- You want to change your beneficiary on your retirement account
- You would like a pre-retirement benefit illustration

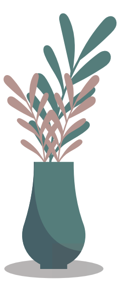
**Understanding your options if you leave WKU**

Should you leave employment with WKU prior to your retirement eligibility date, you'll want to ensure that you have the right strategy to keep your savings on track.

It is important to review your options regarding WKU retirement accounts and understand the advantages and disadvantages of each option. Upon separation from service, the following options for your WKU retirement savings plan may be available to you:

- Leave your money in your current account
- Move it to a rollover IRA
- Move it to your new employer-sponsored plan
- Take it in cash

Each option contains different advantages and tax implications. It is important to contact your respective retirement carrier to discuss how the options will impact you.



"...To soar, to roar, to reach new heights. The wish to be a part of something more, to do more, and to be more."

**WKU RETIREMENT VENDOR DIRECTORY**
**A LIST OF ALL VENDORS ADMINISTERING WKU RETIREMENT PLAN OFFERINGS:**

**Kentucky Public Pension Authority**
KERS, KERS-Haz
Perimeter Park West 1260
Louisville Road Frankfort, KY 40601
Ph: 1-800-928-4646/Fax: 502-564-9198
*www.kyret.ky.gov*

**Teachers' Retirement System**
TRS
479 Versailles Road
Frankfort, KY 40601
Ph: 1-800-618-1687/Fax: 502-848-8599
*www.trs.ky.gov*

**Corebridge Financial**
ORP 403(b) Roth 403(b) 457(b)
630 W. Carmel Dr., Ste 140
Carmel IN 46032
317 818 5928
*https://www.corebridgefinancial.com/rs*
Maclynn Zebrun: 270-925-2558
Mitchell Zebrun: 270-207-8592

**Fidelity**
ORP 403(b) Roth 403(b) 457(b)
PO Box 77000
Cincinnati, OH 45277
1-800-343-0860
*www.fidelity.com/atwork*
Tony Davis: 502-322-0806

**Empower**
403(b) Roth 403(b) 457(b)
Edward Jones/Matt Idlett: 270-781-2305
Hilliard Lyons/Shannon Vitale: 270-781-1691

**VOYA**
ORP 403(b) Roth 403(b) 457(b)
1700 Lyons Road Suite D
Dayton, OH 45458
1-800-451-4702
*www.voya.com*
Nina Goggin: 800-214-5844

**TIAA**
ORP 403(b) Roth 403(b) 457(b)
Six Concourse Pkwy. Suite 2600
Atlanta, GA 30328
1-800-842-2003
*www.tiaa.org*
Eric Robertson 859-224-6905

**KY Public Employees**
**Deferred Compensation Authority**
401(k) 457(b)
2501 Georgetown Rd. Suite 1
Frankfort, KY 40601
1-800-793-4401
*www.kentuckydcp.com*
Neil Arnold: 859-806-2211

*The information provided in this retirement guide is effective as of July 1, 2023. Retirement information is largely determined by current legislation and is subject to change as new laws are passed. This document is not intended to be comprehensive in nature. It only serves as a general guide for employee reference. Rights and benefits are governed by the official plan documents of WKU and each retirement vendor.*

**WKU Employee Wellness & Benefits**
270.745.5360