Retirement Programs for Academic Appointees
ACA-43

About This Policy

Effective Date:
05-18-1937

Last Updated:
09-02-2010

Responsible University Office:
University Human Resources Service

Responsible University Administrator:
Board of Trustees, Indiana University

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Related Information

* University Human Resources Services Benefits Website

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Policy Statement

Indiana University sponsors a number of retirement plans. These include university-funded base retirement plans and several optional plans for employee contributions, along with university and employee contributions to Social Security.

Retirement Age

As of 1/1/94 federal law prohibits the setting of a mandatory age at which employees must retire from the University. Retirement benefits are determined by the retirement plan for which the appointee is eligible. For faculty, the IU Retirement Plan does not reference age, except for 18/20.

(Board of Trustees, May 18, 1959; April 5, 1986; Administrative Practice)

Indiana University Retirement Plans

The Trustees of Indiana University approved the original Retirement Plan on May 18, 1937; the Revised Plan incorporating a TIAA deferred annuity contract on June 30, 1947; and major revisions on May 18, 1959; April 5, 1986; October 14, 1988; and October 30, 1998. Other changes have been made periodically and now include investment funds at TIAA-CREF and Fidelity.

Descriptions of the five IU Retirement Plans (Plan 15, Plan 12, Plan 11.25, Plan 10, and PERF) follow. Details on the available investment venues may be obtained from the University Benefits Office (855-1286) or (www.indiana.edu/~uhrs/benefits/index.html).

Effective September 2010, all new participants in the IU Retirement Plan will be subject to a 3-year vesting requirement. This means that IU contributions and earnings in a participant's account will not vest until the completion of three years of IU service. Upon completion of three years of IU service, the existing balance will be vested and all future contributions and earnings will be immediately vested. If a participant terminates employment with IU prior to completing three years of IU service, the existing balance in the participant's IU Retirement Plan account will be forfeited. Participants in the Plan prior to September 1, 2010, are not subject to this vesting requirement.

IU Retirement Plan 15

Eligibility. Full-time employees with a commencement date of 12/31/88 or earlier were eligible as follows: Professors, associate professors, assist-ant professors, librarians, associate librarians, assistant librarians, senior scientists/scholars, associate scientists/ scholars, assistant scientists/scholars, and full-time clinical appointees are eligible immediately upon appointment. Persons in administrative and professional positions ranked at level 16 or above and University physicians are eligible immediately upon appointment for a term of one or more years. *(Board of Trustees, June 30, 1947; November 17, 1950; April 20 1951; April 25, 1970; June 30, 1972; April 5, 1980; February 7, 1981; October 14, 1988)*

University Contribution. IU Contribution to individual participant-directed accounts equal to 11% of the first $7,800 of Base salary (not including salary for summer appointments or supplemental pay) plus 15% of the remainder, not to exceed IRS limits. *(Board of Trustees, July 1, 1960; October 14, 1988)*

Retirement. Participants are eligible for the 18-20 Early Retirement Plan as revised on 10/14/88. *(Board of Trustees, May 18, 1937; April 5, 1986; October 14, 1988)*

Long-Term Disability. Participants are eligible for the University--funded Long-Term Disability Income Continuation Plan. *(Board of Trustees, June 17, 1977)*

IU Retirement Plan 12

Eligibility. Full-time employees with a commencement date of 1/1/89 to 6/30/99 are eligible as follows: Professors, associate professors, assistant professors, librarians, associate librarians, assistant librarians, senior scientists/scholars, associate scientists/ scholars, assistant scientists/scholars, and full-time clinical appointees are eligible immediately upon appointment. Affiliate librarians are also eligible immediately upon appointment provided they are appointed with tenure or for a term of one or more years. Persons in administrative and professional positions ranked at level 16 or above, as well as University physicians, are eligible immediately upon appointment for a term of one or more years. Visiting faculty and visiting professional librarians are excluded from eligibility for Retirement Plan 12. *(Board of Trustees, June 30, 1947; November 17, 1950; April 20, 1951; April 25, 1970; June 30, 1972; April 5, 1980; February 7, 1981; April 4, 1981; October 14, 1988; Administrative Practice)*

University Contribution. IU Contribution to individual participant-directed accounts equal to 12% of Base Salary (not including salary for summer appointments or supplemental pay), not to exceed IRS limits. *(Board of Trustees, July 1, 1960; October 14, 1988; Administrative Practice)*

Retirement. Participants are eligible for the Supplemental Early Retirement Plan (IUSERP). Participants are not eligible for the 18-20 Early Retirement Plan. *(Board of Trustees, May 18, 1937; April 5, 1986; October 14, 1988; May 3, 1996)*

Long-Term Disability. Participants are eligible for the University-funded Long-Term Disability Income Continuation Plan. *(Board of Trustees, June 17, 1977)*

IU Retirement Plan 11.25

Eligibility. All academic and staff employees who are permanent residents of the United States with a commencement date of July 1, 1989; to June 30, 1999; who (1) are not eligible to participate in Retirement Plan 12 or Retirement Plan 15, and (2) are appointed to positions of at least 50% FTE on a 12-pay schedule, or 60% FTE on a 10-pay schedule are eligible immediately upon appointment; and all academic and staff employees with a commencement date prior to July 1, 1989; who were enrolled in PERF prior to that date and who do not choose to remain in the PERF Retirement Plan. (See below.) *(Administrative Practice)*

University Contribution. IU contribution to individual participant-directed accounts equal to 11.25% of total Annual Salary, not to exceed IRS limits. *(Administrative Practice)*

Retirement. Participants are not eligible for early retirement plans. *(Board of Trustees, October 14, 1988)*

Long-Term Disability. Participants are eligible to apply for the employee-funded voluntary Long-Term Disability Plan. *(Administrative Practice)*

IU Retirement Plan 10

Eligibility. IU employees with an Academic or Professional Staff Appointment of 50% or more, effective July 1999; or later.

Plan Type. Defined contribution plan in accordance with IRC Section 403(b)

University Contribution. IU contribution to individual participant-directed accounts equal to 10% of Base Salary (not including salary for summer appointments or supplemental pay), not to exceed IRS limits.

Investment Options. Investment fund options approved by Indiana University at TIAA-CREF and Fidelity Investments.

Long-Term Disability. Participants are not eligible for the University-funded Income Continuation Plan but may apply for the employee-funded voluntary Long-Term Disability Plan. *(Board of Trustees, October 30, 1998; Administrative Practice)*

PERF Plan

Eligibility. The Public Employees' Retirement Fund (PERF) is a mandatory State Retirement Plan for employees who are citizens or permanent residents of the United States who are not eligible for any of the other IU Retirement Plans or who enrolled in PERF prior to July 1, 1989; and are eligible to, but do not choose to transfer to IU Retirement Plan 11.25. It consists of two separate benefit provisions: a pension benefit and an annuity savings account benefit. *(State Regulations; Administrative Practice)*

Pension. The pension benefit is an annual benefit payable for life. Participants must have at least 10 years of PERF service to have a vested right to this pension benefit. The annual retirement benefit is defined as 1.1% of the average annual earnings for the five highest years multiplied by years of creditable service. In addition, a portion of the value of the participant's annuity account, based on the value of the account at retirement and the cost of purchasing a lifetime income given retirement age, is added to the employer pension benefit. Participants with 15 or more years of service are eligible for early retirement between the ages of 50 and 65 at reduced benefits. *(State Regulations)*

Annuity. The plan is a combination of defined contribution of the employee (3% of earnings, paid by the University) for the generation of a retirement annuity plus a retirement benefit provided by the State, with the University making a contribution to the State Fund of 8.5% of earnings. Employees are immediately 100 percent vested in contributions and account earnings, which are tax deferred until withdrawn.

Long-Term Disability. With five or more years of service, participants who qualify for disability benefits from the Federal Social Security Administration are eligible to receive a monthly disability from PERF based on years of service, average salary, and the amount in the annuity account. Participants are eligible to apply for the employee-funded Voluntary Long-Term Disability Plan. *(State Regulations; Administrative Practice)*

Early Retirement Plans

18-20 Year Retirement Plan

The 18-20 Plan is not available to any employee with a commencement date later than December 31, 1988. If a participant has completed 20 years of full-time service at Indiana University, and 18 years of participation in the TIAA-CREF Annuity Plan, and if he or she becomes retired on or after the sixty-fourth birthday and prior to the seventieth birthday, the University plans to pay:

To the member—an "interim benefit" which (with benefit then available from Worker's Compensation and Occupational Disease Insurance, if any) will result in a total that is equal to benefits "expected five years from the date of retirement or at age 70, whichever comes first" as defined below.

To TIAA-CREF—annuity premiums for the recipient's account based on terminal salary which is the average annual base salary received during the final five years of employment at Indiana University.

It should be noted, however, that payment by the University of interim benefits and annuity premiums terminates on the earliest of the following dates:

a. the date of the recipient's death;
b. the date gainful employment is resumed, and for the period of such employment;
c. five years from the date of retirement or the recipient's 70th birthday, whichever comes first, at which time TIAA-CREF returement annuity benefits may begin.

Definition. Benefits "expected five years from the date of retirement or at age 70, whichever comes first," refers to the single life annuity from regular contributions made under this plan, calculated assuming that all regular contributions were divided equally between TIAA and CREF. The assumption

regarding the division of contributions, however, does not restrict the retiree from exercising options regarding actual allocations of investments between the fund options available under the TIAA system. Retirees may receive no more than 100% of their terminal base salary from Indiana University.
(Board of Trustees, May 18, 1959; April 5, 1986; October 14, 1988)
Conditions and Procedures. In administering the 18-20 Year Rule, the following conditions and procedures apply.

I. General Conditions

   A. An 18-20 Rule Retirement Benefit Application must be filed and duly approved before benefit payments begin.

   B. The qualifying period of service must be continuous or with only one interruption of not more than two years, unless otherwise approved with the knowledge of The Trustees.

   C. Interim benefits payable to the retiree shall be made monthly, on a 12-month basis, regardless of whether active service appointment was on an academic-year or 12-month basis. Check-mailing will normally commence at the end of the first month of the retirement year, unless there are deductible provisions as described in paragraph D.

   D. For persons retiring from academic-year appointment the “retirement year” will begin January 1 for those retiring at the close of the first semester, and on July 1 for those retiring at the close of the second semester.
   [NOTE: This presumes that an academic--year appointee becoming retired in a Summer month might have rendered compensable service up to the beginning of the retirement year. Under all other conditions the “retirement year” will begin on the first day of the first month following the last month in which compensable service was (or might have been) rendered, provided that regular and terminal vacation pay (but not staff Honorary Service Vacation pay) up to but not exceeding the amount of the interim benefit shall be deducted from the interim benefit payment for each month or partial month of credited vacation time.]

   E. The check mailed at the end of the last month before the 70th birthday, five years from the date of retirement, or death, whichever comes first, will be the final interim benefit check. The final TIAA/CREF contribution will be likewise determined.

II. Interpretation of the "Gainful Employment" Proviso of the 18-20 Rule.

   A. Restrictions on gainful employment will be limited to employment by Indiana University or institutions, agencies, or governmental units that are funded by the State of Indiana.

   B. In the event that a retiree is employed by a state supported institution or agency, the payment of all benefits, including TIAA contributions will cease until the gainful employment rule is complied with.

III. Gainful Employment Reporting

   A. All retirees will be asked to file a quarterly statement regarding gainful employment.

   B. The retiring person who anticipates any gainful employment that will result in a stoppage of the Interim Benefit during the first quarter of retirement should file a Gainful Employment Report before the commencement of Interim Benefit payments to avoid excess payment in the tax year.

(Board of Trustees, May 18, 1959; April 5, 1986; October 14, 1988)
Indiana University Supplemental Early Retirement Plan (IUSERP)
[NOTE: The Trustees of Indiana University discontinued the IUSERP (IU Supplemental Retirement Plan), a qualified IRC Section 401(a) plan, for new hires and newly promoted individuals, effective July 1, 1999.]
(Board of Trustees, October 30, 1998)]
IUSERP (referred to as FERP before its implementation) is intended to provide plan participants with financial resources to supplement other retirement assets, giving participants an opportunity to initiate retirement earlier than other assets would by themselves allow.
Eligibility: Full-time Appointed Faculty/Academic employees and Staff employees Grade 16 or above hired January 1, 1989; to June 30, 1999; are participants in the IU Retirement Plan 12 and are also eligible for benefits under IUSERP.
Plan Benefit: IUSERP benefits are determined by the participant’s account accumulations at the time of distribution. These account accumulations are based on Indiana University’s contribution of 2.4% of the participant’s actual base salary, which is deposited into the participant’s chosen investment fund immediately following each pay period. Investment fund options are TIAA-CREF and Fidelity, each of which includes many fund options. University contributions under this Plan will be directed initially to either TIAA-CREF or Fidelity, whichever selection the participant made for the IU Retirement Plan 12.
IRS regulations dictate that employees with initial plan participation after December 31, 1996; are limited to a set annual compensation considered for IUSERP contributions. For current limit, contact the University Benefits office.
IRS regulations also dictate that annual contributions for both employer and employee to all retirement plans (such as IUSERP, IU Retirement Plan and Tax Deferred Annuity Plan) are limited to the lesser of $30,000 or 25% of compensation for the year.
Upon obtaining vesting rights and termination from Indiana University, plan benefits will be distributed to the participant in the form of a cash withdrawal, a “rollover” into a personal IRA, or in the case of TIAA-CREF, converted to an individual contract.
Vesting Criteria: Participants are 100% vested in their account accumulations upon obtaining age 55 in an active employee status before terminating from the University. Termination of employment prior to age 55, for any reason other than total disability, will result in forfeiture of all IUSERP account accumulations. A participant who becomes totally disabled prior to age 55 shall be 100% vested upon reaching age 55 if he/she remains totally disabled through that date. Participants who begin employment following age 55 shall be 100% vested in their account accumulations upon termination from Indiana University. If a non-vested participant with at least 10 years of full-time service with Indiana University terminates employment with Indiana University due to death, the entire amount in her or his IUSERP account shall be 100% vested. Distribution of the vested participant account shall be made to the beneficiary within a reasonable period of time after the participant’s death, but in no event later than the sixtieth (60th) day after the last day of the year in which the death of a participant occurs.
During a paid leave of absence, Plan contributions will continue to be made for a Participant on the basis of actual base salary then being paid by the University. No Plan contributions will be made during an unpaid leave of absence.
If a participant is on unpaid leave at the time of the 55th birthday, then he/she would not become vested until after having returned to active employment for a period of at least 9 months before termination from employment. Participants who take unpaid leaves from the University prior to age 55 should be

sure to check with the Office of the Vice Chancellor/Vice Provost for Faculty and Academic Affairs or equivalent before extending the leave beyond 12 consecutive months. This is to ensure that they avoid being considered terminated for the purpose of determining vesting under this plan. Prior approval and the existence of special circumstances may allow for the extension (for a total of 60 consecutive months of unpaid leave) beyond the usual limit of 12 months.

If a former participant whose benefits were forfeited due to non-vestiture is reemployed as an Eligible employee within six months of termination from IU, his/her forfeited account accumulation will be restored to its value at the time of termination.

(University Faculty Council, April 23, 1991; Board of Trustees, May 3, 1991; March 3, 2006)

Supplemental Retirement Plans

Employees (50% or more FTE) can participate in either or both of these plans.

IU Tax Deferred Annuity Plan, a voluntary 403(b) plan

- Employees may make voluntary salary deferral contributions up to IRS-allowed maximums.
- Contributions and account earnings are tax deferred until withdrawn.
- Withdrawals may only begin after age 59½ or after termination of employment with the university.
- Employees can choose from investment opportunities at TIAA-CREF, Fidelity Investments, AUL, and AIG VALIC.
- Effective July 1, 2008 all full-time new hires are automatically enrolled at five percent of salary, invested in age-appropriate TIAA-CREF Lifecycle® Funds

IU Retirement Savings Plan, a voluntary 457(b) plan

- Employees may make voluntary salary deferral contributions up to IRS-allowed maximums.
- Contributions and account earnings are tax deferred until withdrawn.
- Withdrawals may only begin after termination of employment with the university.
- Employees can choose from investment opportunities at TIAA-CREF and Fidelity Investments.

Cashability

1. Participants in any of the approved IU retirement plans who have terminated employment with the University through separation or retirement may elect to receive up to 100% of accumulations in cash, subject to any restrictions applied by the investment vehicle.
2. Such participants may elect to take either one pay-out or several pay-outs spread over a period of years.
3. No restrictions shall be placed on any funds so removed from an approved retirement plan.
4. No in-service distributions shall be available to active employees.
5. Participants (and spouses) shall be required to sign a “hold-harmless” agreement, stating that the University is not responsible for any misuse or poor management of the funds removed from the retirement plan.

(University Faculty Council, April 23, 1991; Board of Trustees, May 3, 1991)

Transferability

As of May 1, 1994, the IU Retirement Plan was modified to include a Transferability provision. This enhancement provides participants with more levels and patterns of investment diversification by allowing transfers between all investment options. This transfer option applies to all accumulations under the IU Retirement Plan and the TDA Plan (IU and employee contributions). Additional information regarding transferability provision can be obtained from each campus Human Resources Office.