

THE CITY UNIVERSITY OF NEW YORK

Flexibility

Choice

Optional Retirement Program

Last Update: April 2005

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Preface

For several years, members of the PSC Retirees Chapter have raised questions about details of the complex TIAA-CREF retirement system. In 2000, the Chapter created a TIAA-CREF Issues Committee, chaired by Susan Karp Manning, to deal with these issues. The Committee's sessions are open and held monthly after the Chapter meetings.

Even though TIAA-CREF has many informative booklets available, plus access to consultants by phone, the Committee decided that it would be valuable to have a reference source that dealt solely with the CUNY version of the TIAA-CREF plan. On the request of the Committee, TIAA-CREF agreed to produce a booklet that would contain needed information for CUNY retirees and in-service members. What follows is the initial version of this booklet. It contains the answers to frequently asked questions and is a valuable reference source. It appears on the PSC's website so that members can offer suggestions on how to make the booklet even more useful.

The text of the booklet has been prepared by TIAA-CREF in consultation with members of the Committee. While TIAA-CREF has prepared the material in this booklet, the Committee has agreed to act as the agent for all suggestions and comments. We welcome your input. Please send your comments by e-mail to Peter Jonas at Peter1-j@Verizon.net, or by mail to him c/o Linda Slifkin, Professional Staff Congress, 25 West 43rd Street, New York, NY 10036.

I wish to thank Rosemary G. Markowski of TIAA-CREF who enthusiastically agreed to the concept of a booklet and was instrumental in its creation. I also thank the members of the TIAA-CREF Issues Committee for their continuing work. This includes the Chairwoman, Susan Karp Manning, and David Berger, Peter Jonas, John McGloin and Peg Ogden, all of whom gave close attention to the contents of the booklet. In particular, I appreciate the efforts of Howard Reznikoff for his commitment to the success of the booklet and his leadership in bringing it to fruition.

Irwin Yellowitz
Chairman, PSC Retirees Chapter

The material provided is for general information purposes only. Although every effort has been made to assure its accuracy, the rules of CUNY's Optional Retirement Program are binding. Also, TIAA-CREF cannot provide legal or tax advice. Before taking any action, you are encouraged to meet with a TIAA-CREF Consultant concerning your particular situation. You may also want to consult with a personal tax advisor.

TIAA-CREF and CUNY

TIAA-CREF has enjoyed a long-standing relationship with CUNY. We have been a funding choice under the CUNY Optional Retirement Program (ORP) since 1968. The CUNY ORP, a defined contribution retirement plan, is the alternative choice to the New York State Defined Benefit Plan – Teachers Retirement System (TRS).

CUNY chose TIAA-CREF to be one of your funding choices for a number of good reasons, including:

Experience -- TIAA-CREF has been helping education employees meet their retirement needs for over 80 years. With over \$325 billion in combined assets under management (as of 9/30/2004), TIAA-CREF is one of the world's largest pension providers. We currently provide retirement services to over 15,000 institutions, over 2 million participants, and nearly 300,000 retirees.

Financial Strength and Stability – TIAA's claims-paying ability and overall financial strength have earned top marks from the industry's leading independent ratings agencies, including Standard & Poor's (as of 6/2004), Moody's Investors Service (as of 11/2004), A.M. Best Company (as of 7/2004), and Fitch (as of 8/2004). (These ratings do not apply to the CREF or TIAA Real Estate Account variable annuities.)

Excellent Service -- TIAA-CREF participants reap the benefits of our wide array of services, from our Individual Consultants and our Telephone Consulting Services, to our Automated Telephone Service and the TIAA-CREF Web Center. The information and tools they need are available to make informed decisions about allocating their funds and planning for a successful retirement.

Reputation -- TIAA-CREF was ranked fifth most admired among mutual insurance companies in Fortune's 2004 listing of America's most admired companies.

Very Low Expenses – Expenses for the TIAA-CREF accounts remain among the lowest in the insurance and mutual funds industries according to Morningstar DatalabSM Charting Tool Report Peer Group Analysis – [February 2005] – based on Morningstar expense comparisons by category. Low expenses keep more dollars where they belong – working toward building your retirement income.

Need More Information?

This booklet offers a detailed description of TIAA-CREF's income options and additional features offered under the CUNY ORP, as well as the available services from TIAA-CREF. If, after reading it you feel you need more information about any of the options described, log on to the TIAA-CREF Web Center at www.tiaa-cref.org. Or, if you prefer to talk to someone about your income options, just call the TIAA-CREF Telephone Counseling Center at **(800) 842-2776** and speak to one of our Individual Consultants, weekdays from 8:00 a.m. to 10:00 p.m. ET, and Saturdays from 9:00 a.m. to 6:00 p.m. ET.

Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income. When you contribute money to the retirement plan, your money generally must stay in the plan until you reach age 59-1/2. If you make a withdrawal before then, the money will be taxed as ordinary income and you may be subject to an additional 10 percent early withdrawal penalty. Furthermore, if you choose to invest in the variable investment products, your money will be subject to the risks inherent in investing in securities. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance.

HOW CUNY'S PLAN WORKS

Eligibility

In general, all full-time CUNY faculty and professional staff members are eligible for the Optional Retirement Program (ORP).

Within 30 days of their appointment date, Instructional Staff members must select the retirement program (ORP or TRS) in which to participate. This is an *irrevocable decision*. If you do not make an election within 30 days, you will *automatically default* to the State Defined Benefit Plan and will have no further opportunity to elect the ORP. If the ORP is elected, an enrollment form must be completed and participation in the ORP begins immediately.

If you select TIAA-CREF, you will participate in Retirement Annuity (RA) contracts. A voluntary tax-deferred annuity program is also available to help you save additional funds for retirement and reduce your current taxable income. TIAA-CREF Group Supplemental Retirement Annuity (GSRA) contracts are used in the voluntary tax-deferred annuity program. Enrollment applications are available at the Human Resource office on each of the campuses.

Additional information on TIAA-CREF, its products and services is available online at www.tiaa-cref.org/product_profiles/sras.html . This site also includes: ***TDA Contribution Calculator, TDA Advantage Calculator and the Retirement Goal Evaluator.***

Contributions and Vesting

CUNY has separate contribution rates, which are based on the date you become eligible to join the ORP (see contribution chart on following page). If you do not already own TIAA-CREF Retirement Annuities at the time you join the ORP, both CUNY's contributions and the contributions withheld from your salary for your first year of CUNY service, plus interest, will be credited to TIAA-CREF annuities after you have completed 366 days of service and have been continued in service thereafter. At that time, CUNY will make a retroactive contribution for your first year as an Instructional Staff member.

If you terminate employment before you become a vested member of CUNY's ORP, the contributions that you made toward your retirement plan will be returned to you with interest.

If you already own TIAA-CREF Retirement Annuities at the time you join the ORP, your contributions and CUNY's contributions to your retirement plan will begin as of your appointment date, and you will be immediately vested.

The ORP contribution rates and Tier designation as determined by CUNY is as follows:
Note that Tiers must be verified by CUNY and employees should not rely solely on the following chart but should view it for general guidance purposes only.

Tier	Date Employee Became ORP Eligible	Employer Contribution as a Percentage of Salary*	Required Employee Contribution**
I	Prior to July 1, 1973	10% of first \$16,500 of salary, plus 13% of salary above \$16,500	1.5% (Federal - Post Tax) (State/City – Post Tax)
II	Between July 1, 1973 and July 26, 1976	10% of first \$16,500 of salary, plus 13% of salary above \$16,500	1.5% (Federal - Post Tax) (State/City – Post Tax)
III	Between July 27, 1976 and August 31, 1983	10% of first \$16,500 of salary, plus 13% of salary above \$16,500	1.5% (Federal Pre-Tax) (State/City Post-Tax) ***
IV	Between September 1, 1983 And July 16, 1992	10% of first \$16,500 of salary, plus 13% of salary above \$16,500	1.5% (Federal Pre-Tax) (State/City Post-Tax) ***
V	On or after July 17, 1992	8% of salary for first seven years of service, then 10% for subsequent years	3% (Federal Pre-Tax) (State/City Post-Tax) ***

- * The term “salary” means all amounts paid by or for The City University of New York as compensation for services rendered by an eligible employee. Annual salary does not include hourly payment for part-time employees or amounts specified as ineligible for pension credits.
- ** The required employee contribution is made under Section 414(h) of the Internal Revenue Code (IRC). All earnings compound tax deferred until you retire.
- *** These contributions are considered 414(h) pick-up money. CUNY employees will receive a W-2 indicating that their total employee contributions for the year are pre-tax, therefore reducing their adjusted gross income. However, when filing their N.Y. State tax return, they will need to add the total employee contribution to their taxable income.

CUNY employees who select the ORP on or after January 1, 1996 will have their contributions based on a limit of \$170,000 (indexed for inflation - \$210,000 in 2005) of regular compensation. The compensation limitation for pre-January 1, 1996 participants is \$285,000 (indexed for inflation - \$315,000 in 2005).

Retirement Annuity - ALLOCATING YOUR CONTRIBUTIONS

The TIAA-CREF selection of accounts gives you access to the major asset classes—guaranteed, equities, fixed income, money market and real estate, and also includes a balanced account that screens companies for certain social criteria. This makes it possible for you to build a diversified portfolio that blends your retirement objectives with your tolerance for risk. See www.tiaa-cref.org/finance/investment_choices.html

Investment Choices

The TIAA-CREF Retirement Annuity (RA) accounts include:

GUARANTEED

TIAA Traditional Annuity – Backed by TIAA’s claims-paying ability, it guarantees principal and a 3 percent minimum interest rate, plus it offers the potential for greater growth through additional amounts as declared on a year-by-year basis by the TIAA Board of Trustees.

Premiums that were remitted in previous years may earn a total interest rate that is different than the interest rate credited to premiums that are currently being remitted to TIAA Traditional. These various “pots of money” are referred to as vintage rates and can subsequently be changed. The current and vintage rates are available at www.tiaa-cref.org/charts/ra-performance.html, click on “Retirement Annuity” for the current rates of return.

THE VARIABLE ANNUITY ACCOUNTS INCLUDE:

Equities

CREF Stock Account

CREF Global Equities

CREF Growth Account

CREF Equity Index

Real Estate

TIAA Real Estate Account

Fixed Income

CREF Bond Market

CREF Inflation-Linked Bond Account

Money Market

CREF Money Market

Balanced Account (contains equities, fixed income, and money market)

CREF Social Choice Account

Click on to the Asset Allocation Evaluator at <https://ais2.tiaa-cref.org/cgi-bin/WebObjects.exe/DTAssetAlcEval> . This tool will take a few minutes and provide you with examples of how you may want to allocate your assets across asset classes and accounts. If you do not have a Web site login ID, you will be able to establish one on this site.

Expenses

TIAA-CREF is known throughout the investment world for being one of the lowest-cost providers of financial products and services. Expenses for the TIAA and CREF variable annuities are among the lowest in the insurance and mutual fund industries.¹ This means that *more* of your money is put to work to build your retirement savings.

¹ Morningstar DatalabSM Charting Tool Report Peer Group Analysis – [February 2005] – based on Morningstar expense comparisons by category.

Help with Asset Allocation Decisions

If you would like help in deciding how to allocate your contributions among the TIAA-CREF accounts, you can go to TIAA-CREF's Asset Allocation Evaluator at <https://ais2.tiaa-cref.org/cgi-bin/WebObjects.exe/DtAssetAlcEval> . Or, if you prefer to talk with an Individual Consultant, you can call the TIAA-CREF Telephone Counseling Center at (800) 842-2776. TIAA-CREF Consultants are also on campus frequently. You can call (800) 842-2011 to find out when a TIAA-CREF Consultant will be on your campus.

If you personalize your PIN, you can change allocations for future contributions at any time on the TIAA-CREF Web Center, or call the TIAA-CREF Automated Telephone Service at (800) 842-2252. Both of these services are available 24 hours a day, 7 days a week.

Making Transfers

You can also use these services if you decide you want to transfer funds among your accounts. The minimum amount that can be transferred from the TIAA-CREF variable accounts is \$1000. If your account is under \$1000, you must move the full amount. There is currently no charge for making transfers.

Transfers out of the TIAA Real Estate Account to other TIAA-CREF accounts are limited to once per quarter. Transfers into the TIAA Real Estate Account can be made anytime.

Transfers are effective at the close of the New York Stock Exchange (NYSE) – usually 4:00 p.m. ET – the day TIAA-CREF receives your instructions and any required documentation. (You can also specify that a transfer take place effective on last business day of the current or any future month.) Instructions received after the NYSE closes are effective at the close of the Exchange on the next business day.

Transfer Payout Annuity (TPA)

It should be noted that when you request a transfer from your TIAA Traditional account in the Retirement Annuity (RA), the transfer amount is moved to a Transfer Payout Annuity contract. From there, transfers take place annually in 10 roughly equal annual installments to the variable account specified. The account that the funds are being transferred to can be changed. Each installment includes principal and interest, plus dividends as declared by TIAA. (If you have less than \$2,000 in TIAA Traditional, you can transfer your accumulation in a single sum.). The TPA does not apply to TIAA Traditional Accumulations in GSRA contracts (see below), as daily single sum transfers from TIAA Traditional are available in these contracts regardless of amount.

LOANS

Current and former employees can borrow against the funds in your TIAA-CREF Retirement Annuity contracts under the ORP without application or processing fees.

Maximum loans are the least of:

- \$50,000
- 45 percent of your account accumulations, or
- 90 percent of the accumulations in the TIAA Real Estate and CREF variable annuity accounts

Your maximum loan may be less if you have had an outstanding loan from CUNY's Retirement or Tax-Deferred Annuity Plan within the last 12 months. If you are married, CUNY requires spousal consent for loans.

Loans are not available from accumulations on which you are currently receiving lifetime or fixed period annuity payments, Minimum Distribution Option payments, Interest Payment Retirement Option payments, or from accumulations in a Transfer Payout

Annuity. Withdrawals cannot be made from accumulations that are actively collateralizing outstanding loan balances.

For more details on loans from the Retirement Annuity, click on www.tiaa-cref.org/pubs/html/ra_loan/index.html . Loans are also available from SRAs. The SRA loans are slightly different than the RA loan rules. For more details on loans from SRAs, click on www.tiaa-cref.org/pubs/html/gsra_loan/index.html .

Group Supplemental Retirement Annuity (GSRA)

TIAA-CREF Group Supplemental Retirement Annuities offer an easy and affordable way to build additional assets for retirement. GSRA contracts offer both a guaranteed annuity and variable annuity accounts. And, at CUNY, instructional and professional full-time staff, adjuncts and classified managerials are eligible for GSRA. With a GSRA, you decide how much you want taken from your paycheck – before taxes are taken out. Click on http://www.tiaa-cref.org/product_profiles/sras.html for more details about the benefits of saving in a tax-deferred annuity and to utilize TIAA-CREF's self-assessment tools: Retirement Goal Evaluator, TDA Advantage Calculator and TDA Contribution Limits Calculator.

INCOME OPTIONS: Issues To Consider

Flexibility and Choice

With TIAA-CREF's selection of accounts and array of payment options, you have the flexibility you need to create a balance of stability and growth to best suit your needs. In fact, with TIAA-CREF, you do not have to select one income option to the exclusion of all others. You may find that your needs are best met by a combination of different payment options, incorporating lump-sum payments, periodical withdrawals and lifetime annuity payments. You can even start out using one type of payment method or

investment and change your strategy later on. To accommodate your personal financial objectives, you can select from among the following payment choices:

- Lifetime Annuities (single or joint life options)
- Retirement Transition Benefit
- Interest-Only Payments from your TIAA Traditional Accumulations (IPRO Option)
- Systematic Withdrawals (SWAT) from your cashable variable account accumulations*
- Cash Withdrawals*
- Fixed Period Payout*
- Minimum Distribution Option

Any cash withdrawals and/or the receipt of annuity income may affect eligibility of future benefits upon rehire.

Note that TIAA-CREF provides a unique service to CUNY for its retirees in partnership with the New York City Health Benefits Program at the Office of Labor Relations. TIAA-CREF will deduct premiums for retiree health care and retiree dental care from a stream of income. The only two payment options that these deductions can be taken from are: Annuity Income (any single or joint life option) and Interest Payments under the IPRO Option. A minimum of \$10,000 must be settled as annuity income or IPRO in order to take advantage of the automatic insurance premium deduction feature.

Click on to www.tiaa-cref.org/retready/index.html to access valuable guidance about planning for your future. You can review income options, utilize various calculators and planning tools and implement strategies that will help you reach your goals. You can also click on <https://www5.tiaa-cref.org/bookstore/list.do?cat=-1> to access TIAA-CREF publications that review retirement planning and income options.

* Subject to the terms of CUNY ORP. See “cash withdrawals” section.

LIFETIME ANNUITIES

For many people, using most, if not all, of their accumulation to purchase lifetime annuity payments is an effective way to meet their needs in retirement. But there are also circumstances in which a lifetime annuity may not be the best choice. That's why TIAA-CREF offers a wide range of options for receiving income. You can use them in combination with one another, or use certain payment options first and then convert to a lifetime annuity.

A lifetime annuity offers you a safe, efficient way to pay yourself a lifetime "salary" during retirement. With a lifetime annuity, you don't have to worry that you'll spend too much or outlive your income.

TIAA Traditional annuity income offers one-life and two-life options with or without guaranteed payment periods of 10, 15, or 20 years (available periods will depend on your age at the time you begin annuity income). A one-life annuity pays income for as long as you live. A two-life annuity pays you income for your lifetime and continues to your surviving annuity partner for his or her life. Income is based on assumed life expectancy and a guaranteed amount of interest plus any additional amounts determined year-by-year on March 1. If you select a guaranteed period and you (and your annuity partner, under a two-life option) die during the guaranteed period, payments would continue to your beneficiary(ies) for the remainder of the period. TIAA Traditional lifetime annuities guarantee that you and your annuity partner (if elected) will never outlive your income.

Variable annuity income from CREF and TIAA variable annuity accounts allows you to receive a lifetime income with payments that vary depending on the investment performance and expenses of the account chosen as well as life expectancy. You can choose to have payments adjusted annually or each month.

Click on www.tiaa-cref.org/pubs/html/receiving_income/receive_guide.html for information about the various methods of receiving your retirement income from TIAA-CREF.

To help you plan for the future, TIAA-CREF will supply personalized illustrations, which generally include estimates of your first year's retirement income under various one-life annuity options. We'll also estimate income under a two-life option if we know your spouse's or other annuity partner's date of birth. To get your personalized illustration, you can either call our Telephone Counseling Center at (800) 842-2776 from 8:00a.m. – 10:00p.m. ET Monday through Friday and from 9:00a.m. – 6:00p.m. ET on Saturday or go online to TIAA-CREF's Web Center at <http://www5.tiaa-cref.org/reteval/RetServlet> where you can get an illustration once you've obtained a personalized PIN.

*Please note: If you are eligible for retiree health insurance coverage and would like to opt for this benefit, CUNY **requires** that the ongoing premiums be deducted from annuity payments or IPRO payments . As such, you must elect an annuity option or IPRO with at least \$10,000 of accumulation to maintain health coverage. Other payment options such as Minimum Distribution, or any cash withdrawals (systematic, lump sums or fixed periods) do not satisfy this requirement. See “Retiree Health Coverage and the ORP” section for additional details.*

In addition, premiums for any voluntary program, such as Long-Term Care or Catastrophic Insurance can only be deducted from annuity payments or IPRO payments. Direct payment for these programs may not currently be available. If payments were made available, they may lack convenience and in some cases, special discounts.²

² This information is provided by the PSC-CUNY Retirees Chapter

RETIREMENT TRANSITION BENEFIT

You may also receive a portion of your income in a single sum after termination of employment if you choose the Retirement Transition Benefit (RTB) option. This option lets you receive a one-sum payment of up to 10 percent of your TIAA and CREF accumulations at the time you begin to receive your income as an annuity. The one-sum cannot exceed 10 percent of the accumulation in each of the accounts that are being converted to annuity payments. Unlike the cash withdrawal options, a spousal consent is not required for the RTB.

INTEREST-ONLY PAYMENTS

If you need some regular income, but are not ready to make a permanent decision about a payment option when you retire or leave your job, you might want to consider TIAA Traditional's Interest-Only Option that is called the Interest Payment Retirement Option (IPRO). If you are between the ages of 55 and 69½, you can elect to receive payment of just the interest that would otherwise be credited on your TIAA Traditional accumulation. The interest consists of both a guaranteed portion of 3 percent plus dividends which are not guaranteed.

This option is available for all of your TIAA Traditional accumulation, or any portion of at least \$10,000. Your principal remains intact while you receive payments. The dividend rates that are being paid at the time to TIAA Traditional accumulations determine the amount of your payments. You must receive IPRO payments for at least 12 months. After receiving interest payments for at least one year, you can convert the accumulation to a lifetime income, minimum distribution payments (if you are subject to the minimum distribution requirements that generally apply April 1 following the year you reach age 70½ or retire, whichever is later--you also might be able to defer 403(b) accumulations that accrued up through December 31, 1986 to the later of age 75 or retirement). If you elect the IPRO option, you can continue to receive it beyond age 70½ (unless you had previously terminated IPRO at age 70½), but not past the date on which it must be converted to a lifetime income to meet Minimum Distribution requirements. See "Minimum Distribution Option."

SYSTEMATIC WITHDRAWALS AND TRANSFERS (SWAT)

Available for the *cashable portion* (see Cash Withdrawals) of your TIAA Real Estate and CREF accumulations, Systematic Withdrawals enable you to tailor a periodic income stream to suit your needs and specifications. You can receive payments for any amount (minimum payment of \$100 per account) for any time period from your cashable accumulations. We will send you payments -- semimonthly, monthly, quarterly, semiannually, or annually – or, if you prefer, deposit them directly to your bank account. You can change, stop, or restart payments anytime. And you can always convert your remaining accumulation to lifetime annuity payments (up until age 90), or combine systematic withdrawals with other payment options.

If you choose Systematic Withdrawals, you retain the same transfer opportunities you had while you were accumulating assets with TIAA-CREF. Moreover, if you die while receiving payments under this option, any portion of your accumulation not paid to you will be payable as a death benefit to your beneficiary(ies).

You should keep in mind, however, that with Systematic Withdrawals, you are not guaranteed lifetime income. Depending upon how much you receive under this option, the cashable portion of your retirement accumulation may be substantially reduced or even exhausted.

Systematic Transfers. This service allows you to transfer funds in a series of transfers among the TIAA-CREF variable accounts and funds, and to TIAA Traditional. To set up systematic transfers, call (800) 842-2776.

CASH WITHDRAWALS

Under the CUNY ORP, upon reaching the normal CUNY retirement age you can receive up to 67 percent of your total TIAA-CREF accumulation in any combination of

systematic or single-sum withdrawals. The minimum payment is \$1,000. Keep in mind, however, that TIAA Traditional Annuity accumulations are not cashable and the withdrawals can only be made from the TIAA Real Estate and CREF accounts (otherwise known as the variable annuity accounts).

If at separation of service you will never be eligible for retiree health coverage provided by the City of New York, CUNY allows you to take a cash withdrawal of up to 100 percent of your ORP accumulations if you have attained normal retirement age.

Please note that an early withdrawal tax penalty may still apply if you are under age 59½ and a cash withdrawal is made. Also, cash withdrawals may affect eligibility for future benefits upon rehire.

To be eligible for a cash withdrawal, CUNY requires you to be separated from service and reach normal retirement age (age 55 for Tiers 1 or 2 and age 62 for Tiers 3, 4 and 5).

Examples based on a total TIAA-CREF accumulation of \$100,000 and CUNY's Cash Policy.

TIAA-CREF Variable Account Accumulation	TIAA Traditional Annuity Accumulation	<u>CUNY Cash Policy</u> Amount that can be withdrawn as cash
\$100,000	\$0	Up to \$67,000
\$50,000	\$50,000	Up to \$50,000* *You may withdraw the entire variable account amount. Then, if you wish, you can have the TIAA amount transferred to TIAA-CREF variable accounts in annual installments over a 10-year period. Those installments can be withdrawn until the single-sum payments total 67% of your accumulation.
\$0	\$100,000	\$0* *No cash withdrawal can be made from TIAA Traditional Annuity. However, the TIAA Traditional amount can be transferred to TIAA-CREF variable accounts in annual installments over a 10-year period. Those installments can be withdrawn until the single-sum payments total 67% of your accumulation.

If a Participant requests a partial withdrawal, a declining percentage worksheet is prepared and maintained and the % remaining available is reduced by the current withdrawal. For example, if 5 years ago the participant withdrew 60% of the accumulations available for cash, this year he/she would be able to withdraw 7% of the **current** value of the accumulations available for cash. Withdrawals used to satisfy Minimum Distribution (MD) requirements reduce the accumulation; however, they do not reduce the available percentage in this manner. For example, if you had a \$100,000 accumulation and withdrew \$10,000 (10%) to satisfy MD, 67% would continue to be available to you for cash withdrawals rather than 57%.

This continues until all cashable funds are depleted. Keep in mind that you must also comply with IRS Minimum Distribution requirements regardless of CUNY's cash policy.

You can also take specified payments from your variable annuity accounts, which you can change or stop at any time, leaving the remainder on deposit either to be taken as cash or converted to a lifetime annuity at a later date. These payments can be made through Systematic Withdrawals. If you are married, CUNY requires spousal consent for all forms of cash withdrawals except an RTB.

FIXED PERIOD PAYMENTS

Subject to the accumulation you have that is eligible for cash, you can choose to receive TIAA Real Estate and CREF income over a period of two to 30 years from your CUNY accumulations if you are no longer working at CUNY. If you are married, CUNY requires spousal consent. If you die during the fixed period, payments will go to your beneficiary for the duration of the fixed period. Your beneficiary can also elect to take the commuted value of the remaining payments.

Your choice of fixed periods may be limited by federal tax law and will depend upon your age or the ages of you and your beneficiary.

MINIMUM DISTRIBUTION OPTION (MDO)

Generally, the law requires that you must begin to receive income by April 1 of the year following the year you turn 70½ or the year you retire, whichever comes later. In other words, if you remain employed at CUNY beyond age 70½, you may continue to defer income on your CUNY accumulations until you separate from service with CUNY.

Currently, CUNY's Optional Retirement Plan (ORP) is a 401(a) plan. However, prior to 1991, CUNY's ORP was a 403(b) plan. If you participated in the ORP prior to 1991, you may have accumulations that are attributable to the 403(b) retirement plan. The pre-1987 accumulations in the 403(b) retirement plan are "grandfathered" and subject to a later beginning date. You must begin to receive income from the pre-1987 403(b) plan grandfathered accumulations by April 1 of the year following the year you turn 75 or the year you retire, whichever comes later.

If you are interested in preserving as much of your accumulation as possible either for your heirs or to use later in retirement, you can defer beginning your retirement income until you are required by law to take it, then can select to receive the required amount of income under the Minimum Distribution Option (MDO).

With an MDO, TIAA-CREF calculates the minimum amount of payment you are legally required to take from your retirement accumulation each year. That means you do not have to start lifetime annuity income and you do not have to remember to request payments each year. Moreover, the remainder of your accumulation will continue to earn interest in TIAA Traditional and/or participate in the investment experience of the TIAA-CREF variable accounts. And, if you die while receiving income under the MDO, your beneficiary(ies) will receive the total remaining accumulation as a death benefit.

Click on www.tiaa-cref.org/pubs/pdf/guidetomdo.pdf for more information about minimum distribution requirements and the MDO option.

If you take additional lump-sum withdrawals that are not part of the Minimum Distribution payment, the law requires that these distributions must reduce your pre-1987 grandfathered accumulations. Also, if you roll over accumulations out of the 403(b) into any other qualified retirement plan or an IRA, the amounts rolled over are no longer considered grandfathered and you must begin to receive required distributions on these funds by the later of age 70½ or retirement.

Note that loans are not permitted from MDO contracts. Additionally, if you take a cash withdrawal from your TIAA-CREF Retirement Annuity, the IRS requires these withdrawals reduce the grandfathered 403(b) accumulations, if the distributions exceed the required distribution amount.

TIAA-CREF can assist you with calculating the minimum distribution amounts. You can speak with a TIAA-CREF Individual Consultant at (800) 842-2776 from 8:00 a.m. – 10:00 p.m. ET from Monday through Friday and from 9:00 a.m. – 6:00 p.m. ET on

Saturday. We will also calculate the amount of distribution you need to take each year from your TIAA-CREF accounts and you may elect to take this required amount from the cashable portion of your Real Estate or CREF accounts (not the TIAA Traditional in the Retirement Annuity) as a lump-sum withdrawal rather than electing the Minimum Distribution Option

It is very important to make sure you are meeting federal requirements, because by failing to do so, you may pay a substantial tax penalty on the amount you should have received.

Click on www.tiaa-cref.org/pubs/pdf/minimum_dist.pdf to access the Minimum Distribution informational brochure.

TRANSFER PAYOUT ANNUITY

TIAA-CREF's Transfer Payout Annuity enables you to move TIAA Traditional Annuity accumulations in your ORP (the Retirement Annuity--RA Contract) to TIAA Real Estate or any of the CREF accounts in 10 substantially equal annual installments. The first TPA payment is made when the contract is issued. Each subsequent payment is made on the first of the month that the contract was issued. Since the TPA is made at the beginning of each period, there are actually 10 payments made over a period of nine years and one day. The minimum amount of accumulation needed to establish a TPA is \$10,000. If the accumulation is less than \$10,000 but greater than \$2,000, you can establish a TPA using the total available accumulation. If there is only \$2,000 or less in your TIAA Traditional RA account, the entire amount may be transferred to the Real Estate or any of the CREF accounts in a single lump sum. Once a TPA is established, you have the option of redirecting the annual payments from one of the funds to another or back to TIAA. You can also convert the remaining TIAA Traditional Accumulation you have in a TPA into annuity income. If you convert your remaining TIAA Traditional TPA accumulation to

annuity income, the Retirement Transition Benefit will not be an option on those accumulations.

ANNUIITY INCOME TRANSFERS

Even after you've decided from which accounts you want to receive Lifetime Annuity income, TIAA-CREF offers you flexible options. Through our annuity income transferability option, you can transfer from any variable account to another variable account or to TIAA Traditional on any business day. This enables you to secure gains from a variable account by moving to a fund with a guaranteed element, respond to changing economic conditions and rebalance your asset allocation when you feel it is appropriate. You can:

- ❑ Transfer among any of the TIAA-CREF variable accounts once per quarter
- ❑ Change your TIAA Traditional payment method from the Graded Method to the Standard Method (but not vice versa)
- ❑ Transfer up to 20 percent of your TIAA Traditional Annuity accumulation to the TIAA-CREF variable accounts each year.

Certain restrictions apply to annuity income transfers. For example, Lifetime Annuity payment options and annuity partners cannot be changed once Lifetime Annuity income begins.

For additional information on TIAA-CREF's annuity income options, click on <https://www5.tiaa-cref.org/bookstore/detail.do?id=51> . If you would prefer to request a print version of the booklet, call (877) 518-9161.

SURVIVOR BENEFITS

Periodically, it is a good idea to review your beneficiary designation to ensure that it reflects your wishes about who should receive survivor benefits. If you die before beginning annuity income, the full current accumulation is payable to your beneficiary as a survivor benefit. Your beneficiaries have a diverse array of payment options that they can utilize to create a payment stream that will best suit their financial objectives.

Click on <https://www5.tiaa-cref.org/bookstore/detail.do?id=138> for spouse beneficiary information, <https://www5.tiaa-cref.org/bookstore/detail.do?id=60> for non-spouse beneficiary information or <https://www5.tiaa-cref.org/bookstore/detail.do?id=147> for trust beneficiaries.

RETIREMENT PLAN ACCUMULATIONS WITH ALTERNATE FUNDING VEHICLES

If you have additional retirement plan accumulations with an Alternate Funding Vehicle (AFV) under the ORP (Metropolitan Life and/or The Guardian) when you separate from service from CUNY and are ready to begin receiving Life Annuity income or any other form of withdrawal, CUNY's administrative policy requires you to:

First, transfer your retirement plan accumulations from the AFV back to TIAA-CREF. This ensures that you will have the appropriate funds available for all forms of income under the ORP.

Once the funds are returned to TIAA-CREF, you can:

- ❑ Diversify your retirement plan portfolio among the TIAA-CREF investment funds,
- ❑ Take partial or full payment distributions directly from TIAA-CREF's multitude of flexible payment options,
- ❑ Customize the payment options to fit your personal financial objectives,
- ❑ Or any combination of these options.

TIAA-CREF Individual Consultants can help you do this. You also have the option of rolling over or transferring retirement plan accumulations that you have accrued through other employers to your TIAA-CREF Contracts or a TIAA-CREF IRA. You can discuss your options with a TIAA-CREF Individual Consultant or click on: www.tiaa-cref.org/finance/consolidate_retirement_assets.html for information about consolidating your assets.

RETIREE HEALTH COVERAGE AND THE ORP

If, at retirement, you are eligible for retiree health coverage provided by the City of New York, CUNY requires you to begin receiving some income from your retirement plan under one of the two options stated below:

- ❑ Settle a minimum of \$10,000 of your retirement accumulations into one of TIAA-CREF's many single- or joint-life annuity options, or
- ❑ Draw interest from a minimum of \$10,000 of your TIAA Traditional Accumulations under the Interest Payment Retirement Option (IPRO).

Other withdrawal options such as cash withdrawals (lump sum, fixed period and systematic withdrawals), Minimum Distribution and Transfer Payout Annuity payments do not satisfy this requirement.

CUNY requires that the cost of your health care premiums will be deducted from the stream of income that the \$10,000 will produce. If the cost of your health care premiums increase to an amount above the stream of income generated by the \$10,000, you will need to convert an additional \$10,000 of your retirement accumulations to either an annuity or interest payments as described above.

TAX ISSUES

For *federal* tax purposes, annuity payments are taxed as ordinary income and are not subject to the 20 percent withholding requirement described here. Federal tax law requires that 20% be withheld from certain retirement plan distributions, i.e., distributions that are considered to be “eligible rollover distributions.” This category includes such distributions as systematic or full cash withdrawals, periodic payments under the IPRO, or fixed-period annuities with durations of less than 10 years. Be mindful of the 20 percent IRS withholding requirement when you are calculating how much money you actually need so that you can compensate for the withholding by increasing your withdrawal enough to cover the taxes.

The 20 percent withholding requirement does *not* apply if the distributions are directly rolled over into an eligible retirement plan, such as an IRA. It also does not apply to lifetime annuity payments.

You will owe any remaining income taxes on the amount you receive in the year you receive it. Keep in mind that if you receive cash withdrawals before reaching the age of

59½, you may be subject to a 10 percent early withdrawal penalty tax on top of ordinary income tax unless:

- ❑ You retire or leave CUNY and begin lifetime annuity income;
- ❑ You terminate employment from CUNY during or after the calendar year in which you reach age 55;
- ❑ Payments are made to another person under a Qualified Domestic Relations Order (for example, in the case of a divorce);
- ❑ You are permanently disabled; or
- ❑ You die.

You may want to consult with a tax advisor about all of these issues before making any decisions.

NY STATE AND CITY TAXATION

CUNY/SUNY Unlimited Exclusion

Currently, New York State Tax Law allows an unlimited exclusion from state and city income taxes for pension and annuity payments made under certain conditions. Payments must represent a return of contributions made to the plan while the individual was an employee of NY State or NY City, along with any attributable earnings. Beneficiaries of former NY State and City employees receiving such payments are also eligible for the exclusion. This law applies to TIAA-CREF benefits paid to City University of New York (CUNY) employees who elected the TIAA-CREF Optional Retirement Program. The unlimited exclusion is based on the fact that the Retirement Annuity (RA) accumulations consist of employer contributions, required employee contributions, and attributable earnings.

The CUNY exemption applies to all payments from the RA (annuity, interest only, lump sum, SWAT, RTB, etc.) provided the contributions and earnings are attributable to CUNY employment. Spouses who receive a CUNY annuity under a Qualified Domestic Relations Order are also eligible for the exemption on the portion of annuity payments attributable to CUNY accumulations. This exclusion doesn't apply to distributions from Supplemental Retirement Annuities (SRA), Group Supplemental Retirement Annuities (GSRA), Individual Retirement Annuities (IRA) (unless the accumulations are attributable to a rollover from CUNY accumulations in the RA), or the Teachers Personal

Annuity (PA). However, a participant can use a combination of the CUNY/SUNY Unlimited Exclusion and the New York State \$20,000 Annual Exclusion.

RA accumulations (attributable to CUNY/SUNY employment) that are rolled over to an IRA, either within or outside of TIAA-CREF, continue to be entitled to the unlimited exclusion. Therefore, subsequent withdrawals from an IRA (except earnings from the IRA) are eligible for the unlimited exclusion. Earnings that grew in the IRA after the rollover are eligible for the \$20,000 exclusion (see below). It is recommended that a rollover of this kind not be commingled with other assets. Amounts entitled to this exclusion should be indicated on the New York State form IT-201. Participants can also refer to instructions for Form IT-201 for additional details.

Keep in mind this is our understanding of New York State Tax Law. Participants should always be encouraged to consult with their accountant, tax adviser, or The New York State Department of Taxation and Finance for their particular situation.

New York State \$20,000 Annual Exclusion

Currently, the state of New York allows for an exclusion of up to \$20,000 of pension and annuity income from state and local taxes each year. To qualify for this exclusion participants must meet several requirements. According to an advisory opinion issued by the New York State Commissioner of Taxation and Finance, the requirements are as follows:

Pension and Annuity income, not in excess of \$20,000, received by an individual may be subtracted (every year) in determining New York adjusted gross income provided the following conditions are met:

1. Pensions and Annuity income must be included in federal adjusted gross income.
2. Pensions and Annuity payments must be periodic unless they are taken from an IRA or Keogh.
3. Income must be attributable to personal service performed by the individual prior to retirement from employment.
4. Individual must be **59½ or older**. If the individual attained age 59½ during the year, only the amount received after attaining age 59½ is eligible for the exclusion.

Important Note: It's clear that annuity payments qualify as periodic. Systematic cash withdrawal payments will also qualify for this exclusion provided they are taken for a period of at least 2 years.

Residents filing a resident income tax return may take this exclusion. It is not a requirement for the participant to have earned the money in the state of New York.

The New York State \$20,000 Annual Exclusion applies to all of TIAA-CREF's individual and group retirement contracts used with retirement plans or IRAs.

Distributions that are not eligible for the unlimited exclusion can be considered for this exclusion. However, the following are exceptions to the exclusion:

- Lump-sum* payment from 403(b) plans
- IRA distributions that are attributable to contributions following retirement.

*Any non-periodic payment in any amount.

A survivor beneficiary would also qualify for the NYS \$20,000 Annual Exclusion as long as the decedent would have qualified at the time of their death.

CUNY employees can take advantage of the New York State \$20,000 Exclusion in addition to the CUNY/SUNY Unlimited Exclusion. Therefore, CUNY Retirement Plan payments may have the unlimited exclusion and income received from other sources such as non-CUNY employers, IRAs and even your CUNY SRA (the tax-deferred annuity) can take advantage of the \$20,000 Exclusion.

Keep in mind this is our understanding of New York State Tax Law. Participants should consult with their accountant, tax advisor, or The New York State Department of Taxation and Finance for their particular situation.

ROLLOVER OPTIONS

You may be able to consolidate retirement and tax-deferred annuity funds you accrued outside of CUNY with your CUNY plans. Click on www.tiaa-cref.org/finance/consolidate_retirement_assets.html for more information about consolidating retirement plan assets. See “Tax Issues” for important data with respect to rollovers.

CONSOLIDATING RETIREMENT SAVINGS

If you have retirement savings from other retirement plans that meet certain criteria, you might want to think about consolidating them. TIAA-CREF IRAs are available to both current and former employees of nonprofit institutions and governmental entities organized in the United States. In addition to accepting annual contributions, they are

also designed to accept before-tax contributions that are transferred or rolled over from certain pension plans or other IRAs.³

You can allocate the funds you roll over to a TIAA-CREF IRA to TIAA Traditional and/or the TIAA and CREF variable accounts, and you can transfer freely among these options. There may be limits on how many times you can transfer in and out of certain accounts. Unlike your Retirement Annuity contract (under the ORP), the TIAA Traditional Accumulations can be transferred to any of the variable accounts immediately. Your payout options include all the options discussed in this booklet with the exception of IPRO and Retirement Transition Benefit.

Be sure to check the terms of your existing investment. Certain surrender and other charges may apply if you roll over funds to a TIAA-CREF IRA from another financial firm.

If you are interested in our Rollover IRA, you can get more information, or even fill out your application online, at the TIAA-CREF Web Center at http://www.tiaa-cref.org/open_account/iras.html . Or, if you prefer, you can speak with a Consultant by calling (800) 842-2776, on weekdays from 8 a.m. – 10 p.m. ET, and on Saturdays from 9 a.m. – 6 p.m. ET.

³ Eligible funds include those from 403(b) annuity plans, qualified plans under Internal Revenue Code Sections 401(a), 403(a), 401(k) (including plans using TIAA-CREF Retirement Annuities, Group Retirement Annuities, Supplemental Retirement Annuities, Group Supplemental Retirement Annuities, and CREF Unit Deposit Accumulation Annuities), and funds from another IRA originating from a 403(b) or qualified plan at a nonprofit institution or governmental entity organized in the United States.

TIAA-CREF SERVICES

For more information about the CUNY TIAA-CREF Optional Retirement Program and TIAA-CREF itself, you can visit the TIAA-CREF Web Center, call the Telephone Counseling Center, or use the TIAA-CREF Automated Telephone Service.

On-site staff educational meetings and individual retirement planning meetings with TIAA-CREF Consultants can be set up to answer your questions about the CUNY retirement plan, Supplemental Retirement Annuities, and address other retirement planning needs. TIAA-CREF's Individual Consultants are on-site regularly at all CUNY campuses. To find out when a TIAA-CREF Consultant will be available at your campus for individual meetings, call (800) 842-2011 or visit www.tiaa-cref.org and click on "Meetings and Counseling." Also, watch your mail for meeting announcements.

Other Contact Information

<i>TIAA-CREF Web Center</i>	www.tiaa-cref.org
<i>TIAA-CREF Telephone Counseling Center</i>	(800) 842-2776
<i>Automated Telephone Service</i>	(800) 842-2252
<i>Publications</i>	s://www5.tiaa-cref.org/bookstore/list.do?cat=-1
<i>TIAA-CREF On-line Forms</i>	http://www.tiaa-cref.org/forms/index.html
<i>PSC CUNY</i>	(212) 354-1252 http://www.psc-cuny.org/

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