



## University Senate TRANSMITTAL FORM

<b>Senate Document #:</b>	10-11-10
<b>PCC ID #:</b>	N/A
<b>Title:</b>	Proposal to Review Retirement Program Selection Process
<b>Presenter:</b>	Bob Schwab, Chair, Senate Faculty Affairs Committee Cynthia Shaw, Chair, Senate Staff Affairs Committee
<b>Date of SEC Review:</b>	January 28, 2011
<b>Date of Senate Review:</b>	February 9, 2011
<b>Voting (highlight one):</b>	<ol style="list-style-type: none"> <li>1. On resolutions or recommendations one by one, or</li> <li>2. In a single vote</li> <li>3. To endorse entire report</li> </ol>
<b>Statement of Issue:</b>	<p>As a condition of employment at the University of Maryland College Park, all faculty and regular exempt staff members are required to enroll in either the Optional Retirement Program (ORP) or the State Retirement and Pension System (SRPS). The Faculty Affairs Committee and Staff Affairs Committee were asked by the Senate Executive Committee (SEC) to review a proposal regarding the retirement program selection process for faculty and regular exempt staff at UMCP. The committees were asked to help determine whether there are areas of concern and/or instances of misinformation in the retirement program selection process.</p>
<b>Relevant Policy # &amp; URL:</b>	N/A
<b>Recommendation:</b>	<p>Following review, the committees developed a list of six recommendations to be put forward for consideration. All six recommendations are thoroughly described in the attached report. The committees regard Recommendations 1 and 2 as having the greatest potential for significant improvement of the distribution of communication regarding benefits information, including the potential for increased understanding of the retirement selection process:</p> <ol style="list-style-type: none"> <li>1) Professionals Outside of University Human Resources Should Review the UHR Website and Suggest Revisions</li> <li>2) All Faculty and Regular Exempt Staff New Hire Appointment Letters Should be Strengthened to Include Information about the Retirement Program Selection Process</li> </ol>

	<p>3) Consideration Should be Given for the Establishment of a Full-Time Benefits Trainer Position in University Human Resources</p> <p>4) Departments/Units Should Be Required to Notify UHR of All New Hires As Soon As Possible</p> <p>5) UHR Should Create a Policy to Notify Unit Heads when Benefits Clerks Are Not Attending Training Sessions or Are Making Too Many Errors</p> <p>6) New Hires should Sign-Off on a Checklist Stating That They Were Given Information about Retirement and Understand the Options</p>
<b>Committee Work:</b>	<p>In order to conduct the preliminary evaluation, the committees established a Working Group consisting of three people from Faculty Affairs and three from Staff Affairs. The Working Group met over the course of two months to research, review, and report back to the committees on its findings and recommendations. The Working Group consulted with UHR staff throughout its review process. The Working Group also consulted the Office of Legal Affairs to discuss what options may exist for faculty or staff members who were given misinformation about their retirement options when they were hired. The Faculty Affairs Committee and Staff Affairs Committee met on December 6, 2010. At the meeting, the Chair of the Working Group presented the final report of the Working Group. The committees deliberated and voted unanimously to adopt the recommendations of the Working Group, with the incorporation of additional revisions and suggestions.</p>
<b>Alternatives:</b>	<p>The committees' recommendations could not be implemented; potential misinformation about the retirement program selection process for new hires would likely continue.</p>
<b>Risks:</b>	<p>There are no associated risks.</p>
<b>Financial Implications:</b>	<p>The committees are aware that retaining a benefits communications firm and/or the establishment of a new line, or re-assignment of duties in an existing position, for the Full-Time Benefits Trainer and changes to the University Human Resources website will necessitate resources. The committees support the University in making resources available for these purposes.</p>
<b>Further Approvals Required:</b> <i>(*Important for PCC Items)</i>	<p>Senate Approval, Presidential Approval</p>

**Senate Faculty Affairs and Staff Affairs Committees**  
**Joint Report on the “Proposal to Review Retirement Program Selection Process”**  
**Senate Document 10-11-10**  
**December 2010**

**BACKGROUND:**

On September 3, 2010, the Senate Faculty Affairs and Staff Affairs Committees (“the committees”) were charged by the Senate Executive Committee (SEC) with jointly reviewing a proposal submitted by a faculty member (Dr. Elisabeth Smela, Mechanical Engineering) regarding the retirement program selection process for faculty and regular exempt staff at the University. The charge from the SEC is attached to this report as Appendix One. The proposal asserted that, anecdotally, a large number of faculty, apparently across the University, were informed that they were ineligible for the State Retirement and Pension System (SRPS) [Teachers’/Employees’ Alternate Pension System], typically by someone in their department. The proposal is attached as Appendix Two.

The committees were asked to conduct a preliminary evaluation to help determine whether there are areas of concern in the retirement program selection process. Specifically, the Senate Executive Committee asked the committees to:

- 1) Consult with representatives of the Office of Human Resources (UHR)
- 2) Review the current and past retirement program selection processes for faculty and staff initially entering the University
- 3) Comment on whether there are any areas of concern

**CURRENT PRACTICE:**

According to University Human Resources, as a condition of employment at the University of Maryland College Park, all faculty and regular exempt staff members are required to enroll in either the Optional Retirement Program (ORP) [Fidelity Investments and TIAA-CREF] or the State Retirement and Pension System (SRPS) [Teachers’/Employees’ Alternate Pension System]. Effective July 13, 2007 the State of Maryland requires that any new faculty or regular exempt staff member who does not make a voluntary retirement plan selection by the first day of employment will automatically default to the State Retirement and Pension System (SRPS). The default to the SRPS occurs automatically via Payroll Human Resources (PHR) when the system recognizes that a retirement selection is not entered into the appointment record. To avoid defaulting to the SRPS, faculty and regular exempt staff who have accepted offers of employment must make a selection no later than their first day of employment. This will allow the Department/Unit’s PHR creator to enter the retirement selection when the appointment is established. If faculty or regular exempt staff members are defaulted and want to switch to the ORP, they will have one year from their date of hire to do so. Any contributions that are made to the pension system cannot be refunded until they terminate or retire from the University. They will still be required to complete enrollment material for the state pension plan if they are defaulted and enrollment material for the ORP if they decide to switch plans.

If faculty or regular exempt staff members select the ORP, their election cannot be changed. They will be required to sign an Irrevocable Election Not to Participate in the

Teachers'/Employees' Alternate Pension System (Form 60), which waives their future right to participate in this plan at any State or Maryland Institution of Higher Education. However, if they change positions from exempt or faculty status to non-exempt states and participated in the ORP, they will be required to enroll in the SRPS and contributions to their ORP will terminate.

### **COMMITTEE WORK:**

In order to conduct the preliminary evaluation, the committees established a Working Group consisting of three people from Faculty Affairs and three from Staff Affairs. The Working Group met over the course of two months to research, review, and report back to the committees on its findings and recommendations.

Members of the Working Group:

Gerri Foudy, Chair (Faculty Affairs Committee)  
Dale Anderson (Faculty Affairs Committee)  
Gloria Aparicio Blackwell (Staff Affairs Committee)  
Debbie Grover (Staff Affairs Committee)  
Michael Paszkiewicz (Staff Affairs Committee)  
Elisabeth Smela (Faculty Affairs Committee)

The Working Group consulted with UHR staff throughout its review process. Mr. Dale Anderson, Director of UHR, was a member of the Working Group, and was able to provide the group with valuable information regarding the history of retirement options at the University. Two members of the working group met with David Rieger, Assistant Director for Benefits, and his staff to discuss current practices and develop recommendations for future communications to new hires. Members of the Working Group also surveyed their departmental benefits clerks about current practices.

Several members of the Working Group navigated through the UHR website and provided feedback as to the ease of use and types of information found there, and how helpful the site would be to new hires. After reviewing the website, the Working Group found that while much of the necessary information is on the website, some information is missing, and the information that is there is not necessarily in a form that is sufficiently useful for new employees to make a reasoned choice among the plans.

While the original proposal included survey responses from the Department of Mechanical Engineering and the Institute for Systems Research, the Working Group did not have the time to develop and disseminate a survey to a broader sample of eligible faculty and staff. The Working Group reported that it is clear that a significant number of faculty in the Department of Mechanical Engineering and the Institute for Systems Research were given confusing, misleading, or incorrect information about their eligibility to join the SRPS; thus it is likely that other faculty, and perhaps exempt staff, have been given misinformation in the past, as well. The Working Group recommended that further research on this issue might be appropriate.

The Working Group also consulted the Office of Legal Affairs to discuss what options may exist for faculty or staff members who were given misinformation about their retirement options when they were hired. The Legal Office advised,

“If an individual believes he or she has been injured through negligent instruction by University at the time of selection, then he or she may file a claim with the State Treasurer. If the Treasurer declines the sought-for remedy, then the individual's

recourse is to bring suit against the State of Maryland under what is called the Tort Claims Act. The University itself cannot join the individual in bringing such a legal action and it may not realign a person's retirement plan or offer financial compensation/reimbursement without a court order. [The Office of Legal Affairs is] unaware of the State Retirement System having authority to do so either. The best advice we would have for an employee who believes himself harmed by past retirement counseling is to retain an attorney knowledgeable in the area. It may not be wise for non-lawyers to attempt to advise their colleagues lest it ever be claimed that new misinformation has compounded old misinformation." (Email, October 28, 2010).

The committees met on December 6, 2010. At the meeting, the Chair of the Working Group presented the final report of the Working Group. The committees deliberated and voted unanimously to adopt the recommendations of the Working Group, with the incorporation of additional revisions and suggestions.

The committees regard Recommendations 1 and 2 below as having the greatest potential for significant improvement of the distribution of communication regarding benefits information, including the potential for increased understanding of the retirement program selection process.

### **RECOMMENDATIONS:**

#### **1) Professionals Outside of University Human Resources Should Review the UHR Website and Suggest Revisions**

The committees recommend that the University make available resources to allow UHR to retain a benefits communications firm to evaluate and revise the website for content, efficacy, and usability, as appropriate. The committees recommend incorporating a financial calculator if possible to the website. Additionally, the committees recommend that a user-friendly online audio/video tool (e.g., a presentation regarding retirement plan options) be created for the UHR website.

#### **2) All Faculty and Regular Exempt Staff New Hire Appointment Letters Should be Strengthened to Include Information about the Retirement Program Selection Process**

Departments and Units should be strongly encouraged by UHR to ensure that their new hire appointment letters for faculty and regular exempt staff members contain consistent information that the new employee must select his or her retirement plan on the first day of employment. These letters should be mailed and/or emailed to the new employee as soon as possible prior to his or her first day. An example of a statement to be included is provided below:

"Among the more important decisions that you must make on your first day is the selection of your retirement plan. Regular status exempt employees and faculty are eligible for one of two retirement programs: the State Retirement and Pension System (SRPS) or the Optional Retirement Program (ORP). Complete information about the options available to you is located on the University Human Resources website at <http://www.uhr.umd.edu/benefits/retirement.cfm> [link to the webpage containing a PDF, checklist, or audio/video presentation about retirement benefits options and other decisions to be made on the first day]. It is recommended that you begin reviewing your retirement program options as soon as possible; exempt employees and faculty who do not make a voluntary retirement plan selection by the first day of employment will automatically default to the SRPS. For more information about choosing a retirement plan, please visit: [http://www.uhr.umd.edu/benefits/retirement\\_selecting.cfm](http://www.uhr.umd.edu/benefits/retirement_selecting.cfm)."

### **3) Consideration Should be Given for the Establishment of a Full-Time Benefits Trainer Position in University Human Resources**

The committees recommend that a Full-Time Benefits Trainer be established within the Department of University Human Resources. Having one person designated as the UHR benefits trainer, responsible for training related to benefits such as retirement options, would assure consistency of information. The committees suggest that this could be accomplished through either establishment of a new line, or re-assignment of duties in an existing position. The committees recommend that the University make the necessary resources available for this position. Suggested responsibilities for the Full-Time Benefits Trainer might include:

- Meet with benefits clerks in each Department/Unit for training and overview of materials, website, etc.
- Maintain consistency of training by developing a uniform training process.
- Develop an online test (such as the ones administered by the Department of Environmental Safety) to be used to confirm adequate mastery of the information taught in the training sessions.
- Develop a certification program that would verify whether benefits clerks are adequately qualified to provide information regarding retirement plan options (possibly also health benefits, etc.). This certification could be withdrawn if there are problems, and can be re-issued if those problems are addressed.
- Serve as a resource for benefits clerks and/or new hires.
- Regularly review and update retirement plan materials and website pages.

### **4) Departments/Units Should Be Required to Notify UHR of All New Hires As Soon As Possible**

In order to enhance communication, the committees recommend that every time a new hire is made (faculty or regular exempt staff), Departments/Units should notify UHR so that the Benefits Office can ensure that the proper information about selecting a retirement plan will be included in the new hire appointment letter and other communication prior to the new employee's start date (UHR should have a standard practice for guiding Departments/Units through the new hire process). Prior to the new employee's first day of employment, Departments/Units should send reminders (e.g., via email) about the importance of selecting a retirement plan, with instructions for contacting the Benefits Office with questions.

### **5) UHR Should Create a Policy to Notify Unit Heads when Benefits Clerks Are Not Attending Training Sessions or Are Making Too Many Errors**

In order to gauge how well trained/qualified the benefits clerks are on campus, and to discover what types of information departmental benefits clerks give to new employees, the Working Group (with the help of some members from the Faculty Affairs and Staff Affairs Committees) surveyed benefits clerks from many different departments and units across campus. The results of these surveys are attached as Appendix Three.

The Benefits Office within UHR currently trains almost all unit personnel benefits clerks two to three times per year. There has not been a problem with benefits clerks being discouraged from attending training by their supervisors. However, not all of these staff members attend the training sessions, and currently there is no system of consequence for not attending training.

The committees recommend that UHR should be responsible for contacting the staff member's supervisor, and higher levels if necessary, concerning non-attendance rates or performance problems. UHR should develop a system for tracking benefits clerks' attendance rates and/or performance problems.

**6) New Hires should Sign-Off on a Checklist Stating That They Were Given Information about Retirement and Understand the Options**

The UHR Benefits Office should develop a document, in the form of a checklist, that explains the importance of choosing a retirement plan and that all new employees should research their options. Information regarding resources in the Benefits Office and on the UHR website should be clearly listed. The new employees should be asked to sign-off on the checklist, stating that they were given information about their retirement choice and that they understand their options. This would help to confirm that new employees have looked at the options and understand which plans they are eligible to select, and it would reinforce the weight of the issue. This will also ensure that Benefits Clerks are accountable for providing this information to new hires. Additional information about other benefits or enrollment requirements could be incorporated in the checklist as appropriate.

The Senate Faculty Affairs and Staff Affairs Committees support all of the recommendations contained within this report. Attached to this report are the following items.

**APPENDICES:**

Appendix One: Charge to the Faculty Affairs and Staff Affairs Committees from the Senate Executive Committee

Appendix Two: Original Proposal from Dr. Elisabeth Smela

Appendix Three: Departmental Survey Responses from Benefits Clerks



## University Senate CHARGE

<b>Date:</b>	September 3, 2010
<b>To:</b>	Robert Schwab Chair, Faculty Affairs Committee Cynthia Shaw Chair, Staff Affairs Committee
<b>From:</b>	Linda Mabbs Chair, University Senate
<b>Subject:</b>	Retirement Program Selection Process
<b>Senate Document #:</b>	10-11-10
<b>Deadline:</b>	December 1, 2010

The Senate Executive Committee (SEC) requests that the Faculty Affairs and Staff Affairs Committees jointly review (in a manner to be determined by the committees) the attached proposal regarding the retirement program selection process for faculty and staff at the University of Maryland.

The SEC feels that a preliminary evaluation will help determine whether there are areas of concern. Therefore, we ask that the Faculty Affairs and Staff Affairs Committees review the existing and past processes and comment on whether they are, and have been, appropriate. Specifically, we ask that you:

1. Consult with representatives of the Office of Human Resources.
2. Review the current and past retirement program selection processes for faculty and staff initially entering the University.
3. Comment on whether there are any areas of concern.

This review could be accomplished through the creation of a small working group consisting of members from both committees that would report back to the larger committees. We ask that you submit your joint report and recommendations to the Senate Office no later than December 1, 2010. If you have questions or need assistance, please contact Reka Montfort in the Senate Office, extension 5-5804.



## Proposal to Faculty Affairs

### Background

- 1) The choice of retirement plans can make a difference of tens of thousands of dollars in cost every year while working, and a difference of tens of thousands of dollars in income during retirement. (A document showing the financial costs and benefits of ORP versus SRPS in four examples is attached, as is a spreadsheet that allows calculation of other scenarios.)
- 2) In the Department of Mechanical Engineering (ME), only 1 faculty member in the last 20 years has signed up for the State Retirement and Pension System (SRPS); all the rest signed up for the Optional Retirement Program (ORP).
- 3) Anecdotally, a large number of faculty, apparently across the university, were told that they were ineligible for SRPS, typically by someone in their department.
- 4) The results of a preliminary study that surveyed faculty in Mechanical Engineering and the Institute for Systems Research (ISR) are attached. (ISR includes faculty from across several colleges, primarily engineering, math, and the sciences.) The conclusions that can be drawn from the survey include the following.
  - A significant number of faculty (22% in ME and 35% in ISR) were given false information about their eligibility to join SRPS.
  - The choice of retirement plans by ME faculty has in rare cases been based on accurate information or a financial comparison. There is widespread ignorance about the plans and the amounts that need to be saved.

### Charge

The Faculty Affairs Committee is charged with determining whether changes in policy, or other actions by the Senate, are needed regarding 1) procedures followed during hiring when faculty choose a retirement plan and 2) whether, and what, corrective actions can or should be taken regarding faculty who were misled or badly advised when they chose a retirement plan. Some of the specific questions might include the following. The committee is not required to answer these specific questions, however, and may substitute others it finds more relevant or important.

- 1) Is a larger study required, or do the data from ME and ISR form a sufficient basis for recommendations?
- 2) What is the best method of conveying information to new faculty hires regarding retirement plan options, and the financial consequences? Should UHR meet with each new employee? If so, what additional resources would UHR require? Alternatively, should a mechanism be put in place to ensure proper training of department personnel, who may not be fully cognizant and up to date regarding retirement plans? How might such a training program be implemented so that it is sustained in future decades?
- 3) What information do new hires need in order to make an informed choice of plans? Should there be a form, required to be completed within the first year of appointment and prior to choosing ORP (since the decision is irrevocable), that requires acknowledging an understanding of some key facts? Such facts might include the following.

- The choice to join SRPS must be made on the first day of work, and if declined, the decision is irrevocable forever, whereas if SRPS is chosen on the first day, the new hire has one year to switch to ORP, after which this decision also becomes irrevocable.
  - Amounts contributed to SRPS earn interest and can be withdrawn if one leaves the position – they are not lost. Alternatively, after vesting the amounts contributed can be left in place and the benefit collected after retirement, the amounts determined by the formula.
  - Mandatory contribution rates on SRPS may rise in the future.
  - Economic models show that in order to make a nest egg, e.g. the amounts saved in ORP, last for 30 years, withdrawals should be 4%/year.
  - One can join SRPS and in addition make, unmatched by the University, contributions to 403B, 457, and 401K plans, to the same federal limits as those who join ORP.
- 4) Given that a significant fraction of faculty appear to have been misled (for example, told that they were ineligible for SRPS), what remedies may there be? Should faculty be given the option of joining SPRS now? Should they be given the option of now contributing the amounts that they would have paid into the system had they joined when they were hired, and having those years count toward vestment and creditable service? Who is able to authorize such a thing, and how might the university proceed with making this happen, if such a course is determined by the senate and/or the president to be just and desirable?

## Example Comparisons of ORP and SRPS

These numbers came from a spreadsheet that Elisabeth Smela created and are based on the premise that there are no errors in that spreadsheet. (It has been checked by 2 other engineering professors, but that is no guarantee.)

### Example 1\*: \$100k income, maximum contributions made every year since 2000.

	ORP	SRPS	SRPS + 403B/457/401K
2010 Contributions	\$33,000	\$5,000	\$28,000 + \$5,000 = \$33,000
Contributions since 2000	\$300,000	\$32,200	\$300,000
Annual Retirement Income	\$16,600	\$19,800** \$16,800***	\$31,700 \$28,800

\* Assumptions:

- 2.5% increase in salary every year since 2000
- Assumes value of cumulative contributions plus match (7.25%) increase/decrease overall stock market rates.
- 4% rate of withdrawal from savings every year, to make the savings last 30 years with highest probability, according to models

\*\* Annual income until your death. \*\*\* Annual income until your and your spouse's deaths.

In the first row of the table are 2010 contributions that were made to ORP (\$33k maximum), that would have been made instead to SRPS (5% of salary this year), and that could have been made instead to SRPS with the remainder of the savings put into a 4xx plan (\$33k, same as 1<sup>st</sup> case). The second row looks at the cumulative amounts paid in since 2000. The third row shows how much retirement income can be expected (if retiring tomorrow) annually based on the numbers in this example.

In this case, 80% of the retirement income was obtained at >10x more cost through ORP. This is basically equivalent to a \$28k annual pay cut. Of course, the time period of this example covers 10 years in which the stock market has had no net increase in value. The next example covers the preceding 10 years, in which the market increased in value.

### Example 2: \$100k income, maximum contributions made every year since 1987.

	ORP	SRPS	SRPS + 403B/457/401K
2010 Contributions	\$33,000	\$5,000	\$28,000 + \$5,000 = \$33,000
Contributions since 1987	\$527,000	\$35,300	\$527,200
Annual Retirement Income	\$71,100	\$36,600 \$31,100	\$90,700 \$85,200

Here, the ORP retirement income is higher than through SRPS alone, although that came at a 15 times greater cost. The SRPS+4xx option gave the highest income.

**Example 3: \$100k income, the same salary put into ORP as would have gone into SRPS, starting in 1987.**

	ORP	SRPS	SRPS + 403B/457/401K
2010 Contributions	\$5,000	\$5,000	NA
Contributions since 1987	\$35,300	\$35,300	NA
Annual Retirement Income	\$5,600	\$36,600 \$31,100	NA

In this example, putting the same amount of salary into ORP as someone in SRPS contributed every year yields a negligible retirement income from this plan.

Under what scenario would ORP have performed as well as SRPS? Example 4 shows that under the conditions that about 2% of income went into ORP and the stock market returned 12.6% every year since 1987, the cumulative contributions and retirement incomes match.

**Example 4: \$100k income, put 13% of the full match into ORP starting in 1987, stock market returns 12.61%/year every year.**

	ORP	SRPS	SRPS + 403B/457/401K
2010 Contributions	\$2,213	\$5,000	NA
Contributions since 1987	\$35,300	\$35,300	NA
Annual Retirement Income	\$36,600	\$36,600 \$31,100	NA

The spreadsheet will allow you to look at other scenarios.

**Results of a Survey of Mechanical Engineering and ISR Faculty  
on the Choice of Retirement Plans  
22 August 2010**

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**Methods**

***ME Department***

A survey instrument was developed by Elisabeth Smela (SEC, Faculty Affairs), a faculty senate representative of the Department of Mechanical Engineering (ME). The ME department faculty were surveyed in August 2010 using SurveyMonkey, an online survey service. The survey was open for 8 days, beginning on Aug. 3 and ending on Aug. 11. An email was sent to the me-faculty list serve, which includes research faculty, as well as others, such as staff members. While the email and the front page of the survey clearly identified the target population as faculty, and while highly unlikely, it is possible that some of the respondents were not faculty members. There are approximately 58 regular faculty members on the me-faculty list, and an unknown number of research faculty. There were 28 respondents..

***ISR***

The Institute for Systems Research (ISR) is an interdisciplinary center that has members from multiple colleges, but faculty are primarily from the engineering school. Based on the results from the ME survey, Elisabeth Smela modified the ME survey slightly. For example, in the ISR survey respondents were specifically asked to categorize themselves (assistant professor, research faculty, etc.), and questions that had been skipped by most ME respondents were modified to make responding easier. A few questions were deleted and a few were added. A message was sent to the ISR faculty list-serve, which includes only faculty, inviting participation. The survey was open for 5 days, beginning on Aug. 18 and ending on Aug. 22. There are approximately 74 faculty members on the isr-faculty email list. There were 27 respondents, giving a response rate of 36%.

## Key Survey Results

Supporting charts and further information can be found, below.

- In ME, 86% and in ISR, 100% of the respondents were enrolled in ORP.
- In ME, only 11% (3 out of 28) answered that the plan options and conditions were clearly explained before they made a choice of plans. In ISR, that number was higher (33%, 9 out of 27), but still shockingly low.
- In ME, 19% of respondents discussed their options with the benefits office of the university, and 44% received information from the department. In ISR, the number of those who talked with the benefits office was 27%, and 65% received their information from their departments.
- Only 14% of ME respondents ran back-of-the-envelope (7%) or mental calculations (7%) before choosing a plan. The vast majority made no financial comparisons (79%). None did careful calculations. In ISR, the numbers were similar: 24% ran back-of-the-envelope (12%) or mental calculations (12%) before choosing a plan, while the vast majority (72%) made no financial comparisons. Again, none did careful calculations.
- Among the reasons given for choosing ORP (more than one choice was possible),
  - 39% of ME and 35% of ISR respondents thought ORP made better financial sense
  - 22% of ME respondents were told that they were ineligible for or could not choose the pension option, and 35% of ISR respondents either did not know that they were eligible for or were told that they were ineligible for SRPS.
  - 26% of ME and 39% of ISR respondents were advised that ORP was better
  - 22% of ME and 23% of ISR respondents said that they did not really understand the terms of pension option
  - 31% of ISR respondents did not know that they could supplement SRPS contributions with contributions to 403B/457/401K plans.
  - 22% of ME and 31% of ISR respondents said it was kind of a random decision made in a rush while signing a mountain of paperwork when starting the job

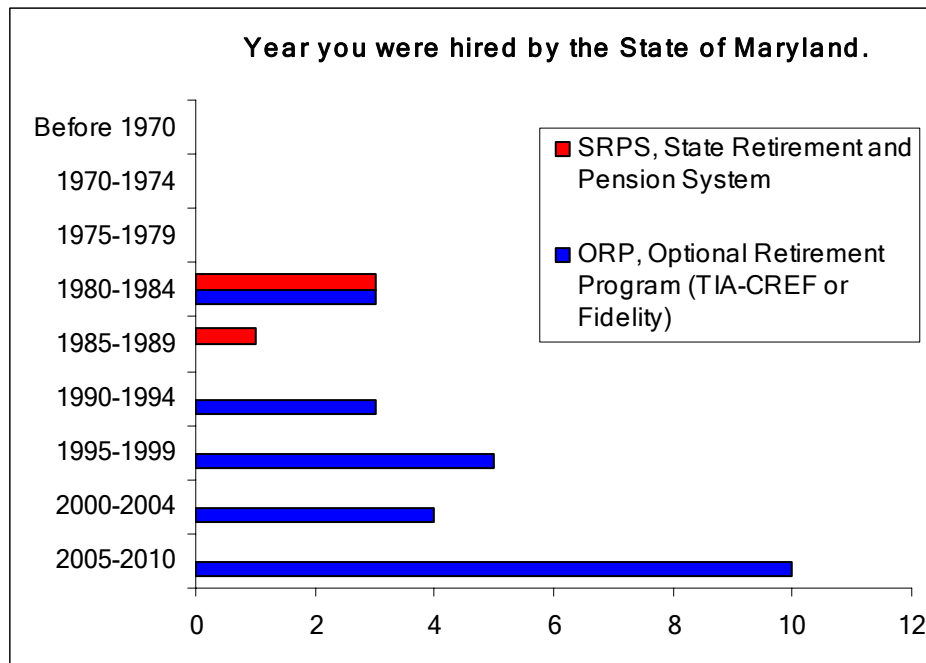
In other words, 60% of the survey respondents made the decision randomly or based on incomplete or incorrect information.
- In ME 60% and in ISR 70% of the respondents were unaware that the choice to join ORP was irrevocable.
- Of those who said that they chose ORP because it made better financial sense (9 in ME and 9 in ISR), 33% in ME and 67% in ISR said they wanted portability in the case of a job change. 22% of these ISR respondents were not sure that they would be working at the University of Maryland long enough to be vested in the pension plan. Many of the comments concerning the reasons for choosing ORP were about portability. There seemed not to be an understanding that these contributions would not be entirely lost.
- Only 25% of ME respondents who were in ORP and 35% of ISR respondents know at least approximately how much money they will need to have saved by the time they retire in order to live as they hope to during retirement. Seventy percent of ME and 73% of ISR respondents did not know the rate at which money should be withdrawn annually from the saved amount.
- Less than half of ME respondents in ORP (41%) and ISR (39%) thought that they would have saved enough to live as they wished during retirement.
- Of the ISR respondents, none knew how much retirement income they would have received had they been in SRPS.

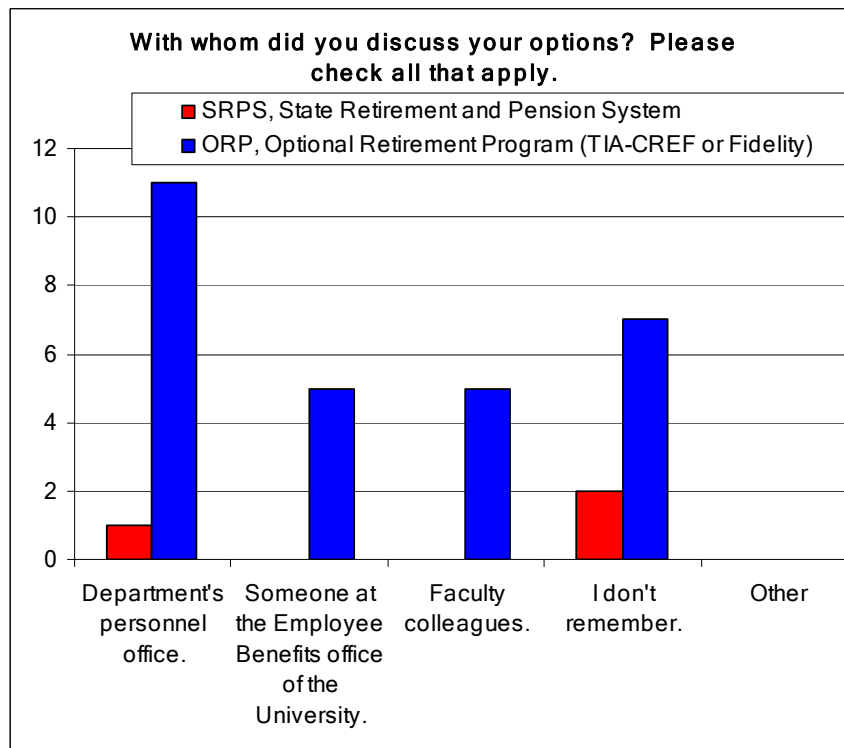
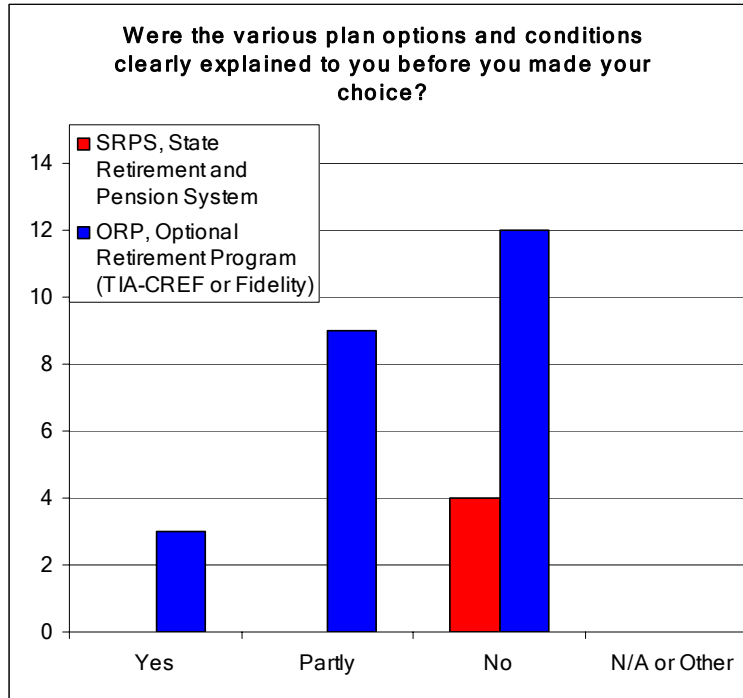
## Conclusions from the ME and ISR Studies

The choice of retirement plans by ME faculty has in rare cases been based on accurate information or a financial comparison. There is widespread ignorance about the plans and the amounts that need to be saved. Most of the respondents think that there won't be enough money to live during retirement as they hope to. A significant number of faculty were given false information about their eligibility to join SRPS. Given the importance of being prepared for retirement, and the huge sums involved (see the examples in the document "retirement spreadsheet examples"), it would seem that changes in the way that these decisions are made should be put into place, and a way to switch people into SRPS might be called for.

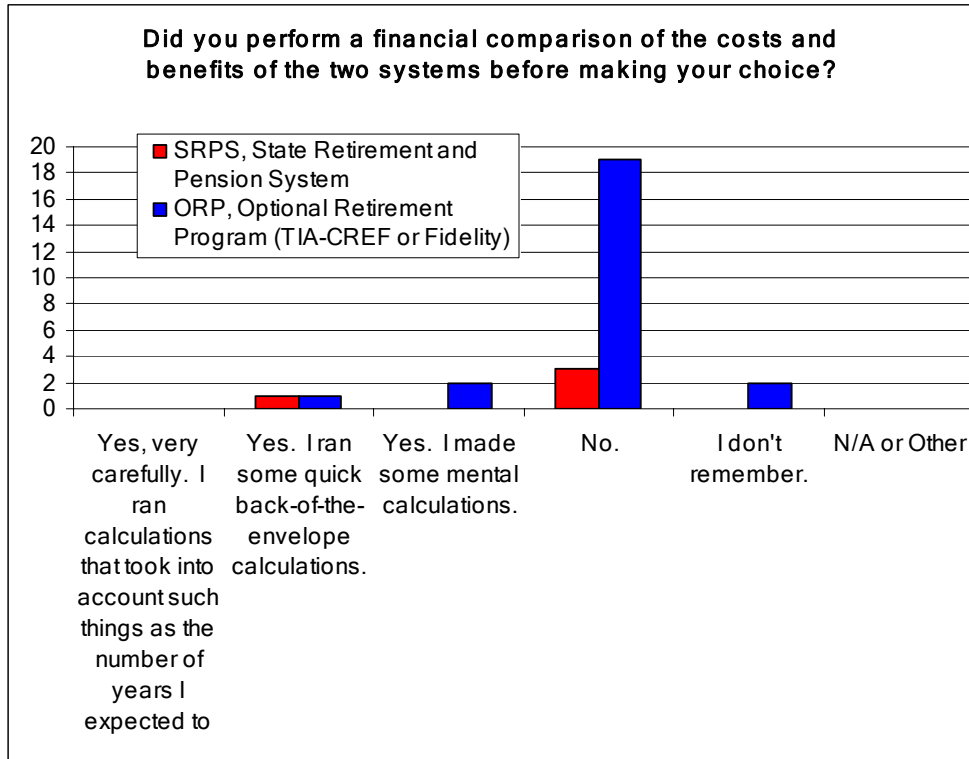
## Details of ME Survey Responses

No respondents joined SRPS after 1990. This is consistent with the personnel office's statement that only faculty member in ME has joined SRPS in the last 20 years (and that person was a recent hire who was given full information on the plans).

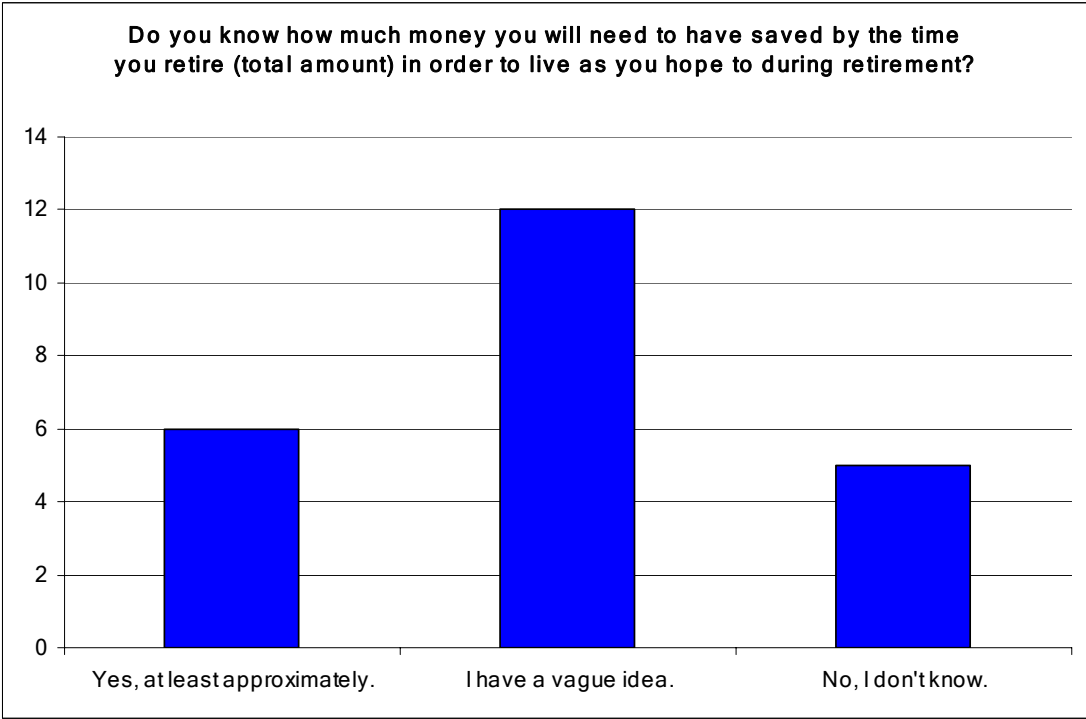
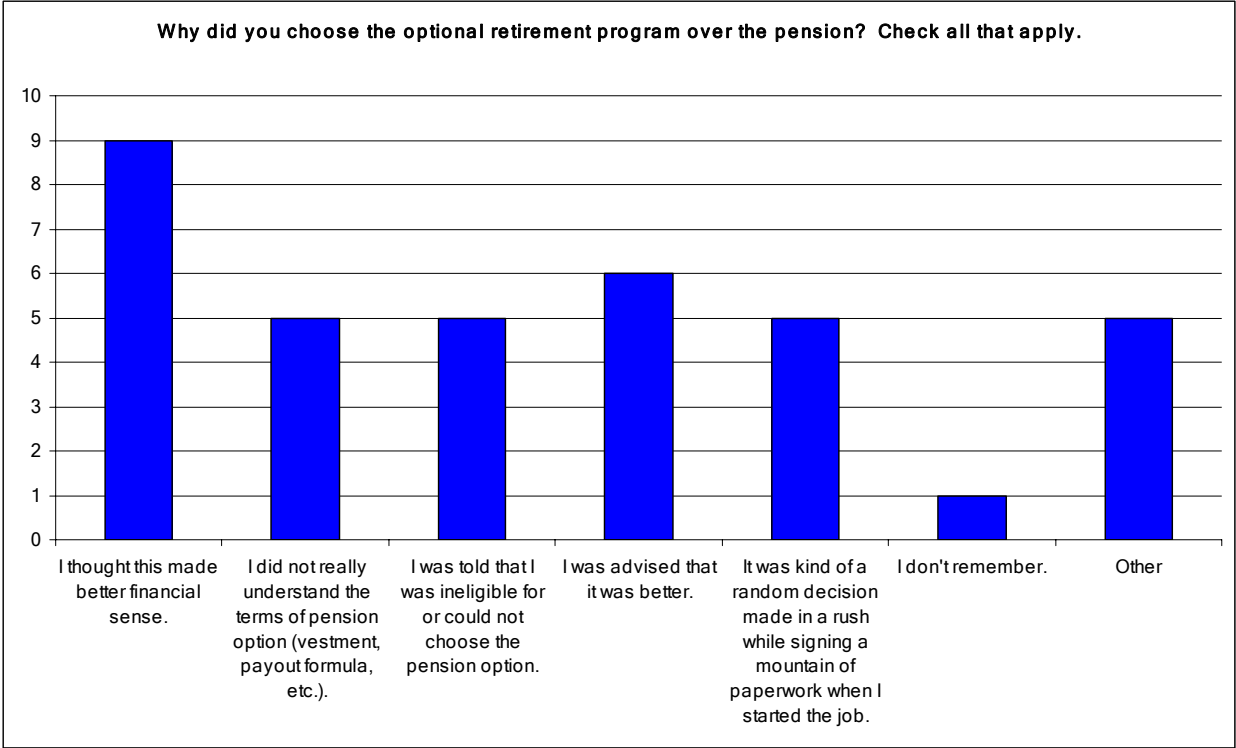


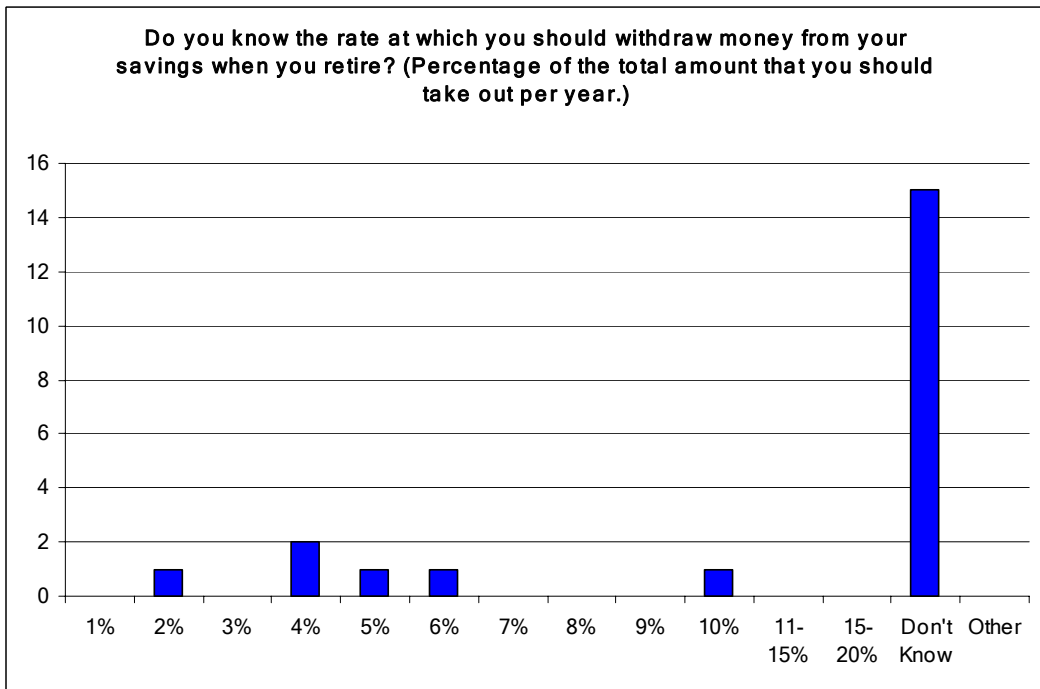
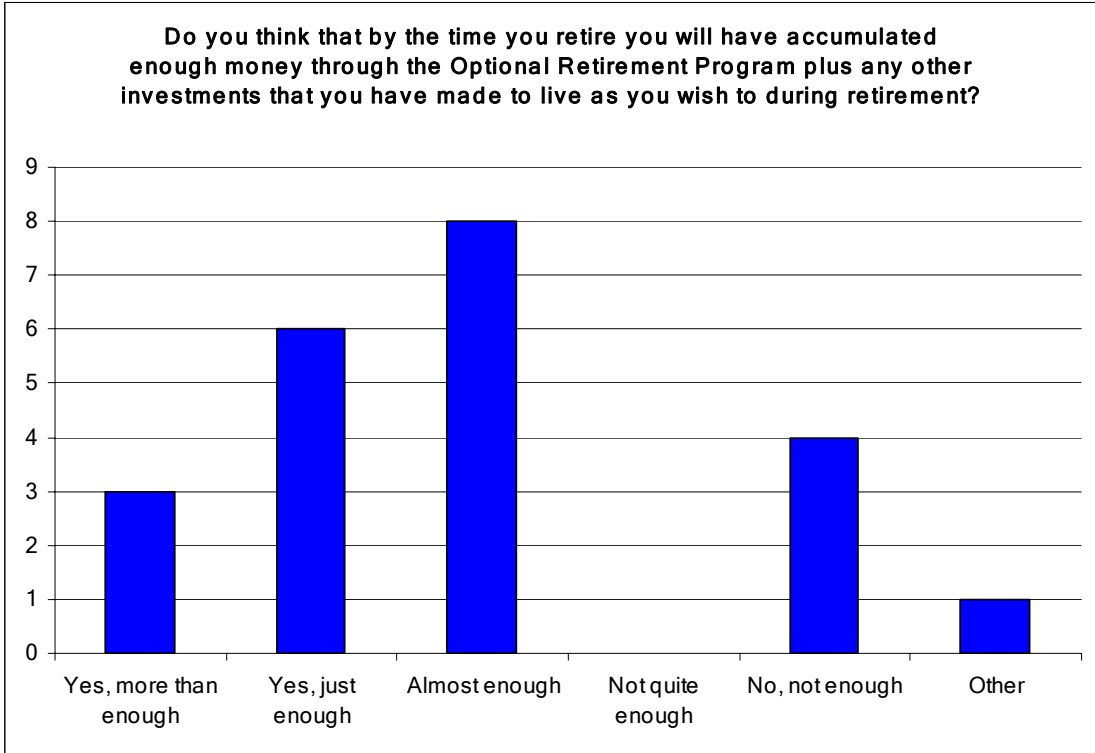




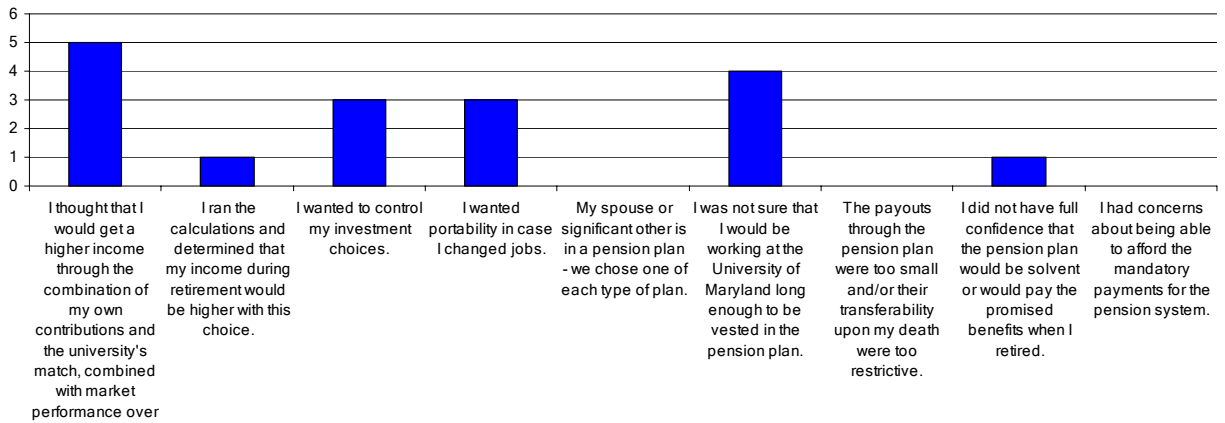


There were too few people in SRPS who completed the survey (4 altogether) to draw many conclusions from follow-up questions that this group were asked. However, three of the four also contribute to a 403b, 457, and/or 401k plan. Two respondents knew at least approximately how much money they will be getting from the pension when they retire, the other two did not. Three knew at least approximately how much money they will need to live on when they retire, the other did not. Two thought that they would have just enough or almost enough between the pension plan payouts and any other investments they have made to be able to live as they wish to during retirement. The other two either didn't know or thought it would not be enough.



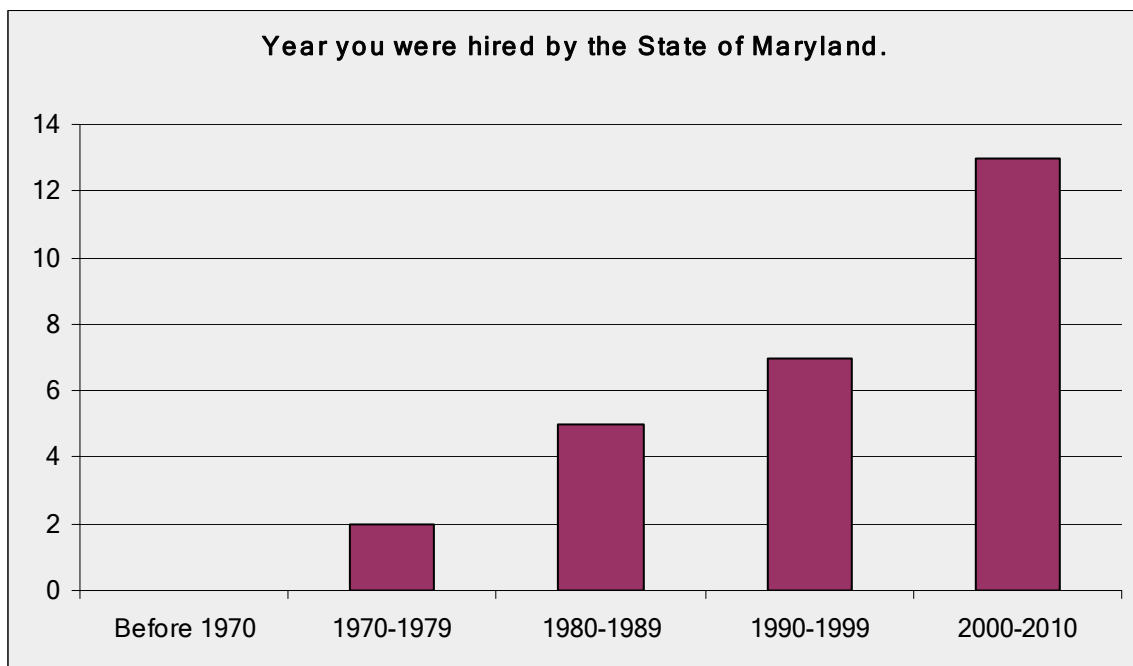
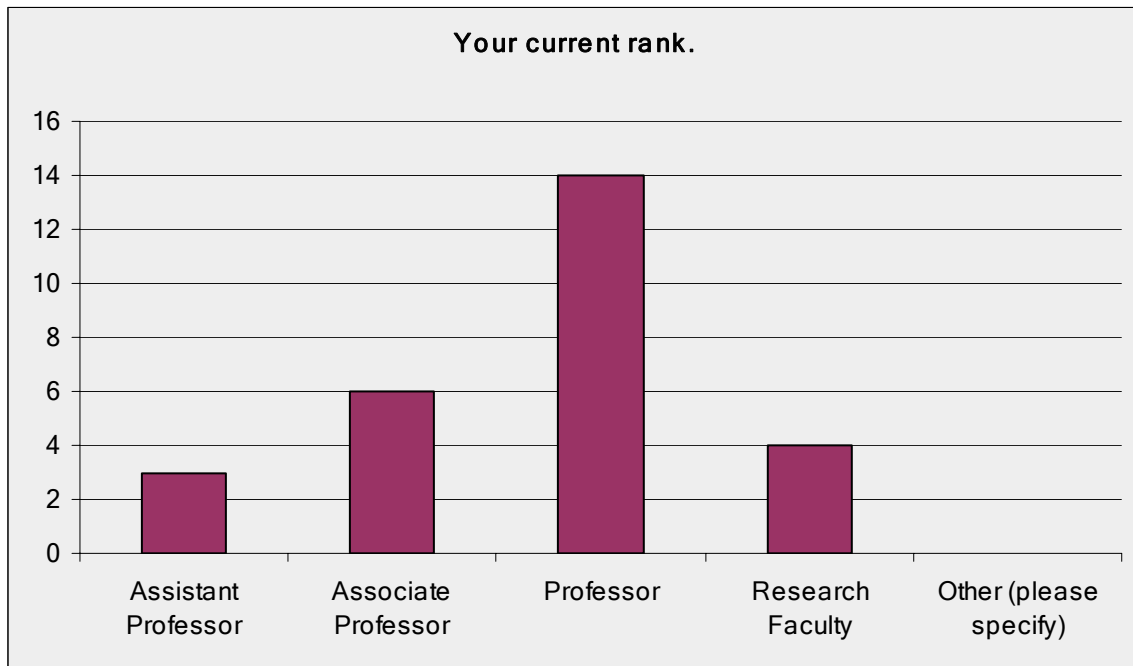


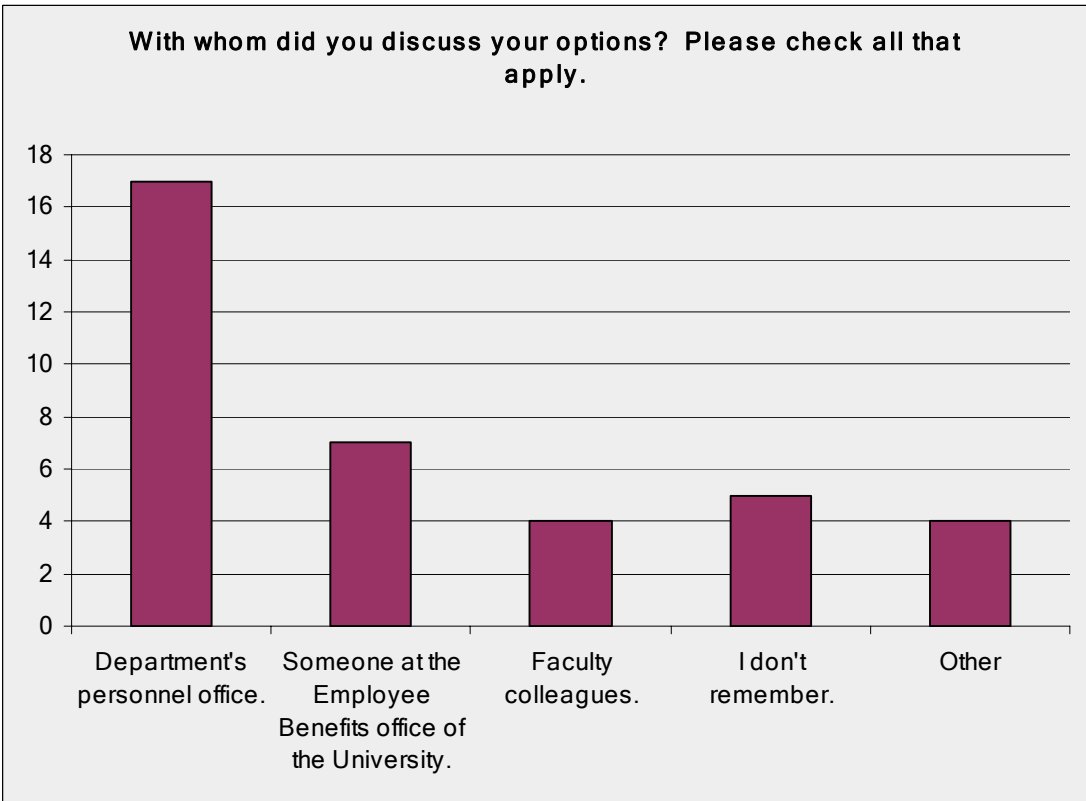
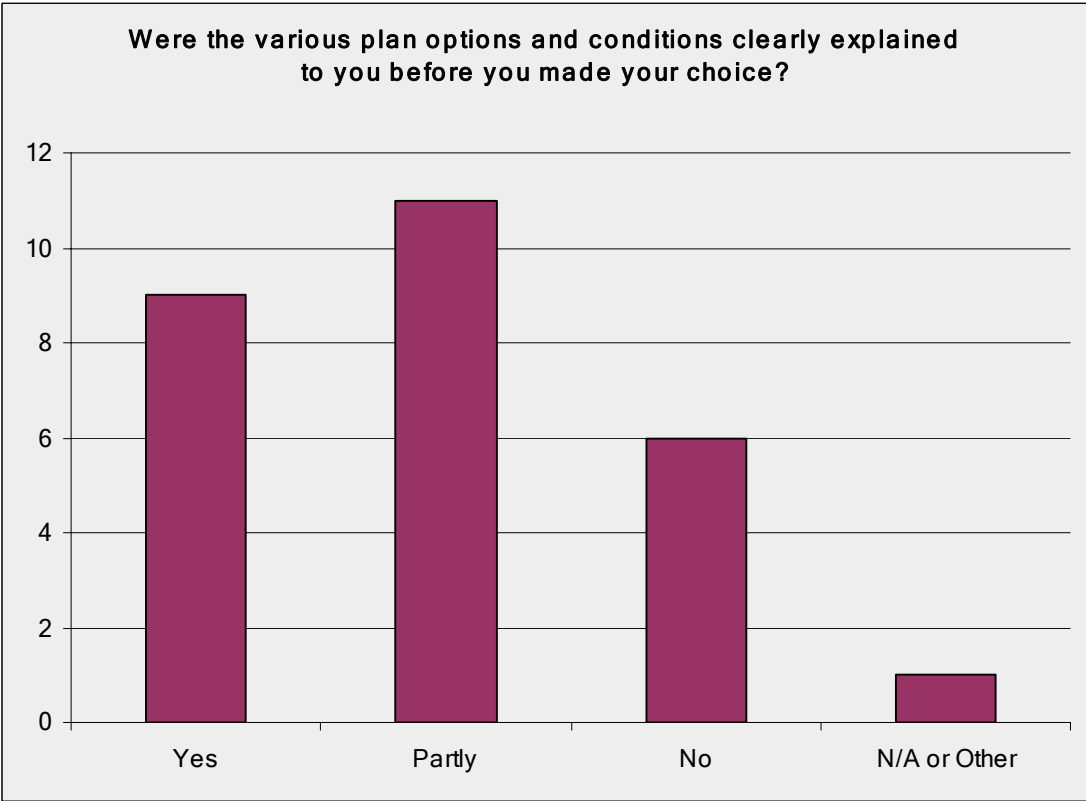
Why did you think that your choice made better financial sense?

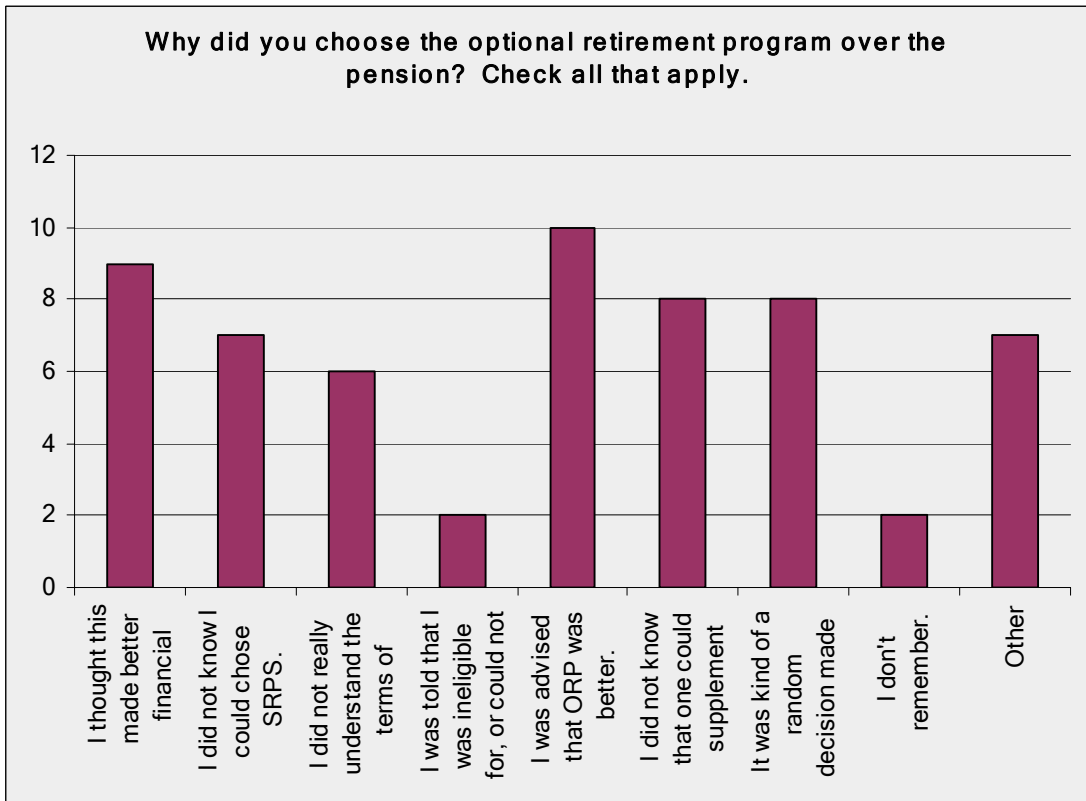
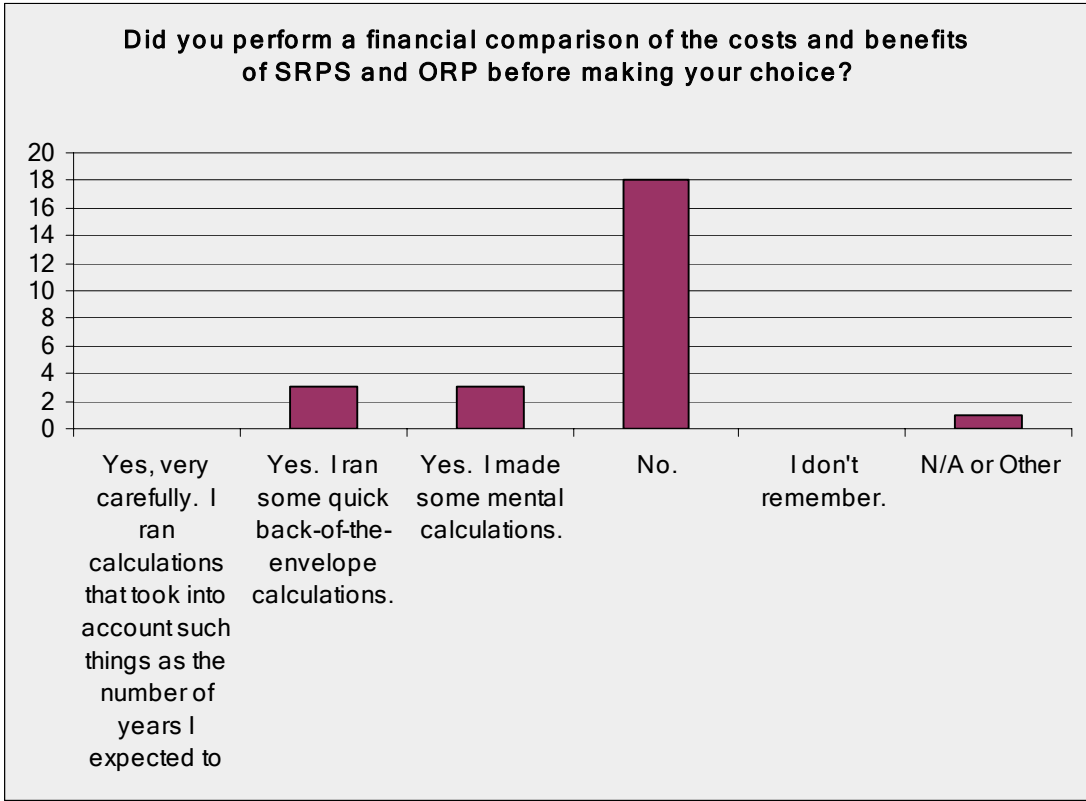


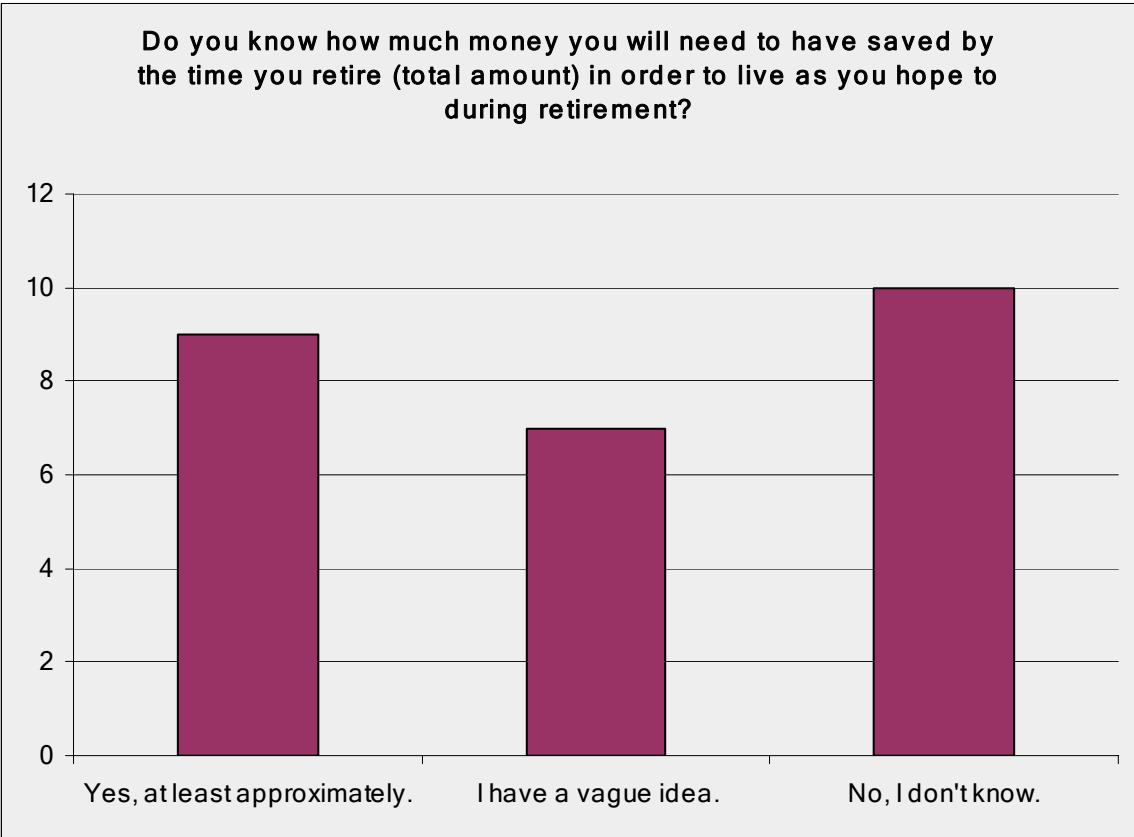
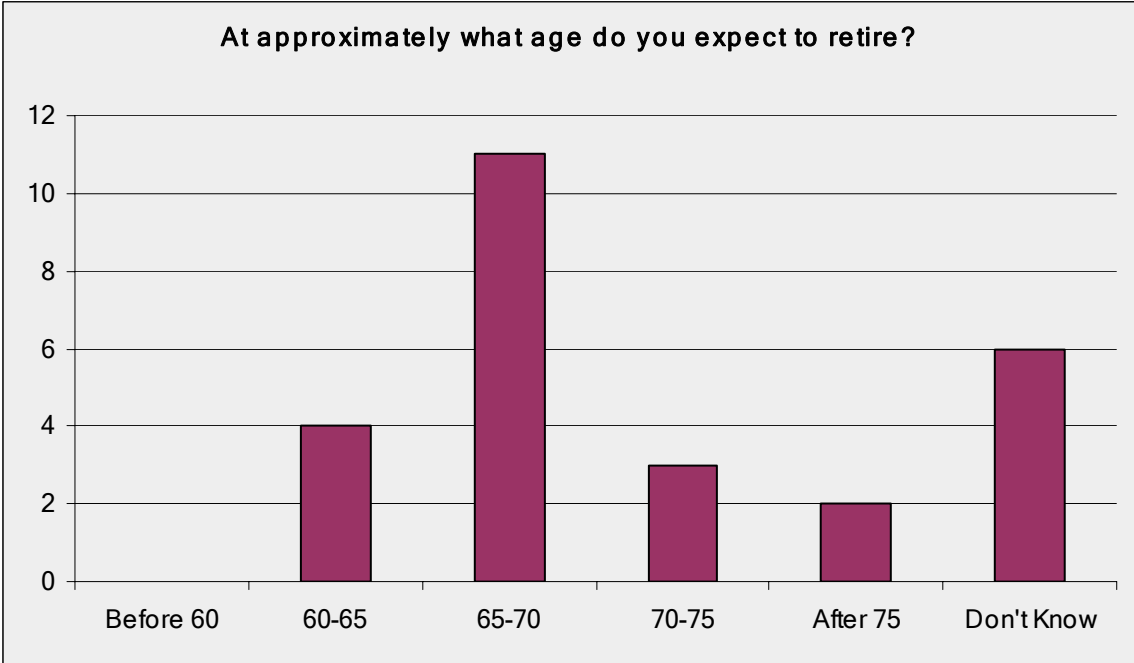
## Details of ISR Survey Responses

100% of respondents from ISR were in ORP.



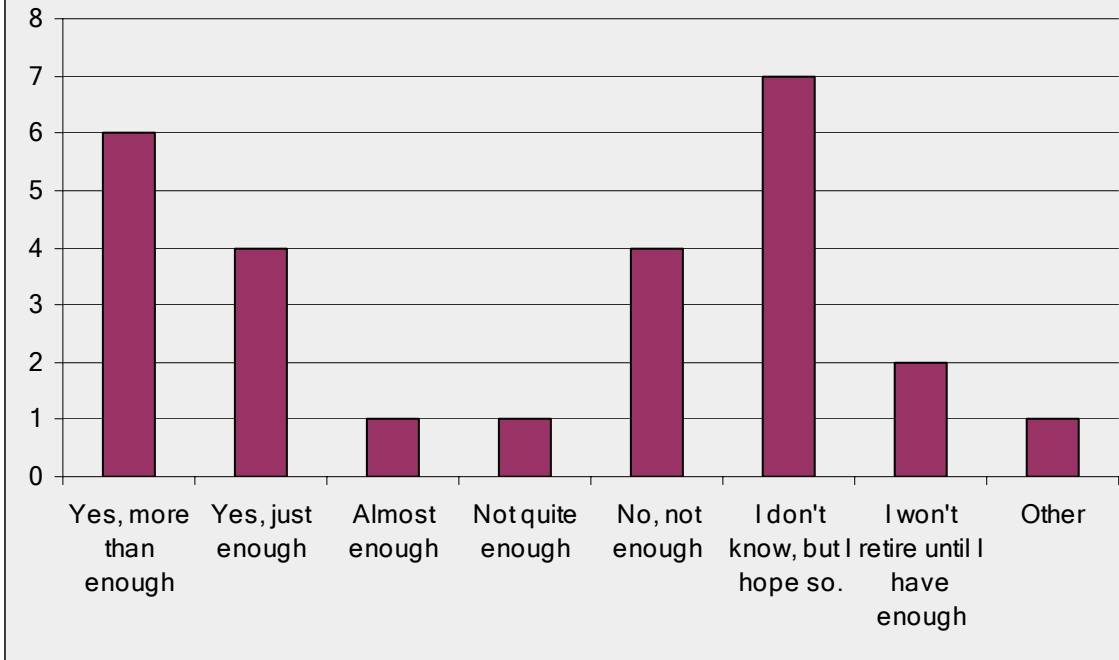




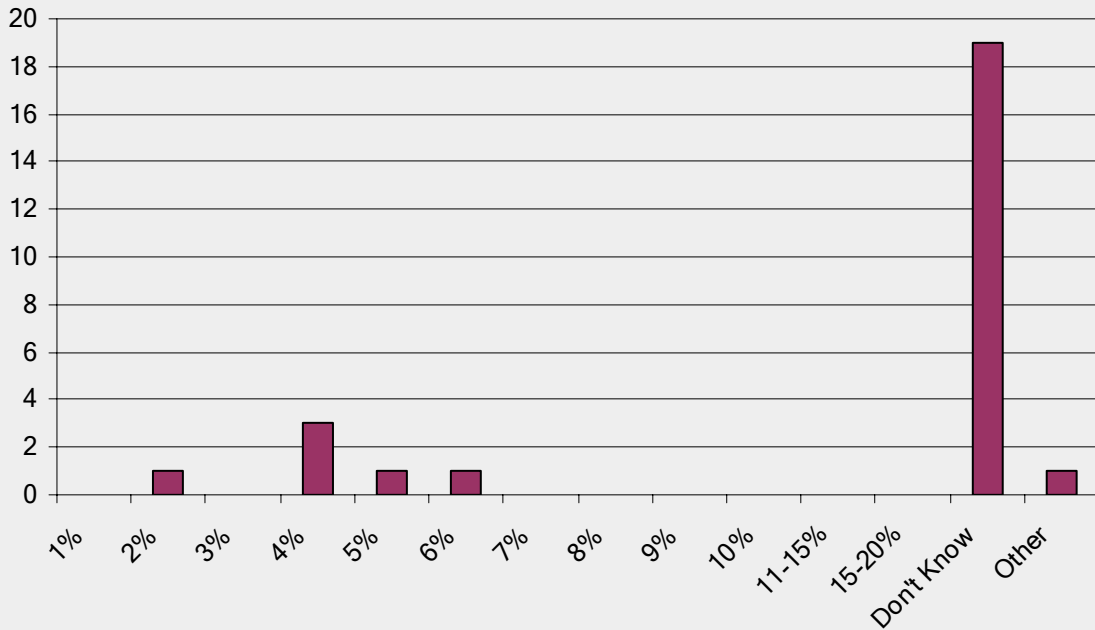




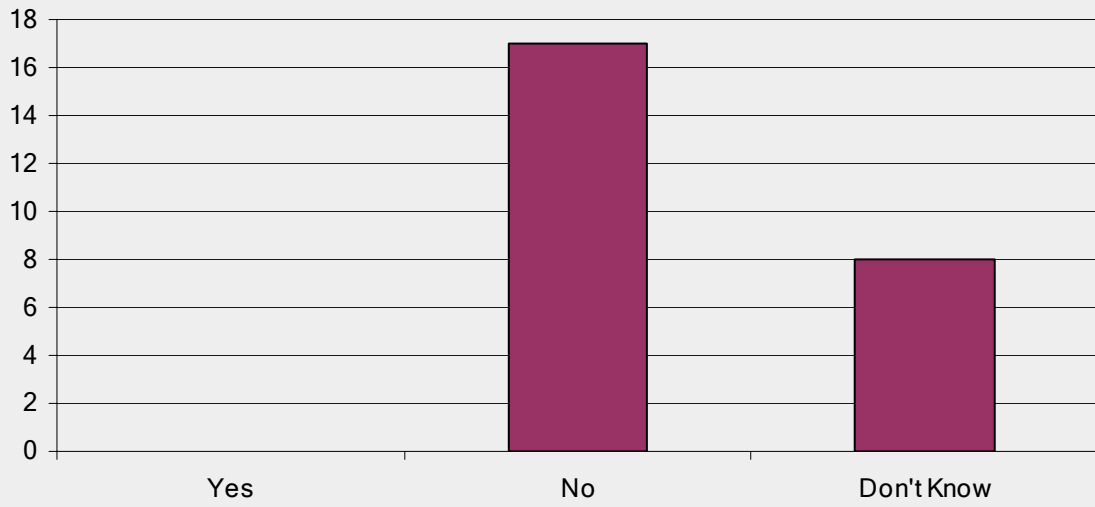
**Do you think that by the time you retire you will have accumulated enough money through the Optional Retirement Program plus any other investments that you have made to live as you wish to during retirement?**



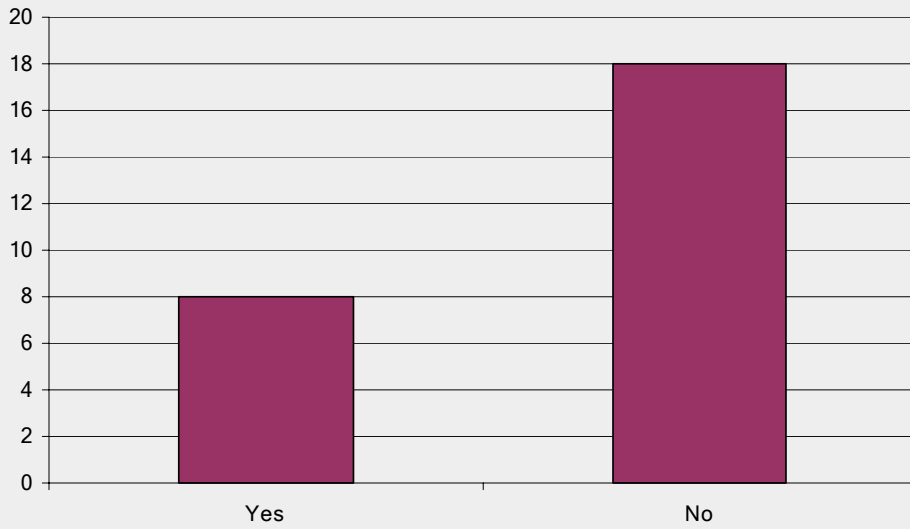
**Do you know the rate at which you should withdraw money from your savings when you retire? (Percentage of the total amount that you should take out per year.)**



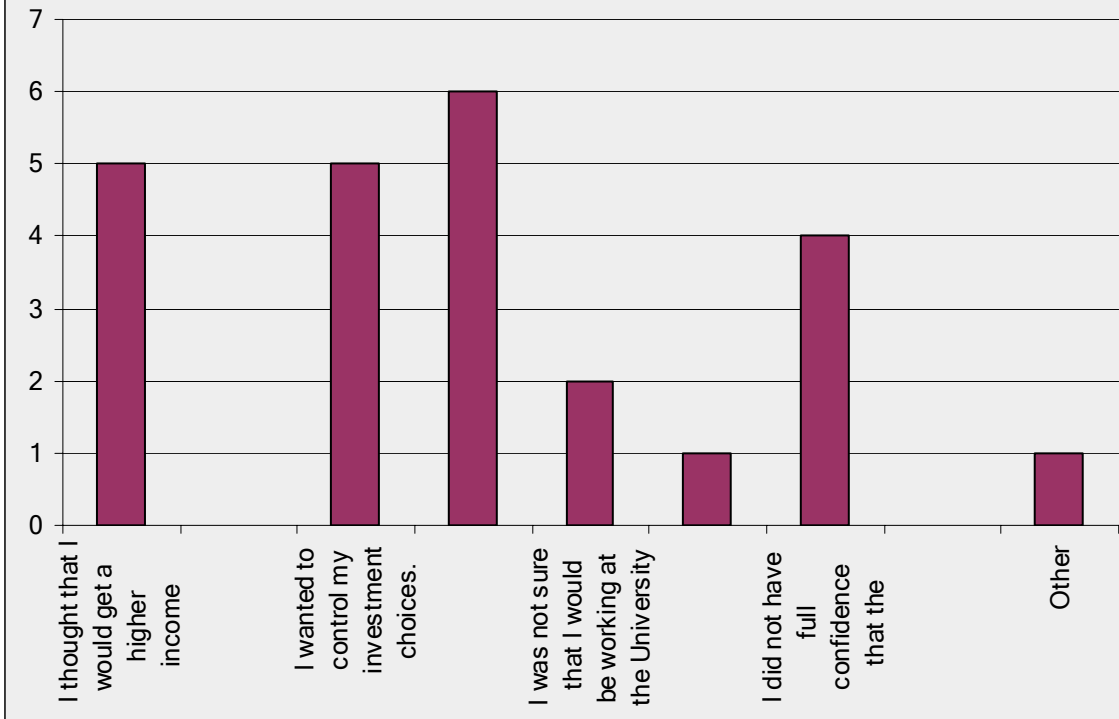
**Do you know how much retirement income you would have received had you been in SRPS?**



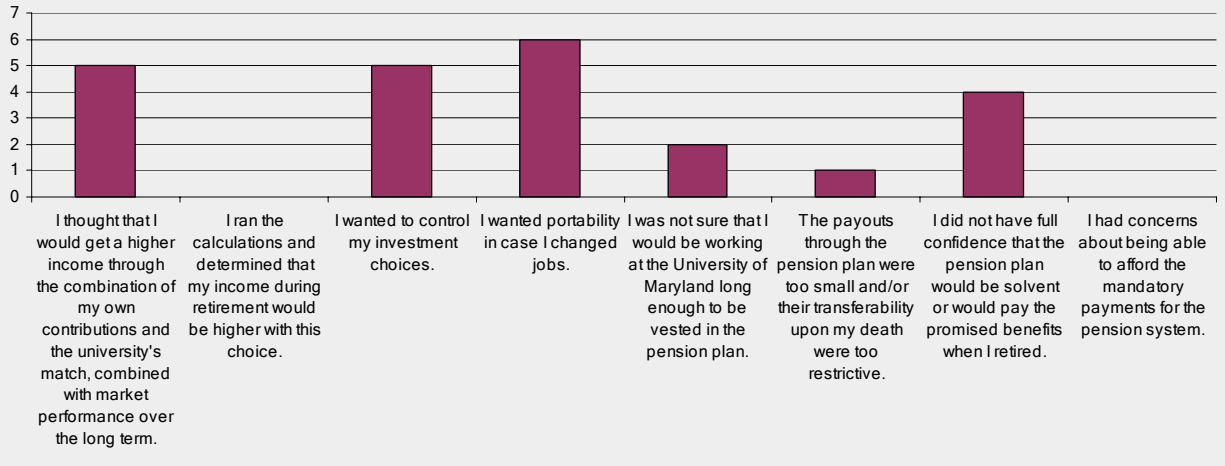
**Were you aware that the choice you made to join the ORP was an irrevocable one-time decision? (You can never change it, even if you take a different job with the State of Maryland.)**



**Why did you think that your choice made better financial sense?**



Why did you think that your choice made better financial sense?



## Comments

### *Eligibility, Enrollment in SRPS*

- I was informed quite clearly that the SRPS option was unavailable at the time I was hired.
- I think the only real option for research faculty was ORP (TIAA-CREF)
- I thought I could opt in to the State system after tenure, but found out post tenure that you can only opt in to the state system on the date of hire. I do not think I was misled, and all my questions were answered thoughtfully by the benefits people. It would be helpful though to spell this out explicitly to faculty.
- wasn't aware I could choose
- I think there was only one plan available when I was hired, TIAA-CREF.
- I believe that ORP was the only option given to me.
- Information was provided on where to find the details. I was clearly told that the pension plan was not an available option, through multiple discussions with my department's business office and the campus benefits office, during my hiring process.
- I was simply handed a summary sheet.
- I was not aware that I could join SPRS. I was told that ORP was all that was available to new hires.
- I am not sure it was available.
- I do recall being told that the state option was no longer available, or that someone advised me that it was not as good of an option as it used to be, at least.

### *Information*

- In fact several years elapsed before I was made aware of my options, in the process not contributing. I was never allowed to "catch up". I was not the only one in this situation.
- I think I was reasonably satisfied with the explanation at the time - but that was so long ago that I don't recall the details.
- A meeting should be scheduled for each new employee to provide information about retirement options.
- I don't remember hearing about options.
- I remember that the amount of reading material was nearly 1 foot tall.
- I suppose I could have obtained complete and precise information if I had expressed interest in it, but I really did not care.
- I am still not clear on what I may have missed out on.
- Do not know the advantages of the other plan.
- In general, I don't think the retirement options/benefits are described well here at UMD!!
- TIAA was not explained to me ( in 1988)
- New employees should also be thoroughly informed of disability insurance. In my case it provided the bridge for ten years."

### *Choices*

- I changed to TIAA after one year after I had occasion to go to the University benefits office and they explained why TIAA was better for me.
- Was told that the pension system was not worthwhile and everybody was in ORP

- I was tenure track. I was told that almost everyone chooses the optional retirement program.
- At the time I made my choice I was unaware that supplemental contributions to 403b/457k could be made by those in the state retirement plan. In fact in 1998, I believe explicitly being told that was not possible.
- I did not fully understand the benefits of the SRPS. Also, I was uncertain about the requirement of being vetted. At the early stage of one's career, it is hard to know if you will be staying put for the rest of your career or not, and so this seemed like a very risky option. TIA-CREF is nearly universal as far as I could tell, and so seemed more transportable.
- Portability was the only consideration that made any sense, and only ORP is portable.
- I wasn't sure whether I would stay at UMD or eventually take a faculty position elsewhere - so I wanted a plan that I could take with me if I needed to do so.
- uncertainty of tenure
- ORP is portable, SRPS is not. It's a no-brainer. Who knows where your career will take you?
- ORP was portable while SRPS was not, and I had not idea when joined the faculty at UMCP almost three decades ago whether I was would stay on (tenure, etc.)
- I wasn't sure how long I would be with the State of Maryland.
- would not lose benefits when changing employer
- I was told MD State Pension plan isn't portable if I were in a situation to move to another institution outside MD and/or industry/government agencies
- I already had pension plans with TIAA Cref and Fidelity
- I was already in TIAA/CREF before coming to Maryland
- Have made similar decisions at other universities where I taught
- Colleagues suggested that was better
- If one stayed at the university of maryland for over 20 years it is clear that the SRPS is better.
- How can you perform a meaningful comparison given the vagaries of the markets associated with ORP?
- Planned on 457 as primary source of retirement funds. State pension was secondary.
- I wanted access to certain funds that were only available through the plan I chose.
- "Actually retired on disability in 1995. State pension system turned out to be the best choice.

### ***Retirement Age, Amounts***

- I had some targets but the current volatility in the markets make it impossible to estimate how much many will be accrued in the next 10-15 years
- The current financial environment is uncertain and the government's determination to impact it is clear. I don't expect to retire anywhere near age 65.
- Is it ever enough given that salaries for most of us have been flat for the last few years!
- I was quite confident based on advice from a Financial Planner. However, during the last decade, equity growth has been dismal so I am no longer so confident.
- "I think it needs to be clearly spelled out
  - 1) If you do not choose state retirement plan you cannot join later.
  - 2) The only difference is the 7% (or whatever the state contributes) to the ORP. The 457K/403B etc are the same for both. I distinctly remember that not being the case in 1998."

## Appendix Three

### SUMMARY OF SURVEY RESPONSES

\*\*11 Different Departments/Units were surveyed

#### Questions for Departmental/Unit Personnel Offices

**1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.**

- 6 Printed materials from UHR
- 7 Referral to UHR web site
- 6 Referral to, and contact information for, UHR personnel
- 2 Supplementary departmental/unit or school printed information on retirement plan options
- 7 Verbal information in response to questions about the retirement systems
- 2 Verbal advice on the pros, cons of the retirement systems
- 2 Information on option to switch out of pension system in the first year
- 3 Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- 2 Other (specify)   
 1. We provide comparisons of the plans; *not* advice as to which plan to select.   
 2. Enrollment forms for non-exempt employees who must choose the State Retirement Plan.

**2. When is this information provided during the hiring process?**

- The new hire is given the information on their first day of work at the university.
- Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.
- 1 Upon arrival of the new hire in the DC area, information is sent about the retirement plans.
- 5 Some time after acceptance of the job offer, before the new hire arrives, information is sent about the retirement plans.
- 7 Upon acceptance of the job offer, information is sent immediately about the retirement plans.
- 1 Together with the job offer, information is sent about the retirement plans.
- 6 The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

**3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?**

**4. Do you provide the forms to the new hires that are used to choose the retirement plan?**

*For answers to questions 3 and 4, please see the individual forms below.*

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
- Supplementary departmental/unit or school printed information on retirement plan options
- Verbal information in response to questions about the retirement systems
- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify)

2. When is this information provided during the hiring process?

- The new hire is given the information on their first day of work at the university.
- Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.
- Upon arrival of the new hire in the DC area, information is sent about the retirement plans.
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- Upon acceptance of the job offer, information is sent immediately about the retirement plans.
- Together with the job offer, information is sent about the retirement plans.
- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? [The Payroll Coordinator](#)

What training has this person received from the University Human Resources, and when/how often?

[She has attended the retirement training given by UHR, and has been on campus over 20 years and knows the difference between the plans.](#)

4. Do you provide the forms to the new hires that are used to choose the retirement plan? [Yes](#)



### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

Printed materials from UHR

Referral to UHR web site – [Email with all links](#)

Referral to, and contact information for, UHR personnel

Supplementary departmental/unit or school printed information on retirement plan options

Verbal information in response to questions about the retirement systems

Verbal advice on the pros, cons of the retirement systems – [Assistant Director of Administration only tells them that State pension has a defined Government pension.](#)

Information on option to switch out of pension system in the first year – [The Coordinator did not know this.](#)

Information on permanent irrevocability of decision to join optional retirement system

None of the above

Other (specify)

2. When is this information provided during the hiring process?

The new hire is given the information on their first day of work at the university.

Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.

Upon arrival of the new hire in the DC area, information is sent about the retirement plans.

Some time after acceptance of the job offer, before the new hire arrives, information is sent about the retirement plans.

Upon acceptance of the job offer, information is sent immediately about the retirement plans.

Together with the job offer, information is sent about the retirement plans.

The information on retirement plans is included with other information (for example health plan information, move reimbursement information).

The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

[Coordinator and Assistant Director of Administration. Neither have had formal training.](#)

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

[We give them links to forms.](#)

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
- Supplementary departmental/unit or school printed information on retirement plan options
- Verbal information in response to questions about the retirement systems
- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify)

2. When is this information provided during the hiring process?

- The new hire is given the information on their first day of work at the university.
- Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.
- Upon arrival of the new hire in the DC area, information is sent about the retirement plans.
- Some time after acceptance of the job offer, before the new hire arrives, information is sent about the retirement plans.
- Upon acceptance of the job offer, information is sent immediately about the retirement plans.
- Together with the job offer, information is sent about the retirement plans.
- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

HR Business Manager for Non-Exempt hires, Assistant or Senior Associate Director for Exempt hires. All trained by UHR and updates received from UHR as they occur.

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

Yes.

NOTE - Basic information is provided during the interview process

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
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- Verbal information in response to questions about the retirement systems
- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify)

2. When is this information provided during the hiring process?

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- Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.
- Upon arrival of the new hire in the DC area, information is sent about the retirement plans.
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- Upon acceptance of the job offer, information is sent immediately about the retirement plans.
- Together with the job offer, information is sent about the retirement plans.
- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

This information is provided by our HR Coordinator and when further clarification is necessary the person often comes to the Director of Administrative Services. Our HR coordinator attends training from UHR when they offer and often times consults directly with them when questions arise.

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

Yes – the department provides the forms.

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
- Supplementary departmental/unit or school printed information on retirement plan options
- Verbal information in response to questions about the retirement systems
- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify)

2. When is this information provided during the hiring process?

- The new hire is given the information on their first day of work at the university.
- Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.
- Upon arrival of the new hire in the DC area, information is sent about the retirement plans.
- Some time after acceptance of the job offer, before the new hire arrives, information is sent about the retirement plans.
- Upon acceptance of the job offer, information is sent immediately about the retirement plans.
- Together with the job offer, information is sent about the retirement plans.
- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

Administrative assistant, no training by HR (limited training about update).

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

Yes (should be on training listserv).

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
- Supplementary departmental/unit or school printed information on retirement plan options
- Verbal information in response to questions about the retirement systems
- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify)

2. When is this information provided during the hiring process?

- The new hire is given the information on their first day of work at the university.
- Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.
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- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

[Accounting Associate and Manager – Refresher sessions offered by Benefits office and the campus updates all.](#)

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

[Yes.](#)

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
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- Information on option to switch out of pension system in the first year
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- None of the above
- Other (specify)

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- Together with the job offer, information is sent about the retirement plans.
- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

[HR Rep. Yearly training as offered by UHR Benefits Office.](#)

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

[Yes. Libraries' HR does provide forms.](#)

[General benefits are discussed when scheduled for an interview. No complaints about UHR website. Don't give advice; recommend that they talk to their own financial consultant.](#)

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
- Supplementary departmental/unit or school printed information on retirement plan options
- Verbal information in response to questions about the retirement systems
- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify): [Enrollment forms for non-exempt employees who must choose the State Retirement Plan.](#)

2. When is this information provided during the hiring process?

- The new hire is given the information on their first day of work at the university.
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- Together with the job offer, information is sent about the retirement plans.
- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

[The Department Payroll Clerk who has minimal training from UHR & supervisor. Per departmental practice, new employees are referred to UHR's Benefits staff because we feel they are the best resource to assist new employees in making this very important decision.](#)

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

[Only the forms for the State Retirement Plan.](#)

### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
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- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify): [we provide comparisons of the plans; not advice as to which plan to select.](#)

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3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

[Program Administrative Specialist, Facilities Management HR, has attended regular benefits training provided by UHR; The Program Administrative Specialist attends refreshers when they are offered year or two.](#)

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

[Yes.](#)



### Questions for Departmental/Unit Personnel Offices

1. What information and/or advice do you provide to new *faculty/staff* regarding choice of a retirement plan? Please check all that apply.

- Printed materials from UHR
- Referral to UHR web site
- Referral to, and contact information for, UHR personnel
- Supplementary departmental/unit or school printed information on retirement plan options
- Verbal information in response to questions about the retirement systems
- Verbal advice on the pros, cons of the retirement systems
- Information on option to switch out of pension system in the first year
- Information on permanent irrevocability of decision to join optional retirement system
- None of the above
- Other (specify)

2. When is this information provided during the hiring process?

- The new hire is given the information on their first day of work at the university.
- Upon arrival of the new hire in the DC area, the new hire comes into the office and receives information about the retirement plans.
- Upon arrival of the new hire in the DC area, information is sent about the retirement plans.
- Some time after acceptance of the job offer, before the new hire arrives, information is sent about the retirement plans.
- Upon acceptance of the job offer, information is sent immediately about the retirement plans.
- Together with the job offer, information is sent about the retirement plans.
- The information on retirement plans is included with other information (for example health plan information, move reimbursement information).
- The information on retirement plans is sent or presented separately.

3. Who in your department provides this information? What training has this person received from the University Human Resources, and when/how often?

The Assistant to the Comptroller personally received training, but sometimes it is best to refer employees to UHR personnel since they are the experts and can explain better.

4. Do you provide the forms to the new hires that are used to choose the retirement plan?

Yes if they are non-exempt employees the Assistant to the Comptroller gives them the normal retirement pension forms, if they are exempt the Assistant to the Comptroller explains information she knows, and if they have more detailed questions, she refers them to UHR personnel.

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The Business Manager provides the general information such as the UHR website and the person to contact.

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Once they have selected a plan, the Business Manager provides the forms.