



The Best Place To Start

*Take advantage of key
Retirement Program changes*





UT System Retirement Programs

The UT System recently completed a thorough review of the retirement platforms and Providers. This research revealed an opportunity to make positive changes to the Retirement Programs. Some enhancements include:

- **Expanded investment options**
- **More comprehensive communications and education programs**
- **Significantly reduced costs**
- **Improved recordkeeping and administrative capabilities**

Your Future. Your Choice.

UT System’s research led to the creation of one platform—the UT System Retirement Programs. This new structure is intended to provide you with easy access to quality retirement Providers and investment products for all UT System Retirement Programs.

Please take a moment to review this brochure to:

- **Find out about the new investment options that are being offered in the Retirement Programs**
- **Learn more about and consider participating in the Voluntary Programs**
- **Review the approved Provider list to ensure that your contributions are invested in a way that suits your personal investment goals**

If you have additional questions, a “Frequently asked questions” section is included in this brochure on page 7. Or contact your institution’s Benefits Office, or a representative from your selected Provider. We hope that you will find the new investment options and education opportunities helpful as you continue on your journey of retirement planning.

Table of Contents

Programs at a glance	1
Voluntary participation—why it’s important	2
UT System approved Providers	3
Your investment options	4
Asset allocation	5
Enroll in and manage your accounts	6
Frequently asked questions	7
Provider summaries	10

Programs at a glance

MANDATORY PROGRAMS	Teacher Retirement System (TRS)		Optional Retirement Program (ORP)	
		<ul style="list-style-type: none"> All employees automatically enrolled Defined benefit plan TRS controls/monitors your investments Benefit based on years of service, salary, and actuarial formula Vested after five years Vested right to a lifetime annuity Disability benefit provided 	<ul style="list-style-type: none"> May be chosen (irrevocably) by certain eligible titles during initial period of eligibility Defined contribution plan You manage your investments Account growth based on performance of your selected investment portfolio Vested after one year and one day Vested right to employer contributions No disability benefit 	

VOLUNTARY PROGRAMS	UTSaver TSA			UTSaver DCP
	Traditional	Roth*		
Eligibility	All employees	All employees		All employees
Employee contribution	Pretax dollars	After-tax dollars		Pretax dollars
Employer contribution	None	None		None
Employee withdrawals	Taxable when withdrawn	Tax free when withdrawn		Taxable when withdrawn
General contribution limits†	\$15,000 IRS maximum for both traditional and Roth sources. (Each dollar of a Roth contribution reduces the amount that can be contributed pretax, and vice versa.)			\$15,000
Over age 50 catch-up contribution†	\$5,000 combined with Roth	\$5,000 combined with traditional		\$5,000
15-year catch-up contribution	\$3,000 combined with Roth	\$3,000 combined with traditional		N/A
Three years prior to retirement catch-up (special catch-up)†	N/A	N/A		Up to \$15,000 (may not be used simultaneously with age 50 catch-up)
Early distributions	Distributions made prior to age 59½ will be subject to ordinary income tax and possibly a 10% penalty	“Nonqualified” distributions made prior to age 59½ will be subject to ordinary income tax and possibly a 10% penalty‡		Distributions made prior to age 59½ will be subject to ordinary income tax

*Available after December 1, 2006.

†Contribution limits shown are IRS maximums for 2006.

‡A “qualified” distribution occurs when the Roth account has been in place for five taxable years (from the year of first contribution) and one of the following events has occurred: (1) attainment of age 59½; (2) disability; or (3) death.

Contribution limits may vary based on income, years of service, previous deferrals, and other factors. Contact your Benefits Office for a calculation of your personal contribution limit for each voluntary program.



Voluntary participation— why it's important

You are most likely familiar with the TRS and ORP because your participation in one of these programs is mandatory. Did you know that the UTSaver TSA and UTSaver DCP—the voluntary programs to which you can make pretax and/or after-tax contributions—are just as important a part of the Retirement Programs? Voluntary contributions to these programs have become an increasingly important part of saving for retirement. Consider why the extra savings could be important to you:

- Thanks to stunning advances in medicine, health, and nutrition, most Americans now anticipate living long past their traditional retirement age. One in five will probably celebrate his or her 100th birthday. This could stretch your retirement income over a span of several decades.*
- A decline in the popularity and coverage of traditional pension plans finds the average worker depending more often on personal retirement savings.
- The retirement of the baby boom generation over the next 10 years could lead to potential strains on Social Security benefits and a decrease in benefits for future retirees.

* *The 2003 Retirement Confidence Survey*, Employee Benefit Research Institute, American Savings Education Council, Mathew Greenwald & Associates, April 2003.

The UTSaver TSA and UTSaver DCP are designed to help you save more money on your own so that you have the income needed to last throughout your years in retirement. Consider making contributions and see the impact of how investing even a small amount can add up over the long term.



UT System approved Providers

The UT System presents six quality retirement Providers with which you can invest your ORP, UT Saver TSA, and UT Saver DCP contributions. You may select one or more, or all six, depending on your investment and service needs. The Providers are:

AIG VALIC	Lincoln Financial Group
Fidelity Investments	MetLife Resources
ING	TIAA-CREF

A summary of the investments and services offered by each Provider is included at the end of this brochure.

If you are currently contributing to a Provider that is not listed above, you will receive communications later this year with information on standards that your Provider must meet to continue to receive your contributions. If your Provider cannot meet these standards or chooses not to, you will be asked to start investing your future contributions with one of the six approved Providers. You will not be required to transfer your accumulated balances, and you do not need to make any changes at this time.



Your investment options

The six approved Providers each offer a wide variety of investment products. The UT System has categorized your options into tiers, below. Not all Providers offer investments in each tier. Specific investment product information can be found at the end of this brochure.

- **Tier 1: Asset allocation or life cycle options**

These funds are designed for investors who want a simple yet diversified approach to investing. They are professionally managed funds that are rebalanced according to their investment objective. Life cycle funds are rebalanced according to a target retirement date; asset allocation funds are rebalanced based on risk objectives.

- **Tier 2: Core investment options**

This tier includes a limited menu of investment options that represent mutual funds invested primarily in the three major asset classes (stocks, bonds, and short-term investments). You may want to consider these options if you are comfortable diversifying your investments on your own or with the assistance of an investment advisor and/or asset allocation tools.

- **Tier 3: Expanded options**

This tier includes a much larger menu of additional investment options for more sophisticated investors. You may want to consider this approach if you are very comfortable managing your own portfolio, or have an investment advisor managing your portfolio, and understand how to research, evaluate, and monitor a wide variety of investments with different risk and return characteristics.

- **Tier 4: Self-directed brokerage**

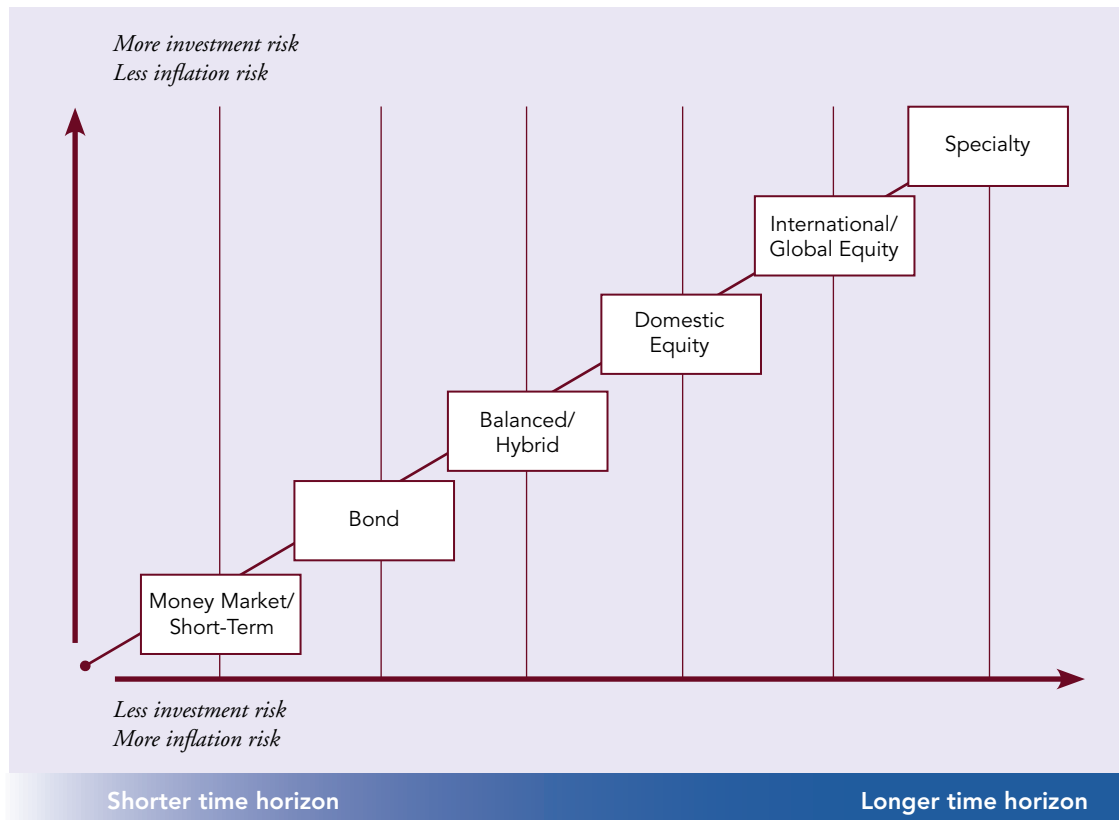
This tier offers you access to thousands of additional mutual funds, and, for the UTSaver DCP, individual securities. The broad spectrum of investments in this tier makes it a good choice for more sophisticated investors with an understanding of how to research and evaluate individual investments. There are some restrictions and additional fees for this type of account, and it is not offered through every Provider. Contact your Provider directly for more information.

- **Annuity options**

Some Providers also offer fixed and/or variable annuity products. An annuity is a contract with an insurance company enabling you to accumulate contributions in a separate account under which you can select a variety of investment options, including mutual funds and guaranteed fixed interest accounts. An annuity also provides the option for you to receive a regular series of income payments for a specified period or for life in return for your contributions.

Asset allocation

A variety of asset classes is available within each of the investment tiers to help you better diversify your accounts. The following chart illustrates the potential risk and return of these primary asset classes. The lower left corner of the chart shows more stable investments with lower investment risk. As you move up the diagonal, your investment risk increases, as does your potential for return.



► Need help choosing an investment mix?

Each Provider has representatives available to meet with you to help put together your retirement portfolio. In addition, many Provider Web sites offer online planning tools to help you manage and track your portfolio on your own. To schedule a consultation, contact your Provider directly.



Enroll in and manage your accounts

Enroll/Make Changes by Using UTRetirement Manager

UTRetirement Manager is your online enrollment and education Web site provided by the UT System. It is your place to start contributing to and managing your UT System Retirement Programs and is available 24 hours a day, 7 days a week. Visit www.vrsco.com today to:

- Learn about your UT System Retirement Programs
- Enroll in and make changes to your Retirement Programs
- View a summary of your Retirement Program balances
- Read helpful articles on a range of financial planning topics
- Use financial calculators to help you determine how much you may need to save for your future

Manage Your Investments Directly through Your Provider

Each of the six Providers offers direct online access to your accounts. Access specific account information directly through:

AIG VALIC (888) 568-2542 www.aigvalic.com/utexasorp	Lincoln Financial Group (800) 454-6265 *8 www.lfg.com/ut
Fidelity Investments (800) 343-0860 www.fidelity.com/ut	MetLife Resources (877) 948-4638 www.metlife.csplans.com
ING (800) 584-6001 www.ingretirementplans.com/utexas	TIAA-CREF (800) 842-2776 www.tiaa-cref.org/utexas

Frequently asked questions

Q: I am currently investing with a Provider that is not on the approved Provider list. What do I need to do?

A: You do not have to make any changes to your account at this time. However, the UT System is implementing standards that your Provider must meet to continue to receive your contributions. If your Provider cannot meet these standards or chooses not to, you will be asked to start investing your future contributions with one of the six approved Providers. You will not be required to transfer your accumulated balances. If you are affected by these changes, you will receive a separate letter with instructions later this year.

Q: Can I invest with a Provider that's not on the list?

A: No. For new contributions starting September 1, 2006, you must invest with one of the six approved Providers featured in this brochure.

Q: How much can I contribute to the UTSaver TSA?

A: You can contribute as little as \$25 per pay period or as much as 100% of your eligible compensation, up to \$15,000 (for 2006) in the UTSaver TSA (traditional and Roth combined). There are also two catch-up provisions:

Age 50 Catch-up: If you are age 50 or older, you may contribute an additional \$5,000.

15-Years of Service Catch-up: If you have 15 years of UT System service, and your previ-

ous deferrals in the UTSaver TSA have averaged less than \$5,000 per year, you may defer up to an additional \$3,000. The additional deferral cannot exceed a lifetime maximum of \$15,000. Eligibility for the amount you can contribute under this catch-up provision must be calculated by your Benefits Office.

Q: How much can I contribute to the UTSaver DCP?

A: You can contribute as little as \$20 per pay period or as much as 100% of your eligible compensation, up to \$15,000 (for 2006) in the UTSaver DCP. There are also two catch-up provisions:

Age 50 Catch-up: If you are age 50 or older, you may contribute an additional \$5,000.

Special Catch-up: If you are within three years of the taxable year in which you attain normal retirement age, you may be able to contribute up to an additional \$15,000 per year. Eligibility for this special catch-up provision is dependent upon your unused elective deferrals for the previous years you were eligible to participate in a 457(b) plan, and must be calculated by your Benefits Office. The Age 50 Catch-up and the Special Catch-up may not be used simultaneously.

Q: How do I enroll in the Voluntary Programs?

- Log on to UTRetirement Manager and click on the *Enroll/Change* page for either the UTSaver TSA or UTSaver DCP. For the



UTSaver TSA, you should contact your Benefits Office for a calculation of your contribution limit.

- Choose a Provider from the list of approved Providers and follow their enrollment instructions to set up an account. Complete applications and beneficiary forms and return them directly to the Provider before contributions are deducted from your paycheck.

Q: How do I change my Provider for future contributions?

- Log on to UTRetirement Manager and click on the *Enroll/Change* page for the program you wish to modify.
- Choose your new Provider from the list and follow the enrollment instructions to set up an account.

Q: How do I transfer my accumulated balances to a new Provider?

- Log on to UTRetirement Manager and click on the *Enroll/Change* page for the program you wish to modify.
- Choose your new Provider from the list and complete a Transfer Verification form for both your current and your new Provider.
- Contact the current Provider's representative and/or your Benefits Office for processing.

Q: Can I direct future contributions to a new Provider while maintaining my account balance with my existing Provider?

- A:** Yes, you may change the destination of your future contributions without transferring your accumulated account balances.

Q: How do I move to a different investment option within my current Provider?

- A:** Contact your Provider directly. Each of the approved Providers offers a toll-free customer service number, Web site, and representatives to make account and investment changes.

Q: Can I choose more than one Provider?

- A:** Yes, you may wish to invest with more than one Provider, depending on the investment products and services you want to have in your personal retirement portfolio. However, some people like the convenience of having all their retirement balances consolidated within one Provider for easier management. The choice is yours. You will need to complete an account application for each Provider with which you wish to invest.

Q: What is the difference between a mutual fund and an annuity?

- A:** A *mutual fund* is a type of investment that pools your money with that of other investors who have similar investment goals. A professional money manager invests the money in stocks, bonds, and/or short-term investments. Each fund you select is managed with a goal of achieving certain objectives—including a certain balance of risk and potential return. Your return depends on the performance of the various funds you choose. In other words, your returns will vary.

Variable annuities are professionally managed investments that allow you to select a portfolio of investment options made up of stocks, bonds, and short-term investments. With a variable annuity,

your investment return is also a function of the specific investments—or subaccounts—you choose. Again, your returns will vary. It's up to you to select subaccounts that suit your investment objectives and risk tolerance. However, unlike mutual funds, most variable annuity contracts will offer you a guaranteed death benefit and distribution features that can help protect your assets. (Review your contract to see if the guaranteed death benefit applies to your particular variable annuity.)

A *fixed annuity* lets you lock in a guaranteed rate of interest for a specific period—normally between three months and one year. As each “guarantee period” comes to a close, the insurance company sets a new interest rate for the upcoming period. Interest rates and time periods vary depending on the annuity contract.

Q: *What are the risks involved with mutual funds vs. annuities?*

A: Almost every type of investment comes with risk. The level of risk you assume with a mutual fund depends on the investments you select (based on your investment objective, risk tolerance, need for liquidity, and market conditions).

Variable annuity risk is similar—it depends on the investments you select in the annuity subaccount, and whether your contract comes with a guaranteed death benefit or other distribution features.

With fixed annuities, there are different risks. The insurance company issuing the fixed annuity will likely guarantee that your money earns a certain rate of interest for a specific period. This guaranteed rate may be adjusted up or down by the insurance

company as you enter each new guarantee period. However, the contract will contain a minimum interest rate guarantee.

Q: *How do fees differ between mutual funds and annuities?*

A: Mutual funds charge an investment management fee. Certain mutual funds also charge short-term trading fees if shares of the fund are held for less than a stated number of days.

Variable annuities charge investment management fees and may charge short-term trading fees for certain underlying fund options. In addition, an annual mortality and risk expense fee (M&E fee) may be charged.

Because fixed annuities provide a guaranteed rate of return, that guarantee already takes into account any expenses the insurance company may incur in managing the investment. Some fixed annuity contracts may have withdrawal restrictions that may impact the timing of your withdrawal of assets from fixed accounts.

Q: *I am currently investing with a Provider whose variable annuity fees are being reduced. How can I take advantage of the reduced fees?*

A: Your Provider will contact you with information on any reduction in annuity fees and how you can take advantage of these reduced fees. For specific questions on this process, contact your Provider directly.



Important Information

The content provided in this brochure has been provided by the UT System and is solely the responsibility of the UT System. It is intended for general informational purposes only. You should not consider it tax, legal, or investment advice. In the event that anything in this brochure conflicts with the UT System Retirement Programs plan documents, UT System policies, or state or federal law, the UT System Retirement Programs plan documents, UT System policies, and state and federal law will govern.

Please consult with your tax, legal, or investment advisor for assistance with your personal situation.