Advice from the Providers | TIAA-CREF

Four Steps To Help Improve Your Retirement Planning

Plan Administrator’s Note: Each issue of the ORP newsletter features an article from one of the ORP providers. This issue’s article was provided by TIAA-CREF.

Whether you’re just beginning to save for retirement or have been investing for a while, these four steps can help you work toward your goals.

Step 1
Get an Early Start.
The sooner you begin saving for retirement, the better. An early start gives you more years to build your savings and to potentially benefit from compounding the earning of interest on interest, or using investment income and gains to produce even more accumulations as they’re reinvested. (Past performance doesn’t guarantee future returns.)

Step 2
Know Your Time Horizon.
To create a strategy that makes sense for the goals you want to achieve, you need to take into account the number of years you’ll be investing before you use the money and how many years you’ll need that money to last. A short-term is any investment goal between one and 3 years away, an intermediate-term is between 3 and 10 years away and a long-term is a goal that’s 10 years away or more.

Knowing your time horizon will help you decide how to invest your money.

Step 3
Understand Your Tolerance for Risk.
Your risk tolerance or ability to handle declines in your portfolio’s value will also affect how you’ll want to allocate your funds. Generally speaking, if you have a low risk tolerance, you’ll want to allocate a smaller percentage to higher risk investments like equities and probably emphasize more stable investments, such as guaranteed accounts. Conversely, if you have a higher risk tolerance, you’re more likely to be willing to commit more of your funds to equities than someone with a lower tolerance for risk.

Step 4
Invest by Asset Class.
An asset class is a category of securities, or investments, such as stocks or bonds, that have similar financial characteristics. When creating a portfolio, most financial experts suggest diversifying holdings across different asset classes instead of relying exclusively on individual securities within a single asset class.

If you find, after saving for some time, that your portfolio has deviated significantly from your original allocation because of market performance, it may be appropriate to rebalance your portfolio. Rebalancing will allow you to maintain your initial investment strategy. Please also keep in mind that investing in securities carries with it certain inherent risks.

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Planning is the key to a comfortable retirement.
This is the first issue of the Optional Retirement Program Newsletter, which focuses on changes to the ORP and general retirement planning information. We hope you will find it interesting and informative. Should you have any comments or suggestions for upcoming issues, please forward them by email to: orp@bhe.mass.edu or by mail to:
Mass. Board of Higher Education
One Ashburton Place, Room 1401
Boston, MA 02108

Premiere Issue

Changes in ORP plan rules
Rollovers are now accepted

As of July 1, 2007, the ORP is accepting funds that are eligible rollovers. This allows you to consolidate your retirement savings under the Optional Retirement Program. Here is a list of the types of plans that are eligible to add to your ORP Account:
1. 401 (a), 401(k) and 403 (a) plans
2. Tax sheltered annuity plans 403(b)
3. Deferred compensation plans 457(b)
4. IRA or annuity 408(a) or 408(b)

Once money is received by the plan, these funds will be treated as normal assets of the plan and therefore subject to the rules of the plan. However, your provider will segregate these funds in your account. This will ensure the correct tax treatment of future distributions.

Do you know that as an active employee with membership in the ORP, you are automatically enrolled in a Group Life Insurance policy and Long Term Disability Insurance plan? The Standard Insurance Company is presently the carrier for both policies. The Life Insurance coverage amount is determined by your age and a multiple of your annual earnings.

Age as of January 1
Multiple of annual earnings

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New options to consolidate savings
Transfer/Rollover forms can be found either in your provider booklet or on your provider’s website. If you have any questions, the first place to check is the ORP website www.mass.edu/orp. It will have answers to questions on all aspects of ORP program.

Life and Disability Insurance benefits

Do you know that as an active employee with membership in the ORP, you are automatically enrolled in a Group Life Insurance policy and Long Term Disability Insurance plan? The Standard Insurance Company is presently the carrier for both policies. The Life Insurance coverage amount is determined by your age and a multiple of your annual earnings.

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For more information go to:
www.mass.edu/foremployees/orp/orp.asp, and click on Insurance Documents.