

**ERISA Memorandum on
Summary Annual Reports
for Qualified Plans**

April 2002



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Benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) are required to distribute Summary Annual Reports to plan participants. **This Memorandum reviews the Summary Annual Report requirements and the attachments provide suggested wording for Summary Annual Reports.**

Plans for Which Summary Annual Reports Must Be Distributed*

The following are the plans using TIAA-CREF products for which Summary Annual Reports must be distributed:

1. All retirement plans (except unfunded or insured plans for a select group of management or highly compensated employees).
2. All tax-deferred annuity (TDA) plans except those exempt from the reporting and disclosure requirements of Title I of ERISA as described in U.S. Department of Labor (DOL) Reg. Section 2510.3-2(f).
3. All welfare benefit plans (e.g., Group Life, Total Disability Benefits, Long-Term Care, and Collective Life insurance plans) except:
 - totally unfunded welfare benefit plans where the benefits are paid from the general assets of the employer;
 - unfunded or insured plans for a select group of management or highly compensated employees; and
 - welfare benefit plans exempted from annual reporting requirements by DOL regulations.

* Plans “established or maintained for its employees by...the government of any State or political subdivision thereof, or by any agency or instrumentality of any of the foregoing” are excluded from this and other requirements of ERISA. Plans that are considered church plans are also exempt.

The DOL exemption pertains to welfare benefit plans that had fewer than 100 participants at the beginning of the plan year and that are funded solely through the assets of the employer or through an insurance carrier (or a combination of these funding methods).

This exemption applies to all Group Life, Total Disability Benefits, Long-Term Care, and Collective Life insurance plans that are funded only through TIAA and under which the institution pays the full cost or the institution and employee share the cost, with the exception of any under which:

1. employee contributions (if required) are not forwarded to TIAA within three months after they are made, or
2. any dividends payable to participants are not distributed to them within three months after they are received by the institution from TIAA.

When the Summary Annual Report Must Be Distributed

You must generally distribute Summary Annual Reports to plan participants by the last day of the ninth month following the end of the plan year (September 30, 2002, for plan years ending December 31, 2001). Plans that have an extension of time to file the Annual Return/Report Form 5500 from the Internal Revenue Service (IRS) must provide the Summary Annual Report within two months after the extension ends.

Who Must Receive the Summary Annual Report

In general, ERISA and DOL regulations require that you provide the Summary Annual Report to the same categories of “participants” and “beneficiaries” you provide a Summary Plan Description. These categories are:

1. For Qualified Retirement Plans –

You must provide the Summary Annual Report to each employee enrolled as a participant in the plan, and to each employee eligible to participate but not presently enrolled.

You do not have to provide a Summary Annual Report to an individual who has terminated participation in the institution's TIAA-CREF individual annuity retirement or TDA plan and who is no longer eligible to participate, or to his or her beneficiaries. The one exception: any terminated participants for whom all annuity premiums due under the plan's provisions have not been paid at the time you distribute the Summary Annual Report. Unpaid premiums represent earned retirement benefits that are not fully protected by annuity contracts. Consequently, you must send copies of the Summary Annual Report to these individuals.

In addition, you must provide a Summary Annual Report to former employees of institutions with supplemental retirement benefit arrangements, or other types of retirement plans (except unfunded plans for a select group of management or highly compensated employees) under which the participant or beneficiary must look to the institution or plan administrator for future benefits. Under such plans, if the participant is deceased and benefits are payable to a beneficiary, you should provide a Summary Annual Report to the beneficiary.

2. For TIAA Group Life, Total Disability, Long-Term Care, and Collective Life Insurance Plans –

You should distribute Summary Annual Reports to employees (and any former employees) actually enrolled in such plans (i.e., those for whom premiums are being paid). In addition, you should provide Summary Annual Reports to:

- individuals currently receiving TIAA Total Disability benefit payments.
- disabled individuals, under Group Life or Collective Life insurance plans, whose life insurance is being continued in effect under the plan's provisions for waiver of premiums during total disability.

For welfare benefit plans under which employees pay a part or all of the cost, you don't have to distribute Summary Annual Reports to employees who are eligible to participate but have elected not to enroll in the plan. (This is in contrast to the requirement for retirement and TDA plans, under which you must provide all eligible employees with Summary Annual Reports, whether or not they elect to participate.)

How the Summary Annual Report Should Be Distributed

The DOL regulations (29 CFR 2520.104b-1) say the plan administrator "shall use measures reasonably calculated to ensure actual receipt of the material" and must use ". . . a method or methods of delivery likely to result in full distribution" for the Summary Annual Report and other reports, statements or documents which must be furnished to participants and beneficiaries. The regulations further indicate that personal delivery or use of the U.S. mails would be acceptable. It would seem that use of campus mail service would also generally meet the requirements. However, random distribution (for example, making material available in a faculty lounge) would not be acceptable.

You can send materials through U.S. mails by first-, second- or third-class mail. However, if you use second- or third-class mail it's acceptable "only if return and forwarding postage is guaranteed and address correction is requested." If material is returned with an address correction you must send it again by first-class mail or personally deliver it.

DOL regulations further state that, "It is also acceptable to furnish such material as a special insert in a periodical distributed to employees such as a union newspaper or a company publication if the distribution list for the periodical is comprehensive and up-to-date and a prominent notice on the front page of the periodical advises readers that the issue contains an insert with important information about rights under the plan and the Act which should be read and retained for future reference. If some participants and beneficiaries are not on the mailing list, a periodical must be used in conjunction with other methods of distribution such that the methods taken together are reasonably calculated to ensure receipt."

Contents of the Summary Annual Report for Plans Filing the Annual Return/Report Form 5500

DOL regulations (29 CFR 2520.104b-10) require that plan administrators distributing Summary Annual Reports follow specific formats and use specific wording provided in the regulations when inserting applicable information. Although the regulations provide specific formats and wording, and do not permit any modification of the required wording to be used, they also state that:

- (1) Any portion of the forms which is not applicable to the plan to which the summary report relates, or which would require information which is not required to be reported on the annual report (Form 5500) of that plan, may be omitted.

- (2) Where the plan administrator determines that additional explanations of any information furnished pursuant to (the regulations) is necessary to fairly summarize the annual report, such explanation shall be set forth following the completed form required and shall be headed, "Additional Explanation."

Some of the wording in the required format is not applicable to qualified retirement plans using TIAA-CREF annuities or to TIAA Group insurance plans, and thus may be omitted. Attachments #1 and #2 to this Memorandum reflect TIAA-CREF's understanding of the required formats and wording that must be used for the Summary Annual Reports for retirement plans using TIAA-CREF annuities and TIAA Group and Collective insurance plans for which the Annual Return/Report Form 5500 was filed.

Summary Annual Report Requirements for Plans With Fewer Than 100 Participants Filing Form 5500

Formerly, small plans were required to file the Annual Return/Report Form 5500-C/R as a 5500-R filer in years in which they are not required to file as a 5500-C filer. The recent changes in the Form 5500 requirements eliminate the Forms 5500-C/R and require small plans to file the standard Form 5500 every year.

According to DOL regulations (29 CFR 2520.104b-10), small plans that file the Annual Return/Report have two options for satisfying the requirements to distribute a Summary Annual Report.

Option I. Under this option you must notify participants and beneficiaries (see pages 2 and 3) that a copy of the Form 5500 is available and will be provided to them free-of-charge upon written request.

No language was set forth in the regulations for the Notice. However, the regulations require the Notice to state:

in lieu of a Summary Annual Report, a copy of the Form 5500 will be provided free-of-charge upon written request; and

the name and address of the administrator to whom requests for the Form 5500 should be directed.

It is our understanding that Attachment #3 provides a Notice that meets the requirements of the regulations. You should review it with your legal counsel before adopting the suggested Notice for use at your institution. You may distribute the Notice to plan participants or beneficiaries or you may post it at “worksite locations . . . in a manner reasonably calculated to ensure disclosure to plan participants.” For participants or beneficiaries who could not reasonably be expected to visit the worksite locations, you must provide a copy of the Notice as described on page 4 of this Memorandum. You must post the Notice for a minimum of 30 days beginning any time within nine months after the close of the plan year. If a participant or beneficiary requests a copy of Form 5500 in writing, you must furnish it free-of-charge within 30 days following receipt of the request and it must be accompanied by a Notice of “Disclosure of Plan Information Under ERISA.” The language to be used for this Notice was set forth in the regulations and is provided in Attachment #4.

Option II. Under this option, you must provide participants and beneficiaries (see pages 2 and 3) with a copy of the Form 5500 and the “Disclosure of Plan Information Under ERISA” Notice. The language to be used for the Notice was set forth by the regulations and is provided in Attachment #4. Under Option II you must provide the Form 5500 and the Disclosure Notice to participants and beneficiaries by the end of nine months following the end of the plan year. If you received an extension of time in which to file your Annual Return/Report (Form 5500), the Summary Annual Report is due two months after the extension period expires.

Availability of the Summary Annual Report

You should retain the Summary Annual Reports for all plans subject to these requirements of ERISA (retirement, TDA, and welfare plans) in the institution's files for a minimum of six years. These must also be available for review to plan participants and beneficiaries upon request in the office of the plan administrator. In addition, you must provide copies of the Summary Annual Reports to participants and beneficiaries within 30 days of a written request. A charge may be made for additional copies requested after the initial distribution has been made for any plan year. Although not required by ERISA or its supporting regulations, we recommend that you maintain a list of all individuals to whom you provide the Summary Annual Report.

* * * * *

The information in this Memorandum represents TIAA-CREF's interpretation of the U.S. Department of Labor and Internal Revenue Service regulations and requirements.

We suggest that you seek the advice of legal counsel if questions exist concerning the applicability of particular ERISA requirements to a specific plan. Your TIAA-CREF Institutional Consultant will, of course, be glad to be of assistance by working with you and your legal counsel.

* * * * *

ATTACHMENT #1

FOR QUALIFIED RETIREMENT PLANS FILING ANNUAL RETURN/REPORT FORM 5500

The following paragraphs provide suggested wording for Summary Annual Reports for institutions filing Annual Return/Report Form 5500 for qualified retirement plans using TIAA-CREF annuities. The suggested wording reflects TIAA-CREF's interpretations of DOL requirements, which mandate a specific format and wording for Summary Annual Reports. Because of these DOL mandates, plan administrators who want to change the recommended wording should first obtain the advice of legal counsel. **The information required for the numbered spaces of the "Basic Financial Statement" is described on the following page.**

Summary Annual Report for (enter name of plan used to complete Item a of Part II of Form 5500).

This is a summary of the annual report for (enter name of plan and Employer Identification Number (EIN) of institution – item 2b of Part II of Form 5500) for (beginning and ending dates of plan year covered, e.g., January 1, 2001, through December 31, 2001). The annual report has been filed with the Internal Revenue Service, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Basic Financial Statement

Benefits under the plan are provided by annuity contracts issued by Teachers Insurance and Annuity Association and College Retirement Equities Fund. **(Plans with options should describe those options here.)**

Plan expenses were \$(1). These expenses included \$(2) in administrative expenses and \$(3) for benefits paid to participants and beneficiaries and to insurance carriers for the provision of benefits. A total of (4) persons were participants in the plan at the end of the plan year. **(Plans with delayed vesting add "although not all of these persons had yet earned the right to receive benefits.")**

The value of the plan assets, after subtracting liabilities of the plan, was \$(5) as of (6), compared to \$(7) as of (8). During the plan year, the plan experienced an (increase) (decrease) in its net assets of \$(9). This (increase) (decrease) includes unrealized appreciation or depreciation in the value of plan assets that is, the difference between the value of the plan's assets at the end of the year and the value of the plan assets at the beginning of the year. The plan had a total income of \$(10) including employer contributions of \$(11) and employee contributions of \$(12).

The total premiums paid for allocated contracts issued by TIAA for the plan year were \$(13).

The following information should be inserted in the corresponding numbered spaces above.

- (1) Amounts from Schedule H, Part II, Item 2j, or Schedule I, Part I, Item 2I.
- (2) The total from Schedule H, Part II, Item 2h(5), or Schedule I, Part I, Item 2h.
- (3) The total from Schedule H, Part II, Item 2e(4), or Schedule I, Part I, Item 2e.
- (4) Number from Form 5500, Part II, Item 7(f).
- (5) Amount from Schedule H, Part I, Item 11, Column (b), or Schedule I, Part I, Item 1c, Column (b).
- (6) Ending date of plan year.
- (7) Amount from Schedule H, Part I, Item 11, Column (a), or Schedule I, Part I, Item 1c, Column (a).
- (8) Beginning of the plan year.
- (9) Schedule H, Part I, Item 11, Column (b) minus Schedule H, Part I, Item 11, Column (a), or Schedule I, Part I, Item 1c, Column (b) minus Schedule I, Part I, Item 1c, Column (a).
- (10) Amount from Schedule H, Part II, Item 2d, or Schedule I, Part I, Item 2d.
- (11) Amount from Schedule H, Part II, Item 2(a)(1)(A), or Schedule I, Part I, Item 2a(1).
- (12) Amount from Schedule H, Part II, Item 2(a)(1)(B), or Schedule I, Part I, Item 2a(2).
- (13) Amount from Schedule A, Part II, Item 5b.

Minimum Funding Standards

Enough money was contributed to the plan to keep it funded in accordance with the minimum funding standards of ERISA (if the plan is a defined contribution plan covered by funding requirements).

Your Right to Additional Information

You have the right to receive a copy of the full annual report or any part thereof, including insurance information, on request. (The following items are included in that report: an accountant's report and the schedule of the assets held for investment.) To obtain a copy of the full annual report, or any part thereof, write or call the office of (enter title, business address and telephone number of the individual from whom copies of the annual report may be obtained). — (Use the next sentence only if a charge will be made for copies of the annual report.) The charge to cover copying costs will be \$____ for the full annual report, or \$____ per page for any part thereof.

You also have the legally protected right to examine the annual report at the main office of the plan (insert address where annual report may be examined) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the U.S. Department of Labor should be addressed to: Public Disclosure Room, N5638, Pension and Welfare Benefit Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

Additional Explanation

If you want to provide additional material explaining information included in the annual report, you may include it only in this section. If you are not providing additional material, you should delete this section.

ATTACHMENT #2

FOR TIAA GROUP LIFE, TOTAL DISABILITY BENEFITS, LONG-TERM CARE, AND COLLECTIVE LIFE INSURANCE PLANS FILING ANNUAL RETURN/REPORT FORM 5500.

The following paragraphs provide suggested wording for Summary Annual Reports for those TIAA Group Life, Total Disability, Long-Term Care, and Collective Life insurance plans for which Summary Annual Reports are required (see page 1 of the attached Memorandum). The recommended wording is intended only for those plans under which benefits are provided solely under TIAA insurance contracts. If any benefits are provided other than through the TIAA insurance contract (for example, paid directly to the individual by the institution) additions or modifications to the recommended wording will be required.

For Group and Collective Life insurance plans providing benefits solely through TIAA insurance contracts, the suggested wording reflects TIAA's interpretations of DOL requirements, which mandate a specific format and wording for Summary Annual Reports. Because of these DOL mandates, plan administrators who want to change the recommended wording should first obtain the advice of legal counsel.

Summary Annual Report for (enter name of plan used to complete Item a of Part II of Form 5500).

This is a summary of the annual report for (enter name of plan and Employer Identification Number (EIN) of institution – item 2b of Part II of Form 5500) for (beginning and ending dates of plan year covered, e.g., January 1, 2001, through December 31, 2001). The annual report has been filed with the Internal Revenue Service, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Insurance Information

The plan has a contract with the Teachers Insurance and Annuity Association (TIAA) to pay all claims incurred under the terms of the plan. The total premiums paid for the plan year ending (ending date of the plan year, e.g., December 31, 2001) were (insert amount entered in response to item 8a(1) of Part III of Schedule A to Form 5500).

Note: Include the following paragraph only if you completed item 8 of Part III of Schedule A to Form 5500.

Because it is an “experience-rated” contract, the premium costs are affected by, among other things, the number and size of claims. Of the total insurance premiums paid for the plan year ending (date), the premiums paid under such “experience-rated” contracts were (insert amount entered in response to item 8a(4) of Schedule A) and the total of all benefit claims paid under the experience-rated contract during the plan year was (insert amount entered in response to item 8b(4) of Schedule A).

Your Right to Additional Information

You have the right to receive a copy of the full annual report, or any part thereof, including insurance information, on request. To obtain a copy of the full annual report, or any part thereof, write or call the office of (enter title, business address and telephone number of the individual from whom copies of the annual report may be obtained). — (Use the next sentence only if a charge will be made to cover copying of the annual report.) The charge to cover copying costs will be \$____ for the full annual report, or \$____ per page for any part thereof.

You also have the legally protected right to examine the annual report at the main office of the plan (insert address where annual report may be examined) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the U.S. Department of Labor should be addressed to: Public Disclosure Room, N5638, Pension and Welfare Benefit Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

Additional Explanation

If you want to provide additional material explaining information included in the annual report, you may include it only in this section. If you are not providing additional material, you should delete this section.

ATTACHMENT #3

DISCLOSURE OF PLAN INFORMATION UNDER ERISA FOR QUALIFIED RETIREMENT PLANS USING TIAA-CREF ANNUITIES AND TIAA GROUP LIFE, TOTAL DISABILITY BENEFITS, LONG-TERM CARE, AND COLLECTIVE LIFE INSURANCE PLANS

The Employee Retirement Income Security Act of 1974 (ERISA) requires that we provide you annually with information — known as a Summary Annual Report — on the financial information filed with the Internal Revenue Service and the U.S. Department of Labor for the (enter name of plan used to complete Item a of Part II of Form 5500) in which you are a participant, eligible to participate, or a beneficiary.* As permitted by U.S. Department of Labor regulations, in lieu of a Summary Annual Report, a copy of the Annual Return/Report filed on behalf of the plan will be furnished to you, free-of-charge, upon receipt of a written request.

A copy of the Form 5500 and the “Disclosure of Plan Information Under ERISA” Notice will be sent to you within 30 days of your request. Please submit your written request to (name and address of administrator to whom requests should be submitted).

* For Group Life, Total Disability Benefits, Long-Term Care, and Collective Life insurance plans, the words “eligible to participate” and “or a beneficiary” should be deleted.

ATTACHMENT #4

DISCLOSURE OF PLAN INFORMATION UNDER ERISA

Attached is a copy of the most recent Return/Report (Form 5500) for the employee benefit plan of which you are a participant, eligible to participate, or a beneficiary,* (enter name of plan used to complete Item a of Part II of Form 5500). The Return/Report contains information about the plan and has been filed with the Internal Revenue Service under the Employee Retirement Income Security Act of 1974 (ERISA).

This copy of Form 5500 is being furnished to you in compliance with U.S. Department of Labor regulations which require it to be furnished free-of-charge either automatically or upon written request in lieu of the Summary Annual Report for plan years for which the plan has filed Form 5500.

You also have the right to receive from the plan administrator (see item 1a or 2a on Form 5500), on request, a copy of the Schedule A (Insurance Information) that was filed with the attached Form 5500. (Use the next sentence only if there will be a charge for copies of the Schedule A.) — The charge to cover copying costs will be \$_____ for this Schedule or \$_____ per page for any part thereof.

You also have the legally protected right to examine these documents at the main office of the plan administrator (insert address of plan which normally should be the same address which appeared on item 1a or 2a on Form 5500) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs.

Requests to the U.S. Department of Labor should be addressed to: Public Disclosure Room, N5638, Pension and Welfare Benefit Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

* For Group Life, Total Disability Benefits, Long-Term Care, and Collective Life insurance plans, the words “eligible to participate” and “or a beneficiary” should be deleted.

NOTES



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*Managing money for people
with other things to think about.SM*

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