Retirement Choice Glossary

**Accrued Benefit** – A benefit that you have earned by satisfying the benefit plan’s rules.

**Annuity** – A benefit paid to you in monthly installments over your lifetime — or the lives of you and your beneficiary(ies). Under the Support Staff Pension Plan, you can elect any of the following annuity payment options: A lifetime annuity; a lifetime annuity with at least 10 or 20 years of payments guaranteed, regardless of if you die before the end of that period; or an annuity with 10 years of payments guaranteed and then continuing to your beneficiary at the same or reduced level (50%, 66.7% or 75%). Of course, the value of the monthly annuity varies depending on the option chosen.

**Automatic University Contribution** – Once you are eligible, the university makes a contribution to the 403(b) Plan in your name. You do not need to contribute to the plan to receive this automatic contribution.

**Average Annual Earnings** – Your highest average Earnings received during any 5 consecutive years in the last 10 years before July 1, 1989. Average Annual Earnings is a factor used in determining your retirement benefit under the Support Staff Pension Plan.

**Base Salary/Earnings** – Under the Support Staff Pension Plan, your Base Pay is defined as your basic rate of compensation on each July 1. Base Pay does include contributions made on your behalf under salary deferral arrangements or tax-sheltered annuity plans but does not include overtime, commissions, bonuses, shift differential and any other additional compensation you might receive. The yearly amount of Earnings that may be used in determining your benefit cannot exceed the limit imposed by the federal government.

**Beneficiary** – The person(s) named to receive a plan benefit in the event of your death. If you die before benefits are paid to you, your spouse is automatically your beneficiary for purposes of the plan's survivor benefit. When electing a payment option at retirement, your spouse is also your beneficiary, unless he or she consents to your naming someone else.

**Career Average Earnings** – The sum of all of your Earnings on and after July 1, 1989 or your date of participation, if later, divided by your Credited Service on and after July 1, 1989.

**Covered Compensation** – The maximum amount of compensation for which old age and survivors’ insurance benefits would be provided under the Social Security Act. Covered compensation is computed as the average of the taxable wage base for each year in the 35-year period ending with the year in which the employee attains the Social Security retirement age.

**Credited Service** – Credited Service is the portion of your university employment used in calculating the amount of your retirement income. Credited Service includes full years and completed months (any month during which you complete more than 15 days of employment). Credited Service does not include periods when you are no longer actively employed in an eligible class or when you are receiving disability payment under the university’s group long term disability program.

**Compound Earnings** – The amount accrued when interest and/or dividend income is earned on your principal investment, so from that moment on, the interest that has been added also itself earns interest.

**Defined Benefit Plan** – A pension plan under which Johns Hopkins University is responsible for funding (or providing) your benefit. Johns Hopkins University makes all contributions to this plan, decides how to invest the money, and assumes the investment risk. The plan benefit is based on a formula that takes into consideration your Average Annual Earnings, Career Average Earnings and Credited Service. You receive a monthly income upon your retirement.
Defined Contribution Plan – A 403(b) retirement plan to which both you and the university may contribute. You choose how the money in your account is invested based on the investment options you select; you bear the investment risk. Your savings are portable — in the event you leave Johns Hopkins University.

IRS Pre-tax Limits – The Internal Revenue Service sets limits each year on the amount of money you may contribute to a 403(b) Plan. The limit for 2011 is $16,500, if you are under age 50. If you are age 50 or older, you may also make annual “catch-up” contributions — in 2011 the limit on these additional contributions is $5,500.

Individual Retirement Account (IRA) – A tax-deferred retirement account to which you can make current contributions, rollover voluntary contributions at age 59½, or rollover all contributions when you leave the university.

Investment Earnings – Interest and/or dividend income that you earn on your investment.

Investment Fees – An investment company usually charges these amounts as a percentage of the total assets under management. Some common fees include charges for investment management, administration and distribution services; charges by a fund to transfer either within the fund family or to another company; and charges for withdrawing money from an account.

Investment Risk – The probability that the actual return on an investment is lower than your expectations. All investments have some level of risk based on the unpredictability of the financial markets.

Lump-Sum – A form of payment that allows you to receive your defined contribution benefit in a single lump-sum after you leave Johns Hopkins University.

Monthly Accrued Benefit – The pension benefit payable at retirement age that you have earned under the Support Staff Pension Plan.

Pension Benefit Guaranty Corporation (PBGC) – The federal agency responsible for protecting pension benefits in private-sector defined benefit plans. The university pays premiums to the PBGC, which guarantees benefits (up to certain amounts provided by law) for participants and beneficiaries in the event the Support Staff Pension Plan terminates with insufficient assets to pay benefits.

Portability – The ability to take the total value of your benefit with you when your employment ends. The 403(b) Plan offers portability because you can roll over the full value of your account into another tax-qualified plan should you leave Johns Hopkins University for any reason.

Prospectus – A formal legal document that provides details about an investment offering. It required by and filed with the Securities and Exchange Commission and should contain the facts that an investor needs to make an informed investment decision.

Qualified Default Investment Alternative (QDIA) – If you do not direct the investment of any portion of your 403(b) Plan account, that portion of your Plan account will be invested into one or more default options (or QDIAs). The Plan Administrator will provide you with a “Qualified Default Investment Notice” describing the default investments and other information concerning your rights as to the default investments.

Retirement – For purposes of the Support Staff Pension Plan, it is termination from employment with Johns Hopkins University with a plan benefit after having satisfied the age requirements for retirement.

Risk Tolerance – An investor’s ability to handle a decline in his or her portfolio.

Rollover – The direct reinvestment of your Johns Hopkins University retirement benefits into another eligible employer retirement plan or an IRA.
Retirement Choice Period – The period from March 18 through April 15, 2011 during which eligible support staff must make a one-time choice of whether to stay in the current Support Staff Pension Plan or move to the Johns Hopkins University 403(b) Plan for future benefit accruals. If an employee currently participates in the Staff Voluntary 403(b) Plan, the employee will only continue to be eligible to receive a matching contribution if he/she remains in the Support Staff Pension Plan.

Target Date Fund – An investment option made up of a mixture of stocks, bonds and cash, managed by the investment company, and based on the investor’s targeted retirement date. The advantage of these funds is that they give investors quick and easy access to a diversified portfolio based on when they plan to retire.

Vesting – Your right to receive your retirement benefit when you retire or leave Johns Hopkins University. In general, you are 100% vested in the Support Staff Pension Plan upon becoming a plan participant (generally after two years of service)\(^1\). In the 403(b) Plan, you are 100% vested in contributions made by you and the university upon becoming a plan participant.

Years of Service – The consecutive 12-month period (beginning with your date of employment) in which you complete at least 988 hours of service with Johns Hopkins University. Years of service are used to determine plan eligibility and contributions to your Support Staff Pension Plan.

\(^1\) If your first day of employment was prior to July 1, 1993, you became vested after five years of service.

Updated 2/25/2011