

BENEFITS PROGRAM BULLETIN

The Informed Employee

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PERF RETIREMENT PLAN ENHANCEMENTS

The PERF Plan has two distinct benefit components:

- **Pension benefit** = Life-time income at retirement, generally based on the following formula:

Avg. salary "5 highest years" X Years of PERF Service X 1.1%

Participants need at least 10 years of PERF service to have a right to this benefit.

- **Annuity Savings Account benefit** = Contributions to a retirement savings account equal to 3% of wages, with the amount of life-time income or cash withdrawal based on:

Contributions + Investment Earnings

Participants always have a vested right to this benefit.

The Pension benefit provides significantly more retirement income than the Annuity Savings Account component.

Both the Pension and Annuity Savings Account benefits are funded by IU, along with the employer portion of Social Security.

ANNUITY SAVINGS ACCOUNT -- ENHANCEMENTS

Effective October 1, 1998, Annuity Savings Account provisions will be enhanced to include two new investment options (stock market funds) and greater flexibility in participant investment decisions. The following is an outline of these enhancements:

(Continued on page 2)

HOW NICOTINE AFFECTS THE BRAIN

(The following excerpts are from a similarly titled article in the Wall Street Journal dated May 5, 1997)

They huddle outside entrances to workplaces across the nation, oblivious to the weather and the scorn of their peers, to perform a familiar ritual: smoking cigarettes. They all light up despite knowing that smoking causes cancer, heart disease and other health problems.

"It is a huge growing problem," says Jack Henningfield, a tobacco researcher at Pinney Associates, a health consulting firm in Bethesda, Md. Noting that teenage smoking rates have risen for the past four years in a row, he adds: "This is one of the most disturbing trends in all of drug abuse."

"It's a sleeper addiction," says Alan Leshner, head of the National Institute on Drug Abuse. "People don't see it as an addictive substance until it is too late."

How cigarettes hook individuals, and affect the brain:

1. When a smoker takes a puff, nicotine is quickly absorbed through the lungs into the bloodstream, which distributes it throughout the body. In as little as 10 to 20 seconds, nicotine reaches the brain.

2. There, nicotine excites so-called nicotine receptors on nerve cells in the brain's 'reward center.' This causes the nerve cells to release large amounts of dopamine - a brain chemical associated with pleasure.

(Continued on page 4)

INSIDE:

Health Care Plan Expenses ...	p. 2
Health Care Plans-Dependents	p. 3
Investment Fund Performance	p. 4

PERF RETIREMENT PLAN ENHANCEMENTS (Continued from page 1)

CURRENT PROVISIONS	NEW PROVISIONS
<u>INVESTMENT OPTIONS</u>	
Money Market Fund Guaranteed Fund Bond Fund	Money Market Fund Guaranteed Fund Bond Fund Small Company Stock Fund * S&P 500 Stock Index Fund *
<u>ACCOUNT ALLOCATION</u>	
100% in any one fund, with no transfer back to Guaranteed Fund	Investments across all five funds, with no restrictions
<u>INVESTMENT SELECTIONS</u>	
Only on June 30 of each year	Effective any calendar quarter, with only one change during a 12-month period
<u>VALUATION OF ACCOUNT</u>	
Earnings credited at end of fiscal year (June 30)	Earnings credited at end of each calendar quarter

* Small Company Stock Fund will be similar to the Russell 2000 index of "smaller" public traded U.S. Corporations; and S&P 500 Stock Index Fund will be based on the S&P 500 index of "larger" public traded U.S. Corporations.

The PERF agency will be distributing account statements and investment selection forms to participants within the next 30 days. The first reallocations of account balances to the above new investment options would become effective on October 1, 1998.

Participants should note that Annuity Savings Account statements typically do not include reference to the participant's Pension benefit.

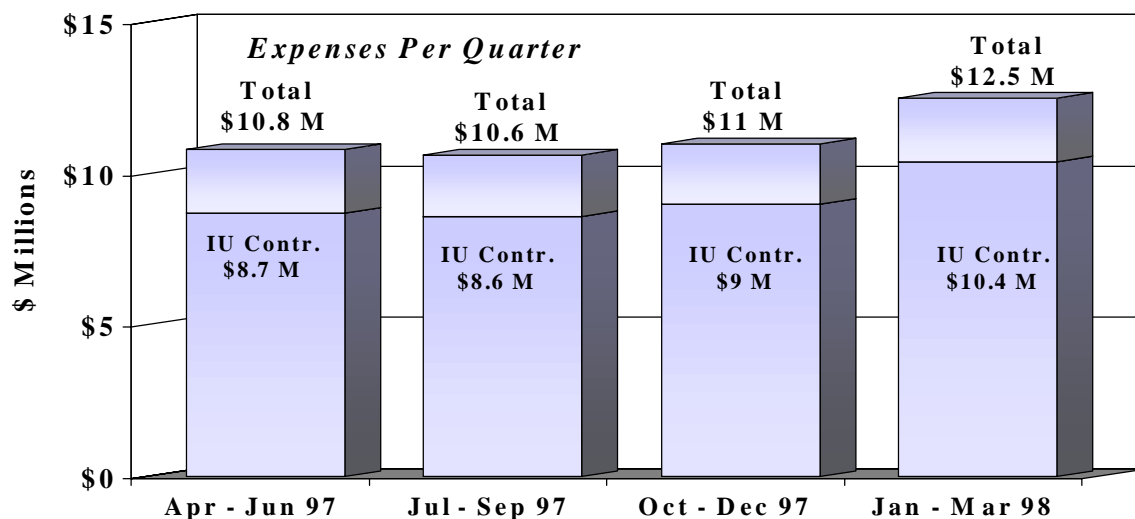
PERF Plan participants will be invited to attend information sessions at each IU campus. In addition, the PERF agency will make information available at their website located at www.ai.org/perf.

USEFUL FACTS, FIGURES & STATISTICS

Employee Health Care Plans Expenses (11 plans)

Total Expenses, Apr 97 - Mar 98 = \$44.9 million

Total IU Contributions, Apr 97 - Mar 98 = \$36.7 million



Annualized IU Contributions per quarter:

	Apr - Jun 97	Jul - Sep 97	Oct - Dec 97	Jan - Mar 98
Per Enrolled Employee	\$2,840	\$2,758	\$2,847	\$3,324

IU PLAN PROVISIONS

EMPLOYEE HEALTH CARE PLANS -- ELIGIBLE DEPENDENTS

From time to time employees ask for clarification on dependent eligibility for health care coverage and when dependents can be added or dropped. As provided by University policy, dependents who are eligible for health care coverage are:

- The employee's spouse as defined by Indiana law.
- Unmarried child up to the end of the calendar year in which the child attains age 23. The child must be **both** 1) the employee's or employee's spouse's dependent for Federal Income Tax purposes, **and** 2) in one of the following named classes of children:
 - biological child, or
 - lawfully adopted child, or
 - lawful stepchild, or
 - foster child for whom the employee or employee's spouse has been lawfully appointed legal guardian, that is, a legal ward of the employee.
- The requirement for a child to be a "dependent for Federal Income Tax purposes" is waived in the event the employee is legally required to provide health coverage under a valid divorce decree for such child.
- A totally disabled child may be able to continue to be the employee's dependent beyond age 23 if the child was covered at the time he or she reached the maximum age limit for a covered dependent child and the child continues to meet the definition of a totally disabled child (i.e., is unmarried; unable to work due to a physical or mental disability; is financially dependent upon the employee for support and maintenance; and is an income tax dependent of the employee).
- Other relatives are not eligible

Newborn Coverage

- Newborns must be added to the employee's health plan within 30 days from the date of birth and the premium must be paid back to the date of birth if there is a premium change. After 30 days the newborn can only be added at Open Enrollment.
- The newborn must have a Social Security Number. Obtaining a SSN takes only about 2 weeks. Many hospitals will submit the paperwork during the maternity stay.
- Initial newborn care is covered during the first days of life regardless of whether the newborn is ever added as a dependent, as long as the employee was covered on the newborn's date of birth and the newborn meets the definition of a dependent.

Adding and Dropping Dependents from Coverage

- Eligible dependents can always be dropped or added at Open Enrollment.
- After Open Enrollment, a dependent can only be dropped or added if the employee experiences an IRS defined qualifying event, for example: marriage, divorce, or loss of coverage under the spouse's health plan.
- Changes must be made within 30 days of the qualifying event. After that time the employee must wait until the next Open Enrollment.
- A health plan enrollee ceases to be a covered dependent on the date that the enrollee no longer meets the definition of a dependent, regardless of when notice is given to the University. The employee is responsible for notifying the University to initiate any reduction in premium contribution.

USEFUL FACTS, FIGURES & STATISTICS

INVESTMENT FUND PERFORMANCE

The following **sample** of retirement investment opportunities reflect average annual total return after all administrative expenses. These figures are based on historical results, and they do not necessarily represent future performance.

	<u>Average Annual % Return</u>			<u>Fund</u>		<u>Average Annual % Return</u>			<u>Fund</u>
	<u>5 yrs.</u>	<u>10yrs.</u>	<u>Life</u>	<u>Inception</u>		<u>5 yrs.</u>	<u>10yrs.</u>	<u>Life</u>	<u>Inception</u>
Money Market Funds					Stock Funds				
CREF Money Market	4.88	5.84	5.84	4/88	CREF Stock	19.50	16.65	11.70	7/52
Fidelity Retir. Govt.	4.75	----	5.52	12/88	CREF Growth	----	----	27.75	4/94
					Fidelity Blue Chip	22.95	21.68	21.24	12/87
					Fidelity Contrafund	20.42	23.10	14.70	5/67
					Fidelity Magellan	20.01	19.33	22.45	5/63
Fixed Annuity					International/World Funds				
TIAA Annuity	6.76	8.16	----	----	CREF Global Equity	18.74	----	17.85	5/92
					Fidelity Europe	22.57	14.85	14.96	10/86
					Fidelity Overseas	14.55	9.11	18.18	12/84
Bond Funds					PERF Options				
CREF Bond	6.60	----	8.68	3/90	As of: 6/30/96	<u>1 Year % Return</u>			
Fidelity Govt. Sec.	6.12	8.47	9.74	4/79		6/30/97	6/30/98		
Fidelity Inv. Grade	6.49	8.78	8.49	8/71	Money Market Fund	2.18	5.39	5.53	
					Guaranteed Fund	8.40	9.00	9.00	
					Bond Fund	8.10	9.05	14.77	
Growth & Income Funds									
CREF Soc. Choice	15.74	----	15.32	3/90					
Fidelity Fidelity	22.04	17.98	11.23	4/30					
Fidelity Equity Inc.	20.86	16.79	15.15	5/66					

Figures for TIAA-CREF and Fidelity Investments are as of 3/31/98

How Nicotine Affects the Brain (Continued from page 1)

3. At the same time, the nicotine affects other brain chemicals, including norepinephrine (involved in alertness and energy), serotonin (involved in depression and appetite regulation) and endorphins (the brain's natural pain relievers).

4. After a few hours, dopamine levels decline as the body rids itself of the nicotine. Withdrawal symptoms kick in, including anxiety, irritability and inattentiveness, prompting the smoker to light up another cigarette.

Within four hours after the last cigarette, heavy smokers experience measurable decline in many cognitive functions, and they frequently become confused, restless, irritable or drowsy. These withdrawal symptoms make it difficult for smokers to quit the smoking habit.

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