

University of Massachusetts 403(b) Elective Deferral Savings Plan: Summary of Key Provisions

The University of Massachusetts' 403(b) Elective Deferral Savings Plan (the "Plan" or the "403(b) Plan") is a defined contribution retirement plan that operates under Section 403(b) of the Internal Revenue Code. The Plan is a supplemental retirement plan; it is frequently referred to as a Tax-Deferred Annuity (TDA) plan or a Tax Sheltered Annuity (TSA) plan.

Plan Administration

Employer: The University of Massachusetts (the "University") is the Employer.

Plan Sponsor: The University is the Plan Sponsor.

Plan Administrator: The University is the Plan Administrator. The Administrator has designated the Office of the Treasurer of the University to be responsible for daily operation and administration of the Plan.

You can contact the Plan Administrator/University Treasurer's Office at:

University of Massachusetts
Treasurer's Office
333 South Street, Suite 450
Shrewsbury, MA 01545-4176
Attention: 403(b) Plan Administrator

Phone: (508) 856-4700

Fax: (508) 856-4701

Effective Date of the Plan: The written plan document for the Plan and its provisions became effective as of January 1, 2009.

Plan Year: The Plan Year is a calendar year.

Amendment and Termination of the Plan: The University reserves the right to amend the Plan and/or to terminate it at any time.

Eligibility & Enrollment

Eligibility: All University employees are eligible to participate in the Plan; except that student employees are not eligible.

Enrollment: You may enroll in the Plan immediately upon employment with the University. [Click here for instructions on how to enroll in the Plan](#) or contact the University Treasurer's Office.

Tax-Deferred Contributions

Contributions: Your voluntary contributions (also referred to as “elective deferrals”) to the Plan are made through payroll deduction on a pretax basis. The University does not contribute to the Plan. You control investment of your contributions, using funds available from the Plan Providers. The Plan provides tax-deferral of your contributions and any investment growth and interest that accumulates in your account. Taxes are due when you take money out of the Plan.

Maximum Contribution Amounts: The Internal Revenue Service imposes limits on the amount of tax-deferred contributions you can make for any calendar year. The elective deferral limits depend on your age at the end of each December 31.

<u>Elective Deferral Limits for 2009</u>	
<u>Younger than age 50:</u>	<i>\$16,500</i>
<u>Age 50 and older:</u>	<i>\$22,000</i>

Change Contributions: You can change the amount of your contribution at any time by completing a new Salary Reduction Agreement form. [Click here for instructions on how to change your contribution amount](#) or contact the University Treasurer's Office.

Coordinating Contributions with other Plans: The Internal Revenue Service requires you to coordinate your contributions to this Plan with contributions to other plans, for purposes of determining your maximum contribution amount each year.

These special requirements are:

1. **Voluntary Contributions:** Voluntary contributions to other employers' plans that operate under Tax Code Sections 403(b) and 401(k) must be combined with your contributions to the University's 403(b) Plan. Your total elective deferrals to all 403(b) and 401(k) plans are limited for the calendar year to the elective deferral limits set by the Internal Revenue Service each year; the 2009 elective deferral limits are referenced above. It is your responsibility to comply with the elective deferral limits and to initiate corrections if the limits are exceeded. If you make voluntary contributions to any other 403(b) or 401(k) plans, you should report the amounts of your contributions to these other plans to the University Treasurer's Office. Please note that you do **not** need to combine your voluntary contributions to the Commonwealth of Massachusetts 457(b) Deferred Compensation Plan (also referred to as the “SMART Plan”) with your contributions to the University's 403(b) Plan.

2. Controlled Employers: If you own a controlling interest (over 50%) of an outside business and you make contributions to a qualified retirement plan or simplified employee pension plan under the outside business, the Internal Revenue Service now requires that you report these contributions to the University. Such contributions must be aggregated with your contributions to the University's 403(b) Plan to ensure that the Internal Revenue Service limit on annual additions (also referred to as the "415 or 415(c) limit") is not exceeded. This is a limit on the total contributions (elective deferrals, nonelective contributions, and after-tax contributions) that can be made to a defined contribution plan on behalf of a participant in any plan year. In general, the 415 limit for 2009 is \$49,000. If the above situation applies to you, it is important that you report these contributions to the University Treasurer's Office.

Uniformed Services: An Employee whose employment is interrupted by qualified military service, or who is on leave of absence for qualified military service, may make additional tax-deferred contributions to the Plan upon resumption of their employment. Contact the University Treasurer's Office with questions about this provision.

Plan Providers

The University engages in a competitive bidding process, on a routine basis, to determine which Providers and products should be made available under the Plan. The University's Provider selection is intended to offer employees a variety of products, investment opportunities and service delivery models.

There are currently three categories of Providers under the University's Plan: ***Contract Providers; Legacy Providers; and Former Providers.***

Contract Providers: These are the University's primary Plan Providers and were selected through the University's most recent competitive bid process. The University's Contract Providers currently receive participant contributions, via payroll deduction, under the Plan; and they have entered into and operate under a Contract for Services with the University. There are currently three Contract Providers under the University's Plan:

**AIG Retirement;
Fidelity; and
TIAA-CREF.**

New 403(b) accounts (Annuity Contracts and/or Custodial Accounts) under the Plan **can only** be opened with one of the Plan's Contract Providers.

Contract Providers **may** receive Custodial Account and Annuity Contract exchanges in accordance with the Plan's provisions, and such policies established by the University, which govern such transactions under the Plan.

Contract Providers **may** make loans and hardship distributions in accordance with the Plan's provisions to the extent provided in their Custodial Accounts and/or Annuity Contracts that are issued under the Plan.

Contract Providers **may** accept rollovers in accordance with the Plan's provisions to the extent provided in their Custodial Accounts and/or Annuity Contracts that are issued under the Plan.

Legacy Providers: These are the University's grandfathered Plan Providers. Legacy Providers have issued Custodial Accounts and/or Annuity Contracts under the Plan in the past. They currently receive participant contributions, via payroll deduction, under the plan, but only for a limited number of participants; and they do not currently hold a valid Contract for Services with the University. There are currently three Legacy Providers under the University's Plan: ***MetLife (former CitiStreet Products only); Ameriprise (formerly American Express); and Vanguard.*** Only University employees that currently have an active¹ account with a Legacy Provider, under the University's Plan, may continue to make contributions to a Legacy Provider.

Former Providers: Providers that may have issued Custodial Accounts and/or Annuity Contracts under the Plan in the past; they no longer receive participant contributions under the Plan; and they do not currently hold a valid Contract for Services with the University.

Limited Role of Legacy and Former Providers in the Plan:

Legacy and Former Providers **may not** issue new 403(b) accounts (Custodial Accounts and/or Annuity Contracts) under the Plan.

Legacy and Former Providers **may not** receive Custodial Account and/or Annuity Contract exchanges under the Plan.

Legacy and Former Providers **may not** make loans and hardship distributions under the Plan.

Legacy and Former Providers **may not** accept rollovers under the Plan.

Legacy and Former Providers **may** make Custodial Account and/or Annuity Contract exchanges **only** to Contract Providers in accordance with the Plan's provisions, and such policies established by the University, which govern such transactions under the Plan.

Change Providers: You can change the Contract Provider(s) to which your contributions are sent at any time. If you currently contribute to a Legacy Provider, you can also change to a Contract Provider at any time. To change Providers you must complete a new account

¹ The University considers a 403(b) account as being active as long as a 403(b) payroll deduction for that account is currently being taken out of the Employee's pay check. Once the 403(b) payroll deduction is discontinued, the 403(b) account is no longer considered an active account.

application and complete a new Salary Reduction Agreement. [Click here for instructions on how to open a new account under the Plan](#) or contact the University Treasurer's Office.

Rollovers into the Plan

The Plan accepts rollovers from other retirement plans. Rollovers into the Plan **may** be made **only** to accounts issued by Contract Providers.

Amounts you roll into this Plan will be treated as Plan Contributions for purposes of making distributions to you.

Contract Exchanges into the Plan

You may exchange another Custodial Account and/or Annuity Contract issued under Tax Code Section 403(b) into this Plan as long as the exchange otherwise meets the Internal Revenue Service's rules governing such transactions and is in accordance with the Plan's provisions. Exchanges into the Plan **may** be made **only** to accounts issued by Contract Providers.

Amounts you deposit in this Plan as an exchange will be treated as Plan Contributions for purposes of making distributions to you.

Loans

Loans from your account with a Contract Provider are permitted under the Plan in accordance with the rules governing loans set by the Internal Revenue Service, your Contract Provider's product, and the Plan's provisions. While loans from the Plan may be made for any purpose, the Plan Administrator will determine your eligibility for a loan. Loans **can not** be made from accounts with Legacy Providers or Former Providers.

If you are interested in taking a loan, you should contact your Contract Provider to discuss submitting a loan request. Your Contract Provider will ask you to complete their loan request paperwork. Either you, or your Contract Provider, will need to submit the completed loan request paperwork to the University Treasurer's Office for Plan Administrator approval.

Maximum Loan Amount: The maximum amount of your loan(s) is generally the lesser of:

1. \$50,000.00; or
2. 50% of your account balance under the Plan.

Minimum Loan Amount: The minimum loan from the Plan is \$1,000.00

Loan Repayment Period: The loan repayment period is generally five years; the minimum period is one year.

Principal Residence Repayment: Loans from the Plan for use in purchasing your principal residence may be repaid over periods of up to fifteen years to the extent provided in the Contract Provider's Custodial Accounts and/or Annuity Contracts that are issued under the Plan.

Outstanding Loans: Participants may have **only** two loans outstanding at any time under the Plan.

Loan Defaults: If you default on your loan payments, then your loan will be considered a taxable distribution to you from the Plan.

Distributions

Distribution Trigger Events: Distributions from the Plan are payable to either you or your beneficiaries upon one of the following "trigger events":

Your termination of employment with the University;

Your attaining Age 59 ½;

Upon your becoming disabled (the Plan Administrator determines a participant's disability in accordance with the Plan's provisions);

Because of "financial hardship" you incur (as defined by the Internal Revenue Service, additional information is provided below); and

Upon your death.

If a "trigger event" has occurred, and you wish to take a distribution, you need to contact your Provider to request the distribution. Your Provider will ask you to complete their distribution request paperwork. Either you, or your Provider, will need to submit the completed distribution request paperwork to the University Treasurer's Office for Plan Administrator approval. You should also discuss with your Provider which distribution payment method best suits your needs.

Financial Hardship: The Internal Revenue Service defines "financial hardship" to be an immediate and heavy financial burden that cannot be met by resources other than your assets in the Plan. The University Treasurer's Office, as the Plan Administrator, will determine your eligibility for a distribution from the Plan because of financial hardship. The University Treasurer's Office will use the Internal Revenue Service's Safe Harbor method when making the hardship determination. Under the Safe Harbor method, before taking a hardship withdrawal you will be required to first obtain all loans and other distributions available under the University's Plan. If the loan and, if applicable, other distribution does not meet your needs,

then you may be eligible to take a hardship distribution. To request a hardship distribution, you will need to complete: your Contract Provider's hardship distribution request paperwork, which you will need to obtain from your Contract Provider; and the University's "Hardship Withdrawal" request form, which you can obtain by contacting the University Treasurer's Office. The University Treasurer's Office will also require you to submit proof of a hardship need (as defined by the Internal Revenue Service).

Rollover of Distributions: The Plan will rollover distributions to a qualified recipient plan or Individual Retirement Account, subject to an applicable "trigger event", upon your request. Please note that not all distributions are eligible for rollover treatment. You should discuss distribution types with your Provider, and tax matters with qualified counsel.

Required Minimum Distributions: As per the Internal Revenue Service's definition, Required Minimum Distributions "...are minimum amounts that a retirement plan account owner must withdraw annually starting with the year he or she reaches 70 ½ years of age or, if later, the year in which he or she retires." Each of your accounts under the Plan is subject to this requirement. You should contact your Provider(s) to determine the amount of your required minimum amount. **You should also contact your Provider(s) to learn more about the relief from required minimum distributions in 2009.**

Taxation: Income tax is payable on amounts you draw from the Plan. Your Provider will assist you with any tax withholding that is either required by state and federal governments or requested by you. You should discuss all tax matters relating to the Plan with qualified counsel.

Early Withdrawal Penalty: Certain distributions paid prior to your attaining age 59 ½ may be subject to a 10% Early Withdrawal Penalty imposed by the Tax Code.

Permissive Service Credit Transfers

Participants who are members of the State Employees Retirement System, or other qualified state defined benefit plan, may transfer funds from this Plan to the state pension plan for purposes of purchasing service credits. These transfers may be made only if the state pension plan accepts such transfers.

Domestic Relations Orders

Participants who have received a Domestic Relations Order (the "Order") from a court should present the Order to the University Treasurer's Office, as the Plan Administrator, for review. If the Order is accepted by the Plan Administrator on behalf of the Plan, then the Administrator will direct the affected Provider(s) to implement the Order.

If the Domestic Relations Order is not acceptable to the Plan, the Plan Administrator will return the Order to the participant with recommendations for corrections, with the intent that the Order will be revised to a form that is acceptable to the Plan.