Highlights of the Rice University 457(b) Deferred Compensation Plan

Rice University is pleased to offer the William Marsh Rice University 457(b) Deferred Compensation Plan permitting eligible employees the ability to accumulate additional tax-deferred savings beyond the limits of the University’s 401(a) Defined Contribution Plan and 403(b) Supplemental Retirement Annuities.

We have prepared these Highlights in question-and-answer format to give you guidance in deciding whether you should participate in the Plan.

Q1: Who is eligible to participate?

A: Eligible employees include any employee who is receiving compensation in the current plan year or has received compensation in the prior plan year equal to 140% of the Social Security Wage Base for the plan year rounded up to the next highest multiple of $1,000. For example, 140% of the 2016 Social Security Wage Base of $118,500 is $165,900 or $166,000 when rounded up to the next highest multiple of $1,000. The President may also designate certain other employees in policy-making positions as eligible. For 2013 and subsequent plan years, the compensation threshold is

Q2: How do I enroll in the plan and how much can I contribute?

A: To enroll for 2016, you must complete and submit the Voluntary Salary Deferral Agreement, and the appropriate TIAA-CREF Plan Election Form. In order for your enrollment to be processed, all documents must be returned to Human Resources. Enrollment forms will be processed promptly but generally will be effective on the first of the month following the month in which the forms are received.

Each year, your contributions are limited to a maximum dollar amount. The amount for calendar year 2016 is $18,000. Your deferral election must be in a monthly lump sum amount (withdrawn equally from both monthly paychecks) not to exceed the annual limit.

Q3: How often can I change the amount I choose to defer?

A: You can make changes to your deferral election, or terminate the election prospectively, at any time by contacting Human Resources and completing a new salary reduction agreement. All changes will be effective as soon as practicable following the date of the change, but generally not earlier than the first day of the month following the month the change is elected.

Q4: Does the University contribute to the plan?

A: If recommended by the President of the University, based on the goal of promoting the educational mission and operation of the University, the University may make non-elective contributions to the Plan on behalf of an employee.
amount the University contributes does count toward the annual maximum dollar contribution limits, and the employee must consider such amounts when selecting their voluntary deferral amount.

**Q5: How is my salary deferral money invested?**

A: When you make a deferral election, you select investment choices from one of the TIAA-CREF investment options.

**Q6: Are accounts in the Plan placed in a trust or otherwise funded?**

A: Account balances are not placed in a trust or funded. Rather, they are held as general assets of the University. The federal pension and tax laws require this type of tax-deferred plan to be “unfunded.” Even though the Plan is unfunded, your account balance is credited with investment earnings based on the performance of the investments you have selected and the employer contributions, if any, are vested after one or more years of active service at the University. Your own contributions to the 457(b) plan are vested at all times.

**Q7: If account balances in the Plan are not funded, would I be better off taking my money in cash and investing it elsewhere?**

A: While the Plan is not funded, the University is committed to pay the benefits that you accrue in your account balance. The Plan provides significant tax advantages to you because contributions and investment earnings grow tax-deferred until distributed. You should consult with your own tax or personal advisor to evaluate the benefits under the Plan compared to the rewards and risks of alternative investment strategies. However, because the plan is not funded, and therefore, carries a slight risk should the University discontinue operations, we recommend that you maximize your 403(b) contributions prior to deferring salary under the 457(b) plan.

**Q8: How often can I change my investment selections?**

A: You may change investment selections at any time by contacting TIAA-CREF. You will receive notification of the investment change and the effective date from the vendor.

**Q9: Are my investment selections different from those selected in my 401(a) plan and 403(b) Supplemental Retirement Annuity accounts?**

A: Yes, investment elections for this Plan are independent of both the 401(a) and the 403(b) Supplemental Retirement Annuity accounts. Changes made to one plan do not change investment selections in other plans.
Q10: *Does the Plan provide for any catch-up provision?*

A special catch-up contribution limit allows participants within three years of attaining their normal retirement age to contribute an extra amount if they contributed less than their allowable maximum in earlier years. For these participants, the maximum amount is the lesser of:

1) twice the annual limit, or  
2) the annual limit, plus the total amount of underutilized contributions from prior years.

Please consult the benefits team for more information.

Q11: *What happens during a leave of absence?*

A: You remain in the plan. However, since deferrals must be made from income earned during the year, contributions will be suspended during unpaid leave of absences until you return to paid active service. You may still contribute the maximum amount for the calendar year.

Q12: *When can I receive my money?*

A: When you terminate, retire, become disabled, or following your death, you or your named beneficiary can receive a total lump sum distribution immediately. However, should you or your named beneficiary wish to defer immediate receipt of your account and take distribution in a different form, you must make an election within 90 days following severance from active service. Distributions must begin by April 1 of the year following attainment of age 70½ or, if later, the year in which you retire.

Q13: *What is normal retirement age under this Plan?*

A: Please consult with a member of the benefits team for more information.

Q14: *How do I apply for a deferred distribution?*

A: You must contact the Human Resources team and complete the required form. Human Resources will verify eligibility and notify TIAA-CREF of your withdrawal election. In the event of your death your designated beneficiary is provided the same deferred distribution options.

Q15: *Can I take a loan against the account balance?*

No, loans are not available under the Plan. However, the 403(b) Supplemental Retirement Annuities permit loans within prescribed limits.

Q16: *Does the Plan provide for hardship withdrawals?*
A: Yes, hardship withdrawals are defined as an “unforeseeable emergency” and are subject to review and approval by the Plan Administrator.

Generally, an “unforeseeable emergency” means a severe financial hardship resulting from a sudden and unexpected illness or accident of the participant or a dependent, loss of the participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

Q17: What forms of payment are available under the Plan?

A: In addition to selecting a distribution date, you also will elect a form of distribution. Distributions available under the Plan are the following, subject to the rules of TIAA-CREF:

- A single, lump-sum payment, or
- Payments made over a period that does not exceed:
  - the life of the participant;
  - the lives of the participant and his or her designated beneficiary;
  - a period certain not extending beyond the life expectancy of the participant; or
  - a period certain not extending beyond the life expectancies of the participant and his or her designated beneficiary.

Q18: Can I see an illustration of how a 10 year fixed election period would work?

A: If you choose annual payments, the amount of each year’s payment will vary. The annual amount will be determined by dividing your account balance by the number of remaining payments to be made. For example, assume you have an account balance of $500,000 and elect the ten-year annual payment method. Your first payment will be $50,000 ($500,000 divided by ten annual payments). Assume that the following year your account balance is $475,000. Your second payment will be $52,778 ($475,000 divided by nine remaining annual payments). Your last payment will be the remaining account balance.

Q19: How are my salary reduction deferrals taxed?

A: Amounts that you defer plus earnings are not taxable for federal income tax purposes during the year in which the monies are deferred. However, you will be taxed as ordinary income when these monies (contributions plus earnings) are distributed to you. Unlike 403(b) plans, there is no penalty for withdrawal before age 59½ or for an unforeseeable emergency.

Q20: Can I assign my benefits?
A: No, you cannot sell, assign or transfer in advance of receipt, any of your rights under the Plan except as otherwise provided by a Qualified Domestic Relations Order (QDRO).

**Q21: Can I roll over distributions from the Plan into another qualified retirement account?**

A: In certain circumstances, if the other plan is also a 457(b) plan and is willing to accept the transfer of money, you may be able to make a transfer to that plan. You cannot roll over any monies to other types of tax-advantaged plans, i.e., 403(b) or 401(k) or Individual Retirement Account (IRA).

**Q22: What if I die without having named a designated beneficiary?**

A: While you have the opportunity to name a beneficiary for your account, if you fail to do so, your benefits will be paid to your estate.

**Q23: Who administers the Plan?**

A: The University is the Plan Administrator and has the responsibility for operating and interpreting the Plan.

**Q24: Who can I contact if I have questions about the Plan?**

A: If you have any questions about the Plan please contact:

Your Benefits Team  
p: 713-348-2363  
f: 713-348-5479  
e: benefits@rice.edu

**NOTE:** These Q & A’s are Highlights for the University’s 457(b) Deferred Compensation Plan. The Plan document is available on request and its terms and conditions govern the operations of the Plan. *April 2016*