

THE UNIVERSITY OF CHICAGO

457(b) DEFERRED COMPENSATION PLAN ENROLLMENT GUIDE 2017

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THE UNIVERSITY OF
CHICAGO

**Human
Resources**



Overview

The University of Chicago is pleased to offer you the University of Chicago 457(b) Deferred Compensation Plan.

Under this plan, eligible faculty and staff may elect to defer receipt of part of their compensation (up to \$18,000) for calendar year 2017 until their University employment ends. This nonqualified plan of deferred compensation will benefit eligible employees who already contribute the maximum permitted under the University's Supplemental Retirement Program (SRP), as it affords them the opportunity to defer additional compensation each year.

Contributions to the 457(b) Plan are deducted from your pay before federal income taxes are withheld and will not be included as income on your W-2 form at the end of the year. This reduces the amount you owe in current income taxes. Your contributions are invested in the TIAA and Vanguard funds of your choice, and any earnings on your contributions are not taxed until you take a distribution from the plan.

Your benefit earned under these plans, together with your personal savings and Social Security, will help to provide a secure retirement. While participation in the CRP or ERIP is mandatory for all employees who meet the plan's eligibility requirements, the 457(b) Plan is a voluntary program that provides an opportunity to save additional money for retirement through tax-deferred savings.

This brochure is designed to help you better understand the 457(b) Plan and how it works. We encourage you to review it carefully so that you may take full advantage of the benefits of this program. If you have any questions after reviewing this brochure, you may contact:

- TIAA: tiaa.org
- Vanguard: vanguard.com
- Benefits Office: benefits@uchicago.edu

Important Differences between the Section 457(b) Plan and Other Retirement Plans

Features	Contributory Retirement Plan (CRP)	Supplemental Retirement Program (SRP)	457(b) Deferred Compensation Plan
Eligibility	Mandatory upon appointment for full-time, benefits-eligible academic employees and highly compensated staff employees having a benefit base salary equal to or greater than \$120,000, and upon completion of one year of service for part-time, benefits-eligible academic employees.	All employees	All benefits-eligible employees having a benefit base salary equal to or greater than \$222,600 who are contributing the maximum permitted to SRP
Enrollment	Automatic enrollment as soon as eligibility requirements are satisfied	Enrollments any time throughout the year by logging into Workday	Must be renewed annually either during Open Enrollment (for January 1) or on paper (for July 1)
Ongoing Participation	Your participation will automatically continue from one year to the next	Your participation will automatically continue from one year to the next unless you discontinue participation	Must be renewed annually either during Open Enrollment (for January 1) or on paper (for July 1)
University Contributions	8% of compensation (excludes certain extra service pay)	None	None
Employee Contributions	5% of compensation (by payroll deduction)	Participation is voluntary; contributions cannot exceed IRS limits for the calendar year	Participation is voluntary; contributions cannot exceed IRS limits for the calendar year
Vesting Requirement	You are always 100% vested in your payroll deduction contributions; you are 100% vested in the University's contributions upon completing three years of service	You are always 100% vested in your SRP account	You are always 100% vested in your Section 457(b) deferral account
Account Ownership	Participant	Participant	University
Rollovers from Prior Employer's Plan	Accepted	Accepted	Not accepted
Loans	Available through TIAA	Available through TIAA	Not available
Hardship Withdrawals	Not available	Available to satisfy "immediate and heavy financial need"; includes tuition and purchase of primary residence; only available through TIAA	"Unforeseeable emergency" requirement difficult to satisfy; does not include tuition and purchase of a home
In-Service Withdrawals	Not available	Available for hardship and disability, and for any reason after age 59½; hardship withdrawals only available through TIAA	Not available
Payments Following Employment Termination	Benefits must commence when participant attains age 70½ unless earlier payment is requested	Benefits must commence when participant attains age 70½ unless earlier payment is requested	Entire benefit must be paid in immediate lump sum unless participant affirmatively elects to defer payment within 60 days following employment termination. All payments must commence by age 70½.
Rollovers from This Plan after University Employment Ends	May be made to IRA or to new employer's Section 401(a), 401(k), or 403(b) plan (if plan accepts rollovers)	May be made to IRA or to new employer's Section 401(a), 401(k), or 403(b) plan (if plan accepts rollovers)	No rollovers are permitted

How to Enroll

The remainder of this guide is presented in question-and-answer format to help you better understand the Section 457(b) Plan and how it works.

Q: Who is eligible to participate in the Section 457(b) Plan?

A: All eligible faculty and staff must renew their Section 457(b) Plan enrollment each calendar year regardless of whether they contributed to the plan in the past. You are eligible to participate in the plan beginning July 1, 2017, if you satisfy all of the following requirements:

- You are a benefits-eligible employee of the University.
- Your “benefit base salary” as of the monthly payroll closing day for April 2017 equals or exceeds 175% of the 2016 Social Security taxable wage base (\$127,200). In other words, your benefit base salary as of April 2017 must equal or exceed **\$222,600** (175% of \$127,200). Your “benefit base salary” does not include clinical bonuses, extra service pay, and compensation for service performed while you are out of residence.
- You enroll in the 2017 Supplemental Retirement Program (SRP) for your maximum permissible contribution coincident with or prior to submitting your Section 457(b) Plan enrollment. Your 2017 maximum SRP contribution is **\$18,000** if you will not attain age 50 by December 31, 2017, and **\$24,000** if you will attain age 50 by that date.

WHAT YOU NEED TO DO

The Section 457(b) Plan offers only two entry dates: January 1 and July 1. For a January 1 effective date, you must enroll in the Section 457(b) Plan during the University’s annual Open Enrollment period. For a July 1 effective date, you must enroll in May 2017 by completing a Salary Reduction Agreement.

You may increase or decrease your 2017 deferral rate only once, effective July 1, 2017, by submitting a properly executed Salary Reduction Agreement to the Benefits Office. You may stop your deferrals at any time throughout the year by notifying the Benefits Office of your decision in writing.

Q: How do I enroll in the plan?

A: In contrast to the SRP (where enrollments are accepted throughout the year), the Section 457(b) Plan offers only two entry dates: January 1 and July 1.

If you are eligible and wish to participate in the Section 457(b) Plan beginning January 1, 2017, you must enroll as part of the University’s annual Open Enrollment for benefits.

If you do not complete your Section 457(b) Plan enrollment during the annual Open Enrollment for benefits, your eligibility will be re-determined as of the monthly payroll closing day for April 2017, and, if you are eligible to participate, you will be provided the opportunity to enroll effective July 1, 2017.

When you enroll for the first time, you must select the TIAA and Vanguard funds that will be used to measure the investment experience of your deferral account. Because the Section 457(b) Plan is separate and distinct from the University’s Section 403(b) defined contribution plans [i.e., CRP, the Retirement Income Plan for Employees (ERIP), and the SRP], you must complete a new TIAA and Vanguard application as part of your initial enrollment in this plan. Your Section 457(b) deferrals cannot be invested with your CRP and SRP assets.

The TIAA application must be completed online at tiaa.org/uchicago. The Vanguard application must be printed from the Vanguard website at uchicago.vanguard-education.com, completed on paper, and returned directly to Vanguard.

Q: How often may I change the amount I choose to defer?

A: If you enroll in the plan effective January 1, 2017, you may increase or decrease your 2017 deferral rate only once, effective July 1, 2017, by submitting a properly executed Salary Reduction Agreement to the Benefits Office. In order for the change to be effective, the Benefits Office must receive your Salary Reduction Agreement by June 10, 2017.

You may stop your deferrals at any time throughout the year by notifying the Benefits Office of your decision in writing. Your deferrals will cease as of the first day of the month following receipt by the Benefits Office of satisfactory written notice of cessation. Once your deferrals have stopped, you may make a new election with respect to calendar year 2017, effective July 1, 2017, by submitting a properly executed Salary Reduction Agreement to the Benefits Office. In order for the change to be effective, the Benefits Office must receive your Salary Reduction Agreement by June 10, 2017.

After June 10, 2017, you will not be able to enter the plan for the first time, increase or decrease your deferral rate, or make a new election following cessation of deferrals until Open Enrollment for 2018.

Q: What happens during a leave of absence?

A: If your leave is paid in whole or in part, your Section 457(b) Plan deferrals will continue, provided your pay is sufficient (after other required deductions) to cover them. If your leave is unpaid, your Section 457(b) Plan deferrals will be discontinued until you return to paid service.

When you return from your leave, your deferral rate will remain unchanged unless you elect to change it (to make up for deferrals not made during your leave) by submitting a properly executed Salary Reduction Agreement to the Benefits Office by June 10, 2017. After June 10, 2017, you will not be able to change your deferral rate until Open Enrollment for the coming year. This means that you will not be able to make up for deferrals not made during your leave of absence.

If your leave spans more than one calendar year, it will be necessary for you to renew your Section 457(b) Plan enrollment effective as of the next available entry date (i.e., July 1, 2017, or January 1, 2018).

Your Contributions

Q: How much can I defer under the Section 457(b) Plan?

A: The Internal Revenue Code limits the amount you can defer each calendar year. For 2017, you may defer **\$18,000** to this plan. You are not required to defer **\$18,000** for 2017; instead, you may elect to defer whatever amount you deem appropriate, provided your election does not exceed **\$18,000**.

Q: Does the University contribute to this plan?

A: The University does not contribute to this plan. Contributions to this plan are made entirely through employee salary deferrals.

Investments

Q: How are my salary deferrals invested?

A: When you enroll in this nonqualified plan, you elect to defer receipt of compensation (and taxation) until your employment with the University ends. In order for your salary deferrals (and investment earnings) to receive the tax-deferred treatment you desire, federal law requires that this plan be “unfunded.” Your deferrals (and investment earnings) will not be placed in a trust; instead, they will be held as general assets of the University and will be subject to its creditors’ claims.

Although the plan is unfunded, the University will maintain a record of your Section 457(b) Plan deferrals and will credit your deferral account with investment earnings based on the performance of the investments you have selected. Your deferral account is always fully vested.

When you make a deferral election, you must select the investment funds that will be used to measure the investment experience of your account. You may select the funds offered by either or both of the following investment companies:

- TIAA
- The Vanguard Group

Keep in mind, your investment selection under this plan is entirely separate from your investment selection under CRP and the SRP. Therefore, you must complete a new TIAA and Vanguard application as part of your initial enrollment in this plan. Your Section 457(b) Plan deferrals cannot be invested with your CRP and SRP assets.

Q: If deferral accounts are unfunded and subject to claims of the University’s creditors, would it be better for me to take my compensation in cash and invest it elsewhere?

A: The Section 457(b) Plan provides significant tax advantages as contributions and investment earnings are tax-deferred until paid to you following your termination of employment with the University. You should consult with a professional tax or financial advisor to evaluate the benefits of this plan compared to the risks and rewards of alternative investment strategies.

Q: How often may I change my investment allocation?

A: You may change your investment allocation at any time, subject to the investment company’s regulations. To change your allocation between TIAA and Vanguard, please contact the Benefits Office. Once you have established your Section 457(b) Plan account with TIAA and Vanguard, you may change your investment allocation within each company by contacting them directly.

Your investment selection under the Section 457(b) Plan is entirely separate from your investment selection under CRP and the SRP. Investment allocation changes made under one plan do not change investment allocations under the other plans.

Your deferrals (and investment earnings) will not be placed in a trust; instead, they will be held as general assets of the University and will be subject to its creditors’ claims.

Receiving Your Benefits

Q: When may I receive payment of my deferral account?

A: You (or, in the event of your death, your beneficiary) may receive all or part of your deferral account when you attain age 70½ or when you terminate employment with the University for any reason, including death, disability, or retirement.

Your deferral account must be paid in a single lump sum no earlier than 75 days and no later than 120 days following your termination date or death unless you (or, in the event of your death, your beneficiary) elect a different form of payment or a later payment date. You will be contacted directly by TIAA/Vanguard within 30 days of your termination date with distribution options.

In no event may payment of benefits begin later than (1) April 1 of the year following the year in which you attain age 70½ or (2) April 1 of the year following the year in which you retire (if you retire after age 70½).

Q: What is the normal retirement age under this plan?

A: The normal retirement age is relevant only for purposes of the plan's catch-up deferral provisions. You may specify your own normal retirement age, provided that age is not younger than 65 and not older than 70½. You may begin receiving payments from this plan following termination of your University employment even if you have not attained your normal retirement age.

Q: How do I apply for a deferred distribution?

A: If you do not wish to receive a lump-sum payment of your deferral account within 90 days following your termination of employment with the University or death, you (or, in the event of your death, your beneficiary) must contact TIAA and Vanguard directly to obtain the requisite deferred distribution election form. Your completed paperwork must be received by TIAA and Vanguard no later than 60 days following your termination date.

Please note:

Your deferral account must be paid in a single lump sum within 90 days following your termination date or death. In order to be effective, your election must be made within 60 days following your termination date.

Q: What forms of payment are available under the plan?

A: You may elect to receive your deferral account in any of the following forms:

- A single lump-sum payment of the entire balance of your deferral account
- An annuity payable in equal installments for your lifetime that ends upon your death
- An annuity payable in equal installments for the joint lives of you and your beneficiary
- Payments for a fixed period of not less than two years and not more than thirty years
- All forms of payment are subject to the requirements of TIAA and Vanguard

Q: How are my Section 457(b) Plan deferrals taxed?

A: Your deferrals (and investment earnings) are not subject to federal income tax until you receive a payment from the plan. When you do receive a payment of your benefit, the entire amount paid will be taxed as ordinary income.

If you do not wish to receive payment in a lump sum or if you wish to defer payment, it is important that you consider the payment options available to you or choose your deferred distribution date and communicate your election to TIAA and Vanguard within the 60-day period following your termination date.

If you do not communicate your election within that 60-day period, your entire benefit will be paid to you immediately in a single lump sum. In that event, your entire benefit will be taxed as ordinary income for the year in which it is paid to you.

Q: May I roll over my Section 457(b) Plan distribution to an individual retirement account ("IRA") or another employer's retirement plan?

A: No. Under federal tax laws, payments from this plan cannot be rolled over to an IRA, nor can they be rolled over to another employer's Section 401(a), Section 401(k), or Section 403(b) plan. In certain circumstances, you may be able to have your deferral account transferred to another Section 457(b) private plan that accepts transfers.

Q: May I take a loan against my deferral account?

A: Unlike the University's Section 403(b) retirement plans, loans are **not** available under the Section 457(b) Plan.

Payments from this plan cannot be rolled over to an IRA, nor can they be rolled over to another employer's Section 401(a), Section 401(k), or Section 403(b) plan.

Q: Does the plan provide for hardship withdrawals?

A: If you suffer an “unforeseeable emergency,” you may request payment of your deferral account in an amount sufficient to satisfy that emergency. Federal tax laws define an unforeseeable emergency as a severe financial hardship resulting from your sudden and unexpected illness or accident (or that of your dependent), loss of your property due to casualty, or other similar extraordinary and unforeseeable circumstances arising from events beyond your control. The circumstances that constitute an unforeseeable emergency will depend on the facts of each case.

Payment from this plan cannot be made if your emergency may be relieved:

- Through reimbursement or compensation by insurance,
- By liquidation of your assets, to the extent the liquidation would not itself cause severe financial hardship, and
- By stopping deferrals under this plan and under the SRP.

You must borrow the maximum available from your Section 403(b) plans before the University can certify your unforeseeable emergency.

The unforeseeable emergency requirement under this plan is more difficult to satisfy than the financial hardship requirement under the SRP. Under this plan, payment of your deferral account cannot be made for tuition for you or your dependent, nor can payment be made to assist you in the purchase of your home.

The amount paid to you because of an unforeseeable emergency is taxable as ordinary income for the year in which it is paid. The 10% penalty tax that applies to hardship withdrawals from the SRP for persons who have not attained age 59½ does not apply to payments from this plan.

Q: How will benefits be paid in the event of my death?

A: If you die before receiving the entire value of your deferral account, your beneficiary will be entitled to receive the remainder. You may designate any individual, trust, estate, or other legal entity as your beneficiary by submitting the appropriate TIAA and Vanguard forms to the Benefits Office.

You may amend or revoke your beneficiary designation at any time prior to the commencement of benefits. If you do not designate a beneficiary in a form acceptable to the Benefits Office or if your beneficiary predeceases you, your deferral account will be paid to your estate.

Q: May I assign my benefit under this plan?

A: Benefits under this plan cannot be pledged, assigned, or alienated (whether voluntarily or involuntarily) except as may be required by a Qualified Domestic Relations Order (QDRO) pursuant to a legal separation or divorce.

The unforeseeable emergency requirement under this plan is more difficult to satisfy than the financial hardship requirement under the SRP. Under this plan, payment of your deferral account cannot be made for tuition for you or your dependent, nor can payment be made to assist you in the purchase of your home.

Additional Information

Q: Who administers the Section 457(b) Plan?

A: The University is the plan administrator for the Section 457(b) Plan. As the plan administrator, the University is responsible for performing the duties required for the operation of the plan. The University has the sole right to interpret and construe the plan and to determine conclusively all questions pertaining to eligibility and benefits under the plan.

Q: Whom may I contact if I have questions about the plan?

A: For more information regarding this plan, please contact:

- **TIAA**
800.842.2776
tiaa.org
- **Vanguard**
800.523.1188
vanguard.com
- **Benefits Office**
benefits@uchicago.edu



THE UNIVERSITY OF
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**Human
Resources**

Benefits Office

6054 South Drexel Avenue
Chicago, Illinois 60637

How to Contact the Benefits Office

Phone: 773.702.9634

Fax: 773.834.0996

Email: benefits@uchicago.edu

Web: humanresources.uchicago.edu

Office hours: 8:30 a.m.–4:30 p.m., weekdays

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The University official responsible for coordinating compliance with this Notice of Nondiscrimination is Bridget Collier, Interim Associate Provost and Director of the Office for Equal Opportunity Programs. Ms. Collier also serves as the University's Title IX Coordinator, Affirmative Action Officer, and Section 504/ADA Coordinator. You may contact Ms. Collier by emailing bcollier@uchicago.edu, by calling 773.702.5671, or by writing to Bridget Collier, Office of the Provost, The University of Chicago, 5801 S. Ellis Ave., Suite 510, Chicago, IL 60637.

This brochure provides an overview of the University of Chicago 457(b) Deferred Compensation Plan. It is for informational purposes only. It is not intended to be an agreement for continued employment, nor is it a legal plan document. If there is a discrepancy between this brochure and the plan documents, the plan documents will govern. In addition, the plan described in this brochure is subject to change without notice. Continuation of benefits is at the University's discretion.

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