

# BOSTON UNIVERSITY

## 457(b) Savings Plan Guide



# The Boston University 457(b) Savings Plan

## Invest in your retirement and yourself.

This brochure explains how the new Boston University 457(b) Savings Plan works. Take the time to explore all that the Plan has to offer to see if this plan is right for you.

If you choose to enroll in the Boston University 457(b) Savings Plan, be sure to carefully review this brochure, consider your retirement goals, and consult with your tax or financial advisor.

**Boston University now offers eligible faculty and staff another opportunity to save for retirement on a tax deferred basis.**

### Take a look inside:

Eligibility ..... 4  
How the 457(b) Savings Plan Works ..... 5  
Enrolling in the 457(b) Savings Plan.....7  
Distributions from Your 457(b) Savings Plan... 8  
Learn More ..... 8



## Attend an Information Session

To learn more about the new 457(b) Savings Plan, attend one of the information sessions this Fall.

Date	Campus	Location	Time
Monday, October 26	CRC	LAW Aud	3:00 - 4:00 pm
Thursday, October 29	MED	L110	10:00 - 11:00 am
Tuesday, November 17	CRC	CGS 129	1:30 - 2:30 pm

### Legend

CRC: Charles River Campus

CGS: College of General Studies, 871 Commonwealth Avenue, lower level

LAW: Aud Law School Auditorium, 767 Commonwealth Avenue, 1st floor

MED: Medical Campus, L110 BU School of Medicine, Instructional Building, 72 East Concord Street

This brochure provides you with general information about the 457(b) Savings Plan. This information is not meant to interpret, extend, or change the Plan in any way, nor is it intended to be a complete description of the Plan. Although every effort has been made to ensure that information in this brochure is accurate, the provisions of the 457 (b) Savings Plan's legal documents will govern in the case of any discrepancy. The 457(b) Savings Plan is subject to review and may be modified at any time. Participation in the 457(b) Savings Plan is not a guarantee of continuing employment with Boston University.

# Invest in Your Future

## A New Savings Opportunity

**Boston University is pleased to announce the new 457(b) Savings Plan, which provides you an additional opportunity to save for retirement.**

Beginning November 1, 2015, we are introducing a new savings plan — the Boston University 457(b) Savings Plan. This Plan is a non-qualified Plan under Section 457(b) of the Internal Revenue Code.

The 457(b) Savings Plan is designed to provide our highly compensated faculty and staff earning more than \$180,000 with an additional tax deferred savings option. This new voluntary plan offers you an opportunity to save more for retirement, **in addition to** the contributions you can make to the Boston University Retirement Plan and the Boston University Supplemental Retirement and Savings Plan.

Under 2015 IRS limits, you may contribute up to an additional \$18,000 to the Boston University 457(b) Savings Plan. Unlike the other plans, there are no catch-up contributions for those over the age of 50.

### Qualified Plan vs. Non-Qualified Plan

**Qualified retirement plans** meet the requirements of the Internal Revenue Code Section 401(a) and ERISA, and are designed to offer employees tax favored retirement benefits. Employers withhold a portion of pre-tax wages from employees, and these contributions and any earnings grow tax deferred until withdrawn. When withdrawn, these funds are eligible for continued tax deferral through IRA rollovers. In a tax qualified plan, plan assets are held in an account separate from the assets of the sponsoring employer. The Boston University Retirement Plan as well as the Boston University Supplemental Retirement and Savings Plan are qualified retirement Plans.

**Non-qualified retirement plans** are not required to meet IRS requirements for favorable tax treatment. Non-qualified plans can offer employees the opportunity to make additional pre-tax deferrals, but distributions cannot be rolled over to IRAs and plan assets are not held in a separate account. Plan assets are considered part of the sponsoring employer's assets. The 457(b) Savings Plan is a non-qualified retirement Plan.

# Eligibility

## Who Is Eligible

According to law, eligibility for a 457(b) Savings Plan must be limited to a group of highly compensated individuals employed by the sponsoring employer. To meet this requirement, the University has determined you are eligible to participate in the 457(b) Savings Plan if your current annual base salary or your total gross earnings from the prior calendar year is equal to at least \$180,000. This earnings threshold for eligibility may be adjusted each year by Boston University.

Eligibility to participate in the 457(b) Savings Plan is determined on an ongoing basis. For example, to be eligible to participate as of November 2015, your salary must be at least \$180,000 on November 1, 2015 or your total earnings for 2014 must be at least \$180,000.



### What if my salary decreases?

If you are enrolled in the 457(b) Savings Plan, and your salary decreases below the eligibility threshold during the year, you may remain enrolled in the Plan for the duration of that year if your total earnings from the prior calendar year were above the current eligibility threshold.

If your salary decreases during the year and your total earnings from the previous calendar year were also below the current eligibility threshold, you will no longer be eligible to participate in the plan. Your contributions will stop in the month that your salary falls below the eligibility threshold. If your salary increases above the eligibility threshold in the future, you would regain eligibility to participate in the plan.

For example, if you enroll for 2016, and your base salary then falls below \$180,000 during that year and your total earnings in 2015 were below \$180,000, you will no longer be eligible to participate in the plan as of the date your salary is reduced. If your salary later returns to an eligible level, you can once again elect to contribute to the 457(b) Savings Plan through Fidelity NetBenefits.

## How the 457(b) Savings Plan Works

The 457(b) Savings Plan provides additional voluntary tax deferred savings, similar to what is available in the Boston University Supplemental Retirement and Savings Plan. Your savings grow through pre-tax contributions you make from your pay, plus any investment earnings on those contributions.

### Your Pre-Tax Contributions

When you join the 457(b) Savings Plan, you decide how much of your eligible pay you wish to contribute on a pre-tax basis. Here's how it works:

- Each calendar year, you may contribute any dollar amount of your eligible pay. Your contributions are limited to an amount determined annually by the IRS. The current limit is \$18,000, although the IRS may adjust the limit for 2016. You will be notified of the 2016 limits when they are announced.
- If you wish to contribute the annual maximum, you choose how and when to reach that maximum. This means you may contribute the entire amount in one month, or you may choose to reach the maximum over the year. If you reach the annual maximum before the end of the year, your contributions will automatically stop for the rest of the year.
- You may not make catch-up contributions based on age to your 457(b) Savings Plan.
- Only pre-tax contributions are permitted. IRS rules do not allow Roth after-tax contributions.
- You may increase, decrease, or stop your 457(b) Savings Plan contribution at any time during the year, with your new election taking effect in the month following your new election.
- Your 457(b) Savings Plan contributions will be automatically deducted from your gross pay before any federal — and in most cases, state and local — income taxes are deducted. This reduces your taxable income, which means you pay less income tax each year. You should consult with a tax professional to learn more about how your contributions may be taxed at the state or local level.
- Both your pre-tax contributions and any investment earnings on this money grow tax deferred while in the Boston University 457(b) Savings Plan. Upon termination of your Boston University employment, you will pay taxes on this money and any investment earnings when you receive a distribution. Ordinary income tax rates will apply. Capital gains treatment is not available for distributions from this type of Plan.
- Keep in mind that even though your pay is reduced for federal income taxes, it is not reduced for purposes of Social Security. In other words, you pay the same amount in Social Security taxes, and receive the same Social Security benefit, regardless of your participation in the 457(b) Savings Plan.
- Your Boston University 457(b) Savings Plan contributions will be in addition to any contributions you make to the Boston University Retirement Plan and the Boston University Supplemental Retirement and Savings Plan. Eligible faculty and staff can contribute up to the IRS maximum (\$18,000) to both Boston University Retirement Plan and Supplemental Retirement and Savings Plan as well as the 457(b) Savings Plan.

In other words, you can contribute the IRS maximum to the Boston University Retirement Plan and Supplemental Retirement and Savings Plan, plus the IRS maximum to the 457(b) Savings Plan, for a total annual contribution of \$36,000 if you are under the age of 50 or \$42,000 if you are age 50 or older.

## Comparing the Plans

The 457(b) Savings Plan has similar features and benefits to the Boston University Retirement Plan and the Supplemental Retirement and Savings Plan. However, there are some legal differences between the Boston University Retirement Plan, the Supplemental Retirement and Savings Plan, and the non-qualified 457(b) Savings Plan, as described in the following chart:

### Vesting

The 457(b) Savings Plan accounts are always fully vested. This means that when you separate from Boston University, you are entitled to receive the entire value of the account.

	<b>Boston University Retirement Plan and Supplemental Retirement and Savings Plan</b>	<b>457(b) Savings Plan</b>
<b>Voluntary pre-tax contributions</b>	Any amount, up to the IRS limit currently \$18,000 if you are under the age of 50 and \$24,000 if you are age 50 or older	Any amount, up to the current IRS limit of \$18,000
<b>Roth contributions</b>	Permitted	Not permitted
<b>Age 50 catch-up contributions</b>	Permitted	Not permitted
<b>Investments</b>	Participant-directed investments. TIAA-CREF annuity contracts and Fidelity Brokerage are available.	Participant-directed investments. TIAA-CREF funds and Fidelity Brokerage are not available
<b>Loans</b>	Permitted from the Supplemental Retirement and Savings Plan only	Not permitted
<b>In-service withdrawals</b>	Permitted from Supplemental Retirement and Savings Plan account balance if at least age 59½ or certain conditions of financial hardship	Not permitted
<b>Rollovers to the Plan</b>	Yes, permitted from another employer's eligible plan	Not permitted
<b>Rollovers from the Plan</b>	Yes, permitted to another employer's eligible plan or an IRA	Only permitted to another employer's 457(b) plan
<b>Payment options</b>	Lump sum, annuity, or installments over a period of years, depending on investment fund	Lump sum or installments over a period of up to 5 years. Participant must finalize payment election within 120 days of termination
<b>Payment commencement</b>	Any time following employment termination, at participant's direction	Participant must finalize payment election or defer payment to a later date within 120 days of termination of employment
<b>Benefits must commence by age 70½</b>	Yes, unless participant is actively employed by Boston University	Yes, unless participant is actively employed by Boston University
<b>Penalty for distribution prior to age 59½</b>	Yes, generally a 10% tax penalty applies to early distributions (certain exceptions may apply)	No penalty
<b>Protection of plan assets</b>	Assets protected from Boston University credit risk	In the event of Boston University insolvency, plan assets would be subject to claims of Boston University creditors

## Enrolling in the 457(b) Savings Plan

Beginning October 15, 2015, eligible faculty and staff will be able to enroll in the 457(b) Savings Plan and make their elections. Here's how:

1. To enroll in the Plan, log on to Fidelity NetBenefits® at [www.NetBenefits.com/BU](http://www.NetBenefits.com/BU). If you do not have a NetBenefits username and password, click on "Register" at the top of the page and then follow the prompts to create one.
2. Choose "BU 457B PLAN" from the home page.
3. Next select the "Contributions" Tab.
4. On the next page select the "Deferral Election" link.
5. On the Deferral Election page, you will be able to enter a monthly dollar amount to contribute to the Plan. Follow the instructions to confirm your contribution. The minimum election is \$100 per month with a maximum election of \$18,000 per month. Elections can be made in \$1.00 increments.
6. Once you have completed your deferral election, choose the link "View and update your investment elections" in the "Next Steps" box at the bottom of the page.
7. On the Investment Elections page, follow the instructions to select your investments.

After you have enrolled, your 457(b) Savings Plan contribution will become effective on the first of the month following your enrollment.

If you have any questions or need assistance with enrollment in the plan, contact Fidelity at **1-800-343-0860**.

### Investing Your Contributions

You decide how to invest the contributions to the 457(b) Savings Plan by choosing from a variety of available funds. The Plan offers a wide range of professionally managed investment options, including the Vanguard Target Retirement Funds.

To help simplify your investment choices, the 457(b) Savings Plan offers two different ways to create your investment mix:

**Complete, ready-made portfolios.** You can choose a single, pre-mixed fund, referred to as a Lifecycle Fund that's appropriate for your age through the Vanguard Target Retirement Funds under the Plan. With a single fund election, you will be invested in a variety of asset classes (e.g., bonds, stocks) and your asset allocation will automatically adjust as you age. When you select a Vanguard Target Retirement Fund, you will have a ready-made, diversified portfolio within a single investment choice. These funds are managed to a specific time horizon — usually a "targeted" retirement date assuming a retirement age of 65. Your investment portfolio will automatically adjust from aggressive to conservative as you near your selected retirement date.

**Build your own portfolio.** If you wish to create your own portfolio, you can choose a combination of investments from the Plan's investment line-up. Before you make any investment elections, you should become familiar with all of the investment options offered by the 457(b) Savings Plan.

If you don't make an investment fund election, your contribution will automatically be invested in the Vanguard Target Retirement Fund appropriate for your age.

For a list of available funds, visit the Fidelity website at [www.netbenefits.com/bu](http://www.netbenefits.com/bu) or refer to the enrollment guide you will receive in the mail from Fidelity.

**You may change your investment mix for your 457(b) Savings Plan at any time. You will be receiving additional detailed information from Fidelity explaining your investment options and what actions you need to take to enroll.**

## Distributions from Your 457(b) Savings Plan

You must finalize your payment election within 120 days of the date your employment terminates. If you do not make an election within 120 days of termination of employment, your 457(b) Savings Plan account will automatically be paid to you as a single lump-sum payment. Within the 120-day window you may elect to:

- Receive your payment as a single lump sum payment.
- Receive your payment in substantially equal annual installments over a duration of two to five years.
- Defer your payment to a later date (you can make one change to your election prior to your elected distribution date).
- Transfer your balance to another 457(b) non-qualified savings plan.

If you reach age 70½ and are still actively working you are not required to take a Minimum Required Distribution (MRD). The Plan rules require that MRDs begin at the later of age 70½ or separation from service.

<b>Rollovers</b>	IRS rules do not permit rollovers from your 457(b) Savings Plan account to any other qualified plan, such as a 401(k) or 403(b) plan, or an Individual Retirement Account (IRA).
<b>How Taxes Affect Your Benefits</b>	<p>Your 457(b) Savings Plan benefits are not subject to federal (and in some cases state and local) income taxes while in the Plan. When you receive a distribution, you are responsible for paying the applicable income taxes. Any assets distributed from your 457(b) plan will be taxable as ordinary income according to the federal tax tables. Distributions will be taxed as wages in the year in which you receive them. You also have the opportunity to withhold additional amounts if needed. Unlike a qualified plan, such as your Boston University Retirement Plan account, any distribution you receive from the 457(b) Savings Plan will not be subject to an early distribution penalty tax — even if you receive it before age 59½.</p> <p>Because federal laws are complex and change from time to time, you should consult a tax advisor regarding the tax treatment of your 457(b) Savings Plan benefits or a distribution from your account.</p>
<b>Qualified Domestic Relations Orders</b>	Generally, no one can claim your 457(b) Savings Plan account (except in the limited instance of the Plan sponsor's insolvency), and you cannot give or sell your 457(b) Savings Plan account to someone else. Also, your creditors cannot claim your 457(b) Savings Plan account to satisfy debts until distributed under the Plan rules. However, in a divorce settlement, the court may issue a qualified domestic relations order ("QDRO") instructing the Plan to pay all or part of the value of your 457(b) Savings Plan account to an alternate payee at some time in the future. An "alternate payee" could be your spouse, former spouse, child, or dependent.
<b>Death Benefits</b>	If you die before receiving your full 457(b) Savings Plan account funds, your benefits will be paid to your beneficiary(ies) in the same manner you had been receiving benefits. If you had not yet made an election, your beneficiary may choose a lump sum payment or the annual installments. Your beneficiary will receive your account as soon as administratively possible following your death.
<b>Loans</b>	IRS rules do not permit you to take a loan against your 457(b) Plan account.
<b>Hardship and In-Service Withdrawals</b>	Hardship and other in-service withdrawals are not permitted under the Plan.

## Learn More

For more information about the 457(b) Savings Plan, visit [www.netbenefits.com/bu](http://www.netbenefits.com/bu) or contact Fidelity at **1-800-343-0860**. You may also contact the Human Resources Service Center at [hr@bu.edu](mailto:hr@bu.edu) or call **617-353-2380**.

The information contained herein has been provided by Boston University and is solely the responsibility of Boston University.