457(b) Deferred Compensation Plan

SAINT MARY'S COLLEGE of CALIFORNIA

Building a Strong Financial Future

Plan Today Enjoy Tomorrow

SAVE MORE FOR RETIREMENT

Through Your 457(b) Deferred Compensation Plan

Saint Mary's College of California Deferred Compensation Plan can provide you with an excellent opportunity to significantly increase your retirement savings. Deferred compensation plans enable you to set aside a portion of your salary on a before-tax basis. Amounts you defer plus earnings are not taxable for federal or state income tax purposes, until the funds are withdrawn, or otherwise made available by the plan.

Each year, your contribution amount is limited to a maximum dollar amount specified by the Internal Revenue Service. Please contact Saint Mary's College Human Resource office, TIAA, Heffernan Retirement Services or visit the IRS Website for the maximum contribution limits each year. This amount is in addition to the maximum contribution you and Saint Mary's College contribute to the 403(b) plan.

Highlights of the 457(b) Deferred Compensation Plan

ENROLLMENT

You can enroll in the plan upon eligibility. Elections for deferrals must be made in the month prior to the month the compensation is earned. (For example: deferrals elected in March will affect the April paycheck).

ELIGIBILITY

All eligible employees defined below must be full-time employees and with an annual base salary equal to or greater than $128,012.

- Cabinet members
- Full Professors at or above grade 10 on the Tenured and Tenure Track Faculty Salary Scale ($128,012 for AY 19-20)
- Staff members and Coaches whose salaries are at or above the salary amount at grade 10 on the Tenured and Tenure Track Faculty Salary Scale ($128,012 for AY 19-20)

WITHDRAWAL/DISTRIBUTIONS

Assets are eligible for distribution when you leave employment, retire, or upon your death (benefits will be paid to your beneficiary). Distribution options offered under the plan are annuities, lump sum, systematic withdrawals or required minimum distribution option (RMD). You elect your distribution option during your initial 90-day distribution election period following your separation from employment . You may elect to delay commencement of a distribution as long as it is done within the 90-day period. All distributions will be taxed as normal income.

457(B) PLAN LEGAL REQUIREMENTS

Eligible 457(b) plans covering employees of tax-exempt (non-governmental) employers must be unfunded. Since contributions are deferred compensation, all assets under the plan remain part of Saint Mary's College of California general assets and are subject to the claims of its general creditors.

INVESTMENT OPTIONS

You have a wide range of investment options available to you through TIAA-CREF.

The 457(b) Deferred Compensation Plan significantly expands your ability to save for retirement on a tax-deferred basis.

Q: WHAT IS A 457(B) PLAN?

A: A 457(b) plan is a non-qualified tax-deferred compensation plan that works very much like other retirement plans, such as the 403(b) Tax Deferred Annuity (TDA) Plan.

Q: HOW DOES A 457(B) PLAN WORK?

A: Employees set aside money for retirement on a pre-tax basis through a deferred compensation agreement with the employer. Under this arrangement, the employee agrees to take a reduction in salary. The money reduced is directed into an investment company offered by the employer. The 457(b) contributions grow tax deferred until withdrawal at retirement or termination of employment. The right to direct investments of the plan contributions and the right to designate a beneficiary are granted to plan participants.

However, assets in the plan remain part of Saint Mary's College general assets until they are distributed and are subject to the claims of its general creditors.

Q: WHO IS ELIGIBLE TO PARTICIPATE?

A: All eligible employees defined below must be full-time employees and with an annual base salary equal to or greater than $128,012.

- Cabinet members
- Full Professors at or above grade 10 on the Tenured and Tenure Track Faculty Salary Scale ($128,012 for AY 19-20)
- Staff members and Coaches whose salaries are at or above the salary amount at grade 10 on the Tenured and Tenure Track Faculty Salary Scale ($128,012 for AY 19-20)

Q: HOW MUCH CAN I CONTRIBUTE?

A: Each year, your contributions are limited to a maximum dollar amount specified by the Internal Revenue Service. For 2019 the maximum you can contribute specified by the IRS is $19,000. Your plan also allows for Special 457(b) catch-up contributions. It allows a participant for 3 years prior to the normal retirement age of 65 (as specified in the plan) to contribute the lesser of:

- Twice the annual limit $38,000 in 2019, or
- The basic annual limit plus the amount of the basic limit not used in prior years

Q: CAN EMPLOYEES CONTRIBUTE TO THE 403(B) PLAN IN ADDITION TO THE 457(B) PLAN?

A: Yes, and your Section 457(b) plan salary deferral limit (including catch-up contributions) will not be reduced by contributions made to other types of pension plans.

For example, an employee who participates in both a 457(b) plan and a Section 403(b) plan in 2019 would be able to defer up to $38,000 ($19,000 for each plan), or even more if the employee is eligible for catch-up contributions under either or both of those plans.

Q: HOW OFTEN CAN I CHANGE THE AMOUNT I CHOOSE TO DEFER?

A: You can make changes to your deferral election or stop your deferrals at any time by completing a new Salary Reduction Agreement. Your change will become effective the month after the change in election is made. For example, if you make your change in October, the change will affect the November paycheck.

Q: HOW DO I ENROLL IN THE PLAN?

A: You can enroll in the 457(b) Plan by completing the Salary Deferral Agreement Form. Please reach out to the Human Resource Department for a copy of this form and enrollment instructions. Starting in January of 2020 employees that are eligible to participate in the 457(b) will be able to enroll online.

Q: DOES SAINT MARY'S COLLEGE CONTRIBUTE TO THE PLAN?

A: No, this is a voluntary deferred compensation plan. Saint Mary's College does not make a contribution.

Q: CAN I WRITE A PERSONAL CHECK DIRECTLY TO THE 457(B) PLAN OR TO TIAA?

A. No, all contributions must be made through payroll deduction

Q: IF ACCOUNT BALANCES IN THE PLAN ARE NOT FUNDED, WOULD I BE BETTER OFF TAKING MY MONEY IN CASH AND INVESTING IT ELSEWHERE?

A: Plan contributions and investment earnings grow tax -deferred until distributed. This could be a benefit to you depending upon your particular circumstances. You should consult with a tax or financial advisor to evaluate the benefits under the plan compared to the rewards and risks of alternative investment strategies.

Q: HOW OFTEN CAN I CHANGE MY FUND SELECTIONS?

A: You may change fund selections at any time by contacting TIAA or logging into your account online.

Q: 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. You may still contribute the maximum amount for the year.

Q: CAN I TAKE A LOAN AGAINST THE ACCOUNT BALANCE?

A: No, loans are not available under the plan.

Q: WHEN CAN I RECEIVE DISTRIBUTIONS FROM THIS ACCOUNT?

A: Distributions can be made on the 91st day following separation from active service in accordance with the distribution option you elected. You will have 90 days following separation from active service or retirement to change your distribution option. If no option has been selected you will receive a lump sum distribution on or within 120 days after separation from active service. Distributions from the plan are taxed as normal income. Distributions must begin by April 1 of the year following attainment of age 70 $^{1/2}$, unless you are actively employed at Saint Mary's College. If actively employed at Saint Mary's College after age 70 $^{1/2}$ you may defer distribution until no later than April 1 of the year following your retirement.

Q: WHAT FORMS OF PAYMENT ARE AVAILABLE UNDER THE PLAN?

A: Distribution options available under the plan are the following, subject to the rules of the investment carrier:

- A single, lump-sum payment.
- Single Life Annuity. An annuity payable in equal installments for the life of the participant that terminates upon the participant's death.
- Joint Life Annuity. An annuity payable in equal installments for the joint lives of the participant and his or her beneficiary.
- Fixed Period Payments. Payments for a fixed period of fifteen (15) years.
- Required Minimum Distribution Option. The amount required by federal law to be paid from tax-favored retirement plans, generally beginning by April 1 of the calendar year following the year in which the participant turns 70 $^{1/2}$ or retires, whichever is later.

You elect your distribution option during your initial 90-day distribution election period following your separation from employment . You may elect to delay commencement of a distribution as long as it is done within the 90-day period. All distributions will be taxed as normal income.

Q: WHAT HAPPENS IF I SEPARATE FROM SERVICE BEFORE RETIRING?

A: You will still have the same distribution options and 90 days from the time you separate from service to change any distribution option previously selected. Remember, if you do not select a distribution option, a lump sum will be paid to you on the 120th day after separation from service. Direct transfers from the Plan may be made to another non-governmental tax-exempt Eligible 457(b) Deferred Compensation Plan to the extent permitted by law.

Q: DOES THE PLAN PROVIDE WITHDRAWALS FOR AN UNFORESEEABLE EMERGENCY?

A: Yes, withdrawals for an "unforeseeable emergency" are permitted; however, they 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. Conversely, events such as divorce, school tuition, or credit card debt would not qualify as "unforeseeable emergency" and therefore would not permit you to withdraw funds. Any funds approved for withdrawal are taxed as ordinary income.

Q: HOW ARE MY SALARY DEFERRALS TAXED?

A: Amounts that you defer plus earnings are not taxable for federal or state income tax purposes during the year in which the monies are deferred. However, they will be taxed as ordinary income when these monies (contributions plus earnings) are distributed to you. Unlike 403(b) plans, there is no additional tax penalty for withdrawal before age 59 $^{1/2}$ or for an unforeseeable emergency.

Q: 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).

Q: CAN I ROLLOVER DISTRIBUTIONS FROM THE PLAN INTO ANOTHER QUALIFIED RETIREMENT ACCOUNT?

A: No, you cannot rollover any monies to other types of tax-advantaged plans, i.e., 403(b), 401(k), or Individual Retirement Account (IRA); however you may be able to transfer the funds to another 457(b) plan if that 457(b) plan is willing to accept the transfer.

Q: HOW DO I DESIGNATE AND UPDATE/CHANGE MY BENEFICIARY?

A: You will designate your beneficiary during enrollment (see the beneficiary section of the enrollment form). In order to update or change your beneficiary information you may contact TIAA at 800-842-2252 or log into your account. You can obtain a form to change your beneficiary or make the update online after your account is established following enrollment. You should keep a copy of the form for your records.

Q: 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.

Q: HOW DO I TRACK MY DEFERRALS?

A: You will receive quarterly statements from TIAA or by logging into your account online.

Q: WHO ADMINISTERS THE PLAN?

A: Saint Mary's College of California is the Plan Administrator and has the responsibility for operating and interpreting the plan.

If you have any questions about the plan, please contact Saint Mary's College Human Resources office at (925) 631-4212.

If you have questions about specific funds, please contact TIAA or Heffernan Retirement Services:

TIAA

- (800) 842-2252
- www.tiaa.org/stmarysca

Heffernan Retirement Services

- (800) 437-0045
- www.heffgroupfs.com

NOTE: These frequently asked questions are highlights of Saint Mary's College of California 457(b) Deferred Compensation plan. The plan document is available on request and its terms and conditions govern the operation of the plan.

Plan Today Enjoy Tomorrow

SAINT MARY'S COLLEGE of CALIFORNIA

SAINT MARY'S COLLEGE OF CALIFORNIA

1928 Saint Mary's Road
Moraga, CA 94575

(925) 631-4212
benefits@stmarys-ca.edu

www.stmarys-ca.edu