HARVARD HUMAN RESOURCES
Benefits

114 Mount Auburn Street, 4th Floor
Cambridge, MA 02138

HARVARD UNIVERSITY

457(b) DEFERRED COMPENSATION PLAN FOR CERTAIN FACULTY AND STAFF

PLAN HIGHLIGHTS

The Harvard University 457(b) Deferred Compensation Plan for Certain Faculty and Staff (the Plan) allows eligible employees to set aside a portion of their pay on a tax-deferred basis *in addition to* their deferrals under the Harvard University Tax-Deferred Annuity Plan (the TDA Plan).

Who is eligible to participate in the Plan?

Although we would like to offer the Plan to all University employees, applicable law requires us to limit participation to a select group of management or highly compensated employees. Accordingly, participation in the Plan for 2017 is limited to faculty and staff whose base salary rate at the end of 2016 is at least $200,000 and who reside in Connecticut, the District of Columbia, Maine, Massachusetts, New Hampshire, New York, Rhode Island or Vermont. If you are hired during 2017 and your base salary rate is at least $200,000 (and you reside in one of the foregoing locations), you will be eligible for participation in the Plan immediately upon hire. If your base salary rate is less than $200,000 at the end of 2016 but increases to $200,000 or more during 2017 (and you reside in one of the foregoing locations), you will become eligible for participation in the Plan. Notwithstanding the foregoing, the following categories of individuals are not eligible to participate in the Plan: (a) employees of The Silk Road Project, Inc. with respect to any period on or after January 1, 2011; (b) non-resident aliens working primarily outside the United States; and (c) employees paid only on a non-United States payroll.

How do I enroll in the Plan?

There are two easy ways to enroll in the Plan: on line or over the telephone. You can enroll on line by going to hr.harvard.edu and following the link at the bottom of the page to the Harvard University Retirement Center (HURC). Once on the HURC site, you can indicate the dollar amount or percentage of your compensation you want to contribute and the investment vendor(s) to which you want to send your contributions. Or, you can enroll over the telephone by calling the Retirement Center at (800) 527-1398 (Monday to Friday, 8am-5pm ET). Your contributions to the Plan will begin as soon as administratively practicable after you make your enrollment election, but no earlier than the calendar month after you make your election. Once you enroll, you must select your measuring investments (as described below) directly with the investment vendor(s), either on line or by telephone.

Once you enroll in the Plan, you may change or stop the amount you contribute at any time. Your election to change or stop will take effect as soon as administratively practicable after you make it,

but no earlier than the following pay period. If you stop contributing (or cease to be eligible for the Plan), you may reenroll at a later date if you remain (or again become) eligible for the Plan. Any election to reenroll would take effect no earlier than the calendar month after you make it.

What rate of investment return will my Plan account earn?

The rate of investment return on your Plan account will be determined by reference to "measuring investments" offered by the University from time to time—the idea being that the value of your account will increase or decrease in tandem with the performance of the measuring investments you have selected from among those offered. The Plan currently allows you to choose the measuring investments for your account from the menu of investment options made available by three investment vendors, Fidelity, TIAA, and Vanguard. You can use the investment vendor's website or telephone service to change your measuring investment choices with respect to your existing account balance, your future contributions, or both. For more information about changing your measuring investment choices, please contact Fidelity, TIAA, or Vanguard directly:

Fidelity Investments Telephone: (800) 343-0860 Website: http://www.fidelity.com	TIAA Telephone: (800) 527-1398 Website: http://www.tiaa.org	Vanguard Group Telephone: (800) 523-1188 Website: http://www.vanguard.com

The University reviews the measuring investment options available under the Plan from time to time, and reserves the right to add or delete options as it deems desirable. If a participant has failed to provide investment instructions, the University also has the authority to select one or more "default" measuring investments. If you have failed to select *any* measuring investments under the Plan, the rate of investment return on your Plan account will be determined automatically by reference to a default measuring investment option selected by the University. Contact the Retirement Center or the investment vendor(s) directly for more information.

Who owns my account under the Plan?

The University does. Unlike the TDA Plan, the 457(b) Plan must be "unfunded". This means that your 457(b) Plan account must remain a part of the University's general assets and thus would be subject to claims of the University's general creditors in the unlikely event that the University ever became insolvent.

Is there a limit on the amount I may contribute under the Plan for each calendar year?

Yes. In general, your contributions under the Plan for 2017 are limited by the IRS to $18,000. (We call this limit the "regular annual limit".) The regular annual limit is indexed for cost-of-living increases in $500 increments.

However, a special "catch-up limit" may apply that would allow you to contribute more than the regular annual limit for each of the last three calendar years ending before the calendar year in which you reach your "normal retirement age" under the Plan. The special catch-up limit would apply to each of those three calendar years only if you had not contributed the full regular annual

limit for one or more prior calendar years in which you were otherwise eligible to participate in the Plan. For this purpose, you may choose your own normal retirement age, which can be age 65, age 70½, or any age in between. (If you do not choose your normal retirement age, it will be deemed to be age 70½.) Because the Plan lets you choose your own normal retirement age, you can control the three calendar years for which you may be able to take advantage of the special catch-up limit. (Please note that your "normal retirement age" is used solely to determine your special catch-up limit. It does *not* mean you have to actually retire or cease employment at that age.)

If the special catch-up limit applies, you may contribute, for each of the last three calendar years ending before the calendar year in which your reach your normal retirement age, up to the *lesser* of: (A) twice the regular annual limit for the calendar year, or (B) the sum of the regular annual limit for the calendar year plus that portion (if any) of the regular annual limit that you did not use during each prior calendar year in which you were eligible to participate in the Plan.

This example shows how the special catch-up limit would work:

> Assume that John, a Plan participant, contributed only $17,000 in 2015, when the regular annual limit was $18,000. (As a result, his unused regular annual limit for 2015 was $1,000.) John reached age 62 in 2016 and selected a normal retirement age of 65 (which he will reach in 2019). Because John is within three calendar years of his normal retirement age in 2016 and has an unused regular annual limit for a prior calendar year, the special catch-up limit will apply to him for 2016. John's special catch-up limit for 2016 would equal the *lesser* of:
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> (A) $36,000 (twice the regular annual limit of $18,000 for 2016), *or*
> (B) $19,000, which is the sum of $18,000 (the regular annual limit for 2016) + $1,000 (the unused regular annual limit for 2015).
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> Thus, John could contribute up to $19,000 (his special catch-up limit) to the Plan for 2016.
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> If John contributed only $16,000 in 2016, when the regular annual limit was $18,000, the special catch-up limit would apply to him again for 2017. John's special catch-up limit for 2017 would equal the *lesser* of:
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> (A) $36,000 (twice the regular annual limit of $18,000 for 2017), *or*
> (B) $21,000, which is the sum of $18,000 (the regular annual limit for 2017) + $1,000 (the unused regular annual limit for 2015) + $2,000 (the unused regular annual limit for 2016).
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> Thus, John could contribute up to $21,000 (his special catch-up limit) to the Plan for 2017. A similar process would be used to determine his special catch-up limit for 2018, the last of the three calendar years to which the special catch-up limit would apply.

When will I receive my benefit under the Plan?

Generally, your benefit under the Plan will not be paid until you retire or your employment with the University otherwise ends. You (or your designated beneficiary in the event of your death) will receive a single sum payment of your account balance on or about the 120th day after your employment ends. However, within 90 days after your employment ends, you may elect to delay payment of your benefit to a later date you select. That date cannot be later than April 1 following the calendar year in which you reach age 70½ or retire, whichever is later. Once that 90-day period ends, you cannot change the date of payment. However, you can still change the form of payment up until 30 days before the date your benefit is paid (or begins to be paid), subject to the University's rules and procedures.

Your benefit under the Plan may be paid after you reach age 70½, even if you are still employed by the University.

If you have an **unforeseeable** emergency, you may make a withdrawal from the Plan before your employment with the University ends. The amount of the withdrawal may not exceed the amount reasonably needed to satisfy the emergency need. Under the Plan and IRS rules, an "unforeseeable emergency" means a severe financial hardship to you resulting from: (A) an illness or accident of you or your spouse, dependent, or primary beneficiary under the Plan; (B) the loss of your property due to casualty; (C) the need to pay for the funeral or burial expenses of your spouse, dependent, adult child (regardless of whether the child is your dependent), or primary beneficiary under the Plan, or (D) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control. However, no withdrawal may be made if the emergency need can be relieved by payment from insurance, by liquidation of your assets (unless the liquidation would itself cause a severe financial hardship), or by ceasing your contributions under the Plan. For these purposes, your "primary beneficiary under the Plan" is an individual who is named as a beneficiary of yours under the Plan and has an unconditional right to all or a portion of your account balance under the Plan upon your death.

In what form or forms can my Plan benefit be paid?

If you receive your benefit because you have experienced an unforeseeable emergency or because you have reached age 70½ while still employed by the University, it will be paid in a single sum. When your employment with the University ends, your benefit may be paid in a single sum, or you may select an alternative form of payment, such as a series of installment payments or an annuity, as approved by the University.

How are my contributions under the Plan taxed?

In general, for federal and Massachusetts income tax purposes, your contributions under the Plan (and the investment earnings on those contributions) will not be taxed until paid or made available to you. Your contributions, however, are subject to FICA tax withholding when deducted from your pay. We *strongly* encourage you to consult your personal tax advisor about the tax consequences of your participation in the Plan.

Are rollovers available to or from the Plan?

The Plan will not accept rollover contributions or transfers on your behalf from another employer plan (including another 457(b) plan) or an IRA. Generally, benefits under the Plan are not eligible for rollovers to IRAs or other employer plans. In certain circumstances, you may be able to transfer your Plan benefit to another tax-exempt employer's 457(b) plan.

When will my participation in the Plan end?

Your participation in the Plan will continue as long as you have an account under the Plan. However, the University may, in its sole discretion, stop your contributions under the Plan at any time if you cease to be eligible for the Plan, or if the University determines that your continued participation could jeopardize the legal status of the Plan.

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If you have any questions about the Plan, please contact the Harvard University Retirement Center by telephone at (800) 527-1398, or Harvard University, Office of Human Resources, Benefits, 114 Mount Auburn Street, 4th Floor, Cambridge, MA 02138-3846 at (617) 496-4001(telephone), (617) 496-3000 (fax) or benefits@harvard.edu (email).

This Plan Highlights brochure explains the key provisions of the Plan in effect as of January 1, 2017. Although care has been taken in the preparation of this brochure, it is not the official text of the Plan. If the information in this brochure is inconsistent with the Plan, or to the extent the Plan contains more complete or detailed information or rules, the provisions of the Plan will prevail. A copy of the Plan document is available for inspection at Harvard University, Office of Human Resources, Benefits, 114 Mount Auburn Street, 4th Floor, Cambridge, MA 02138-3846 during regular business hours. You may also contact the Retirement Center at (800) 527-1398 or Harvard Human Resources, Benefits at (617) 496-4001 (telephone), (617) 496-3000 (fax) or benefits@harvard.edu (email) if you have any questions about the Plan. Although the University hopes to offer the Plan to eligible employees for the foreseeable future, the University reserves the right to amend or terminate the Plan at any time in its sole discretion. Neither the Plan nor this Plan Highlights brochure creates an employment contract or any right to continued employment at the University.