HARVARD HUMAN RESOURCES
Benefits

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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 "457(b) 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 457(b) Plan?

Although we would like to offer the 457(b) 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 457(b) Plan for 2024 is limited to faculty and staff whose base salary rate at the end of 2023 is at least $240,000 and who reside in Connecticut, the District of Columbia, Maine, Massachusetts, New Hampshire, New York, Rhode Island, or Vermont. If you are hired during 2024 and your base salary rate is at least $240,000 (and you reside in one of the foregoing locations), you will be eligible for participation in the 457(b) Plan immediately upon hire. If your base salary rate is less than $240,000 at the end of 2023 but increases to $240,000 or more during 2024 (and you reside in one of the foregoing locations), you will then become eligible for participation in the 457(b) Plan. Notwithstanding the foregoing, the following categories of individuals are not eligible to participate in the 457(b) 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.

The eligibility requirements are subject to review by the University, which reserves the right to amend or terminate the 457(b) Plan at any time in its sole discretion.

How do I enroll in the 457(b) Plan?

There are two ways to enroll in the 457(b) Plan: online or over the telephone. You can enroll online 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 defer. You can enroll over the telephone by calling the Retirement Center at (800) 527-1398 (Monday to Friday, 8am-5pm ET). Your deferrals to the 457(b) 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) either online at tiaa.org/harvard or by calling the Harvard University Retirement Center.

Once you enroll in the 457(b) Plan, you may change or stop the amount you defer. Your election to change or stop your deferrals will take effect no earlier than the beginning of the calendar month after you make it. If you cease to be eligible for the 457(b) Plan you may reenroll at a later date if you again become eligible. Any election to reenroll would take effect no earlier than the calendar month after you make it.

What rate of investment return will my 457(b) Plan account earn?

The rate of investment return on your 457(b) Plan account will be determined by reference to "measuring investments" selected 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 available. The 457(b) Plan currently allows you to choose the measuring investments for your account from a menu of investment options including mutual funds from Vanguard and Schwab and annuities from TIAA. Visit tiaa.org/harvard or call the Harvard University Retirement Center at 800-527-1398 to change your measuring investment choices with respect to your existing account balance, your future deferrals, or both. Additional information on the measuring investments is available at hr.harvard.edu/investment-options.

The University reviews the measuring investment options available under the 457(b) Plan from time to time and reserves the right to add or delete options at any time 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 457(b) Plan, the rate of investment return on your 457(b) Plan account will be determined automatically by reference to a default measuring investment option selected by the University. Contact the Retirement Center 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 defer under the 457(b) Plan for each calendar year?

Yes. In general, your deferrals under the 457(b) Plan for 2024 are limited by the IRS to $23,000. (We call this limit the "regular annual limit.") The regular annual limit is indexed by the IRS for cost-of-living increases in $500 increments.

However, a special "catch-up limit" may apply that would allow you to defer 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 457(b) Plan. The special catch-up limit would apply to each of those three calendar years only if you had not deferred the full regular annual limit for one or more prior calendar years in which you were otherwise eligible to participate in the 457(b) 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 457(b) 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 defer, for each of the last three calendar years ending before the calendar year in which you 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 457(b) Plan.

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

> Assume that John, a 457(b) Plan participant, deferred only $19,500 in 2022, when the regular annual limit was $20,500. As a result, his unused regular annual limit for 2022 was $1,000. John reached age 62 in 2023 and selected a normal retirement age of 65 (which he will reach in 2026). Because John is within three calendar years of his normal retirement age in 2023 and has an unused regular annual limit for a prior calendar year, the special catch-up limit will apply to him for 2023. John's special catch-up limit for 2023 would equal the *lesser* of:
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> (A) $45,000 (twice the regular annual limit of $22,500 for 2023), *or*
> (B) $23,500, which is the sum of $22,500 (the regular annual limit for 2023) + $1,000 (the unused regular annual limit for 2022).
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> Thus, John could defer up to $23,500 (his special catch-up limit) to the 457(b) Plan for 2023.
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> If John deferred only $16,000 in 2023, when the regular annual limit was $22,500, the special catch-up limit would apply to him again for 2024. John's special catch- up limit for 2024 would equal the *lesser* of:
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> (A) $46,000 (twice the regular annual limit of $23,000 for 2024), *or*
> (B) $30,500, which is the sum of $23,000 (the regular annual limit for 2024) + $1,000 (the unused regular annual limit for 2022) + $6,500 (the unused regular annual limit for 2023).
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> Thus, John could defer up to $30,500 (his special catch-up limit) to the 457(b) Plan for 2024. A similar process would be used to determine his special catch-up limit for 2025, the last of the three calendar years to which the special catch-up limit would apply.

When will I receive my benefit under the 457(b) Plan?

Generally, your benefit under the 457(b) Plan will not be paid until you retire or your employment with the University otherwise ends. You will receive a single lump 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 make a different election. You may elect to delay payment of your benefit to a later date you select, or you may elect an alternative form of payment. As noted further below, **tax-free rollover distributions are generally not available**.

Once your 90-day election 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. Once you elect an alternative form of payment, any death benefits that become payable in the event of your death are subject to the terms of that alternative form of payment.

Your benefit under the 457(b) 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 457(b) 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 457(b) 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 457(b) 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 457(b) 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 deferrals under the 457(b) Plan. For these purposes, your "primary beneficiary under the 457(b) Plan" is an individual who is named as a beneficiary of yours under the 457(b) Plan and has an unconditional right to all or a portion of your account balance under the 457(b) Plan upon your death.

IRS rules require you to commence your benefit no later than a certain age (if you have retired). These rules changed recently and became more complicated. Your payment date cannot be later than the April 1 following the later of the calendar year in which you retire from Harvard or the calendar year in which you reach your required minimum distribution age (your "RMD age"):

- Your RMD age is age 70 ½ if you were born before July 1, 1949.
- Your RMD age is 72 if you were born after June 30, 1949 and before 1951.
- Your RMD age is 73 if you were born after 1950 and before 1960.
- Your RMD age is 75 if you were born in 1960 or later.

What happens to my 457(b) Plan benefit upon my death?

In the event of your death while employed, your beneficiary will receive a single lump sum payment of your 457(b) Plan account balance on or about the 120th day after the date of your death. However, within 90 days after your death, your beneficiary may make a different election. He or she may elect to delay payment of the benefit to a later date (subject to IRS rules that may restrict how long payment to a beneficiary can be delayed) or elect an alternative form of payment. Once that initial 90-day election period ends, your beneficiary cannot change the date of payment. However, the form of payment may be changed up until 30 days before the date the benefit is paid (or begins to be paid), subject to the University's rules and procedures.

If you elect an alternative form of payment following your retirement or termination of employment, any death benefits that become payable in the event of your death are subject to the terms of that alternative form of payment.

In what form or forms can my 457(b) Plan benefit be paid?

When your employment with the University ends (or if you choose to receive all or a portion of your benefit because you have reached age 70½ while still employed by the University), or if you die before electing a form of payment, your 457(b) Plan benefit will be paid in a single sum. However, you or your beneficiary may select an alternative form of payment from among the available options, which may include a series of payments or an annuity. All distributions require approval by the University and are subject to the terms of the applicable measuring investment and to IRS required minimum distribution rules. If you are approved to receive a portion of your benefit because you have experienced an unforeseeable emergency, the amount will be paid in a single sum.

How are my deferrals under the 457(b) Plan taxed?

In general, for federal and Massachusetts income tax purposes, your deferrals under the 457(b) Plan (and the investment earnings on those deferrals) will not be taxed until paid or made available to you. Your deferrals, 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 457(b) Plan.

Are rollovers available to or from the 457(b) Plan?

The 457(b) 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 457(b) Plan are not eligible for rollovers to IRAs or other employer plans. In certain circumstances, you may be able to transfer your 457(b) Plan benefit to another tax-exempt employer's 457(b) plan.

When will my participation in the 457(b) Plan end?

Your participation in the 457(b) Plan will continue as long as you have an account under the 457(b) Plan. However, the University may, in its sole discretion, stop your deferrals under the 457(b) Plan at any time if you cease to be eligible for the 457(b) Plan, or if the University determines that your continued participation could jeopardize the legal status of the 457(b) Plan.

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If you have any questions about the 457(b) Plan, please contact the Harvard University Retirement Center by telephone at (800) 527-1398, or Harvard University, Office of Human Resources, Benefits, 114 Mt. 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 457(b) Plan in effect as of January 1, 2024. Although care has been taken in the preparation of this brochure, it is not the official text of the 457(b) Plan. If the information in this brochure is inconsistent with the 457(b) Plan, or to the extent the 457(b) Plan contains more complete or detailed information or rules, the provisions of the 457(b) Plan will prevail. A copy of the 457(b) 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 457(b) Plan. Although the University hopes to offer the 457(b) Plan to eligible employees for the foreseeable future, ***the University reserves the right to amend or terminate the 457(b) Plan at any time in its sole discretion.*** *Neither the 457(b) Plan nor this Plan Highlights brochure creates an employment contract or any right to continued employment at the University.*