



Massachusetts Institute of Technology

457(b) Deferred Compensation Plan

2016 Program Description

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Program Description

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INTRODUCTION

This *Program Description* summarizes the main features of the MIT 457(b) Deferred Compensation Plan. It does not explain all of the Plan's technical details or cover all aspects of the Plan, but it will provide you with a basic understanding of your benefits and rights under the Plan.

The actual terms of the Plan are stated in the Plan document, the legal document governing the Plan. Copies of the Plan document are available from the MIT Benefits Office. If there are any inconsistencies between this *Program Description* and the Plan document, the Plan document shall govern.

If you have questions about how the Plan applies to you, please contact the MIT Benefits Office.

PROGRAM DESCRIPTION

MIT offers two savings and investment programs, the MIT Supplemental 401(k) Plan (401(k) Plan) and the MIT 457(b) Deferred Compensation Plan (457(b) Plan). These programs are in addition to the MIT Basic Retirement Plan, a pension plan funded completely by MIT with no contributions from you.

Similar to the 401(k) Plan

The 457(b) Plan is a savings and investment program that functions in many ways that might be familiar to you from your participation in the 401(k) Plan.

If you are eligible for the 457(b) Plan, you may voluntarily set aside a portion of your MIT income on a pre-tax basis and invest these contributions in accounts of your choice from a menu of investment options selected by MIT. You do not pay federal or Massachusetts income taxes on your contributions or associated investment earnings until you withdraw funds from the Plan. Withdrawal options are numerous and flexible.

Typically, participants contribute to the Plan to enhance their retirement savings or to reach other long-term financial goals.

Different from the 401(k) Plan

Unlike the 401(k) Plan, eligibility for the 457(b) Plan is limited to highly compensated employees as required by federal law and described on the following page. Also required by federal law is that the contents of your 457(b) account remain the property of the Institute until withdrawn and are:

- subject to the claims of MIT's creditors
- not assignable by you to anyone else
- not subject to the claims of your creditors

In contrast, the contents of your 401(k) account are held in trust solely for your benefit and are not the property of the Institute.

You are, however, fully vested in your 457(b) account. This means you have an irrevocable right to your account balance after you leave MIT or turn age 70 1/2. Also, upon your death, any unpaid balances will be paid to your designated beneficiary.

The table below provides a comparison of the key features of the 401(k) Plan and 457(b) Plan.

	MIT 457(b) Deferred Compensation Plan	MIT Supplemental 401(k) Plan
Eligibility	Selected highly compensated employees	Most employees working at least 50% time*
Pre-tax Employee Contributions	Yes	Yes
MIT Matching Contributions	No	Yes
Investment Decisions Made by Employee	Yes	Yes
Maximum Employee Contribution for 2015	\$18,000	\$18,000 (\$24,000 if age 50 or older in 2016)
Investment Options	TIAA-CREF	Numerous investment options available through Fidelity Investments
Withdrawal Options	Flexible, although more restrictive than the 401(k) Plan	Flexible

*Please see <http://hrweb.mit.edu/benefits/retirement/supplemental-401k-plan> for eligibility.

Eligibility

Federal law requires that eligibility for a 457(b) Plan be limited to an exclusive group of an employer's top management employees or highly paid employees. Accordingly, eligibility for the 457(b) Plan in any calendar year is limited to MIT benefits-eligible employees whose

- total pensionable pay in the prior calendar year was at least 175% of the Social Security Taxable Wage Base in effect during the prior calendar year
- or*
- annual pensionable rate of pay in effect on the last day of the prior calendar year was at least 175% of the Social Security Taxable Wage Base in effect the prior calendar year, regardless of actual pay received in that prior calendar year
- or*
- employment with MIT begins during a plan year and whose rate of pay at employment is at least 175% of the Social Security Taxable Wage Base in effect the prior calendar year.

The Social Security Wage Base in 2015 was \$118,500. Therefore, the eligibility threshold for 2016 is \$207,375. This means 2016 457(b) eligibility will be extended to benefits eligible employees whose

- **total pensionable pay in the 2015 was at least \$207,375**
or
- **annual pensionable rate of pay in effect on the last day of 2015 was at least \$207,375, regardless of actual pay received in 2015**
or
- **were hired in 2016 with a rate of pay at hire of at least \$207,375.**

The eligibility threshold will change as the Social Security Wage Base changes.

Annual Review of Eligibility

To ensure the Plan continues to meet federal requirements, employees will not be permitted to contribute to the Plan in any year in which they do not meet the eligibility criteria outlined above. Every year, MIT will inform employees whose eligibility changes, thereby affecting their ability to contribute to the Plan.

How the Plan Works

You make 457(b) Plan contributions using a *Voluntary Compensation Deferral Agreement*. By executing this agreement, you agree to defer receipt of compensation in the amount of your desired contribution and instruct MIT to deposit an amount equal to the deferred compensation into an account in your name. Technically, the contribution is made by the Institute, not by you, and the contribution is made with the Institute's funds, not yours. Since you have not received the contribution as salary, you do not pay federal or Massachusetts income on the contribution, thereby lowering your current income tax liability.

Contribution Limits

The annual contribution limit is set by federal law. For 2016, the contribution limit is \$18,000. Contributions to the 457(b) Plan do not affect contribution limits under the MIT 401(k) Plan. MIT does not match 457(b) Plan contributions.

Special 457(b) Catch-up Contributions for Individuals Ages 62, 63, and 64

In each of the three calendar years prior to the year in which your 65th birthday falls (i.e., if you turn age 62, 63, or 64 in 2016), you may elect a special catch-up contribution limit that could significantly increase your contribution above the \$18,000 limit. Using this special catch-up contribution, your contribution limit for the year would be the lesser of:

1. twice the normal annual limit for the year
or
2. the annual limit for the year, plus any underutilized 457(b) Plan contributions for all prior years when you were eligible to contribute to the 457(b) Plan, but

contributed less than the maximum allowed

Example: Special Catch-up Contribution Limit for 2016

Age on 2016 birthday	64
2015 contribution limit	\$18,000
Prior years unused contribution limit through 2015	\$9,000
Total 2016 Special 457(b) Catch-up Contribution	The lesser of \$36,000 (\$18,000 x 2); or \$27,000 (\$18,000 + \$9,000)
Special Catch-up Contribution Limit for 2016	\$27,000

Investment Options

When you enroll in the Plan, an account in your name will be established at TIAA-CREF. You will choose how to allocate your contributions to the Plan among investment accounts made available by MIT. MIT places no restrictions on your investment allocation. Information about TIAA-CREF investment accounts is available at www.tiaa-cref.org or call (800) 842-2776.

Payment of Benefits: Automatic Lump Sum

The full value of your account will be paid to you in a single lump sum on or about the 90th day following the end of the semi-annual period in which your MIT employment ends. For this purpose, the year's two semi-annual periods end March 31st and September 30th. The total withdrawal will be subject to income tax withholding in the year it is paid. You may not receive payment earlier.

Election to Defer Payment

For up to 30 days before your *Automatic Lump Sum* is paid, you may elect to defer payment to a later date.

With this deferral election, you must choose:

1. the specific date on which deferred payment will begin. Once elected, you may change this date once to a later date. You may not change to an earlier date.
2. the form of payment to be used once payments begin. Once elected, you may change this election only once.

Withdrawal Methods

Numerous withdrawal options are available to help you meet your needs, including:

- **Lump Sum Withdrawal**

You may elect to receive any portion of your accumulation in a single lump sum. Any remainder may be paid as an annuity (i.e., a monthly payment) or minimum distribution (i.e., an amount you are required to take).

- **Fixed Period Annuity (5 to 30 years)**
Payments are made for a period of years elected by you. However, the period you elect may not exceed your life expectancy (or the joint life expectancy of you and your beneficiary).
- **Lifetime Annuities**
Depending on the type of annuity you choose, payments are made for as long as you live or, if applicable, you and your beneficiary live.

For more information, contact TIAA-CREF at (800) 842-2776.

Withdrawals before MIT Employment Ends

If you are working at MIT and are at least age 70½, you may elect to receive payment as a lump sum, fixed period annuity, or lifetime annuity. For more information, contact TIAA-CREF at (800) 842-2776.

Minimum Required Distributions

For participants who are at least age 70½, these regular payments are calculated to satisfy the federal minimum required distribution rules. For more information, contact TIAA-CREF at (800) 842-2776.

Taxes on Withdrawals

For purposes of federal income tax, payments will be treated as regular income in the year they are made. No penalty taxes apply for early withdrawal before age 59½.

In the Event of Your Death

Immediately upon your death, the full value of your account will be payable to your named beneficiary(ies). However, if you were receiving annuity payments prior to your death, survivor benefits will depend on the annuity option you chose.

Unlike the 401(k) Plan, you may name anyone you want as your beneficiary(ies). Spousal consent is not required when naming your beneficiary(ies). You may update your beneficiary designations at any time. Please be sure to keep them up-to-date so that, in the event of your death, your benefits are paid according to your wishes. To change your beneficiary, request a beneficiary form from TIAA-CREF by calling (800) 842-2776.

In the Event You Become Divorced

Under the terms of a *Qualified Domestic Relations Order (QDRO)*, the Plan may be required to transfer all or part of your account to your former spouse as part of a marital property settlement or to satisfy your child support obligations.

How to Start, Change, or Stop Contributing

To Start Contributing

Complete a 2016 MIT *Voluntary Compensation Deferral Agreement* and a TIAA-CREF 457(b) *Deferred Compensation Plan Information Form* and return both to the Benefits Office. The TIAA-CREF account application is required even if you already have a 457(b) Plan account at TIAA-CREF since a MIT 457(b) Plan account must be established for this Plan.

Contributions will continue uninterrupted for employees who continue to be eligible from year-to-year unless they elect to change or to stop their contributions.

To Change Your Contribution Amount

Complete a 2016 MIT *Voluntary Compensation Deferral Agreement* and return it to the Benefits Office. To obtain a 2016 *Voluntary Compensation Deferral Agreement*, either contact the Benefits Office or visit <http://hrweb.mit.edu/benefits/retirement/457b-plan>.

To Stop Contributing

Complete a 2016 MIT *Voluntary Compensation Deferral Agreement* and return it to the Benefits Office. To obtain a 2016 *Voluntary Compensation Deferral Agreement*, either contact the Benefits Office or visit <http://hrweb.mit.edu/benefits/retirement/457b-plan>.

Deadline for Changing Your Contribution

Your request to start, change, or stop contributing must be received in the Benefits Office by the last day of a month before the month in which your request is to be effective. For example, to have your contribution change be effective with your January 2016 paycheck, the benefits office must receive your Voluntary Compensation Deferral Agreement by December 31, 2015.

To Change Investment Options

To change how accumulated balances or future contributions are allocated among the TIAA-CREF investment options, call TIAA-CREF at (800) 842-2776 or visit www.tiaa-cref.org.

Change of Address

You are responsible for notifying both MIT and TIAA-CREF of any change to your mailing address.

Future of the Plan

MIT expects to continue the Plan as a benefit to participants, but it reserves the right to change or to terminate the Plan at any time.

MIT BENEFITS

If you have questions about how the Plan applies to you, please contact the MIT Benefits Office:

Email

benefits@mit.edu

Campus

Telephone: (617) 253-6151
Building E19-215
77 Massachusetts Avenue
Cambridge, MA 02139

Lincoln Laboratory

Telephone: (781) 981-7055
Building S2-170
244 Wood Street
Lexington, MA 02420

For a brief overview of the MIT 457(b) Plan, go to:

<http://hrweb.mit.edu/benefits/retirement/457b-plan>.

If you have questions about investment or withdrawal options, please contact TIAA-CREF:

Telephone: (800) 842-2776

Online: www.tiaa-cref.org