

**AUBURN UNIVERSITY VOLUNTARY 403(b) PLAN**  
**SUMMARY EXPLANATION OF THE PLAN**

Effective April 1, 2021

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## INTRODUCTION

AUBURN UNIVERSITY (the "Employer") adopted the AUBURN UNIVERSITY VOLUNTARY 403(b) PLAN (the "Plan") effective September 1, 1970. This Summary Explanation describes the Plan, effective April 1, 2021.

This revised Summary Explanation of the Plan supersedes all previous Summary Explanations. Although the purpose of this document is to summarize the more significant provisions of the Plan, the Plan document will prevail in the event of any inconsistency.

## ELIGIBILITY FOR PARTICIPATION

### Who is a Class A Employee eligible to participate?

A Class A Employee" is an employee whose most recent and applicable appointment period is continuous, and who is employed and designated in a full-time employment class.

If you are a Class A Employee, you are eligible to make Elective Deferrals under the Plan out of your own compensation. You are also eligible to receive Matching Contributions under the Plan made by the Employer.

### Who is a Class B Employee eligible to participate?

A "Class B Employee" is an employee who is employed and designated in a part-time or temporary class.

If you are a Class B Employee, you are eligible to make Elective Deferrals under the Plan out of your own compensation. You are NOT, however, entitled to receive any Matching Contributions under the Plan made by the Employer.

### Who are excluded employees?

Excluded employees are not eligible to participate in the Plan. Under the Plan, an excluded employee is a former employee, an independent contractor, or a student-employee who is enrolled and regularly attending classes at the Employer.

### When can you participate?

A Class A Employee is eligible to participate in the Plan and elect to make Elective Deferrals under the Plan upon becoming employed by the Employer. A Class A Employee is also eligible to receive Matching Contributions as of the date he or she begins to make Elective Deferrals under the Plan.

A Class B Employee is eligible to participate in the Plan and elect to make Elective Deferrals under the Plan upon becoming employed by the Employer.

Will you be notified by your Employer?

Yes, you will be notified by the Employer that you are eligible to make Elective Deferrals and become a participant under the Plan.

How do you enroll in the Plan?

To participate in the Plan, you must complete the necessary electronic enrollment procedures or enrollment forms. If you do not enroll immediately, you may enroll at any future date.

**CONTRIBUTIONS TO THE PLAN**

How do you make Elective Deferrals under the Plan?

You may elect to reduce your compensation (defined below) and make a contribution to the Plan on a pre-tax or post-tax basis by completing a Voluntary Salary Deferral Agreement with the Employer. In general, your election will become effective on the first day of the month following our receipt thereof, or as soon thereafter as is administratively practicable. If you are a new employee, your election to defer will become effective on the first day of the month following commencement of employment if the Payroll and Benefits Office receive your election on or before the first day of such month, or as soon thereafter as is administratively practicable.

Pre-tax contributions permitted under the Plan are known as Pre-Tax Elective Deferrals. If you elect to make Pre-Tax Salary Deferrals, you will not have to pay income taxes on such amounts or on any earnings until you withdraw those amounts from the Plan.

Effective on and after April 1, 2021, certain post-tax contributions known as Roth Elective Deferrals are permitted under the Plan. If you elect to make Roth Elective Deferrals, you will pay income tax on such deferrals at the time you defer such amount; however, provided you satisfy all applicable distribution requirements, you will not have to pay any income tax at the time you withdraw your Roth Deferrals from the Plan, including amounts attributable to earnings.

You may not make both Pre-Tax Elective Deferral contributions and Roth Elective Deferrals contributions at the same time. You should discuss the relative advantages of Pre-Tax Elective Deferrals and Roth Elective Deferrals (collectively referred to herein as “Elective Deferrals”) with a financial advisor before deciding how much to designate as Pre-Tax Elective Deferrals or Roth Elective Deferrals.

You may elect to defer, in whole percentages, up to 100% of your compensation on a pre-tax or post-tax basis as described above. You must contact the Auburn University Payroll & Employee Benefits Office if you make an election of 50% or more of your compensation to confirm that you have adequate income remaining to pay for all of your benefits each pay period. Federal law, however, limits the amount you may elect to defer under this Plan during any calendar year (\$19,500 in 2021). If you are age 50 or over, you may defer an additional amount, known as age 50 catch-up contributions, up to \$6,500 (in 2021). These amounts may be modified in future calendar years due to cost-of-living adjustments. The percentage amount of your Elective Deferrals will be sent to one vendor at a time, such vendor to be designated by you.

After your initial election to make Elective Deferrals, you may elect to increase, reduce or totally suspend your elections to contribute to the Plan at any time. Your election will become effective as of the first day of the next following month or as soon thereafter as is administratively practicable.

The special catch-up deferral election available to participants that have completed 15 years of service with the Employer expired after the calendar year ending December 31, 2011.

What other rules affect your election to make Elective Deferrals?

The Plan Administrator may establish rules regarding the manner in which your elections are made. The rules may also require that certain advance notice be given of any election. Your election regarding Elective Deferrals is only effective for compensation you will receive in the future. The Plan Administrator may also reduce or totally suspend your election if the Plan Administrator determines that your election may cause the Plan to fail to satisfy any of the requirements of the Internal Revenue Code.

Who is eligible to receive Employer Matching Contributions?

If you are a Class A Employee and make an Elective Deferral, the Employer will make a Matching Contribution on your behalf in an amount equal to 100% of your contributions (including your Pre-Tax Elective Deferrals or Roth Elective Deferrals, as applicable) that are not in excess of 5% of your compensation. Provided further, however, the Matching Contribution cannot exceed \$1,650 for any Plan Year (calendar year).

Matching Contributions are allocated to your Account on a payroll-period basis.

What happens if you are granted a paid leave of absence

Unless your election is otherwise changed, during a paid leave of absence, your Elective Deferrals (and if you are a Class A Employee, Matching Contributions) will continue to be made for you.

Can this Plan accept a Rollover Contribution from another eligible plan?

The Plan may accept a Rollover Contribution made in the form of cash on behalf of any participant who is currently employed by the Employer from another eligible plan. However, the Plan does not accept rollovers from a Roth account or a Roth IRA, or a rollover that includes after-tax employee contributions.

In addition, the Plan may accept a Rollover from Participants who are Former Employees entitled to receive an eligible rollover distribution from an Alabama DROP (deferred retirement option plan) Account or a PLOP (partial lump sum option plan) distribution under the Retirement Systems of Alabama.

The Plan Administrator may establish procedures that regulate the method by which Rollovers will be accepted.

What if your employment is interrupted by military service?

If you serve in the United States armed forces and must miss work as a result of such service, you may be eligible to make additional Elective Deferrals (and receive maximum Matching Contributions, if eligible) upon resumption of your employment with the Employer. If your employment is interrupted by military service, you should contact the Employer.

What is your compensation under the Plan?

"Compensation" means your regular salary or wages, overtime pay, bonuses, shift differential, supplemental pay, and paid time off to the extent that the amounts are includible in your gross income. Compensation will also include any amount you elect to defer on a tax-preferred basis to any Employer benefit plan. Certain amounts that are classified as excluded on the Employer's payroll records, such as 457 compensation, cell phone allowance, dock pay, irregular pay, vehicle allowance, are excluded from Compensation under the Plan.

**VESTING**

Are my own Elective Deferral contributions always vested under the Plan?

Yes, you will have a fully vested and nonforfeitable interest in your Elective Deferral and Rollover Contribution Account.

Are Employer Matching Contributions subject to a vesting schedule?

Yes, your interest in your Matching Contribution Account will vest based on your Continuous Years of Service in accordance with the following schedule:

<b>Continuous Years of Service</b>	<b>Vesting Percentage</b>
Less than Five Years	0%
Five or More Years	100%

Notwithstanding the foregoing, you will become fully (100%) vested upon your death while an employee of the Employer.

What are Continuous Years of Service for vesting?

Your continuous service begins as of the date you first perform an hour of service as a Class A Employee and ends when you cease to be such an employee or your employment is voluntarily or involuntarily terminated. Service includes voluntary leave without pay until your employment is terminated. If you are disabled while employed by the Employer, your time while disabled will be counted as continuous service until your employment is terminated.

#### How is vesting applied if you are reemployed?

If your employment terminates and thereafter you are reemployed, the following vesting rules apply. If you were 100% vested at the date of your termination of employment, then upon your reemployment you will continue to be 100% vested with respect to all matching contributions.

If you were not vested at the date of your termination of employment, however, then upon your reemployment any past service will be disregarded and your continuous service will begin anew.

#### Forfeitures

If you terminate employment, you will forfeit the nonvested portion of your Matching Contribution Account.

### **DISTRIBUTIONS**

#### When can you receive distributions of your Elective Deferrals?

You are entitled to receive a distribution from your Elective Deferral Account on the earliest date of the date on which you (i) terminate employment, (ii) attain age 59½, (iii) become disabled, or (iv) die. This includes a distribution from any Rollover Contribution Account. If applicable distributions shall be made in accordance with the terms of your vendor's contract provisions.

#### When can you receive distributions of your Matching Contributions?

You are entitled to receive a distribution from your Matching Contribution Account, if any, on the earliest date of the date on which you (i) have become 100% vested in your Matching Contribution Account and you terminate employment, (ii) have become 100% vested in your Matching Contribution Account and attain age 59½, (iii) have become 100% vested and have become disabled, or (iv) die. If applicable distributions shall be made in accordance with the terms of your vendor's contract provisions.

#### How are your account balances distributed in the event of your death?

Death benefits are paid to a beneficiary or beneficiaries on file with your vendor. How the proceeds are distributed depends upon the age of the participant upon death and beneficiary's relationship to you, and the vendor's contract provisions.

#### What do the terms disabled or disability mean?

For purposes of this Plan, the terms "disabled" or "disability" mean a mental or physical impairment that renders you incapable of engaging in any substantial gainful activity that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, as determined by a licensed physician approved by the Plan.



What is the timing and form of payment?

If you elect to receive your benefit for any reason other than death, payment of your vested accounts upon requesting your distribution will be processed as soon as administratively practicable upon receipt of a completed distribution request. The payment of your accounts will be made using distribution options available under your vendor's contract provisions.

Is there a mandatory cash out of small accounts?

Upon termination of employment, if the vested amount of your accounts (including Rollover Contributions) does not exceed \$1,000, your vested account balance will be paid in a lump sum, without the consent of you or your beneficiary.

If the vested amount of your accounts exceeds \$1,000, you must consent to any distribution of your accounts. However, the Plan Administrator may commence distribution of your vested accounts without consent at the time that payments must begin under applicable federal law -- generally the April 1 following the later of the calendar year in which you attain age 72 (age 70½ if you reached 70½ before January 1, 2020) or you terminate employment.

Can you name your beneficiary?

Yes, you have the right to designate one or more primary and one or more secondary beneficiaries to receive any benefit becoming payable upon your death. You may change your beneficiaries at any time and from time to time by filing written notice of such change with your vendor.

If you fail to designate a beneficiary, or in the event that all designated primary and secondary beneficiaries die before you, the death benefit will be payable to your spouse or, if there is no spouse, to your estate.

What are the tax rules when you receive a distribution of your accounts?

Any distribution paid directly to you will be subject to mandatory Federal income tax withholding of 20% of the taxable distribution and the remaining amount will be paid to you. You cannot elect out of this tax withholding but you can avoid it by electing a direct rollover distribution as described below. This withholding is not a penalty but a prepayment of your Federal income taxes.

You may rollover the taxable distribution you receive to an individual retirement account (IRA) or another eligible plan, if it accepts rollover contributions and you roll over this distribution within 60 days after receipt. You will not be taxed on any amounts timely rolled over into the IRA or another eligible plan until those amounts are later distributed to you. Any amounts not rolled over may also be subject to certain early withdrawal penalties prescribed under the Internal Revenue Code.

Notwithstanding the above, if you make Roth Elective Deferrals under the Plan, you will not be taxed on the amount of the Roth Elective Deferrals taken as a distribution (because you pay taxes on such amounts when you contribute them to the Plan). In addition, you will not pay taxes

on any earnings associated with the Roth Elective Deferrals, provided you take the Roth Elective Deferrals and earnings in a qualified distribution. For this purpose a qualified distribution occurs only if you have had your Roth Elective Deferral Account in place for at least five (5) years and you take the distribution on account of death, disability, or attainment of age 59½. If you take a distribution that does not qualify as a qualified distribution, you will be taxed on the earnings associated with the Roth Elective Deferral contributions (you will never be taxed on the Roth Elective Deferral contributions distributed since those amounts are taxed at the time you make the Roth Elective Deferral contributions or an In-Plan Roth Rollover Contribution (as described below in “Can you make an In-Plan Roth Rollover?”)).

If you have made both Pre-Tax Elective Deferrals and Roth Elective Deferrals under the Plan, you may designate the extent to which a distribution of Elective Deferrals is taken from your Pre-Tax Elective Deferral Account or your Roth Elective Deferral Account. Any distribution of Elective Deferrals (including Roth Elective Deferrals) must be authorized under the Plan’s distribution provisions.

Can you request a direct rollover of your accounts?

Yes, as an alternative to a non-rollover distribution paid directly to you, you may request a rollover distribution of the entire balance of your accounts directly into an individual retirement account (IRA) or another eligible plan, if it accepts your rollover contributions. Federal income taxes will not be withheld on any direct rollover distribution. Special rules also permit your surviving spouse and non-spousal beneficiaries to engage in a direct rollover of distributions. Direct rollovers shall otherwise be made in accordance with the terms of your vendor’s contract.

Can you request a combination non-rollover distribution and direct rollover distribution?

Yes, you may request that part of your distribution be paid directly to you and the balance rolled into an IRA or another eligible plan. Any part of the distribution paid directly to you will be subject to the Federal income tax withholding rules referred to above and any direct rollover distribution will be made as described above. Direct rollovers shall otherwise be made in accordance with the terms of your vendor’s contract.

You will pay income tax on the amount of any taxable distribution you receive from the Plan. A 10% premature distribution penalty tax may also apply to your taxable distribution.

Can you make an In-Plan Roth Rollover?

Effective on and after April 1, 2021, you may be eligible to transfer or “roll over” some or all of the vested amounts in your Pre-Tax Elective Deferral Account in the Plan to a designated In-Plan Roth Rollover Contribution Account in the Plan. This is referred to as an “In-Plan Roth Rollover.” You will be eligible to make an In-Plan Roth Rollover if the amount to be rolled over is eligible for distribution under the Plan (i.e., you have attained age 59½) or is otherwise eligible to be rolled over. An In-Plan Roth Rollover Contribution may only be made through a direct rollover (i.e., the Plan Administrator will directly transfer the elected amounts in your Pre-Tax Elective Deferral Plan Account to your In-Plan Roth Rollover Contribution Account).

An In-Plan Roth Rollover is generally taxable to you when it is made, which means that you must include the taxable amount (i.e., the total amount rolled over) in your gross income for the year in which the amounts are rolled over. When you receive a distribution of an amount that you previously rolled over to your In-Plan Roth Rollover Contribution Account, the entire distribution, including any earnings subsequent to the rollover, are paid to you tax-free if the distribution is a qualified Roth distribution (as described in “What are the tax rules when you receive a distribution of your accounts?” above). If the distribution occurs before these requirements have been met, it will be a nonqualified distribution, and the previously untaxed earnings must be included in your gross income. In the case of a nonqualified distribution, you may also be liable for an additional 10% early withdrawal tax, unless an exception applies. You may be able to avoid unfavorable tax consequences by rolling your distribution over to a Roth IRA or a designated Roth account in another employer’s retirement plan. We encourage you to consult with your tax advisor if you have questions regarding how these rules apply to your particular situation.

Your surviving spouse beneficiary or an alternate payee spouse or alternate payee former spouse under a qualified domestic relations order, as defined under Internal Revenue Code Section 414(p), will be eligible to make In-Plan Roth Rollovers pursuant to the rules set out above. A non-spouse beneficiary is not eligible to make an In-Plan Roth Rollover.

## **IN-SERVICE DISTRIBUTIONS AND LOANS**

### Can you receive a distribution on account of hardship?

You may receive an in-service distribution on account of hardship from your Elective Deferral Account, except earnings on your Elective Deferral Account. Hardship withdrawals are administered by the Plan Administrator.

You may receive a hardship distribution only if the Plan Administrator finds that you have an immediate and heavy financial need where you lack other available resources (including a Plan loan). The following are the only financial needs considered immediate and heavy:

- (1) Certain expenses incurred or necessary for medical care, for you or your spouse or dependents;
- (2) The purchase (excluding mortgage payments) of your principal residence;
- (3) Payment of tuition and related educational fees for the next 12 months of post-secondary education for you or your spouse or dependents;
- (4) The need to prevent the eviction of you from your principal residence (or a foreclosure on the mortgage on your principal residence);
- (5) Payments for burial or funeral expenses for your deceased parent, spouse, children or dependents; or

(6) Expenses for the repair of damage to your principal residence that would qualify for the casualty deduction.

A distribution will be considered as necessary to satisfy your immediate and heavy financial need only if the distribution is not in excess of the amount of an immediate and heavy financial need (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution).

Can you receive a distribution after you reach age 59½?

Yes, you may receive a distribution after you reach age 59½ from all of your accounts that are fully vested.

Can you obtain a loan from your accounts under the Plan?

Yes, you may apply for a loan from all of your accounts under the Plan other than your Roth Elective Deferral Account and In-Plan Roth Rollover Contribution Account (if any). You may not receive a loan if the sum of your new loan and the outstanding balance of all of your other loans would exceed the lesser of:

(1) \$50,000 reduced by the excess (if any) of the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the plan on the date the loan is made, or

(2) one-half the present value of your vested accounts (including the value of your Roth Elective Deferral Account).

Loans and the interest thereon must be repaid over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire your principal residence.

The minimum loan amount is \$1,000. Except for grandfathered loans made to you before January 1, 2012, the maximum number of loans outstanding at any one time is 1 per Plan. Loans must be repaid before you are eligible for a new loan. All grandfathered loans must be repaid before you are eligible for a new loan.

Loan fees may be charged against the accounts of the participant to whom the loan is granted. The Plan Administrator may adopt any administrative rules or procedures that it deems necessary or appropriate with respect to the granting and administering of loans. No loan shall be made or issued to a participant or employee who has terminated employment with Auburn University.

Can you self-direct the investment of contributions and accounts?

Yes, the Plan Administrator permits you to direct the investment of your contributions and accounts. The Plan Administrator may establish uniform guidelines and procedures relating to Participant self direction. You may direct the investment of all of your contributions and accounts among the investment options available at each approved vendor.

How do you make investment elections?

You may direct the percentage of your contributions and your accounts to be invested in one or more of the available custodial accounts or annuity contracts. Your elections will be subject to such rules and limitations as the Plan Administrator may prescribe. After your death, your beneficiary may make investment elections as if the beneficiary were the Participant. Notwithstanding the foregoing, the Plan Administrator may restrict investment transfers to the extent required to comply with applicable law.

Can you purchase a permissive service credit?

Yes. Upon your direction, the Plan permits a direct trustee-to-trustee transfer of assets from your vested accounts to the defined benefit pension plans sponsored by the Retirement Systems of Alabama for the purchase of permissive service credit.

For this purpose, the term "permissive service credit" means service credit (1) recognized by the governmental pension plan for purposes of calculating your benefit under such pension plan, (2) which service credit you have not received under such pension plan, and (3) which such service credit you may receive only by directing a transfer of allowable assets to such pension plan, in an amount determined by such pension plan, that does not exceed the amount necessary to fund the benefit attributable to such service credit.

## **CLAIMS PROCEDURE**

Do you need to file claim for benefits?

In general, you do not. The Plan Administrator determines the right of any person to receive a benefit.

Can you file a claim for benefits?

Yes, if you or your beneficiary does not receive a benefit to which you or your beneficiary are entitled (the "Claimant"), then the Claimant may file a written claim with the Plan Administrator. The Plan Administrator will process the claim and notify the Claimant in writing of its decision within a reasonable time, normally within 60 days after submission of the claim. If the claim is denied, the Claimant will receive written explanation of the specific findings and conclusions on which the denial is based.

## **MISCELLANEOUS**

Are your benefits affected by a domestic relations order?

Your benefits under the Plan may be assigned to other people in accordance with a domestic relations order issued pursuant to the domestic relations law of any state.

Can you lose your benefits?

Except as provided below, your account is not subject to any form of attachment, garnishment, sequestration or other actions of collection afforded creditors and your benefits are free from attachment, garnishment, account's process, or any other legal or equitable process. You may not alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which you may expect to receive, contingently or otherwise, under the Plan, except that you may designate a beneficiary.

However, you may lose all or part of your balance:

Under the terms of a domestic relations order.

To comply with any federal tax levy.

Can the employer amend or terminate the Plan?

The Employer may amend or terminate the Plan at any time. However, no such action may permit any part of Plan assets to be used for any purpose other than the exclusive benefit of participants and beneficiaries or cause any reduction in the amount credited to your accounts. If the Plan is terminated, all amounts credited to your accounts will become 100% vested.

What authority does the Plan Administrator have?

The Plan Administrator has the authority to make factual determinations, to construe and interpret the provisions of the Plan, to correct defects and resolve ambiguities in the Plan and to supply omissions to the Plan. Any construction, interpretation or application of the Plan by the Plan Administrator is final, conclusive and binding.

**ADMINISTRATIVE INFORMATION**

1. The Plan Sponsor and Plan Administrator is Auburn University.

The Plan address used for the Plan is:

Auburn University  
Payroll and Benefits  
1550 East Glenn Ave.  
Auburn, AL 36849

The telephone number used for the Plan is: 334-844-4183

The Employer Identification Number of the Employer is: 63-6000724

2. The Plan's assets are held in custodial accounts or annuities established under the terms of the Plan.
3. The plan year ends on December 31.

