AUBURN UNIVERSITY

457(b) DEFERRED COMPENSATION PLAN

SUMMARY EXPLANATION OF THE PLAN

Effective May 1, 2021

AUBURN UNIVERSITY
457(b) DEFERRED COMPENSATION PLAN
SUMMARY EXPLANATION OF THE PLAN

TABLE OF CONTENTS

Page

INTRODUCTION

AUBURN UNIVERSITY (the "Employer") adopted the AUBURN UNIVERSITY 457(b) DEFERRED COMPENSATION PLAN (the "Plan") effective January 1, 2002. This Summary Explanation describes the Plan as in effect on May 1, 2021.

This 457(b) Deferred Compensation Plan is in addition to the Auburn University Voluntary 403(b) Plan (the "403(b) Plan") in which you may also be eligible to participate.

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

<u>Who is eligible to participate?</u>

In general, if you are a full-time or part-time employee, you are eligible to make Elective Deferrals under the Plan.

<u>Who are excluded employees?</u>

Excluded employees are not eligible to participate in the Plan. Under the Plan, an excluded employee is a former employee, an independent contractor, a student-employee who is enrolled and regularly attending classes at the Employer, or any individual who is performing services for the Employer pursuant to an agreement that provides that such individual is not eligible to participate in the Plan or benefit plans of the Employer.

<u>When can you participate?</u>

You are eligible to participate in the Plan and elect to make Elective Deferrals under the Plan upon becoming employed by the Employer.

<u>Will you be notified by your Employer?</u>

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

<u>How do you enroll in the Plan?</u>

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 (as defined below in "What is your Compensation under the Plan?") 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 receives 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 Elective Deferrals, you will not have to pay income taxes on such amounts (including any earnings thereon) until you withdraw those amounts from the Plan.

Effective 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 amounts at the time of the contribution; however, provided you satisfy all applicable distribution requirements, you will not pay income tax on such amounts (including any earnings thereon) when you withdraw those amounts from the Plan.

You may not make both Pre-Tax Elective Deferrals and Roth Elective Deferrals at the same time. You should discuss the advantages and disadvantages of Pre-Tax Elective Deferrals and Roth Elective Deferrals (collectively referred to as "Elective Deferrals") with a financial and/or tax advisor before deciding how much to designate as Pre-Tax Elective Deferrals or Roth Elective Deferrals. You will be required to designate whether your Elective Deferrals are Pre-Tax Elective Deferrals or Roth Elective Deferrals. If you fail to do so, your Elective Deferrals will be designated as Pre-Tax Elective Deferrals.

You may elect to defer, in whole percentages, up to 100% of your Compensation as a Pre-Tax Elective Deferral or Roth Elective Deferral 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 collective amount of Pre-Tax Elective Deferrals and Roth Elective Deferrals that you may 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.

What other rules affect your elections 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.

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 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. The Plan may accept a rollover from a Roth Elective Deferral account only if it is a direct rollover from another Roth Elective Deferral account under an eligible retirement plan. However, the Plan does not accept rollovers that include after-tax employee contributions.

In addition, the Plan may accept a Rollover Contribution from participants who are former employees entitled to receive an eligible rollover distribution from an Alabama DROP (deferred retirement option plan) Account 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 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 to any Employer benefit plan. In addition, "Compensation" will include any Roth Elective Deferrals you make under this Plan or the 403(b) Plan.

VESTING

Are your Elective Deferrals and account balance always fully vested?

Yes, you will have a fully vested and nonforfeitable interest in your Elective Deferral (Pre-Tax and Roth) and Rollover Contribution accounts.

DISTRIBUTIONS

When can you receive distributions under the Plan?

You are entitled to receive a distribution or distributions of your account balance under the Plan upon your retirement or other termination of employment. This includes a distribution or distributions from any Rollover Contribution account. If applicable, distributions shall be made in accordance with the terms of your vendor's contract provisions.

If you are still employed by the Employer, you may also elect to receive in-service distributions of all or part of your account balance, including a distribution or distributions from any Rollover Contribution account, any time on or after the date you reach age 59 ½.

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, beneficiary's relationship to you, and the vendor's contract provisions.

Can I receive a distribution based on a disability?

Unlike the 403(b) Plan, disability itself is not a distributable event under the Plan. However, it may be considered an unforeseeable emergency and you may be able to withdraw money, subject to certain rules and restrictions.

What is the timing and form of payment?

If you elect to receive your benefit due to retirement or other termination of employment, payment of your account balance will be processed as soon as administratively practicable, after a notice filed by you with the Employer at least 30 days before the date payment is to begin, unless the 30 day period is waived by the Employer. The payment of your account balance will be made using distribution options available under your vendor's contract provisions.

Is there a mandatory cash out of a small account balance?

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

If the amount of your account balance exceeds $1,000, you must consent to any distribution of your account. However, the Plan Administrator may commence distribution of your account balance without your 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 70½ or, effective January 1, 2020, age 72 (if you had not reached age 70 ½ by December 31, 2019) 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 account balance?

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. This withholding is not a penalty but a prepayment of your Federal income taxes. You can avoid this tax withholding by electing a direct rollover distribution as described below.

You may rollover the taxable distribution to an individual retirement account (IRA) or another eligible retirement 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 retirement 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 receive 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 receive the distribution on account of death, disability, or attainment of age 59½. If you receive 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 (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, subject to the Employer's discretion, 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. If you fail to make an election as to whether a distribution of Elective Deferrals should be taken from your Pre-Tax Elective Deferrals and Roth Elective Deferrals first, your Pre-Tax Elective Deferrals will be distributed first.

Can you request a direct rollover of your balance?

Yes, as an alternative to a non-rollover distribution paid directly to you, you may request a rollover distribution of your entire account balance directly into an individual retirement account (IRA) or another eligible retirement 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.

You may also request a rollover distribution of your Roth Elective Deferral account directly into a Roth individual retirement account (Roth IRA) or another eligible plan that includes Roth Elective Deferrals; provided, however, the amount of the distribution eligible for rollover must be reasonably expected to total more than $200 during the year.

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

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?

Yes. Effective 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 to a Roth Elective Deferral account. This is referred to as an "In-Plan Roth Rollover." You will be eligible to make an In-Plan Roth Rollover even if the amounts in your Pre-Tax Elective Deferral account are not yet eligible for distribution. 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 Roth Elective Deferral account).

An In-Plan Roth Rollover is generally taxable to you at the time of the rollover, which means that you must include the total amount rolled over in your taxable 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 Roth Elective Deferral account, the entire distribution, including any earnings subsequent to the rollover, will be 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 taxable income. In the case of a nonqualified distribution, you may also be liable for an additional 10%

premature distribution penalty 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 and/or financial advisors if you have questions regarding how these rules apply to your particular situation.

Your surviving spouse beneficiary and an alternate payee spouse or alternate payee former spouse under a qualified domestic relations order 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

<u>Can you receive a distribution due to an unforeseeable emergency?</u>

You may receive an in-service distribution on account of an unforeseeable emergency. Emergency distributions are administered by the Plan Administrator.

You may receive an emergency distribution only if the Plan Administrator finds that you have a severe financial hardship where you lack other available resources, such as compensation from insurance, the liquidation of assets, by your cessation of deferrals to the Plan, or by obtaining a nontaxable loan from the Plan. The following are the only financial hardships considered to be severe:

(1) An illness or accident of you or your spouse or dependents;

(2) Loss of your property due to casualty;

(3) The need to prevent the eviction of you from your principal residence (or a foreclosure on the mortgage on your principal residence);

(4) Payments for funeral expenses of your deceased spouse or dependents; or

(5) Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control.

The distribution cannot exceed the amount reasonably necessary to satisfy the emergency (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution).

<u>Can you receive a distribution after you reach age 59½?</u>

Yes, the Plan does allow in-service distributions at age 59 ½ while you are still employed by the Employer.

Can you obtain a loan from your account balance?

Yes, you may apply for a loan from your accounts under the Plan other than your Roth Elective Deferral 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 one. 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 the Employer.

INVESTMENT OF YOUR CONTRIBUTIONS

Can you self-direct the investment of your contributions and account balance?

Yes. The Plan Administrator permits you to direct the investment of your contributions and account balance. 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 account balance 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.

CLAIMS PROCEDURE

Do you need to file a 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

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 account balance 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.

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 account 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.

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: 334-844-4145

   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.