

SMU
and
Your
RETIREMENT

A Summary Plan Description for the
Southern Methodist University
403(b) Retirement Plan

2012 Edition

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Introduction

The Southern Methodist University Retirement Plan (the “Plan”) was established September 1, 1976 by Southern Methodist University (“SMU” or the “University”) to provide retirement benefits for University employees. The Plan is known as a tax-deferred 403(b) plan. It has been established as a way for you and SMU to work together over the long term to build your financial security through a combination of personal savings, current tax savings and contributions made by you and the University.

Through the Plan, you can save money for your future through a combination of money contributed by you and by the University. During your younger years, the Plan provides you with an opportunity to voluntarily save for retirement, with SMU matching contributions. Beginning at age 36, full-time employees are required to contribute to the Plan, also with SMU matching contributions.

Effective January 1, 2012, Plan administration was transferred to a single recordkeeper, Diversified. All mutual fund assets held with Vanguard, Fidelity and TIAA-CREF were transferred to Diversified in December 2011. Annuity based assets held with TIAA-CREF remained with TIAA-CREF, with the option for participants to transfer those assets to Diversified, in accordance with TIAA-CREF transfer provisions. Specific Plan provisions regarding SMU 403(b) accounts remaining with TIAA-CREF are noted below.

This Summary Plan Description, or “SPD,” will explain how the Plan works. It describes your benefits and rights under the Plan, as it was amended and restated, effective as of January 1, 2012. In describing the Plan, we have tried to avoid using the technical words and phrases found in the legal document. If, in our efforts to make the Plan easy to understand, we have omitted or misstated any of the Plan’s provisions, the Plan’s official legal document will remain the final authority. You may request a copy of the Plan’s official legal document from SMU’s Department of Human Resources.

If in reading this SPD or the legal Plan document, you have questions about retirement planning or your Plan benefits, please contact SMU’s on-site Diversified participant counselor. You will find additional information at smu.divinvest.com and will also receive additional information about the Plan by attending the orientation session at the time of your hire, SMU’s annual Human Resources Fair, or one or more of the retirement planning seminars held periodically by the University or the Plan’s administrator, Diversified Retirement Corporation (“Diversified”). If you have questions about provisions in the legal plan document, a claim for benefits under the Plan or any complaints, please contact SMU’s Department of Human Resources.

Important Information about the Plan

Plan Name: Southern Methodist University Retirement Plan

Plan Sponsor: Southern Methodist University (“SMU” or the “University”)
P.O. Box 750232
Dallas, TX 75275-0232
EIN: 75-0800689

Plan Number: 002

Plan Effective Date: The Plan was originally effective September 1, 1976. This SPD describes the Plan as amended and restated effective as of January 1, 2012.

Plan Year: January 1 - December 31

Plan Administrator: Southern Methodist University
P.O. Box 750232
Dallas, TX 75275-0232
(214) 768-3311

Agent for Service of Legal Process*: Vice President for Legal Affairs and General Counsel
Southern Methodist University Office of Legal Affairs
6425 Boaz Lane
Dallas, TX 75205

*Legal process may also be served on the Plan Administrator.

Plan Recordkeeper: Diversified Retirement Corporation (“Diversified”)
440 Mamaroneck Avenue
Harrison, NY 10528
(888) 755-5801

Annuity Contracts: Information concerning TIAA-CREF annuity contracts remaining with TIAA-CREF, their terms, conditions and interpretations, claims and their review and service of legal process may be directed to:

TIAA-CREF
730 Third Avenue
New York, NY 10017
(800) 842-2776

Participation

Am I eligible to participate in the Plan?

You are eligible to enroll in the Plan and make voluntary pre-tax contributions, Roth contributions, and (if applicable) catch-up contributions if you are a full-time employee and not an excluded employee. (Each of these types of contributions is described under “Contributions to the Plan” below.) You are not eligible to participate if you regularly work fewer than 20 hours per week or are a student-teacher, a non-resident alien, or a leased employee.

Must I participate in the Plan?

If you are a regular, full-time employee age 36 or older, you must contribute at least 5% of your pay to the Plan on a pre-tax basis. If you do not fall into this category, you are not required to participate in the Plan.

When am I eligible to participate in the Plan?

If you are age 21 or older you are eligible to participate in the Plan and can generally receive SMU matching contributions. Once you enroll in the Plan, your contributions and SMU matching contributions will begin as soon as administratively feasible, typically with the first pay period following your enrollment. See “What types of contributions will the University make to the Plan on my behalf?” below for more information on when you will be eligible for matching contributions.

How do I enroll in the Plan?

Enrollment procedures will be provided during new employee orientation, during which you will have the opportunity to complete an “Easy Enroll” card. All other enrollments and enrollment changes will be made by signing into your Diversified account at smu.divinvest.com or by calling Diversified at 800-755-5801.

- If you do not self-enroll, mandatory contributions will automatically be withheld from your paychecks beginning with the first pay period following attainment of age 36.

Who is the beneficiary of my account?

As part of the enrollment process, you must name one or more beneficiaries for your Plan account. Your designated beneficiary/beneficiaries will receive the vested funds in your account if you should die.

- If you are married, your spouse will automatically be your beneficiary for 100% of your account. If you wish to designate someone else as beneficiary for all or part of your account, you must first submit the written consent of your spouse, witnessed by a notary public. Your spouse automatically will become the beneficiary if your non-spouse-designated Beneficiary dies before you or if a written, spousal consent is not on file.

- If you are unmarried at the time of your death and you have not designated a beneficiary (or if your designated beneficiaries have died before you), your Plan account will be paid to your estate.

It is important to keep your beneficiary designations up to date. The latest beneficiary designation form on file with Diversified will apply.

If you have a frozen TIAA-CREF individual annuity account, the latest beneficiary designation form on file with TIAA-CREF will apply for that account.

Contributions

What types of contributions may/must I make under the Plan?

You may contribute any whole or partial percentage of your “regular salary” to the Plan as either voluntary pre-tax or voluntary Roth contributions, ***but you must contribute at least 5% of your Regular Salary to the Plan on a pre-tax basis to be eligible for SMU matching contributions*** (see “What is considered part of my regular salary?” below). Voluntary contributions will be deducted from your paycheck and credited to your Plan account as soon as administratively feasible following your enrollment. To enroll or make a change to your contribution amount, please sign into your account (or register if you have not yet done so) at smu.divinvest.com or call Diversified at 800-755-5801. Your contribution election will remain in effect until a new election is made.

- You will not pay any federal income taxes on any money that you contribute to the Plan as a pre-tax contribution until you withdraw this money from the Plan. You will also defer any income taxes on earnings that you accrue on pre-tax contributions held in the Plan. Note that you do pay Social Security (FICA) and certain other employment taxes on your pre-tax contributions when you make them. For example, if your regular salary is \$20,000 per year and you elect to make pre-tax contributions to the Plan totaling \$2,000, you only pay income taxes on \$18,000.
- On the other hand, you will have taxes withheld on Roth contributions at the time that you contribute the money to the Plan, but will not pay taxes when you withdraw this money from the Plan. You also may not owe any taxes on the earnings that you accrue on these amounts depending upon whether your withdrawal is deemed “qualified.” See “What are the tax effects of taking my benefits attributable to Roth contributions?” below for more information regarding qualified Roth distributions.

If you are a regular full-time employee age 36 or over, you must contribute 5% of your regular salary to the Plan as mandatory contributions on a pre-tax basis. Roth contributions are not permitted for the 5% mandatory contribution.

May I contribute any additional amounts to the Plan?

Age 50+ Catch-up Contributions: If you are age 50 or over, you may elect to make additional “catch-up” pre-tax or Roth contributions to the Plan. Catch-up contributions are limited to \$5,500 per year in 2012. This limit will be adjusted for inflation in future years.

15 Year Rule Catch-up Contributions: In addition, a special catch-up rule may allow you to make additional contributions to the Plan if in the preceding calendar year (i) you have 15 or more full years of employment with the University, and (ii) your cumulative Plan voluntary deferrals (not including the 5% mandatory contribution, earnings or any age 50 catch-ups) total less than the product of \$5,000 times your years of employment with the University.

- If you qualify to make these special catch-up contributions, you may contribute up to the lesser of (a) \$3,000 per year, or (b) \$5,000 times your years of service minus all prior Plan voluntary contributions. You may only contribute up to \$15,000 in your lifetime under this special catch-up rule.
- If you are over age 50, the first \$3,000 of voluntary contributions made each year that exceeds the voluntary contribution limit (which, as explained below, is \$17,000 for 2012) will be counted as a special catch-up contribution before such amounts are counted as over age 50 catch-up contributions described in the above paragraph. Thus, participants who want to maximize Plan contributions should take advantage of the special catch-up provision as soon as possible after completing 15 years of service.
- For example, assume that in 2012 you are 55 years old and have been employed full-time by the University for 15 years. Assume further that you have contributed \$20,000 in total voluntary contributions to the Plan (or any other 403(b) plan). Because your total of \$20,000 in voluntary contributions is less than \$75,000 (your 15 years of service times \$5,000), you are eligible for the special catch-up. In 2012, you first must make your 5% mandatory contribution to the Plan. Then, you may contribute the 2012 maximum voluntary contribution of \$17,000. In addition, you may make the special catch-up contribution of \$3,000, the lesser of \$3,000 and \$55,000 (\$5,000 times your 15 years of service minus your \$20,000 in prior voluntary contributions). Finally, you may make your 2012 \$5,500 age 50 catch-up. Thus, for 2012 you may make a total Plan voluntary contribution of \$25,500 (\$17,000 voluntary contributions + \$3,000 15-year catch-up + \$5,500 age 50 catch-up) - in addition to your mandatory 5% contribution.

In 2013, during your 16th year of employment, you would now have contributed a total of \$40,000 in voluntary contributions to the Plan (\$20,000 plus \$20,000). Note that the 5% mandatory contribution and any age 50 catch-ups are not included in your total voluntary contributions for this purpose. You are still eligible for the special catch-up because this total of \$40,000 is less than \$80,000 (your 16 years of service times \$5,000), and you have not yet contributed the lifetime maximum of \$15,000 in special catch-up contributions. In 2013, you must make your 5% mandatory contribution and you may contribute the maximum voluntary contributions and age 50 catch-up contributions for 2013. In addition, you may make again a special catch-up contribution of \$3,000, the lesser of \$3,000 and \$40,000 (\$5,000 times 16 years of service minus \$40,000 in prior cumulative voluntary contributions).

IMPORTANT: These formulas are complex so please contact SMU's on-site Diversified Retirement Planning Consultant if you need assistance.

What types of contributions will the University make to the Plan on my behalf?

If you are at least 21 years old and a non-temporary employee scheduled to work at least nine months per year and 20 hours per week and you contribute 5% (pre-tax only) of your regular salary to the Plan, the University will make matching contributions (based on your age) to the Plan on your behalf. If you were hired prior to June 1, 2010, you must be at least 26 years old and meet these requirements in order to be eligible to receive matching contributions.

- If you are classified as temporary, contract, a post-doctorate fellow, adjunct faculty, or a student, you will not be eligible to receive matching contributions regardless of your age, work schedule, or plan contributions.
- Contributions in excess of 5%, Roth contributions, and Catch-up contributions are not eligible for SMU matching contributions.

If you are eligible for matching contributions and are under age 41, the University will contribute an amount equal to 8% of your regular salary as a matching contribution. If you are eligible for matching contributions and are age 41 or older, the University will contribute an amount equal to 10% of your regular salary. See “What is considered part of my ‘regular salary’?” below for more information on what is included in this amount.

Assuming that you contribute 5% of your regular salary to the Plan on a pre-tax basis (as either voluntary or mandatory contributions), the following illustrates the matching contributions that the University will make to the Plan on your behalf as a percentage of your regular salary:

Age	Your Contribution	SMU Contribution	<u>Total</u>
Prior to age 41	5%	8%	13%
On or after age 41	5%	10%	15%

If you continue your contributions, the University will continue to make its matching contribution to the Plan while you are on a paid leave of absence.

May I stop making contributions to the Plan?

If you are **under** age 36, your contributions are voluntary and you may stop your voluntary contributions by signing into your account via smu.divinvest.com or by calling Diversified at 800-755-5801. Your contribution change will take effect as soon as administratively feasible after making the change, depending primarily on the time of the month that you made the change. If you decide to start making voluntary contributions again at a later date, you may begin making them by signing into your account via smu.divinvest.com or by calling Diversified at 800-755-5801 and increasing your contribution percentage. Contributions will be deducted as soon as administratively possible thereafter.

If you are **an eligible full-time employee age 36 or older**, you must contribute at least 5% of your regular salary to the Plan on a pre-tax basis as a condition of employment with SMU.

What is considered part of my “regular salary”?

Your regular salary includes your base pay (prior to any deductions for contributions to the Plan or to the University’s cafeteria or 457(b) Plan), plus additional compensation for teaching during summer or inter-term sessions, and additional compensation from externally funded grants or contracts, provided that the direct cost budget of the grant or contract includes fringe benefits.

- Your regular salary does not include additional or special compensation such as overtime, bonuses, reimbursements, expense allowances, moving expenses, cash and non-cash fringe benefits, deferred compensation, welfare benefits, endowed supplemental salary (with the exception of the Stella Porter Russell endowment), or pay for extra assignments.
- For purposes of your 5% mandatory contributions, any voluntary contributions and SMU matching contributions, Regular salary is limited under Internal Revenue Code regulations to \$250,000 for 2012. This limit will be adjusted for inflation in future years.

Are there limits on the amount I contribute and that SMU contributes on my behalf?

This SPD refers to voluntary contributions (including voluntary Roth contributions), mandatory contributions, and SMU matching contributions. IRS limitations apply to these contributions differently.

- You may contribute up to the maximum annual dollar amount allowed by law (\$17,000 for 2012) as voluntary contributions to the Plan. This limit applies to combined pre-tax and Roth contributions and will be adjusted for inflation in future years. Any age 50 and/or special 15 year catch-up contributions that you make will not be counted against this limit.
- Please note that for full-time employees age 36 and over, the 5% mandatory contribution is not considered a voluntary contribution, and therefore the \$17,000 limitation, as adjusted for inflation, is in addition to the 5% mandatory contribution that you must make to the Plan. Thus, such employees may contribute their mandatory 5% contribution and the maximum amount allowed by law (\$17,000 for 2012) as voluntary contributions to the Plan each year (in addition to any catch-up contributions).
- In addition, the IRS places a limit on the total amount of money that may be contributed to your account each year. This limit applies to both your voluntary and mandatory contributions as well as to the University’s matching contributions to the Plan. For 2012, your maximum annual contributions cannot exceed the lesser of \$50,000 or 100% of your total salary. This limit will be adjusted for inflation in future years. As with the voluntary contribution limit, any catch-up contributions that you make will not be counted against this limit.
- Contributions may also be limited to an amount that enables the Plan to pass certain nondiscrimination tests. In order to pass these tests (known as the ACP test), the University may distribute excess vested matching contributions or forfeit excess non-vested matching contributions to “highly compensated employees.” As an alternative,

the University may choose to make a 100% vested contribution (called a qualified matching or qualified non-elective contribution) to any or all of the members of the non-highly compensated group who have met the eligibility requirements for the Plan. The University will notify you if your contributions exceed these limits and if they will need to be distributed or forfeited.

What is a “Highly Compensated Employee”?

A highly compensated employee is generally one who receives salary from the University of more than \$110,000 in the prior year AND is among the top-paid 20% group of employees for the prior year. This limit will be adjusted for inflation in future years.

What happens if my voluntary contributions exceed the relevant limits in a Plan year?

The annual IRS dollar limit is an aggregate limit that applies to all voluntary contributions (excluding catch-up contributions) you may make under this Plan or any other cash or deferred arrangements (including other 403(b) plans, simplified employee pensions or 401(k) plans in which you may be participating).

- While you are ultimately responsible for ensuring that you do not exceed the IRS limits, SMU will monitor your contributions to ensure that your contributions to the SMU plan do not exceed the annual limits. However, if your total contributions under all cash or deferred arrangements for a calendar year (including contributions made through a prior employer’s plan during the calendar year) exceed the annual dollar limit, the excess must be included in your income for the year.
- For this reason, it is important that you adjust your contributions to the SMU Plan, taking into consideration contributions you made to any other plans subject to the annual limits.
- If your combined contributions exceed the annual limit, you should request in writing that these excess contributions be returned to you. If you fail to request such a return, you may be taxed twice, once in the year the contribution is made and a second time when the excess contribution is ultimately distributed to you by the Plan.
- If you decide that the excess should be distributed from this Plan, you must communicate this in writing to the University no later than March 1st following the close of the calendar year in which the excess contribution was made. However, if the entire dollar limit is exceeded in this Plan or any other plan maintained by the University, you will be deemed to have notified the University of the excess. The University will re-characterize your excess voluntary pre-tax or Roth contributions as catch-up contributions to the extent possible, and then return any remaining excess contributions (and any earnings thereon) to you by April 15th. Your excess contributions distributions will not be taxable to you in the year of distribution, but rather will be taxable to you in the prior year. Any earnings distributed, however, will be taxable to you in the year of distribution.

No matching contributions will be made on any excess contributions (and any such prior matching contributions will be forfeited).

What happens if I go on a qualified military service leave?

Generally, when you go on a qualified military service leave, you are no longer able to make voluntary contributions or catch-up contributions until you return to work. However, when you return to work, you will be given an opportunity to make up the contributions that you could have made while you were on such leave, and the University will make any matching contributions that you would have been entitled to. You will have a period of three times the period of military service to make up these contributions, not to exceed five years.

When determining the contributions to be restored to your account, the University will use the regular salary you would have received during the period of your leave, or if that amount is not reasonably certain, your average salary during the 12-month period preceding your leave.

May I “roll over” payments from other retirement plans or IRAs?

With the exception of amounts attributable to “after-tax contributions” (excluding Roth contributions), you may make rollover contributions from another employer’s 401(k), 403(b) or governmental 457 plans or an Individual Retirement Account (“IRA”) (as long as the IRA rollover was attributable to a prior employer’s plan) into this Plan.

- You generally have 60 days from the date of a distribution to contribute that amount to this Plan as a participant rollover contribution. If you elect a direct rollover, the rollover amount will be contributed directly to this Plan. Rollover contributions are held in a separate rollover Plan account. To find out how to make a rollover contribution, call Diversified at 800-755-5801.

May I convert my pre-tax contributions into Roth contributions?

You may be eligible to transfer amounts held in your non-Roth accounts to a Roth in-plan rollover account. This is like doing a rollover without your money ever having to leave the Plan. You are eligible for this in-Plan conversion if the following conditions are met:

1. You are otherwise eligible for a distribution from your non-Roth Accounts (see “When will I begin to receive benefits from the Plan?” to determine if you are eligible for a distribution); and
2. The rollover qualifies as an “eligible rollover distribution” (see “What is an ‘eligible rollover distribution?’” below).

If you take advantage of this in-Plan rollover option, you must include any previously untaxed portion of the in-Plan rollover amount in your gross income. However, the rolled over amount will not be subject to the 10% penalty that typically applies to early withdrawals. In addition, such rollovers will not be subject to the mandatory 20% withholding that typically applies to distributions from the Plan. You will also not owe income tax on any additional earnings accrued on these amounts when you ultimately withdraw them if the distribution is deemed “qualified.” See “What are the tax effects of taking my benefits attributable to Roth contributions?” below for more information regarding qualified Roth distributions.

Managing Your Plan Accounts

Who decides how the money in my account is invested?

You do. When you enroll in the Plan, you may direct how the money in your account is invested by choosing from among a variety of investment funds. The investments made available to you will be determined by the University, and may change from time to time. Currently, you have a variety of mutual funds, a Guaranteed Interest Contract (“GIC”), and a number of age-specific target date (also called “lifecycle”) retirement funds in which you may choose to invest your money. You also have an open brokerage window option that permits you to select virtually any publicly traded mutual fund. These investment options have been organized into three investment tiers, which are described below.

- A number of SMU 403(b) participants have amounts invested in a frozen TIAA-CREF Annuity Contract option. Effective January 1, 2012, Plan contributions will be directed only to Diversified.

More detailed information about the investment options available to you, their historic returns and benchmark comparisons, and their associated fees and expenses will be provided to you on an annual basis.

- For additional information about each fund you may visit smu.divinvest.com or call Diversified at 800-755-5801.
- For additional information about a frozen TIAA-CREF Annuity Contract option, you may contact TIAA-CREF at (800) 842-2776 or www.tiaa-cref.org.

Your SMU Retirement Plan is intended to be a 404(c) plan as described in Section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA). This provision provides special rules for plans that permit participants to have control over their accounts (like yours). Because you choose your own investments, you are responsible for any investment gains or losses that result from your investment decisions. The Plan’s fiduciaries (the University, etc.) are not liable if the value of your account declines because of investment losses based on your investment decisions.

You should remember that your account gains and losses will depend in part upon your choice of investments. There are no guarantees of performance, and neither the University, Diversified, TIAA-CREF (for frozen annuity contracts), nor any of their representatives provide investment advice or insure or otherwise guarantee the value or performance of any investment you choose.

What investment options are currently available?

The Plan’s available investment options have been organized into three investment tiers that are designed to meet the varying interests and needs of Plan participants. You may generally invest in any or all of the tiers, transfer existing balances, and change your investment elections for future contributions.

Tier 1 – Target Date Funds

Tier One is composed of target date funds, including the Vanguard Target Retirement Funds, the Fidelity Freedom Funds, and the T. Rowe Price Retirement Funds. Target date funds are designed for the investor who wants an easy, “do-it-for-me” solution to saving for retirement. As explained above, these funds provide diversification in a single fund, managed to a specific time horizon—usually a “targeted” retirement date. This type of investment automatically adjusts from aggressive to conservative investments as you near your retirement age.

Tier 2 – Mutual Funds and GIC

Tier Two includes a carefully reviewed and chosen list of mutual funds from well-known fund families representing the major asset classes (including money market; fixed-income; large-, mid- and small-cap equity value, blend and growth funds; domestic and international funds; and active and passive funds).

- If you’re a knowledgeable investor, you can create your own investment mix with the funds available under the Plan. This can be a great way to make sure your investments suit your individual needs—and know you’re doing it with funds chosen for you by the University with assistance from the SMU Retirement Plan Advisory Council. Be sure, though, to regularly review your portfolio and update it whenever necessary. The funds are managed by their individual fund families, not the University or Diversified.
- In addition to these mutual funds, Tier 2 also includes the New York Life Insurance Company Guaranteed Interest Contract (“GIC”). The GIC is a stable value group annuity contract that seeks to provide limited volatility with a guarantee of principal and accumulated interest. If you invest in the GIC, a return of your principal is guaranteed. In addition, you will receive interest at a guaranteed rate that is determined every six months, but will never fall below a floor of 1%. ***There are restrictions on the transfer of any amounts held in the GIC to fixed income, money market, open brokerage window, or other competing funds, such as money market funds, funds in the Schwab Personal Choice Retirement Account (a self-directed brokerage account), or any short-term bond funds.*** Check with a Diversified representative before transferring money from the GIC.

Tier 3 – Schwab PCRA

Tier Three is the Schwab Personal Choice Retirement Account (“PCRA”), a self-directed mutual fund brokerage account/open brokerage window offered through Charles, Schwab & Co., Inc. If you have a sophisticated understanding of investment principles and the stock market, you may want to consider this option.

- A brokerage account allows you to invest your account in an even wider variety of mutual funds than what is offered under the Plan. You are solely responsible for managing your brokerage account, so be sure that you have the resources and time to research and monitor your investments and that you’re comfortable with the additional risk involved.

- In addition to Schwab's fees and the underlying mutual fund expense ratios and fees, Schwab charges an annual \$50 Open Brokerage Window fee. If you elect to open a PCRA, this fee will be waived for 2012. Before you invest in the PCRA or purchase or sell any mutual funds, you should ask Diversified and Schwab about any additional fees associated with the purchase or sale of mutual funds through the PCRA open brokerage window.
- For more information or to open a PCRA, please contact Diversified. You may invest in the PCRA by transferring contributions to the account, subject to the following minimum amounts:
 - initial transfer minimum of \$1,000; and
 - subsequent transfer minimum of \$250 (although some mutual funds offered through Schwab may require higher minimums).
 - Contact Schwab at 888-393-7272 or www.schwab.com to place trade orders in your PCRA account and to confirm which funds may require higher minimums.

What if I do not elect how to invest the money in my account?

If you self-enroll on-line, you must make your investment elections at that time or your enrollment will not be processed. If you are a full-time employee and do not self-enroll by age 36, you will be automatically enrolled and your contributions and SMU matching contributions will be invested in an age-appropriate Vanguard Target Retirement Fund.

- If your contributions are invested automatically for you, you may change your investment funds without any financial penalty, as explained under "How do I change the way my future contributions will be invested?" and "May I transfer money among the different investment funds?" below.

The Vanguard Target Retirement Funds are a type of lifecycle fund called a retirement "target-date" fund, meaning each fund's assets are allocated based on the assumption that the person holding its shares will retire at a time close to the year indicated by the fund's name (for example, the 2020 Fund assumes you'll retire close to the year 2020, and the 2030 Fund assumes you'll retire close to the year 2030).

- The Funds invest in a diversified portfolio across asset classes. Fund assets are allocated more aggressively the farther away from the retirement target date, and gradually become more conservative by reducing their equity allocations and increasing their fixed-income and short-term holdings as the target retirement date approaches.
- The Target Retirement Funds' asset allocation model assumes that the participant will remain invested in that fund after retirement, and it reaches its stable and most conservative asset allocation when the average assumed participant's age is 65.

- The Funds seek to provide high total returns until the Fund reaches its target date. After reaching the target retirement date, the Funds seek high current income, and as a secondary objective, capital appreciation.
- Ultimately, all of the target-date funds will merge into the Vanguard Target Retirement Income Fund when each Fund reaches its target date.

The specific Vanguard Target Retirement Funds chosen as the default for a particular participant will be based on the assumption that the participant will retire at age 65. For more information on Vanguard Target Retirement Funds, please review the prospectus for the Funds [available here from Vanguard's website](#), or contact SMU's on-site Diversified participant retirement consultant.

Can I participate in more than one of the investment tiers?

Yes, you may participate in any one or all of the three investment tiers.

What are my options if I have annuity-based assets that remained with TIAA-CREF following the January 1, 2012 transition to Diversified?

You may continue to hold certain annuity investments with TIAA-CREF that you held prior to January 1, 2012, pursuant to an individual contract. While you may elect to transfer these investments to other investment options (in accordance with any applicable 10-year payout option), you are not required to do so. New contributions will no longer be made to these TIAA-CREF annuities as of January 1, 2012.

Is there any other information available?

You will be provided with detailed fund type descriptions, performance, benchmark, fee, and expense information about the available investment options on an annual basis. Additional information is available to you directly from the University and Diversified, or from TIAA-CREF if you have frozen annuity-based assets with TIAA-CREF, upon request. The information for each investment option includes:

- Copies of any prospectuses or similar documents relating to investment alternatives;
- Copies of any financial statements or reports, such as statements of additional information and shareholder reports, and of any other similar materials relating to the investment alternatives, to the extent provided to the Plan;
- A statement of the value of a share or unit of each investment alternative as well as the date of the valuation; and
- A list of the assets comprising the portfolio of each investment alternative that constitute Plan assets and the value of each such asset (or the proportion of the investment alternative which it comprises).

How do I change the way my future contributions will be invested?

You may change the way your contributions are invested by signing into your Diversified account at smu.divinvest.com or by calling Diversified at 800-755-5801. Changes received by Diversified before 4:00 p.m. Eastern Time will be effective the same day.

May I transfer money among the different investment funds?

You may transfer your existing account balances among the available investment funds at any time (subject to a 90-day restriction on transferring money from the GIC to a competing fund) by signing into your Diversified account at smu.divinvest.com or by calling Diversified at 800-755-5801.

You may also transfer money from your TIAA-CREF annuity to one of the above-described funds (under its 10-year payout option) by contacting TIAA-CREF or SMU's on-site Diversified retirement planning consultant for assistance with the transfer. You may not transfer money from other investment funds into your TIAA-CREF annuity.

Vesting

What does “vesting” mean?

Vesting refers to your right to receive your Plan account under the conditions described below.

When will I be vested in my Plan account?

If You Were Hired Before June 1, 2010

If you were hired by the University before June 1, 2010, you are always fully vested in the entire value of your Plan account, including your voluntary and mandatory contributions and SMU matching contributions.

If You Were Hired On or After June 1, 2010

If you were first hired by the University on or after June 1, 2010, you are always fully vested in your voluntary and mandatory contributions and your catch-up contributions. However, the portion of your Plan account attributable to SMU matching contributions only becomes vested after you have completed three full years of employment with the University. Prior to completing three full years of employment, you will not be vested in the portion of your Plan account attributable to matching contributions and will forfeit any amount attributable to matching contributions if you leave the University.

Vesting Exceptions: You will become fully vested in your Plan account if any of the following events occur (regardless of your years of employment with the University):

- You reach age 65 while employed by the University;
- You become totally disabled while employed by the University;
- You die while employed by the University; or
- You die or become disabled while performing qualified military service.

What counts as a full year of employment for vesting purposes?

A full year of employment for vesting purposes refers to your period of employment with the University, calculated from your hire date and ending on your last day of employment. A full year of employment is a 12-month period, counted from your hire date, during which time you are employed by the University.

What happens to my Plan account if I terminate employment, but I am later rehired?

If you terminate employment with the University and are later rehired, you may “lose” credit for your prior service under the Plan’s break in service rules.

- If you have a one or more year break in service before you are vested, but return to employment with the University before you incur five consecutive one-year breaks in service, both your pre-break and post-break service will be counted in determining your vesting service. In addition, any non-vested matching contributions credited to your

account that were forfeited when you left the University will be restored to your Plan account upon your re-employment.

- If, on the other hand, you are not vested in your matching contributions when you leave, and you do not return to employment with the University before incurring five consecutive one-year breaks in service, then your pre-break service will not be counted in determining your vesting service. Furthermore, you will forfeit any non-vested matching contributions earned prior to your leaving the University. These forfeitures will be used to pay for University matching contributions and other Plan administrative expenses.

What is a “break in service”?

For vesting purposes, you will generally have a break in service if you terminate employment and do not return to the University within a 12-consecutive-month period.

- However, if you are absent from work for maternity or paternity leave, a break in service will only occur if you do not return to work within two years after your first day of such leave. Under these circumstances, the first year of maternity or paternity leave is counted as a year of service. The second year of maternity or paternity leave is neither counted as a period of service nor a break in service.

If the University hires you and you later go on a military leave of absence (reserve and active duty status), you will generally receive vesting credit under the Plan equal to the period of your military service when you return from that service within statutory deadlines and are reemployed by the University.

What if a Qualified Domestic Relations Order (“QDRO”) is issued against my account?

Generally, your vested account may not be sold, used as collateral for a loan outside the Plan, given away, or otherwise transferred. In addition, your creditors may not generally interfere with your account in any way. An exception to this general rule, however, is a QDRO.

- A QDRO is a decree or order issued by a court that makes you pay child support or alimony, or otherwise allocates a portion of your account to your spouse, former spouse, child or other dependent.
- If a QDRO is received by the University, all or a portion of your benefits may be used to satisfy such order. The University will determine if the decree or order issued by the court meets the requirements of a QDRO.
- Participants and beneficiaries can obtain a description of the procedures for QDRO determinations at no charge from Diversified, and should do so before having their legal counsel draft any domestic relations order.

Withdrawals

May I make a withdrawal from my Plan account while I am still employed by the University?

Yes, you may make withdrawals as follows:

Age 59½ or Older

If you are age 59½ or older, you may withdraw all or any portion of your vested account balance for any reason, typically without penalty. The one exception is assets attributable to Roth contributions, which must have been established for at least 5 years. If a distribution of the Roth after-tax portion of your account is made before completion of the 5 year period, the amount of the distribution attributable to Roth contributions will be included in your gross income.

- **IMPORTANT:** The Roth 5-year “clock” begins with your first Roth deposit. After your initial Roth contribution reaches five years, all Roth contributions can be withdrawn without tax.

Military

If you are a military reservist called to active duty for more than 179 days, you may withdraw, during your period of duty, any portion of your account balance attributable to your voluntary contributions penalty free. If you take advantage of this withdrawal option, you may also re-contribute any amounts that you withdraw to your Individual Retirement Account (or “IRA”), on an after-tax basis, within two years after the end of your period of active duty.

In addition, if you are in the uniformed services on active duty for more than 30 days, you may request a distribution of your entire vested Plan account (this includes your voluntary and mandatory contributions as well as vested University matching contributions). It is important to note that if you take advantage of this early distribution option, you will be subject to a 10% early withdrawal tax penalty if you are under age 59½ and will not be allowed to make any voluntary contributions to the Plan for 6 months following the date of the distribution. Any matching contributions tied to such voluntary contributions will also end during this period.

Hardship Withdrawals

The Plan permits you to request a hardship withdrawal of your **voluntary** contributions (pre-tax or Roth), regardless of where such funds are invested. However, you may not withdraw any income attributable to your voluntary contributions in a hardship withdrawal.

- You may also take a hardship withdrawal from **your 5% mandatory contributions and vested University matching contributions**, but only if those contributions were **originally** invested in a non-mutual fund (e.g., the Guaranteed Interest Contract (GIC)). This provision is complicated so be sure to discuss with your financial advisor or SMU’s on-site Diversified Retirement Consultant.

IMPORTANT: Effective January 1, 2012, hardship withdrawals are not available through TIAA-CREF.

A “hardship withdrawal” is a withdrawal made for an “immediate and heavy financial need,” such as:

- Medical expenses that are not covered by insurance for you, your spouse, your dependents, or your Plan account beneficiary;
- Purchase of your primary residence, excluding mortgage payments;
- Tuition, related fees and room and board for the next 12 months of post-secondary education for you, your spouse, your dependents, or your Plan account beneficiary;
- Prevention of foreclosure on or eviction from your principal residence (e.g., unpaid rent or mortgage payments);
- Burial or funeral expenses for your spouse, parents, children, dependents, or beneficiary; or
- Expenses for the repair of damage to your primary residence due to unforeseeable circumstances beyond your control (e.g., fire, storm, theft, etc.).

You may withdraw only the exact amount needed to meet your immediate financial need, plus any income taxes or penalties reasonably expected to result from the hardship withdrawal. In order to receive approval of your withdrawal, Diversified must determine that your financial need cannot be relieved by:

- Reimbursement or compensation by insurance or otherwise;
- Stopping your voluntary contributions under the Plan;
- Reasonable liquidation of assets, to the extent such liquidation would not itself cause an immediate and heavy financial need;
- Other distributions or nontaxable loans from any plans maintained by the University or any other employer; or
- Borrowing from commercial sources on reasonable commercial terms.

Your hardship withdrawal request will be subject to review by Diversified, and Diversified reserves the right to deny any hardship withdrawal request that does not meet the hardship withdrawal criteria addressed above.

Are there any restrictions relating to hardship withdrawals?

Yes. Hardship withdrawals are not eligible for rollover to any other employer retirement plan or to an Individual Retirement Account (“IRA”). In addition, you will be subject to a 10% early withdrawal tax penalty if you are under age 59½ and will not be allowed to make any **voluntary** contributions to the Plan for 6 months following the date of the withdrawal. Any matching contributions tied to such voluntary contributions will also end during this period.

- Mandatory contributions and associated SMU matching contributions are not subject to the 6-month suspension.

How do I apply for a withdrawal?

You can apply for a withdrawal by calling Diversified at 800-755-5801 and requesting a withdrawal form. Diversified will process your withdrawal request as soon as administratively feasible following receipt of your properly completed request form and required documentation.

If I make a withdrawal, may I repay it?

No, amounts withdrawn from the Plan may not be repaid.

What are the tax effects of making a withdrawal?

If you make a withdrawal from the Plan, you generally will have to pay income taxes on the money you withdraw.

Unless you are withdrawing the money to make a direct rollover contribution to another qualified plan or IRA, your withdrawal is generally subject to a mandatory 20% federal income tax withholding. However, since hardship withdrawals are not eligible to be rolled over to another plan, they are not subject to this mandatory withholding. Also, with the exception of the qualified military withdrawals of voluntary contributions described above, if you are under age 59½ when you make your withdrawal, an additional 10% penalty tax may apply.

Loans

How do I apply for a loan?

You may apply for a loan by calling Diversified at 800-755-5801 or submitting a request through smu.divinvest.com. If you are married, your spouse must consent in writing to be eligible for a loan.

Your loan application will be subject to review by Diversified and Diversified reserves the right to deny any loan application. Loans from the Plan will be made to all active Participants on a uniform and nondiscriminatory basis.

Your loan amount will be distributed to you as soon as administratively feasible after your loan application is approved. This amount will be taken from each of your investment options on a pro rata basis (except that no loan amounts may be taken from your Schwab Personal Choice Retirement account or TIAA-CREF accounts, as discussed above). Your loan amounts will not share in any investment gains or losses until repaid and credited back to your Plan account.

What are the conditions of Plan loans?

1. You may have only two loans outstanding at a time (including any outstanding TIAA-CREF loans).
2. You must pay a loan set-up charge of \$75 per loan. This charge will be deducted from your account when your loan request is processed.
3. You may not borrow less than \$1,000.
4. Assets invested in the Schwab Personal Choice Retirement account will be considered in determining your maximum loan amount, but are not eligible to be liquidated for loans.
5. Effective January 1, 2012, loans will not be available through TIAA-CREF.
6. You must pledge your vested account balance that is serviced by Diversified as collateral for the loan; no other collateral for securing the loan will be accepted.
7. In general, you must repay your loan within five years. However, if you are using eligible assets to purchase a primary residence, you may request a loan with a term of up to 15 years.
8. No loans or withdrawals will be approved during a period when the Plan Administrator is determining whether a domestic relations order affecting your account is a Qualified Domestic Relations Order (QDRO).
9. You are not eligible for new loans if you default on a prior loan and do not cure the default by paying off the prior loan.

What is the maximum amount that I may borrow from my Plan accounts?

Your maximum loan amount is limited to \$50,000 (including outstanding loans with TIAA-CREF), reduced by the highest outstanding balance on any loan made to you during the 12-month period ending on the date the new loan is made, or, if less, 50% of your total vested account balance that is held in Diversified investment options. For example, if you are applying for a loan of \$50,000 this year and you had an outstanding loan whose highest outstanding loan balance in the last 12 months was \$12,000, you would, assuming your vested account balance was sufficient, only be allowed to borrow up to \$38,000.

If you continue to have an account with TIAA-CREF and apply for a loan against your account balance with Diversified, Diversified will request information regarding your TIAA-CREF loan activity before approving your loan request.

How is the interest rate determined for my loan?

Unless otherwise specified by the University, your interest rate will be the prime rate, as stated in the Wall Street Journal, plus 1%.

How do I make loan repayments?

You will make loan repayments directly to Diversified. If you terminate employment with the University, it will be your responsibility to continue to make scheduled payments on your loan.

Each loan repayment will be equal to the interest payable on the portion of the loan that is still outstanding (known as the loan principal) and an installment of the loan principal. Your loan repayments will be deposited to your account according to your current investment elections in the Plan.

Your loan will be treated solely as your investment, and all interest paid on your loan will be credited to your Plan account.

What happens to my loan repayments if I am on a leave of absence?

You may not delay your loan repayments if you are on a paid leave of absence.

If you are on an unpaid leave of absence (other than a military leave), you generally may delay loan payments until you return to work or, if earlier, until one year after your leave begins. When your loan repayments resume, your loan will be reamortized over its remaining term (but in no event beyond five years from the original loan date).

If you are on a military leave of absence, you generally may delay loan payments until you return and, upon your return, the loan will be reamortized over its remaining term (but in no event beyond five years plus the length of your military leave).

You will be provided additional details if you take a military or other unpaid leave of absence.

Under what circumstances would a loan be defaulted?

Your loan balance will be declared in default if:

- You do not make a scheduled loan repayment by the end of the calendar quarter following the quarter in which such payment was due. If there are one or more pay periods during which you missed a scheduled loan payment, you must make arrangements to repay the missing deductions to avoid having the loan defaulted;
- You have an outstanding balance on the loan's maturity date;
- A distribution is required to be made from your Plan account under a qualified domestic relations order and the amount of that distribution exceeds the non-loan value of your account;
- You die; or
- You terminate employment with the University and do not either pay off the entire unpaid loan balance plus any interest due or continue to make your scheduled loan repayments. Contact Diversified at 800-755-5801 if you are terminating employment and have a loan outstanding.

What happens if my loan is defaulted?

- Upon a default, your entire outstanding loan balance will become due and payable, and the Plan may foreclose on your loan. A foreclosure will occur by reporting your defaulted loan balance as a taxable distribution to you (see below). By accepting a loan, you automatically agree to any distribution necessary to process the foreclosure.
- If you default on your loan and you are still actively employed by the University and not eligible to take an in-service withdrawal, the principal balance owed on your loan will be deemed distributed. Under these circumstances, the amount that is defaulted or the deemed distribution will be reported to the IRS on Form 1099-R and you will have to pay taxes on this amount. This amount also may be subject to a 10% IRS penalty tax if you are younger than age 59½.
- Even if the loan is treated as a taxable distribution, it must still be repaid according to its terms. However, interest will not continue to accrue, except for purposes of determining the maximum amount of any subsequent loan.
- A defaulted loan will not be foreclosed upon until a distributable event occurs under the terms of the Plan. Upon a default and distribution event, your account will be reduced (offset) by the amount of your outstanding loan balance. Any such Plan loan offset distribution is subject to 20% withholding unless there is no other cash or property distributed to you from which to withhold. This can be avoided if you pay off the loan and thereby cure the default.

- Under some circumstances, you may have an opportunity to roll over the amount of your balance used to pay off the loan if you act within the legal time limits. However, those rules are quite complex and it is recommended that you seek qualified tax counsel with respect to your options and how this may impact your own taxes.
- ***Plan participants are not eligible for new loans if they default on a prior loan and do not cure the default by paying off the prior loan.***

Distributions

When will I begin to receive distributions from the Plan?

The Plan will distribute your vested account assets to you, at your or your beneficiary's request, when you retire, become disabled, or die. In addition, you may generally receive a distribution when you terminate your employment with the University or for any of the events described under "May I make a withdrawal from my Plan account while I am still employed by the University?" above.

Are there any circumstances under which I must take distributions from the Plan?

You generally will not be required to take distributions involuntarily, with the following exceptions. You must take:

- At least a calculated minimum distribution beginning no later than April 1st of the calendar year following the year in which you reach age 70½ (or the year in which you actually retire, if later); and
- Your entire plan account balance in a single lump-sum payment, if you terminate employment with vested Roth and/or non-Roth account balances of less than \$1,000 each. You may not elect any other optional form of distribution in this case, but you may elect to roll over this distribution to an IRA or another eligible retirement plan.

What is the default distribution option?

The automatic form of payment for all participants is a single life annuity if you are unmarried at the time your benefits commence or a 50% qualified joint and survivor annuity if you are married at the time your benefits commence. Such an annuity will be purchased with your vested account balance.

A "single life annuity" is a series of payments that continues during your lifetime and stops when you die.

A "qualified joint and survivor annuity" (or "QJSA") is a series of reduced payments that continues during your lifetime. After your death, your surviving spouse continues to receive payments of 50%, 66 2/3%, 75% or 100% (as elected by you prior to benefit commencement) of the monthly benefit amount that was paid to you during your lifetime. For example, if you elected a 50% QJSA and received \$1,000 per month during your lifetime, your spouse, if he or she survived you, would receive \$500 per month for his or her lifetime. If your spouse died before you, payments would stop at your death. If you remarried after your QJSA starting date, your new spouse would not be entitled to any continuation payments.

- While these are the automatic forms of benefit payment under the Plan, you may elect a different payment option (see below). Between 30 and 180 days before the anticipated starting date of your annuity, Diversified will send you information concerning your right to elect a different payment form. You will then have the right (with the consent of your spouse if married) up until the starting date of the annuity,

to elect in writing not to receive the annuity. The consent of your spouse to the election not to receive a QJSA must be witnessed by a Plan official or notary.

- If you die before the anticipated starting date of a QJSA, your surviving spouse (if you're married) will automatically receive a Qualified Preretirement Survivor Annuity (or a "QPRSA") in the form of a life annuity equal to 50% of your vested account balance. The other 50% will be paid to your designated beneficiary. You may also waive this annuity and elect for your spouse to receive a different payment option or designate a different beneficiary for your Plan account, with the consent of your spouse.
- If you are younger than 35 years of age at the time you waive a QPRSA, then under federal law, your waiver will only be valid until you reach age 35. You will have to make a new designation after attaining age 35 — with spousal consent — for it to remain valid.

May I elect a different payment option?

Yes. There are a variety of distribution options available to you under the Plan, including:

1. Lump Sum or Partial Cash Distributions: You may elect to withdraw all or any portion of your account balance in a cash distribution. If you elect this option, you will be able to defer taxes on the amount paid to you to the extent you rollover such amounts to an IRA or eligible retirement plan and such rollover is an "eligible rollover distribution" (see below);
2. Installment Distributions: You may elect to receive approximately equal periodic installments over a time not exceeding your life expectancy; and
3. Various Annuity Options: The Plan offers several annuity options, as described below.
 - *Retirement Transition Benefit*: This option provides you with a single lump sum payment at the beginning of your annuity benefits. You may elect to receive up to 10% of the amount of your lifetime retirement income at the start of your annuity payments. You may combine this benefit with most of the annuity options described below.
 - *Guaranteed Payment Period*: This option provides guaranteed payments for a period of 10, 15, or 20 years, subject to applicable IRS limitations. These payments continue to be made to your beneficiary if you should die before the end of the relevant time period.
 - *Single Life Annuity*: This option provides benefits payable no less frequently than annually for your lifetime.
 - *Joint & Survivor Annuity*: This option provides a monthly benefit payable for as long as you live, with 50%, 66 2/3%, 75% or 100% of that amount payable to your beneficiary for the rest of his or her life following your death.

- *New York Life GIC Annuity:* You may be able to take advantage of an additional life annuity option with respect to amounts invested in the New York Life Insurance Company Guaranteed Interest Account. This annuity option is subject to special annuity purchase rates, which vary based upon your age on the annuity purchase date.

Although additional information regarding your distribution options and the related tax implications will be provided to you at the time you become eligible to receive your benefits, it is important that you understand the options well in advance of retirement.

Please be sure to contact Diversified for detailed information regarding your distribution options. You can schedule an appointment with SMU's on-site Diversified Retirement Planning Consultant by visiting the SMU Retirement Plan website at smu.divinvest.com. You should also consult a tax advisor before making your decision.

IMPORTANT: If you have an SMU 403(b) account remaining with TIAA-CREF, please be sure to contact TIAA-CREF to discuss your available distribution options.

What is an “eligible rollover distribution”?

Most payments from the Plan, except for hardship withdrawals and annuity distributions, generally will be “eligible rollover distributions.” This means that the entire amount received can be rolled over to an IRA, Roth IRA, or to another employer's tax-qualified retirement plan (such as a 401(k) plan or another 403(b) plan), or to a governmental “457” plan, that accepts rollovers.

Such payments from the Plan may generally be made in one of two ways:

1. **Direct Rollover:** The payment may be paid as a direct rollover to another qualified plan, IRA, or Roth IRA, or
2. **Participant Rollover:** The payment may be paid to you, and then rolled over within 60 days. Note that if you elect this option, the payment will be subject to 20% mandatory withholding. For more information on the taxation of your benefits, see “Tax Treatment of Benefits” below.

What happens if I become disabled?

If you become disabled, your benefits may be distributed to you as described above. You will be considered disabled if you are found to be disabled under the definition of disability in the University's disability insurance plan.

What happens if I die?

If you die before your benefits begin under the Plan, your account will be paid to your spouse (as described above) or, if none or otherwise designated, to your beneficiary.

- The Plan permits your beneficiary to elect a lump sum or an installment distribution. If your beneficiary receives a lump sum distribution, the Diversified or TIAA-CREF, if

applicable, will provide the beneficiary a notice of the special tax benefits, if any, available for the distribution.

- Under an installment distribution, payments will continue until your Plan account is paid in full. Furthermore, your Plan account will continue to earn investment income. If an account balance remains in the Plan at the time of your beneficiary's death, the Plan will pay the remaining account balance to your beneficiary's estate, unless your beneficiary designation directs otherwise. For information on who is your beneficiary, see "Who is the beneficiary of my account?" above.

Tax Treatment of Distributions

What are the tax effects of taking distributions attributable to pre-tax contributions and matching contributions?

You must include any distribution attributable to pre-tax Plan contributions (including voluntary contributions, mandatory contributions, qualified non-elective contributions (i.e., contributions made by the University to pass certain IRS requirements), and matching contributions) in your taxable income in the year in which you receive the distribution.

- Such amounts are generally subject to mandatory 20% federal income tax withholding. You may also be subject to an additional 10% IRS penalty tax if you are under age 59½ at the time of your withdrawal. There is an exception if you terminate employment at or after age 55 and take your distribution on account of such termination.

What are the tax effects of taking distributions attributable to after-tax (non-Roth) contributions?

The Plan stopped allowing non-Roth, after-tax contributions as of June 1, 2010. However, if you previously took advantage of this feature your Plan account may include balances attributable to such contributions.

- Distributions of after-tax (non-Roth) contributions are tax-free since you previously paid tax on these amounts when you contributed them to the Plan. However, you will have to include any earnings on your after-tax (non-Roth) contributions in your taxable income in the year in which you receive the distribution. As noted above, any distributions before you attain age 59 ½ may also be subject to a 10% penalty.

What are the tax effects of taking my distributions attributable to Roth contributions?

The taxation of distributions from your Roth accounts, which hold any Roth contributions, Roth rollovers, or in-plan Roth conversions, plus any earnings on these amounts, will depend upon whether the distribution is “qualified.” Distributions of your Roth contributions are always tax-free.

Distributions of earnings on this money are deemed “qualified” and will not be includible in your income only if:

1. The money is distributed after you reach age 59½ or on account of death or disability (as defined for Social Security disability purposes); and
2. The withdrawal is made more than five tax years after the first Roth contribution was made.

This five-year period begins on the earliest of:

- The first day of the taxable year that you first made a Roth contribution to the Plan;
- The first day of the taxable year that you made a Roth contributions to another plan, that was directly rolled over into this plan; or

- The first day of the taxable year that you completed an in-Plan Roth conversion.

Any earnings will be taxed if you receive a non-qualified distribution from your Roth account. The taxable amount of earnings will be determined on a pro rata basis. For example, if you have a \$10,000 balance in your Roth account, \$9,400 of which is Roth employee contributions and \$600 of which is earnings, then a distribution of \$5,000 would consist of \$4,700 of Roth employee contributions (that are not includible in gross income) and \$300 of earnings (that are includible in gross income).

As noted above, any distributions before you attain age 59½ may also be subject to a 10% penalty.

Can I reduce or defer tax on my distribution?

Yes. You may generally defer the tax due on your distribution through use of one of the following methods:

1. The rollover of all or a portion of the distribution to a traditional Individual Retirement Account (“IRA”) or another qualified employer plan. This will result in no tax being due until you begin withdrawing funds from the traditional IRA or other qualified employer plan. The rollover of the distribution, however, **MUST** be made within strict time frames (normally, within 60 days after you receive your distribution). Under certain circumstances all or a portion of a distribution (such as a hardship distribution, life annuity, or required minimum payment) will not qualify for this rollover treatment. In addition, most distributions (even if later rolled over) will be subject to mandatory federal income tax withholding at a rate of 20%. This will reduce the amount you actually receive. For this reason, if you wish to rollover all or a portion of your distribution amount, the direct transfer option described in paragraph (2) below would be the better choice.
2. For most distributions, you may request that a direct transfer of all or a portion of a distribution be made to either a traditional IRA or another qualified employer plan willing to accept the transfer. A direct transfer will result in no tax being due until you withdraw funds from the traditional IRA or other qualified employer plan. Like the rollover, under certain circumstances all or a portion of the amount to be distributed may not qualify for this direct transfer, *e.g.*, a distribution of less than \$200 will not be eligible for a direct transfer. If you elect to actually receive the distribution rather than request a direct transfer, then in most cases 20% of the distribution amount will be withheld for federal income tax purposes.
3. The IRS allows you to roll over your account to a Roth IRA. If you roll over your account to a Roth IRA, then you will have to include in gross income any amount that would have been ordinarily includible in gross income. However, the 10% early distribution penalty tax will not apply. Moreover, the subsequent earnings on such rollover will be tax-free if you satisfy the Roth IRA qualified distribution rules. (If the Roth IRA qualified distribution rules are not satisfied, the 10% early distribution

penalty may apply.) See “What are the tax effects of taking my benefits attributable to Roth contributions?” above for the qualified distribution rules.

Please note, 2010 Roth rollovers are eligible for special tax treatment. Unless you elect otherwise, the amount includible in your gross income as a result of the rollover will be included equally in income for 2011 and 2012. None of the amount includible in your gross income as a result of a rollover occurring in 2010 will be included in your 2010 income, and half of the income resulting from the rollover will be includible in gross income in 2011 and half in 2012. For example, if you roll over your \$100,000 account balance to a Roth IRA in 2010, and as a result of the rollover, \$100,000 will be includible in gross income, then, unless you elect otherwise, \$50,000 of the income resulting from the rollover will be included in your income in 2011, and \$50,000 will be included in 2012.

IMPORTANT: THE RULES WHICH DETERMINE WHETHER YOU QUALIFY FOR FAVORABLE TAX TREATMENT ARE VERY COMPLEX. YOU SHOULD CONSULT WITH A QUALIFIED TAX ADVISOR FOR INFORMATION SPECIFIC TO YOUR PERSONAL FINANCIAL CIRCUMSTANCES BEFORE TAKING ANY DISTRIBUTION.

Claims Procedures

How do I submit a claim for Plan benefits?

You may submit to the University a written claim for benefits under the Plan. The University will evaluate your claim to determine if benefits are payable to you under the terms of the Plan. The University may request additional information from you if necessary to evaluate the claim.

If the University determines that your claim is valid, then you will receive a statement describing the amount of benefit, the method or methods of payment, the timing of distributions and other information relevant to the payment of the benefit.

What if my benefits are denied?

You or your beneficiaries may make a request for any Plan benefits to which you believe you are entitled. Any such request should be in writing and should be made to the University.

Your request for Plan benefits will be considered a claim for Plan benefits, and it will be subject to a full and fair review. If your claim is wholly or partially denied, the University will furnish you with a written notice of this denial. This written notice (or the University's notice approving your claim) must be provided to you within 90 days after the receipt of your claim by the University. If the University needs additional time to process your claim due to special circumstances, you will be notified of an extension within 90 days after your claim is received. In such case, notice of the University's decision will be provided within 180 days after your claim is received. The written notice of a denied claim will contain the following information:

1. The specific reason or reasons for the denial;
2. Specific references to those Plan provisions on which the denial is based;
3. A description of any additional information or material necessary to correct your claim and any explanation of why such material or information is necessary;
4. Appropriate information as to the steps to be taken if you or your beneficiary wants to submit your claim for review; and
5. A description of your rights under ERISA following an adverse decision on review.

If your claim has been denied in whole or in part, and you want to submit your claim for review, you must follow the claims review procedure.

What is the claims review procedure?

Upon the denial of your claim for benefits, you or your authorized representative may file your claim for review, in writing, with the University.

1. YOU MUST FILE THE CLAIM FOR REVIEW NO LATER THAN 60 DAYS AFTER YOU HAVE RECEIVED WRITTEN NOTIFICATION OF THE DENIAL

OF YOUR CLAIM FOR BENEFITS. IF THE WRITTEN REQUEST FOR REVIEW IS NOT MADE WITHIN THE SPECIFIED 60-DAY PERIOD, YOU WILL WAIVE THE RIGHT TO REVIEW.

2. Upon written request and free of charge, you will be provided access to and copies of all documents, records and other information relevant to your claim.
3. You may submit written comments, documents, records and other information related to your claim to the University in connection with your appeal.
4. Your claim for review must be given a full and fair review. The University will take into account any information you submit in connection with your appeal, and will not give any deference to the prior benefits decision. If your claim is denied, the University must provide you with written notice of the denial. The University or its designee will notify you of the final decision within 60 days after the University's receipt of your written claim for review. There may be times when this 60-day period may be extended. This extension may only be made, however, when there are special circumstances that are communicated to you in writing within the 60-day period. If there is an extension, a decision will be made and you will be notified of that decision as soon as possible, but not later than 120 days after receipt by the University of your claim for review.
5. If your appeal is denied, the University's decision will be communicated to you in writing, and will include specific references to the pertinent Plan provisions on which the decision was based, the specific reasons for the adverse decision, a statement that, upon request and free of charge, you will be provided reasonable access to and copies of all documents, records and information relevant to your claim, and a description of your rights under Section 502(a) of ERISA.

The University has complete discretionary authority to construe and interpret the provisions of the Plan, decide all questions of eligibility and benefits, make all factual determinations, and adjudicate all claims and appeals. Its decision on review is final, conclusive and binding on all persons, to the maximum extent allowed by law.

Plan Amendment & Termination

Can the Plan be amended?

Yes. We have the right to amend the Plan at any time. In no event, however, will any amendment authorize or permit any part of the Plan assets to be used for purposes other than the exclusive benefit of participants or their beneficiaries. Additionally, no amendment will cause any reduction in the amount credited to your account.

What happens if the Plan is discontinued or terminated?

Although we intend to maintain the Plan indefinitely, we reserve the right to discontinue employer contributions under and/or terminate the Plan at any time. Upon a complete discontinuance of employer contributions or termination, no further contributions will be made to the Plan and all amounts credited to your accounts will become 100% vested. Upon a Plan termination, we will direct the distribution of your accounts in a manner permitted by the Plan as soon as practicable. (See the question “How will my account be paid to me?” above.) You will be notified of any material modification or termination of the Plan.

Your Legal Rights

What are my rights as a Plan participant?

As a participant in the Plan you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants are entitled to:

1. Examine, without charge, all documents governing the Plan, including annual financial reports, Plan descriptions, and all other documents filed with the Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
2. Obtain copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series) and updated summary plan description. A reasonable charge may be assessed for these copies.
3. Receive a written summary of the Plan's summary annual report. The University is required by law to furnish each participant with a copy of this summary annual report.
4. Obtain once a year, a statement of the total benefits accrued and the nonforfeitable (vested) benefits, if any, or the earliest date on which such benefits will become vested.
5. If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within the time schedules set forth above.

In addition, you may not be discharged or discriminated against to prevent your obtaining a benefit or exercising your ERISA rights.

What duties are imposed on the people or entities that operate the Plan?

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. These people, called "fiduciaries" of the Plan, have a duty to operate the Plan prudently and in the interest of you and other Plan participants and beneficiaries. Fiduciaries who violate ERISA may be removed and required to make good any losses they have caused the Plan.

The named fiduciary with respect to this Plan is SMU, except that as to any matter specified in this Plan or in the annuity contract as being the responsibility or function of TIAA-CREF, the named fiduciary is TIAA-CREF.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the University to provide the materials and pay you up to \$110.00 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the University.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in a federal court.

If it should happen that the Plan's fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

What can I do if I have questions or feel my rights have been violated?

If you have any questions about the Plan, you should contact the University. For further information about this statement or about ERISA rights, contact the Department of Human Resources, or the nearest area office of the Employee Benefits Security Administration, United States Department of Labor, listed in the telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.