

UNDERSTANDING THE SMU 403(b) RETIREMENT PLAN

2018



The SMU 403(b) Retirement Plan is a valuable employee benefit and one of the most powerful ways to build your retirement savings. The plan is designed to help you save and invest in your retirement, so it is important for you to understand how the plan works.

If you are a full-time or part-time (20+ hours/week) benefits-eligible employee, when you enroll in the SMU Retirement Plan (as early as age 21), you will receive SMU matching contributions if you make pretax contributions of at least 5%. Take a few minutes now to learn more about the plan. You'll find out how much you can contribute, when and how much SMU will contribute, how you can join if you haven't already—and more.

INSIDE THIS ISSUE

• Introduction	1	• Vesting	5
• When You Can Enroll	2	• Your Investment Options	6-7
• Contributions You Make and Receive	2	• Designating Your Beneficiary	8
• How Much You Can Contribute	3	• Distributions	8
• Mandatory Contributions	3	• Loans	9
• How Much You Should Save	4	• Rollovers	10
• Pretax vs. After-tax Contributions	5	• Where to Go for More Information	10

ALREADY ENROLLED?

This is a perfect time to review your account to determine if you are contributing enough and have an investment strategy that meets your retirement goals.

Sign in at smu.trsretire.com to review your account and make any changes you think are necessary.

NOT YET ENROLLED?

If you're eligible, now is the time to enroll. The sooner you enroll (and begin receiving SMU matching contributions), the sooner you'll see your savings build.

Visit smu.trsretire.com to enroll today.

WHEN CAN I ENROLL IN THE RETIREMENT PLAN?

The chart below explains your eligibility to enroll in the plan and when you can enroll, depending upon your employment status.

Eligible Employees	
Full-time regular employees (at least 35 hours per week); age 21 or older	Immediately eligible; including SMU match
Part-time regular employees (20 to 35 hours per week); age 21 or older	Immediately eligible; including SMU match
Regular employees working at least 20 hours per week; not yet age 21	Immediately eligible; no SMU match
Temporary employees working at least 20 hours per week, regardless of age	Immediately eligible; no SMU match
Postdoctoral Fellows and Adjunct Professors	Immediately eligible; no SMU match

Ineligible Employees	
Regular and temporary employees who normally work less than 20 hours per week	Students performing services under IRS Code section 3121(b)(10)
Non-resident aliens	Non-common-law employees
Independent contractors	

CONTRIBUTIONS

Once you join the plan, your contributions will be deducted from your paycheck as soon as administratively possible. The chart below defines the three types of SMU 403(b) contributions and how these contributions relate to your age and employment status.

Contribution Types	
Voluntary Contributions	<p>Voluntary contributions include:</p> <ul style="list-style-type: none"> • All contributions made by part-time employees, regardless of age; • All contributions made by full-time employees prior to age 36; and • Contributions made by full-time employees in excess of the mandatory 5% contribution. See "Mandatory Contributions" below for more information.
Mandatory Contributions	<p>If you are a full-time regular employee (35 hours per week) and at least age 36, you are required to contribute 5% of your pay each pay period.</p>
SMU Matching Contributions	<p>If you are a regular employee* contributing at least 5%, either on a voluntary or mandatory basis, SMU will make an 8% matching contribution (if you are age 40 or younger) or a 10% matching contribution (if you are age 41 or older) to your account.</p> <ul style="list-style-type: none"> • SMU matching contributions apply to the first 5% you contribute on a pretax basis. After-tax Roth contributions are not matched by SMU. • Contributions in excess of 5% are <u>not</u> eligible for SMU matching contributions. <p><i>* Employees working less than 20 hours per week, Postdoctoral Fellows, and temporary employees are not eligible for SMU matching contributions.</i></p>

Matching contributions are subject to the three-year vesting requirement. The vesting requirement applies to faculty and staff hired on or after June 1, 2010. Descriptions of plan features and benefits are subject to the plan document. The plan document will govern in the event of any inconsistencies.

HOW MUCH CAN I CONTRIBUTE?

Each year the IRS sets limits on contributions to retirement plans like the SMU 403(b) Retirement Plan. These limits only apply to the **voluntary** contributions that you choose to make to your SMU 403(b) account. Mandatory contributions are not subject to the limits; however, the maximum total compensation does apply when calculating how much you and SMU can contribute during the calendar year. *See the Mandatory Contributions section below for more details.*

Contribution Limits for 2017	
Basic Voluntary Contributions	\$18,500
Age 50+ Voluntary Catch-Up Contributions	\$6,000
Maximum Total Contribution to the SMU Retirement Plan—including mandatory employee contributions, SMU matching contributions, voluntary unmatched employee contributions, and Roth contributions. (Note: Age 50+ catch-up contributions are not subject to this limit.)	\$55,000
Annual Compensation Limit (Maximum compensation used to calculate your basic 5% contribution and SMU matching contribution.)	\$275,000

Mandatory Contributions

If you are at least age 36 and a regular full-time employee working at least 35 hours per week, you are required to participate in the SMU 403(b) Retirement Plan and contribute at least 5% of your salary on a pretax basis. Here are a few important things to keep in mind:

- **IMPORTANT:** When you make a change to your voluntary contribution amount, keep in mind that your voluntary contribution is in addition to your 5% mandatory contribution.
- Your 5% mandatory contribution will be matched by SMU at 8% of your base salary. The SMU matching contribution will increase to 10% at age 41.
- If you are a regular full-time employee and do not self-enroll prior to your 36th birthday, you will be automatically enrolled, and your mandatory 5% contribution will begin shortly after your 36th birthday. Your account will be invested in the plan's default option, a Vanguard Target Retirement Fund* based on your age. You can choose new investment options by signing in to your account at smu.trsretire.com.
- If you are already contributing 5% or more of your salary when you turn age 36, 5% of that contribution will be re-classified as a mandatory contribution. Contributions greater than 5% will be classified as voluntary contributions.
- If you are contributing less than 5% of your salary when you turn age 36, that contribution will be increased to 5% and re-classified as a mandatory contribution.
- Mandatory contributions **do not** count towards the annual IRS voluntary contribution limit (\$18,500 for 2018).

* Target date options generally invest in a mix of stocks, bonds, cash equivalents, and potentially other asset classes, either directly or via underlying investments, and may be subject to all of the risks of these asset classes. The allocations become more conservative over time: The percentage of assets allocated to stocks will decrease while the percentage allocated to bonds will increase as the target date approaches. The higher the allocation is to stocks, the greater the risk. The principal value of the investment option is never guaranteed, including at and after the target date.

HOW MUCH SHOULD I SAVE?

If you are a full-time or part-time regular employee, age 21 or older, consider contributing at least 5% of your pay so that you receive the SMU matching contribution.

Keep in mind that your 5% contribution will be deducted from your pay on a pretax basis, reducing your current taxable income. ***If you contribute less than 5% of your pay, you will not receive the SMU matching contribution.***

As soon as you can, consider gradually increasing your contribution. Research has shown that small, regular increases in your savings rate can really add up over time. Transamerica Retirement Solutions has an automatic increase service that can help you set up annual increases that you may not even notice.* For example, consider setting your increase to the date you expect to receive your annual salary increase.

To change your contribution amount or sign up for the auto-increase service, sign in to your account at smu.trsretire.com and click **Manage > Contributions**.

The Power of Saving Earlier

Let's take a look at two investors who start saving for retirement—one who starts making a 5% voluntary contribution at age 21, and one who waits for the 5% mandatory contribution to start at age 36.

As you can see, they both earn the same salary and make and receive the same contributions under the plan. But take a look at how much savings they will have when they retire at age 65. Thanks to the power of earnings and compounding, the investor who started earlier will have saved ***almost twice as much*** for retirement! And if they receive annual salary increases and gradually increase their contributions, they will have saved even more!

This isn't to say you must start saving at age 21 to meet your savings goals. But starting early—or as early as you can—will help you maximize your savings.

	An Investor Who Starts Saving at Age 21	An Investor Who Starts Saving at Age 36
Salary	\$40,000	\$40,000
Annual Pretax Contribution (5%)	\$2,000	\$2,000
Annual SMU Matching Contribution (8% until age 41 and then 10% starting at age 41)	\$3,200 until age 41 \$4,000 starting at age 41	\$3,200 until age 41 \$4,000 starting at age 41
Total Annual Savings (Pretax contribution plus match)	\$5,200 until age 41 \$6,000 at age 41	\$5,200 until age 41 \$6,000 at age 41
Total Retirement Savings by Age 65 (Including earnings**)	\$526,650	\$284,856

* You should evaluate your ability to continue the auto-increase service in the event of a prolonged market decline, unexpected expenses, or an unforeseeable emergency.

**Earnings calculation based on 3% rate of return, 25% tax bracket, \$40,000 annual salary with no wage increases or inflation. Example is hypothetical and does not reflect the performance of any fund. Regular investing does not guarantee a profit or protect against a loss in a declining market. Past performance does not guarantee future results. Initial taxes on contributions and earnings are deferred until distribution.

ARE MY CONTRIBUTIONS TAKEN FROM MY PAYCHECK BEFORE OR AFTER TAXES?

If you are eligible for SMU matching contributions, your 5% contribution (voluntary or mandatory) will be made on a pretax basis.

Mandatory or voluntary basic 5% contributions (with SMU match) will always be made on a pretax basis. Voluntary contributions in excess of 5% may be made on a pretax basis or on an after-tax basis through a Roth account.

Unlike traditional pretax contributions, with Roth contributions you invest after-tax dollars. This means Roth contributions do not reduce your current taxable income while you are employed and contributing to the plan. Roth contributions, however, can have tax benefits when you take a distribution from the plan. If you take qualified distributions from your account (meaning you have held the money at least five years and don't withdraw it until at least age 59½), you won't owe income taxes on your earnings. Keep in mind, though, that only pretax contributions are matched by SMU. After-tax Roth contributions are not matched.

Deciding whether to contribute on a pretax or after-tax Roth basis (or both) depends on many factors, including whether or not you think you will be in a higher or lower tax bracket when you retire.

Pretax and Roth After-tax Contributions: Issues to Consider

	Pretax Contributions	Roth After-tax Contributions
Contributions	Reduces current taxable income	Does not reduce current taxable income
Earnings	Tax-deferred	Tax-deferred
Distributions	Income tax due on all contributions and earnings	No tax due on qualified distributions
Required Minimum Distributions	Must begin after age 70½ (unless you are still working)	Not required
Payments to Beneficiaries	Subject to income tax	Not subject to income tax if all requirements are met

WHEN IS MY ACCOUNT VESTED?

"Vesting" refers to "ownership" of your account and varies depending on contribution type.

SMU Retirement Plan Vesting Provisions

Your Contributions (Voluntary or Mandatory)	You are always 100% vested
SMU Matching Contributions	100% after three years of service

Descriptions of plan features and benefits are subject to the plan document. The plan document will govern in the event of any inconsistencies.





WHAT ARE MY INVESTMENT OPTIONS?

SMU has selected a competitive and diverse set of investment options from major fund families that meet strict performance standards for both long-term and short-term investors. The fund lineup has also been organized into three investment tiers that are designed to meet the varying interests and needs of SMU participants.

Whether you are new to investing, a knowledgeable investor, or a very sophisticated investor wanting to manage your own portfolio, the three-tiered investment lineup will help you develop a strategy to meet your financial goals. You may invest in any or all of the tiers, transfer existing balances at any time, or change your investment elections for future contributions.

For more information, visit smu.trsretire.com and on the **Home** page, under **Funds and Fee Information**, click on SMU Retirement Plan.



WHAT IF I DON'T MAKE INVESTMENT ELECTIONS?

If you do not make investment elections, either during enrollment or when you begin making mandatory contributions, your contributions and SMU matching contributions will be invested in the plan's default option, a Vanguard Target Retirement Fund. Your date of birth and an assumed retirement age of 65 will be used to select the target retirement fund. You can make new investment elections by signing in to your account at smu.trsretire.com at any time throughout the year.

Target retirement funds, also known as target date funds, are designed for the investor who wants a “one-step” solution to saving for retirement. These funds provide diversification in a single fund, managed to a specific time horizon—usually a “targeted” retirement date.

Target date options generally invest in a mix of stocks, bonds, cash equivalents, and potentially other asset classes, either directly or via underlying investments, and may be subject to all of the risks of these asset classes. The allocations become more conservative over time: The percentage of assets allocated to stocks will decrease while the percentage allocated to bonds will increase as the target date approaches. The higher the allocation is to stocks, the greater the risk. The principal value of the investment option is never guaranteed, including at and after the target date.

HOW DO I DESIGNATE A BENEFICIARY?



It is very important that you designate a beneficiary or beneficiaries for your account so that assets can be distributed according to your wishes upon your death.

Please don't put this off. Making your beneficiary designation takes a matter of minutes and will protect your family forever. You can designate a beneficiary at smu.trsretire.com. Click on the button to access your account, then choose **Beneficiaries** under the Home menu. If you choose to designate more than one primary beneficiary and/or more than one contingent beneficiary, be sure to scroll to the bottom of the online form to complete the designation process. If you have more than one account, you should name a beneficiary for each account.

WHEN CAN I TAKE A DISTRIBUTION FROM MY ACCOUNT?

Distributions from the vested portion of your account are permitted at the following times:

- In-service withdrawals at age 59½
- Termination of employment
- Retirement
- A qualified financial hardship
- Disability
- Death

Reasons for a financial hardship distribution

- Unreimbursed medical expenses
- Purchase of a principal residence
- College tuition and related expenses
- Prevention of foreclosure
- Funeral expenses
- Certain home repair expenses

In addition to a 10% IRS tax penalty (if you are not at least age 59½), voluntary contributions and SMU matching contributions, if applicable, will be suspended for six months if you take a financial hardship distribution. Additional conditions and restrictions may apply as defined in the plan.

IMPORTANT: You are required to take a distribution (known as a required minimum distribution or RMD) when you turn age 70½ or, if later, the year you retire. Call Transamerica Retirement Solutions at **800-755-5801** for more information.

CAN I TAKE A LOAN FROM MY ACCOUNT?

You can take a loan secured by your account balance. Before you do, though, you should carefully consider whether such a loan is right for you.

There may be times when a loan is appropriate for you—that's why they are available under the plan—but be sure you understand the potential impact a loan may have before you apply.

When you take a loan from your account, you're effectively taking money out of the plan—and taking away any earnings that money could accrue (and any earnings those earnings may accrue, and so on).

To apply for a loan, sign in at smu.trsretire.com and click on **Manage > Loans**. A \$75 setup fee will apply for each loan.

SMU Retirement Plan Loan Limitations/Rules	
Setup fee	\$75 per loan
Minimum loan amount	\$1,000
Maximum loan amount	50% of your vested balance, up to \$50,000 (all loans)
General loan interest rate	Prime as stated in the <i>The Wall Street Journal</i> plus 1%
Maximum general loan term	Five years
Home loan interest rate	Prime as stated in <i>The Wall Street Journal</i> plus 1%
Maximum home loan term	15 years
Maximum number of outstanding loans	Two
Failure to make loan payments	If you default, you will lose the option to take a loan in the future and may have to pay additional taxes and/or penalties.

Retirement plan loans are subject to plan restrictions. A one-time set-up fee of \$75 will be due when your loan application is approved. Loan repayments are made on an after-tax basis, and the interest may not be tax-deductible (even if the underlying loan is used to acquire a principal residence) and may be less than the return that could be obtained by other allowable plan investments. Also, missed payments could result in a deemed distribution of your retirement account, which could lead to immediate federal income taxation and possibly tax penalties. Before obtaining a loan from your employer's retirement plan, you may wish to consult an adviser to address your specific circumstances including the availability of other resources and your ability to continue payments.

CAN I ROLL OVER BALANCES FROM OTHER RETIREMENT PLANS?

Yes. You can roll over existing balances from other prior employers' retirement plans (such as 401(k) and 403(b) plans) to the SMU Retirement Plan. For assistance, contact Todd Hutson, Retirement Planning Consultant.*

WHERE CAN I GO FOR MORE INFORMATION?

smu.trsretire.com

Visit the SMU Retirement Plan website for online access to your account, copies of prior communications, and important educational information and planning tools.

800-755-5801

Call Transamerica Retirement Solutions for basic information about your account and transactions (investment transfers, loans, etc.). Representatives are available Monday through Friday, from 7:00 a.m. to 8:00 p.m. CT.

Your Transamerica Retirement Planning Consultant



Todd Hutson

Email: todd.hutson@transamerica.com

Phone: **214-768-7504**

My job is to answer your questions and help you develop a retirement savings strategy that can help you in achieving your retirement goals.

Appointments can be scheduled online at smu.trsretire.com by selecting “**Sign up for a 1-on-1 meeting**” under **Contact**, or by email at todd.hutson@transamerica.com.

*Review the fees and expenses you pay, including any charges associated with transferring your account, to see if consolidating your accounts could help reduce your costs. Be sure to consider whether such a transfer changes any features or benefits that may be important to you.

The role of the retirement planning consultant is to assist you with your savings and investment plan. There are no fees or commissions for meeting with your retirement planning consultant. Securities are offered through Transamerica Investors Securities Corporation (TISC), Member FINRA, 440 Mamroneck Avenue, Harrison, NY 10528. Investment Advisory Services are offered through Transamerica Retirement Advisors, LLC (TRA), registered investment advisor. Transamerica Retirement Solutions, TISC, and TRA are affiliated companies.

This material was prepared for general distribution. It is being provided for informational purposes only and should not be viewed as an investment recommendation. If you need advice regarding your particular investment needs, contact your financial professional.

Securities are offered by TISC. Any fund offered under the plan is distributed by that particular fund's associated fund family and its affiliated broker-dealer or other broker-dealers with effective selling agreements, such as TISC. Southern Methodist University (SMU) has selected Transamerica Retirement Solutions as your retirement plan provider, but there are no other affiliations between SMU and Transamerica or its affiliates, TISC and TRA.



Brighten Your Outlook®



Rainy



Cloudy



Partly Sunny



Sunny