

SECTION 457(B) PLAN

for eligible faculty and administrative staff

The University of Southern California offers a 457(b) deferred compensation plan to a select group of management and highly compensated employees. Under this plan, eligible faculty and staff may elect to defer receipt of part of their compensation (up to \$18,000 for 2017) each year. This nonqualified plan of deferred compensation will benefit eligible employees who already contribute the maximum under the USC Retirement Savings Program, as it affords them the opportunity to defer additional compensation each year.

Enrollment Guide 2017

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OVERVIEW

This plan is intended to be an “eligible deferred compensation plan” within the meaning of U.S. Internal Revenue Code section 457(b) as well as a plan of deferred compensation for a select group of management or highly compensated employees, which is exempt from the Employment Retirement Income Security Act (ERISA) under ERISA sections 201(2), 301(a)(3) and 401(a)(1).

Important Differences Between USC’s 457(b) Plan and Retirement Savings Program

Features	Matched Employee and USC Contributions	Supplemental Employee Contributions	457(b) Deferred Compensation Plan
Eligibility	After completing a six-month waiting period in which you work 500 or more hours, are over age 21, and work in an eligible job category	All non-student employees	All employees having eligible earnings in excess of a dollar threshold (\$206,111 in 2016 earnings for 2017 participation); who meet the criteria of the Investor’s Questionnaire. Eligibility is renewed annually.
Enrollment	USC tracks and notifies you when eligibility requirements are satisfied so that enrollment forms can be completed. If you do not make an election, enrollment is made by benefits office under the plan’s default provisions.	New enrollments, changes in contribution rate and/or percentage allocation between vendors, and termination of participation may be made anytime throughout the year; unless you actively make a change, elected contribution amounts automatically continue throughout following year.	Must be renewed annually with a salary deferral agreement form unless employee continues to meet the IRS criteria to participate, elected “Continue Prior’s Years Election” in prior year AND has elected “Maximum Allowable.”
University Contributions	University will make a 10% contribution on the first \$270,000 eligible earnings when employee makes a 5% contribution. You may make lower contributions and receive correspondingly lower USC contributions.	None	None
Vesting Requirement	The USC non-elective contribution will be subject to a four year graded vesting schedule (25% per credited year of service) for employees hired on or after January 1, 2012. You will earn a year of vesting credit for each calendar year in which you are credited with at least 1000 hours of service. Each year of vesting credit earns you 25% ownership in the non-elective portion of the USC contribution. The USC matching contribution, the portion that matches one-to-one your 1–5% contribution, is structured to meet the IRS 401(m) “safe harbor” criteria and is 100% vested at all times.	You are always 100% vested.	You are always 100% vested.
Account Ownership	Participant	Participant	University
Rollovers/Transfers From Prior Employer’s Plan	Not accepted	Accepted	Transfers from other nongovernmental 457(b) plans are permitted.
Loans	Available on university contributions	Available	None
Hardship Withdrawals	Available to satisfy “immediate and heavy financial need”; includes tuition and purchase of a home. Available on employee contributions only.	Available to satisfy “immediate and heavy financial need”; includes tuition and purchase of a home.	Available for “unforeseeable emergency,” but strict requirements apply; does not include tuition and purchase of a home.
In-Service Withdrawals	For non-tenured faculty and staff: allowed after age 59½ For tenured faculty: age 65 and 50% time or less	After age 59½	None
Payments Following Termination of Employment	Benefits will commence when participant attains age 70½ unless earlier payment is requested.	Benefits will commence when participant attains age 70½ unless earlier payment is requested.	Entire benefit must be paid immediately as a lump sum unless participant affirmatively elects to defer payment or receive different form of payment within 60 days following termination.
Rollovers/Transfers From This Plan After University Employment Ends	May be made to IRA or to new employer’s 401(a), 401(k), 403(b) or governmental 457(b) plan (if plan accepts rollovers)	May be made to IRA or to new employer’s 401(a), 401(k), 403(b) or governmental 457(b) plan (if plan accepts rollovers)	May be made only to new employer’s nongovernmental 457(b) plan (if plan accepts transfers)

The remainder of this guide is presented in question-and-answer format to help you better understand the 457(b) plan and how it works.

HOW TO ENROLL

Who is eligible to participate in the 457(b) plan?

Eligibility is determined each calendar year based on the earnings of the prior year. You are eligible to participate in the plan beginning the first of each year if you satisfy all of the following requirements:

- Your eligible earnings for the previous calendar year are equal to or greater than the plan's dollar threshold (\$206,111 in 2016 earnings for 2017 participation). Eligible earnings include regular base pay plus any summer supplements, bonuses, accrued vacation paid in a lump sum within two and a half months of termination of employment, overtime pay, administrative stipends and merit awards. Eligible earnings do not include sponsorship payments.
- You can attest you are an "Accredited Investor" by meeting the criteria set forth in the Investor Questionnaire.
- If you are a newly hire; providing you can attest you are an "Accredited Investor" by meeting the criteria set forth in the Investor Questionnaire.

All persons enrolling in the 457(b) plan for the first time must complete the appropriate investment company enrollment forms, the 457(b) salary deferral agreement, and the Investor Questionnaire; and return them to the benefits office. The salary deferral will begin the month following enrollment. The forms are available by contacting the benefits office.

How do I enroll in the plan?

If you are eligible and wish to participate, contact your benefits office for enrollment forms (benefits@usc.edu or (213) 821-8100). If enrolling for the first time, you will need a 457(b) salary deferral agreement, and the investment company enrollment form.

At the end of each calendar year, the benefits office will contact all eligible employees and provide a salary deferral agreement form for the next year's deferral. Prior participants who have elected "Continue Prior's Years Election" will automatically be enrolled for the new year.

How often may I change the amount I choose to defer?

You may change your deferral amount at any time during the year. The change will be effective in the next pay period after the change has been submitted. Changes are made using the 457(b) salary deferral agreement form.

YOUR CONTRIBUTIONS

How much can I defer under the 457(b) plan?

The Internal Revenue Code limits the amount you can defer each calendar year. For 2017, you may defer up to \$18,000 to this plan.

Does the university contribute to this plan?

The university does not contribute to this plan. Contributions to this plan are made entirely through employee salary deferrals.

YOUR INVESTMENT SELECTION

How are my salary deferrals invested?

When you enroll in this nonqualified plan, you elect to defer receipt of compensation (and taxation) until your account is paid to you. In order for your salary deferrals (and investment earnings) to receive this tax-deferred treatment, federal law requires that this plan be "unfunded." Your deferrals (and investment earnings) will not be placed in a trust; instead, they will be held as general assets of the university and will be subject to its creditors' claims. Although the plan is unfunded, the university, via the vendor you elect, will maintain a record of your 457(b) plan deferrals and will credit your deferral account with investment earnings based on the performance of

the investments you have selected. Your deferral account is always fully vested. When you make a deferral election, you must select the investment funds that will be used to measure the investment experience of your account. You may select the funds offered by one of the following investment companies:

- Fidelity Investments
- TIAA-CREF
- Vanguard

Keep in mind, your investment selection under this plan is entirely separate from your investment

YOUR INVESTMENT SELECTION

How are my salary deferrals invested? (continued)

selection under the USC Retirement Savings Program. Therefore, you must complete a new 457(b) investment company enrollment form as part of your initial enrollment in this plan. In addition, you will need to complete a new form each year in order to continue participating. Your 457(b) plan deferrals are held in an account separate from your USC Retirement Savings Program assets.

If deferral accounts are unfunded and subject to claims of the university's creditors, would it be better for me to take my compensation in cash and invest it elsewhere?

The 457(b) plan provides significant tax advantages, as contributions and investment earnings are tax-deferred until paid to you following your termination of employment with the university. You should consult with a

professional tax or financial adviser to evaluate the benefits of this plan compared to the risks and rewards of alternative investment strategies.

How often may I change my investment allocation?

You may change your investment allocation at any time, subject to the investment company's regulations. Once you have established your 457(b) plan account, you may change your investment allocation within each investment company by contacting them directly. To change your allocation among the investment providers, please contact your benefits office. Your investment selection under the 457(b) plan is entirely separate from your investment selection under the USC Retirement Savings Program. Investment allocation changes made under one plan do not change investment allocations under the other plans.

RECEIVING YOUR BENEFITS

When may I receive payment of my deferral account?

You may elect to receive all or part of your deferral account when you terminate employment with the university for any reason including disability or retirement.

If you do not elect a distribution option, you will receive your account balance as a lump-sum payment on or about the 120th day after the date of your termination. You will receive your distribution directly from the investment company, with proper income-tax withholding. Your distribution is not eligible for rollover to an IRA or another employer's retirement plan although you may be able to make a direct transfer to a nongovernmental 457(b) plan.

Once you have retired, payment of benefits must begin no later than April 1 of the year in which you attain age 70½ or, if later, April 1 of the year following the year in which you retire.

What is the normal retirement age under this plan?

The normal retirement age under this plan is 65. You may begin receiving payments from this plan following termination of your university employment even if you have not attained your normal retirement age.

How do I apply for a deferred distribution?

If you do not wish to receive a lump-sum payment of your deferral account on or about the 120th day following your termination of employment with the university, within 60 days of termination of employment, you must complete and submit a distribution election form to the benefits office. You may select a later payout date and/or a different payment option.

The 457(b) plan offers four distribution options, including a lump-sum payment, installment payments, annuity payments and direct transfer to a nongovernmental 457(b) plan.

If you select a payout date after the 120th day following your termination date by submitting the distribution election form within 60 days of your termination date,

- you may make a one-time deferral of your initial payout date up to 60 days prior to your initial commencement date. Please contact the benefits office for a change of payment/one-time deferral of payout form.
- you also may change your distribution option up to 60 days before the date you have selected as your payout date. Please contact the benefits office for a change of payment/one-time deferral of payout form.

Your deferral account must be paid in a single lump sum on or about 120 days following your termination date unless you elect a different form of payment or a later payment date. In order to be effective, your election must be made within 60 days following your termination date.

RECEIVING YOUR BENEFITS

What forms of payment are available under the plan?

You may elect to receive your deferral account in any of the following forms:

- A single lump-sum payment of the entire balance of your deferral account
- An annuity payable in equal installments for your lifetime that ends upon your death
- An annuity payable in equal installments for the joint lives of you and your beneficiary
- Payments for a fixed period of not less than one year and not more than 20 years
- A tax-deferred transfer to your new employer's nongovernmental 457(b) plan.

All forms of payment are subject to the requirements of the investment companies.

How are my 457(b) plan deferrals taxed?

Your deferrals (and investment earnings) are not subject to federal income tax until you receive a payment from the plan. When you do receive a payment of your benefit, the entire amount paid will be taxed as ordinary income unless you transfer it to another employer's 457(b) nongovernmental plan (see the following question).

Because the transfer options for distributions from this plan are limited, it is important that you consider the payment options available to you and complete and return the distribution election form to the USC Benefits Office within the 60-day period following your termination date. If you do not communicate your election within that 60-day period, federal tax law requires that your entire benefit be paid to you immediately in a single lump sum. In that event, your entire benefit will be taxed as ordinary income for the year in which it is paid to you.

May I roll over my 457(b) plan distribution to an Individual Retirement Account (IRA) or another employer's retirement plan?

No. Federal tax laws limit the kinds of tax-advantaged plans that can accept rollovers from this plan. Payments from this plan cannot be rolled over to an IRA, nor can they be rolled over to another employer's 401(a), 401(k), 403(b) or governmental 457(b) plan. If your new employer maintains a nongovernmental 457(b) plan that accepts transfers, you may transfer your distribution from this plan to your new employer's plan.

Payments from this plan cannot be rolled over to an IRA, nor can they be rolled over to another employer's governmental 457(b), 401(a), 401(k) or 403(b) plan.

May I take a loan against my deferral account?

Unlike the university's Retirement Savings Program, loans are not available under the 457(b) plan.

Does the plan provide for hardship withdrawals?

If you suffer an "unforeseeable emergency," you may request payment of your deferral account in an amount sufficient to satisfy that emergency. Federal tax laws define an unforeseeable emergency as a severe financial hardship resulting from your sudden and unexpected illness or accident (or that of your dependent), loss of your property due to casualty, or other similar extraordinary and unforeseeable circumstances arising from events beyond your control. The circumstances that constitute an unforeseeable emergency will depend on the facts of each case.

Payment from this plan cannot be made if your emergency may be relieved:

- Through reimbursement or compensation by insurance,
- By liquidation of your assets, to the extent the liquidation would not itself cause severe financial hardship, and
- By stopping deferrals under this plan and Supplemental Employee Contributions.

You must borrow the maximum available from your Retirement Saving Program accounts before the university can certify your unforeseeable emergency. The unforeseeable emergency requirement under this plan is more difficult to satisfy than the financial hardship requirement under the USC Retirement Savings Program.

RECEIVING YOUR BENEFITS

Does the plan provide for hardship withdrawals? (continued)

Under this plan, payment of your deferral account cannot be made for tuition for you or your dependent, nor can payment be made to assist you in the purchase of your home. The amount paid to you because of an unforeseeable emergency is taxable as ordinary income for the year in which it is paid. The 10% penalty tax that applies to hardship withdrawals from the USC Retirement Savings Program for persons who have not attained age 59½ does not apply to distributions from this plan.

How will benefits be paid in the event of my death?

Upon your death, the balance, or remaining balance, of your account will be paid in a single sum to your beneficiary as soon as reasonably practicable. You may designate a beneficiary of your choice and change any prior designation at any time by completing a 457(b) beneficiary form available through your benefits office. If no beneficiary is designated, or if the designated beneficiary does not survive you, the account balance will be paid to your surviving spouse, or if none, to your estate.

May I assign my benefits under this plan?

Except to the extent provided under IRS Code section 414(p) relating to domestic relations orders, none of the benefits, payments or proceeds may be subject to voluntary or involuntary alienation, anticipation, assignment, garnishment, attachment, execution or levy of any kind.

ADDITIONAL INFORMATION

Who administers the 457(b) plan?

The university is the plan administrator for the 457(b) plan. As the plan administrator, the university is responsible for performing the duties required for the operation of the plan. The university has the sole right to interpret and construe the plan and to determine conclusively all questions pertaining to eligibility and benefits under the plan. The university reserves the right to amend the plan in any respect at any time and to terminate the plan. Upon termination, all accounts under the plan shall be distributed as soon as administratively practicable in accordance with applicable IRS rules.

Whom may I contact if I have questions about the plan?

For more information regarding this plan, please contact Assistant Director **Lyn Miller** at the USC Benefits Office emiller@hr.usc.edu, or call the HR Service Center (213) 821-8100.