

Retirement Savings Plan

Through the College's Retirement Plan, eligible faculty and professional staff may make contributions via salary reduction (i.e., on a pre-tax, payroll deduction basis) to their retirement accounts. The College also makes contributions on behalf of eligible full-time employees, and these contributions are invested in annuities and/or mutual funds as selected by the individual. Elective and College contributions, and earnings, are not subject to federal income tax until the participant receives them as income.

Please note, this document is not a "Summary Plan Description". **Faculty, professional staff, and retired employees should carefully read the Retirement Plan Summary Plan Description, available from these web pages and from the Human Resources office, for important details about the Retirement Plan.** The Summary Plan Description should be read prior to enrollment.

Eligibility

Elective Deferrals-- Immediately upon hire, Franklin & Marshall faculty and professional staff who are expected to work an average of at least 20 hours per week and/or at least 1,000 hours per year may make contributions to the Retirement Plan through voluntary salary reduction. Students performing work for the College on a part-time basis are not eligible to participate.

The College's Contribution-- Employees who have completed two "Years of Service" at Franklin & Marshall College are eligible for the College's contribution to the Retirement Plan. A Year of Service is defined as 12 months and 1,000 or more hours of work for which the employee receives wages. The College's contribution on an employee's behalf begins on the January 1 or July 1 coinciding with, or following, completion of two Years of Service. Adjunct faculty members are not eligible.

It is the College practice to waive a portion or all of the waiting period for employees with prior full-time service at an institution of higher education. Six months of the waiting period will be waived for every two *consecutive* years (calendar year or academic year) of prior full-time service in higher education. An employee with prior full-time service at an institution of higher education must provide written verification from his/her prior employer to Human Resources. Such written verification must include the dates of full-time employment. When satisfactory verification is received by Human Resources, a new eligibility date will be calculated and the College's contribution will begin on the January 1 or July 1 coinciding with or following that date. The College will not be responsible for any investment losses associated with a delay in initiating contributions due to lack of proper verification of prior employment in higher education.

Beneficiary Election

Upon enrollment in the Retirement Plan, an employee will be asked to designate the beneficiary(ies) of his/her death benefits. A married employee who elects a beneficiary other than his/her spouse must obtain the spouse's signature, and this signature must be

witnessed by a notary. If an employee is under age 35 at the time his/her beneficiary is designated, and the beneficiary is someone other than the employee's spouse, this beneficiary designation will become null and void at the beginning of the Plan Year (calendar year) in which the employee turns age 35-1/2. Therefore, the employee must complete another beneficiary election form during the Plan Year in which he/she will reach age 35-1/2, with the spouse's written consent.

Elective Deferrals

An employee may elect to contribute to the Retirement Plan through "salary reduction". Such contributions are deducted from the participant's pay before his/her federal income tax obligation is calculated. Contributions made through salary reduction are an important part of retirement savings and are designed to supplement contributions made by the College and social security income.

No federal income tax is paid by the participant on the portion of salary contributed to his/her retirement account, or the earnings on such contributions, until withdrawn by the participant upon retirement or separation from service. Plan participants are required to pay FICA, state, and local taxes on their contributions. Elective contributions are immediately vested (fully owned by the employee). The employee chooses the amount of salary to be deducted from each paycheck and contributed to his/her retirement account, based on individual retirement needs and goals, up to federally allowed maximums. The minimum salary reduction election is \$200 per Plan Year (calendar year).

Contributions may be invested in various annuities and mutual funds. Each Plan participant must decide how to invest his/her contributions, based on retirement needs and goals. TIAA-CREF (the administrative services provider and record keeper for the College's Retirement Plan) will provide guidance to participants, upon request, to help them develop an individualized retirement savings strategy. Representatives from TIAA-CREF visit campus several times per year to meet with interested participants; individuals may contact Human Resources, 291-3902, to schedule an appointment.

The form needed to initiate, or change, a salary reduction election is available in the Human Resources office, in the Human Resources public folder in eDisk, and through the Human Resources web site. To initiate or change an elective contribution, the appropriate form must be completed and submitted to Human Resources, CSQ, *prior* to the first calendar day of the month in which the elective contribution is to be effective.

The College's Contribution

On the January 1 or July 1 coinciding with, or following, completion of two Years of Service with Franklin & Marshall (as defined above), an employee is eligible for the College's Retirement Plan contribution, which is equivalent to 12% of the employee's actual base monthly salary (15% for faculty and professional staff appointed to a full-time position on or prior to July 1, 2006 *). Franklin & Marshall College contributions are always fully owned by the employee (fully vested); the employee, or beneficiary, receives the account upon retirement, termination of employment, total disability, or death.

Plan participants are responsible for determining how to invest the College's contribution made on their behalf. College contributions may be invested in various annuities and mutual funds administered by TIAA-CREF.

Human Resources will provide enrollment forms and informational materials when an employee becomes eligible for College contributions. Enrollment forms must be completed by the employee and returned to Human Resources before the employee's eligibility date. If forms are not completed, the College's contribution made on behalf of the employee will be invested 100% in the Russell Balanced Fund until the employee makes investment elections.

Elective contributions and the College's contributions made on behalf of eligible employees are submitted to TIAA-CREF following each pay period, and are credited to employees' accounts within a few business days after TIAA-CREF receives and reconciles files.

** A former full-time College employee who is rehired to a full-time position after July 1, 2006, will be immediately eligible for a College contribution equal to 15% of base salary if: (a) he/she is rehired and appointed to a full-time position within 5 calendar years of his/her prior termination date, **and** (b) he/she was previously receiving a 15% College contribution to the Retirement Plan. All other former employees will receive a College contribution to the Retirement Plan equal to 12% of base salary, if eligible for a contribution when rehired.*

Annual Contribution Limits

Calendar year elective (employee) contributions to the Retirement Plan, and the sum of elective contributions and the College's contribution made on an employee's behalf, may not exceed federally mandated maximums:

Elective Deferrals, IRC Section 402(g)-- The maximum elective contribution (salary reduction election) is \$16,500 for calendar year 2010.

Elective Plus College Contributions, IRC Section 415-- The calendar year 2010 contribution limit for employee elective deferrals and College contributions combined is \$49,000 or 100% of annual compensation.

"Catch-up" Contributions, IRC Section 414(v)-- Employees who will be at least age 50 by the end of a Plan Year (December 31) may make "catch-up" elective deferrals during the Plan Year in excess of the 402(g) and 415 limit. The year 2010 maximum "catch-up" contribution is \$5,500.

The calendar year contribution limit for employee elective deferrals, "catch-up" contributions, and College contributions combined is no more than 100% of an employee's annual compensation.

These limits apply to the sum of all contributions to the Retirement Plan. **Each participant who makes elective contributions to the Retirement Plan must assure he/she does not exceed his/her contribution limits during a calendar year.**

Investment Options

Annuities and several mutual fund options are available, from “conservative” funds to more “aggressive” funds, to allow each Retirement Plan participant to create a portfolio to meet his/her needs. Participants can find a brief summary of options at www.fandm.edu/x14593 and from the TIAA-CREF web site (www.tiaa-cref.org/fandm). Human Resources will provide investment election forms upon enrollment in the Retirement Plan, or employees may make their investment elections through www.tiaa-cref.org/fandm.

Both employee and College contributions may be designated to a single fund, or to more than one fund in multiples of one percent (1%).

Participants’ investments are not insured by the Federal Deposit Insurance Corporation, any other government agency, TIAA-CREF, or the College. When investing through the Retirement Plan, it is possible to lose money. Diversifying your investments – allocating contributions to the Retirement Plan across various fund classes – can help reduce the risk of investment losses.

Representatives from TIAA-CREF typically visit campus several times per year to meet, individually, with interested Retirement Plan participants. TIAA-CREF representatives will help participants create an appropriate retirement savings and investment strategy based on their needs and goals.

Faculty, professional staff, and retirees are strongly encouraged to read each fund's prospectus before investing. A current prospectus for each fund available through the College’s Retirement Plan may be downloaded from www.tiaa-cref.org/fandm.

Administrative Fees

There are no administrative fees deducted directly from employees’ or retirees’ accounts with TIAA-CREF. TIAA-CREF reflects expenses in participants’ return rates; expenses are deducted from the investment earnings of each of the various accounts. Retirement Plan participants do not pay fees such as sales charges or "loads". Additional information is available in each fund's prospectus, TIAA-CREF's annual report, and from the TIAA-CREF website.

Designation of New Investments

If an employee wishes to change the way his/her future contributions will be allocated among the various annuities and mutual funds available through the Retirement Plan, **the individual may call TIAA-CREF's Counseling Center at (800) 842-2776, the TIAA-CREF automated telephone service at (800) 842-2252, or visit the TIAA-CREF website (www.tiaa-cref.org/fandm).**

Transfers Among Investment Options

Plan participants may transfer existing account accumulations between the various annuities and funds offered through the College’s Plan. Certain transfer restrictions may

apply to some funds. **Transfers between Plan funds may be initiated by calling TIAA-CREF's Counseling Center at (800) 842-2776, the TIAA-CREF automated telephone service at (800) 842-2252, or through the TIAA-CREF website(www.tiaa-cref.org/fandm).**

Transfers or withdrawals from the TIAA Traditional Annuity (RA) take place over a 10 year period, in substantially equal annual installments (the 10 year requirement does not apply to the TIAA Group Supplemental Retirement Annuity). Each installment will include principal and interest, plus dividends as declared each year by TIAA. Currently, transfers among the CREF accounts, and from CREF to the TIAA Real Estate and Traditional Annuity, can be made at any time, as long as at least \$1,000, or the entire account balance, is transferred each time. Transfers out of the TIAA Real Estate Account are limited to one per calendar quarter. Other transfer restrictions may apply.

Distributions

College and elective contributions to the Retirement Plan are made on a tax-deferred basis, therefore, federal regulations and Plan restrictions limit withdrawal options. Generally, a distribution from the Plan may not be made unless one or more of the following occurs:

- the participant reaches age 59-1/2 (elective contributions may be withdrawn)
- the participant separates from service
- the participant changes from full-time to part-time status and is at least age 60
- the participant dies (a death benefit is paid to the beneficiary)
- employment terminates due to the total disability of the participant

Separation from Service

If an employee separates from service, he/she may choose to: 1) receive a distribution from the Plan, 2) rollover all or a portion of his/her retirement account into another qualified plan or IRA, or 3) maintain his/her current account balance with TIAA-CREF (new contributions to the Plan are not permitted following termination of employment).

If a participant receives a distribution from his/her retirement account prior to age 59-1/2, a 10% penalty tax on the taxable portion of the distribution may be due, in addition to normal federal income tax. This penalty tax may be avoided and all taxes deferred if the participant rolls over the taxable portion of the distribution into another plan or an IRA within 60 calendar days. Rollovers are subject to federal regulation. An individual who is at least age 55 upon separation from service may avoid the tax penalty on withdrawals. **TIAA-CREF may be contacted for rollover forms and additional information, or to request a "Special Tax Notice" regarding retirement plan distributions.**

Distributions Upon Retirement

Based on current IRS regulations, individuals who separate from service during or after the year in which they attain age 59-1/2 may withdraw funds from their retirement account without a tax penalty. Normal federal income tax is due when retirement income is received. It may be possible to withdraw funds prior to age 59-1/2 without a tax

penalty, if the individual is at least age 55 and if the distributions are part of a series of substantially equal periodic payments paid over the life of the plan participant or the joint lives of the plan participant and his/her beneficiary. To be eligible for the exemption, the payments must be paid no less frequently than annually, and must provide a series of substantially equal periodic payments.

There are several options for receiving retirement income, including lifetime variable annuities* which provide regular income for the participant's lifetime; joint and survivor variable annuities* which provide regular income for the participant's lifetime, and, following the participant's death, provide regular income during his/her beneficiary's lifetime; fixed-period annuities; rollover of funds to an IRA; systematic cash withdrawals; lump sum withdrawal; minimum distributions; or a combination of these options. Please note, money invested in the TIAA Traditional Annuity (RA) must be withdrawn over a 10 year period. **The forms and explanatory materials needed to make choices and initiate distributions are available directly from TIAA-CREF.**

** Lifetime and joint and survivor annuities are irrevocable. Monthly annuity income will vary from year to year based on the previous year's investment performance.*

For participants who are married at the time benefit payments commence, distribution will be in the form of a "Qualified Joint and Survivor Annuity", unless an optional form of payment is selected, with the spouse's written (and notarized) consent. A Qualified Joint and Survivor Annuity is a monthly annuity paid for the retiree's lifetime, with a lifetime annuity payable to his/her spouse, upon the retiree's death, equal to 50% of the annuity income amount paid during the retiree's lifetime. If a participant is not married on the date benefits are to begin, the participant will automatically receive a life annuity (regular payments for as long as the retiree lives), unless a different option is selected.

Participants may waive the Qualified Joint and Survivor Annuity or the life annuity and select a different retirement income option during the 90 day period before the annuity is to begin. **Employees planning to retire may contact TIAA-CREF for a "Joint and Survivor Annuity Notice", information, and applicable forms.**

Minimum Distributions-- At retirement, individuals may leave funds invested through the Retirement Plan. However, current regulations generally require that individuals begin receiving distributions from tax-sheltered retirement plans no later than the April 1st following the year in which the individual reaches age 70-1/2 or upon separation from employment, whichever occurs later. If the minimum distribution is not withdrawn, a significant tax penalty, in addition to normal federal tax, may be assessed. The required minimum distribution amount will vary by individual, and is based on factors such as age, life expectancy, and retirement account balance. TIAA-CREF will calculate the minimum distribution amount for any participant who is required to begin receiving minimum distributions. Any contributions and earnings credited to an account prior to 1987 need not be withdrawn until the end of the year in which the participant attains age 75.

Taxation Upon Distribution-- Elective contributions, College contributions, and all interest and investment earnings accumulate tax-free while in the Retirement Plan. When they are paid out, they are subject to federal income tax. Ordinarily, retirement income is taxable in the year it is received. As described above, tax penalties may be assessed for early distributions. Tax laws are complex and continually changing. Participants are

strongly encouraged to request a "Tax Notice" from TIAA-CREF prior to any rollovers or withdrawals. Participants are also advised to consult a tax specialist.

Distributions while Employed

Loans-- Employees participating in the Retirement Plan may take a loan from their retirement accounts – both employer and elective contributions - subject to certain restrictions. **A participant may have only one outstanding loan at a time.** Loans are repaid directly to TIAA-CREF on a monthly or quarterly basis. A participant taking out a loan may continue his/her voluntary pre-tax contributions while repaying the loan, and the College continues to make its contribution for eligible participants throughout the loan repayment period. The repayment period is generally 1 to 5 years, but may be longer if the loan is used to purchase a primary residence. Spousal consent is needed to take out a loan. If employment terminates before a loan is repaid in full, the outstanding loan balance must be paid in full or it will be considered a taxable distribution and a penalty may apply. **Participants should contact TIAA-CREF directly for current information, including interest rates, and a loan application - (800) 842-2733.**

Hardship Withdrawals-- Withdrawals of employee (elective) contributions may be permitted due to immediate financial hardship, subject to federal regulations. Generally, an employee may qualify for a Hardship Withdrawal if money is needed to purchase a primary residence, to pay for certain medical services, to prevent foreclosure or eviction from the primary residence, or to pay college tuition (see the Retirement Plan Summary Plan Description, available from these web pages and from the Human Resources office, for more information). Hardship Withdrawals are only permitted after any available loans are taken, and are only permitted from an employee's elective, not College, contributions. The amount which can be withdrawn is limited to that which is needed to relieve the immediate financial need. Hardship Withdrawals may be subject to a 10% penalty tax in addition to normal federal income tax. Pre-tax elective contributions to the Retirement Plan are suspended for 6 months following a Hardship Withdrawal. In addition, future elective contributions may be limited so that elective contributions made during the taxable year following the taxable year of receipt of the Hardship Withdrawal do not exceed the applicable contribution limits for the next taxable year, less the amount of elective contributions for the taxable year of receipt of the Hardship Withdrawal. **Participants may contact TIAA-CREF for detailed information about Hardship Withdrawals or to initiate a Hardship Withdrawal.** It is also recommended that a tax advisor be consulted due to the possible tax penalty.

Withdrawals During Employment-- The College's contributions made on an employee's behalf are meant to provide retirement income and are not available for withdrawal while employed full-time. Active employees age 59-1/2 or older may withdraw their *elective* contributions, without penalty.

Full-time employees who are at least age 60 and transfer to a part-time position, or who participate in the Phased Retirement Program or Pre-retirement Leave Program for faculty may begin receiving distributions from their retirement account (both College and elective contributions). **Forms required to withdraw money are available directly from TIAA-CREF.**

Rollovers-- Rollovers from the College's Retirement Plan to another plan or Individual Retirement Account (IRA) are not permitted while actively employed, unless an employee is at least 59-1/2 years of age.

The Franklin & Marshall Retirement Plan will accept rollovers, per IRS regulations, from another qualified plan or IRA. **To initiate a rollover into the Franklin & Marshall Retirement Plan, the participant should contact his/her prior employer or retirement account administrator and TIAA-CREF for the proper forms.**

Death Benefits

If a married Plan participant dies prior to the commencement of benefits, typically 50% of the value of his/her retirement account will be used to purchase a lifetime annuity for the spouse, called a "Qualified Pre-retirement Survivor Annuity" (QPSA), or other form of benefit elected by the spouse, and 50% will be paid to the participant's designated beneficiary(ies). If a participant is married and age 35 or over, he/she may waive the Pre-retirement Survivor Annuity coverage and name a beneficiary(ies) other than the spouse, provided the spouse consents in writing.

Upon an employee or retiree's death, his/her beneficiary becomes the account holder and has all options for receiving retirement income available under the Plan.

Retirement Plan Education

To help reach your retirement savings goals, it is important to carefully consider your level of savings and your investment options. Employees have the opportunity to, and are responsible for, directing their investments. To assist with retirement planning, TIAA-CREF maintains a wide range of information. Participants may contact TIAA-CREF at (800) 842-2776 or visit the TIAA-CREF website (www.tiaa-cref.org/fandm) for information.

Representatives from TIAA-CREF generally visit campus several times per year to give employees and retirees the opportunity to discuss, one-to-one with a representative, their retirement needs. TIAA-CREF representatives can help Retirement Plan participants develop an individualized savings strategy. Participants may call Human Resources, 291-3902, to schedule an appointment.