ANNUAL NOTICE
FOR THE
NORTHWESTERN UNIVERSITY
RETIREMENT PLAN AND VOLUNTARY SAVINGS PLAN

You are receiving this Notice because you are an active participant in the Northwestern University Retirement Plan (the “Retirement Plan”) and the Northwestern University Voluntary Savings Plan (“Voluntary Savings Plan”), together, the “Plans.” Please read the Notice because it contains important information regarding the Plans including:

- The amount contributed to the Retirement Plan by the University;
- The amount you need to contribute to the Retirement Plan in order to receive the maximum University contribution under the Retirement Plan;
- How to make or change the amount of your employee contributions to the Retirement Plan and/or Voluntary Savings Plan;
- When your University contributions and employee contributions are vested (that is, cannot be forfeited for any reason);
- How your University contributions and employee contributions are invested and how you can change your investment elections;
- When you can take distributions from the Plans.

UNIVERSITY CONTRIBUTIONS

The University makes Northwestern Automatic Retirement Contributions and Northwestern Match Retirement Contributions to the Retirement Plan. The University does not make any contributions to the Voluntary Savings Plan. The Voluntary Savings Plan is funded solely by Employee Supplemental Retirement Contributions as described below in the Employee Contributions Section.

Frequently Asked Questions:

Q-1: When am I eligible to receive Northwestern Automatic Retirement Contributions and Northwestern Match Retirement Contributions under the Retirement Plan?

If you are an “Eligible Employee” and at least 24 years old, you are eligible to receive Northwestern Automatic Retirement Contributions and Northwestern Match Retirement Contributions once you complete a year of continuous service or, upon hire, if you have been granted a Service Waiver by the Benefits Division Office.

Q-2: Who are Eligible Employees under the Retirement Plan?

Generally, you are an Eligible Employee if you are (1) a faculty member who holds a full-time appointment at the University for at least half of the full academic year or an appointment of at least half-time for the entire academic year, (2) a regular status staff member who is paid by the University on a monthly basis and scheduled to work at .5 FTE (Full-Time Equivalent) or greater, (3) a regular status staff member who is paid by the University on a bi-weekly basis and normally scheduled to work at least 18.75 hours per week, or (4) your terms of employment with the University are subject to
a collective bargaining agreement that expressly provides that you are eligible to participate in the Retirement Plan.

**Q-3:** How much is the Northwestern Automatic Retirement Contributions?

Once you satisfy the eligibility requirements for the Retirement Plan (See Q-1 above), you will automatically start to receive Northwestern Automatic Retirement Contributions equal to five percent (5%) of your “Eligible Earnings” for each pay period during which you are an Eligible Employee. You are always fully vested in Northwestern Automatic Retirement Contributions and any earnings thereon.

**Q-4:** What are Eligible Earnings?

Generally, Eligible Earnings means your base salary. Accordingly, Eligible Earnings does not include among things, (1) reimbursements or other expense allowances, (2) fringe benefits (cash and noncash), (3) welfare benefits (including short-term disability payments or severance pay). The IRS limits the amount of Eligible Earnings that can be taken into account under the Retirement Plan. For 2016, the compensation limit is $265,000.

**Q-5:** Do I automatically receive Northwestern Match Retirement Contributions once I satisfy the eligibility requirements for the Retirement Plan?

No. In order to receive Northwestern Match Retirement Contributions under the Retirement Plan, you must elect to make Employee Matched Retirement Contributions in the manner described below in the Employee Contributions Section.

**Q-6:** How much is the Northwestern Match Retirement Contributions?

If you make an Employee Matched Retirement Contribution for a pay period, the University will match one dollar for each dollar you contribute, up to 5% of your Eligible Earnings. So, to maximize your Northwestern Match Retirement Contributions for a pay period, you must make an Employee Matched Retirement Contribution equal to 5% of your Eligible Earnings for that pay period. You are always fully vested in Northwestern Match Retirement Contributions and any earnings thereon. Northwestern Match Retirement Contributions are intended to be safe harbor matching contributions as described in Section 401(m)(11) of the Internal Revenue Code.

**Q-7:** If I do not make an Employee Matched Retirement Contribution for one or more pay periods, do I lose out on the Northwestern Match Retirement Contributions for those pay periods?

No. The University will “true up” your Northwestern Match Retirement Contributions at the end of each calendar year to make sure you receive the maximum amount of Northwestern Match Retirement Contributions. Under the true-up feature, you will receive additional Northwestern Match Retirement Contributions if the aggregate amount of Northwestern Match Retirement Contributions you received on a pay period basis is less than the amount of Northwestern Match Retirement Contributions you would have received had the match contribution formula been applied on a calendar year basis. For example, if on a calendar year basis, your Employee Matched Retirement Contribution are equal to 5% of your Eligible Earnings, you will receive additional Northwestern Match Retirement Contributions if, at the end of the calendar year, your Northwestern Match Retirement Contributions for the calendar year is less than 5% of your Eligible Earnings. Alternatively, if your Employee Matched Retirement
Contributions are only equal to 3% of Eligible Earnings, you will receive additional Northwestern Match Retirement Contributions if your Northwestern Match Retirement Contributions for the calendar year is less than 3% of your Eligible Earnings. Northwestern Match Retirement Contributions made under the true-up feature are deposited as soon as administratively feasible following the end of each calendar year but in no event later than March 31st.

EMployee Contributions

Employees can make Employee Matched Retirement Contributions to the Retirement Plan and Employee Supplemental Retirement Contributions to the Voluntary Savings Plan (together, “Employee Retirement Contributions”). You are always fully vested in your Employee Retirement Contributions and any earnings thereon.

Frequently Asked Questions:

Q-1: When am I eligible to make Employee Matched Retirement Contributions to the Retirement Plan?

Once you are eligible to receive Northwestern Match Retirement Contributions as described above in Q-1 in the University Contributions Section above, you are eligible to make Employee Matched Retirement Contributions. An Employee Matched Retirement Contribution must be at least one percent (1%) of your Eligible Earnings and cannot exceed five percent (5%) of your Eligible Earnings for a pay period and they can only be made for pay periods while you are an Eligible Employee.

Q-2: When am I eligible to make Employee Supplemental Retirement Contributions to the Voluntary Savings Plan?

You are eligible to make Employee Supplemental Retirement Contributions at any time on or after your date of hire. Once you are eligible to make Employee Matched Retirement Contributions, any employee contributions in excess of 5% of Eligible Earnings are treated as Employee Supplemental Retirement Contributions that are made under the Voluntary Savings Plan. Employee Supplemental Retirement Contributions are not matched by the University.

Q-3: How do I make Employee Retirement Contributions?

You must complete a Salary Reduction Agreement online through the University’s FASIS Self Service at https://nupa.northwestern.edu. If you cannot complete your Salary Reduction Agreement online, visit the Benefits Division Office to obtain assistance.

If you elect to make Employee Matched Retirement Contributions, you must elect the amount you want to contribute on a pay period basis by entering a whole percentage between 1% and 5% of your Eligible Earning in your Salary Reduction Agreement. If you elect to make Employee Matched Retirement Contributions of at least 5% of your Eligible Earning, you may also elect the amount, if any, you want to contribute as Employee Supplemental Retirement Contributions to the Voluntary Savings Plan by entering a whole percentage of your Eligible Earnings or a flat dollar amount.
**Q-4:** If I am making Employee Supplemental Retirement Contributions to the Voluntary Savings Plan at the time I first become eligible to make Employee Matched Retirement Contributions, do I have to file a new Salary Reduction Agreement?

No. The Benefits Division will automatically recharacterize your Employee Supplemental Retirement Contributions that do not exceed 5% of your Eligible Earnings as Employee Matched Retirement Contributions at the time you become eligible to make Employee Matched Retirement Contributions. However, if you are contributing less than 5% of your Eligible Earnings as Employee Supplemental Retirement Contributions at that time, you must make a new Salary Reduction Agreement to increase your Employee Matched Retirement Contributions up to 5% or to make additional Employee Supplemental Retirement Contributions under the Voluntary Savings Plan. See Q-5 below.

**Q-5:** Can I change or terminate my Salary Reduction Agreement during the calendar year?

Yes. You can change or terminate your Salary Reduction Agreement at any time during the calendar year by completing a new Salary Reduction Agreement online through the University’s FASIS Self Service at [https://nupa.www.northwestern.edu](https://nupa.www.northwestern.edu). If you cannot complete a new Salary Reduction Agreement online, visit the Benefits Division Office for assistance. A change to your Salary Reduction Agreement will become effective as of the next pay date following the date you submit an online Salary Reduction Agreement or as soon as administratively feasible thereafter. Keep in mind that if you decrease your Employee Matched Retirement Contributions, your Northwestern Match Retirement Contributions will also decrease. For example, if you change your Employee Matched Retirement Contribution percentage from 5% to 2%, then the University will decrease the Northwestern Match Retirement Contribution percentage from 5% to 2%.

**Q-6:** Does the IRS set dollar limits on Employee Retirement Contributions?

Yes. Your Employee Supplemental Retirement Contributions when added to your Employee Matched Retirement Contributions cannot exceed $18,000 for 2016. If you will attain age 50 by the end of 2016, the dollar limit is increased to $24,000. Also, if you make elective before-tax or Roth contributions to a retirement plan not maintained by the University, those amounts count toward the annual dollar limit.

**Q-7:** Does the IRS set a dollar limit on all plan contributions made to University retirement plans?

Yes. All University contributions and all employee contributions made to any University retirement plans may not in aggregate exceed $53,000 for 2016. Age 50+ catch-up amounts described above do not count toward this overall plan limit.

**DISTRIBUTION RULES**

There are restrictions on when you may withdraw your Plan Contributions from the Plans. These restrictions may be important to you in deciding how much, if any, to contribute to Plans. You may only withdraw your Employee Retirement Contributions after you terminate University employment, attain age 59½, or incur a hardship or total and permanent disability. Generally, you may only withdraw your Northwestern Automatic Retirement Contributions and Northwestern Match Retirement Contributions from the Retirement Plan after you terminate University employment or, if you are age 59½, upon entry into Phased Retirement. Distributions are taxable in the year received unless you are eligible to elect a direct rollover. If you are under age 59½, a 10% penalty may apply.
You can learn more about the Plans’ distribution rules by contacting your Investment Companies. To learn more about taxation and the additional 10% penalty tax, you can refer to IRS Publication 575, Pension and Annuity Income.

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If you have any questions about the Plans or this Notice, please contact the Benefits Division, Office of Human Resources at (847) 491-7513 or benefits@northwestern.edu.