Important Information Regarding Your Retirement Savings

BALL STATE UNIVERSITY

2012 PLAN HIGHLIGHTS

WHAT IS A 403(b) PLAN?

A 403(b) plan is a tax-deferred retirement plan for employees of certain tax-exempt, governmental organizations or public education institutions. An employer may sponsor a 403(b) plan to provide a benefit to its employees to save for retirement on a tax-deferred basis. Contributing to a 403(b) plan may help to give you peace of mind through financial security during your retirement. Participation in the 403(b) plan sponsored by the University is completely voluntary. You may contribute a portion of your pay to the 403(b) plan as a pretax contribution or an after-tax (Roth) contribution in order to save toward your retirement. If you are already contributing to the 403(b) plan, now may be the perfect time to think about increasing your contributions.

WHO IS ELIGIBLE TO CONTRIBUTE TO A 403(b) PLAN?

All University employees are eligible to participate in the University's 403(b) plan except students performing services that are exempt from FICA and non-resident aliens (NRAs) who receive no earned income from the University which constitutes U.S. source income.

WHAT ARE THE BENEFITS OF CONTRIBUTING TO A 403(b) PLAN?

LOWER YOUR TAXES

You may make pre-tax contributions to the 403(b) plan. This means that you are taxed on a lower amount of income. For example, if your federal marginal income tax rate is 25%, and if you contribute \$100 a month to the 403 (b) plan, you have reduced your federal income taxes by nearly \$25. In effect, your \$100 contribution costs you only \$75. You will realize similar tax savings based on your state income tax rate. The tax savings can grow with the size of your contributions to the plan.

TAX-DERERRED GROWTH

Interest and earnings on your contributions to the 403(b) plan grow tax-free until you withdraw them from the plan. The compounding interest on your contributions to the 403(b) plan can allow your account to grow more quickly than saving money in a savings account where interest and earnings are generally taxed each year.

TAKING THE INITIATIVE

Contributing to the 403(b) plan can help you take control of your future retirement needs. Other sources of retirement income, including state pension plans and, if applicable, Social Security, often do not adequately replace a person's salary upon retirement. The 403(b) plan can be a great way to provide you with additional income at retirement.

POSSIBLE TAX CREDITS

If you contribute to the 403(b) plan, you may be able to receive a tax credit, which could reduce your overall federal income tax paid for the year. Please contact your tax advisor to learn more.

ROTH 403(b) OPTION

You may also choose to contribute a portion of your pay to the 403(b) plan on an after-tax (Roth) basis. If you wait at least five years before taking a distribution of your after-tax (Roth) account and meet certain other requirements, you can request a distribution of your entire account tax-free.

HOW MUCH CAN YOU CONTRIB-UTE TO A 403(b) PLAN?

You may elect to contribute up to \$17,000 of your pay to the 403(b) plan in 2012 (this limit increases to \$17,500 in 2013).

If you are age 50 or older, or will attain age 50 by the end of the calendar year, you may also elect to contribute up to an additional \$5,500 of your pay to the 403(b) plan in 2012 (this limit remains the same in 2013).

HOW TO ENROLL IN THE PLAN

You must first select an investment provider with which to invest your contributions. Once you have opened an account with an investment provider, you should submit a Tax Deferred Annuity (TDA) Agreement to the Office of Payroll & Employee Benefits indicating the percentage of pay you would like to contribute to the 403(b) plan. A list of approved investment providers under the 403(b) plan and a TDA Agreement for making your elections can be found on the Pay-

roll & Employee Benefits website at www.bsu.edu/benefits by clicking Benefits>>Saving for Retirement.

INVESTMENT CHOICES

You can contact the approved investment providers under the 403(b) plan for a comprehensive listing of the investment options offered by each investment provider.

DISTRIBUTIONS FROM THE PLAN

You or your beneficiary can take a distribution from the 403(b) plan at the earlier of:

- I. Retirement
- 2. Total disability
- 3. Death of participant
- 4. Termination of employment
- 5. Attainment of age 59 ½

Your investment provider will provide you with the distribution paperwork.

LOANS

Loans are limited to one at a time from all investment providers combined. You may borrow up to ½ of your balance up to a maximum of \$50,000. Contact your investment provider for more information.

GENERAL PLAN INFORMATION

To obtain additional information about the 403(b) plan, please contact the Office of Payroll & Employee Benefits at 765-285-8461 or peb@bsu.edu.

Plan Name:

Ball State University Tax Deferred Annuity Plan

Plan Administrator:

Ball State University