SUBJECT: RETIREMENT PLAN

The President or his designee is authorized to design a new retirement plan for university employees and to implement it through the employee relations process.¹

The terms of the optional retirement plan adopted October 1968, as amended, are replaced by the plan titled *Central Michigan University 403(b) Optional Retirement Plan* dated February 14, 1997.

The Board of Trustees ratifies the implementation by the president.

The President or his designee is authorized to modify the optional retirement plan as appropriate.²

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**Authority:** ¹BTM 2-16-96 at 3201; ²BTM 4-24/25-97 at 3355/56.

**History:**  BTM 10-16-68 at 11-15; BTM 8-20-71 at 226; BTM 3-5-82 at 1714; BTM 5-6-94 at 2961-63.
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

CENTRAL MICHIGAN UNIVERSITY
403(b) OPTIONAL RETIREMENT PLAN

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I. Introduction

1.1 Name and Type of Plan. The name of the retirement plan set forth in this document is the "Central Michigan University 403(b) Optional Retirement Plan." It is sometimes referred to as the "Plan." The Plan is intended to purchase annuities described in Internal Revenue Code section 403(b) or contribute to mutual fund custodial accounts described in Internal Revenue Code section 403(b)(7) on behalf of Participants. The Plan is intended both (i) to meet the requirements of the Internal Revenue Code with respect to such annuities and custodial accounts and (ii) to constitute an "optional retirement program" (as provided for in Mich. Comp. Laws §§ 38.381 to 38.387) with respect to certain eligible employees, and will be construed and administered consistent with that intent. The Plan has been established by Central Michigan University (the "University") so that eligible employees, who are not members of the Michigan Public School Employees' Retirement System ("MPSERS") (provided for in Mich. Comp. Laws §§ 38.201 to 38.234), may have a source of retirement income as a result of their service with Central Michigan University.

1.2 Effective Date. The "Effective Date" of the Plan, the date the Plan is established, is March 28, 1996.

II. Plan Participation

2.1 Eligible Employees Hired prior to January 1, 1996. Any full-time eligible teaching or administrative personnel, or NABET salaried employee of the University who was hired by the University prior to January 1, 1996 and who elected to participate in the optional retirement program in accordance with Mich. Comp. Laws § 38.385, or any other employee of the University hired prior to January 1, 1996 who transfers, promotes, or is reclassified to such a position on or after January 1, 1996 and who makes such an irrevocable election to participate in the optional retirement program, shall be an Eligible Employee under this Plan and is also referred to in this Plan as an "ORP Participant." Once the irrevocable election has been made the employee will be part of the Optional Retirement Plan as long as there is no break in service regardless if the employee becomes part-time or hourly.

2.2 Eligible Employees Hired on or after January 1, 1996. An employee of the University who was hired or rehired by the University on or after January 1, 1996 is an "Eligible Employee" in accordance with the following rules:

(a) The employee is an Eligible Employee if the employee is classified by the University as

(1) a regular or provisional employee with a full-time or 50 percent or more part-time appointment;
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

(2) an off-campus temporary faculty employee on an annual contract;

(3) an on-campus temporary faculty employee with a full-time appointment, or

(4) an on-campus temporary faculty employee with a 50 percent or more part-time appointment after completing two consecutive semesters (Fall/Spring or Spring/Fall).

Any Eligible Employee whose collective appointments drop below 50 percent shall cease to be an Eligible Employee for such period as the appointments are less than 50 percent. Any former Eligible Employee, who is a temporary faculty employee, who has more than a two semester (Fall/Spring or Spring/Fall) break between contracts shall not again become an Eligible Employee until after completing two more consecutive semesters (Fall/Spring or Spring/Fall).

(b) Eligible Employees do not include employees classified by the University as temporary or relief employees (other than those described in (a) above), retirees of the University, off-campus temporary faculty employees (other than those described in (a) above), graduate assistants, student employees, or student employees working as staff.

(c) Eligibility of employees in a collective bargaining unit to participate in the Plan is subject to negotiations with the representative of that unit. During any period that an employee is covered by the provisions of a collective bargaining agreement between the University and such representative, the employee shall not be considered an Eligible Employee for purposes of this Plan unless such agreement expressly so provides. For purposes of this section only, such an agreement shall be deemed to continue after its formal expiration during collective bargaining negotiations pending the execution of a new agreement.

(d) Full-time teaching or administrative personnel hired after January 1, 1996 with prior service with MPSERS at any of the following seven universities: Central Michigan University, Eastern Michigan University, Ferris State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, or Western Michigan University, who made a one time irrevocable choice for the optional retirement plan would be an Eligible Employee.

2.3 Commencement of Participation. An employee of the University who is classified by the University as a salaried employee or a NABET hourly employee becomes a Participant in the Plan for purposes of eligibility for University contributions on the earliest date (on or after the Effective Date of the Plan) on which the employee is also an Eligible Employee. An employee of the University who is classified by the University as an hourly employee becomes a Participant in the Plan for purposes of eligibility for University contributions on the earliest date (on or after the Effective Date of the Plan) on which the employee is an Eligible Employee who has completed at least one year of continuous service for the University.
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

2.4 Duration of Participation. A Participant shall continue to be a Participant in this Plan until the individual is no longer an Eligible Employee; provided, however, that a former Participant shall be entitled to the benefits accrued during the period of participation until those benefits are distributed in accordance with Article V. Participation in the Plan does not constitute a guarantee or contract of employment with the University. Such participation shall in no way interfere with any rights the University would have in the absence of such participation to determine the duration of an employee's employment.

III. Contributions

3.1 University Contributions. On a payroll period basis, the University shall make a contribution on behalf of each Participant to the applicable Investment Provider in an amount determined as follows:

(a) For each Participant hired prior to 1/1/96 who was classified by the University as a full-time administrative employee and elected or was placed in the optional retirement plan, the University contribution shall be equal to twelve percent (12%) of that Participant's Recognized Compensation (see definition in 3.2 below) for the payroll period.

(b) For each Participant hired prior to 9/1/96 who was classified by the University as a Regular Faculty member and elected or was placed in the optional retirement plan, the University contribution shall be equal to twelve percent (12%) of that Participant's Recognized Compensation for the payroll period.

(c) For each Participant hired after 9/1/96 who was classified by the University as a Regular Faculty member and elected or was placed in the optional retirement plan, the University contribution shall be equal to ten percent (10%) of that Participant's Recognized Compensation for the payroll period.

(d) For each Participant hired prior to 9/1/96 who was classified by the University as a Temporary Faculty member and elected the optional retirement plan, the University contribution shall be equal to twelve percent (12%) of that Participants Participant's Recognized Compensation for the payroll period until there is a semester gap in service. If a semester gap in service occurs, the University contribution shall be ten percent (10%) of that Participant's Recognized Compensation for the payroll period if the employees remains an eligible employee.

(e) For each Participant hired after 1/1/96 who is classified by the University as a salaried employee, except for NABET salaried employees, the University contribution shall be equal to ten percent (10%) of that Participant's Recognized Compensation for the payroll period. A NABET salaried employee hired after 1/1/96 and prior to 7/1/99 will receive a University contribution equal to twelve percent (12%) of that Participant’s Recognized
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

Compensation for the payroll period. A NABET salaried employee hired on or after 7/1/99 will receive a University contribution equal to ten percent (10%) of that Participant’s Recognized Compensation for the payroll period.

(f) For each Participant hired after 1/1/96 who is classified by the University as a half-time or greater hourly nonunion employee, the University contribution shall be equal to four percent (4%) of that Participant's Recognized Compensation for the payroll period subject to fulfilling a one year waiting period.

(g) For each Participant hired after 1/1/96 who is classified by the University as an hourly union employee, the University contribution is contingent on collective bargaining negotiations.

Clerical, Supervisory Technical and Service Maintenance hourly employees hired after 1/1/96 who are eligible for the ORP, and who have an assignment half-time or greater, will receive a University contribution equal to four percent (4%) of that Participant’s Recognized Compensation for the payroll period subject to fulfilling a one year waiting period.

A NABET hourly employee hired after 1/1/96 and prior to 7/1/99 who is eligible for the ORP, and who has an assignment half-time or greater, will receive a University contribution equal to twelve percent (12%) of that Participant’s Recognized Compensation for the payroll period. A NABET hourly employee hired on or after 7/1/99 who is eligible for the ORP, and who has an assignment half-time or greater, will receive a University contribution equal to four percent (4%) of that Participant’s Recognized Compensation for the payroll period subject to fulfilling a one year waiting period.

The following contribution schedule reflects POAM employees who are eligible for the ORP, and who have an assignment of half-time or greater: five percent (5%) contribution 1/1/96 – 6/30/99, seven percent (7%) contribution 7/1/99 - 6/30/00, nine percent (9%) contribution 7/1/00 – 6/30/01, ten percent (10%) contribution 7/1/01 – 6/30/02. The University contributions for the POAM employees are based on the Participant’s Recognized Compensation for the payroll period subject to fulfilling a one year waiting period.

Each Participant shall be fully and immediately vested in such contributions on behalf of the Participant.

3.2 Recognized Compensation. "Recognized Compensation" of a Participant from the University for any year means the amount determined by the University to be the total earnings paid to the Participant during such year for service as an Eligible Employee, subject to the following:
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

(a) Recognized Compensation includes any contributions made by salary reduction to any other plan which meets the requirements of Internal Revenue Code sections 125 or 403(b), whether or not such contributions are actually excludable from the Participant's gross income for federal income tax purposes.

(b) Except as noted in (c), Recognized Compensation does not include any compensation paid to the Participant that is classified by the University as retirement incentives, excellence awards, retirement service awards, payback, leave payoff at retirement or termination, longevity pay, supplemental pay, special assignment pay, pay for on-campus employees teaching CEL courses, subsistence pay, severance pay, payments in lieu of notice, contributions for insurance or other employee benefit or fringe benefit plans.

(c) Employees hired before 1/1/96 in the optional retirement plan with no break in service and all regular faculty in the optional retirement plan shall receive a retirement contribution for supplemental pay, special assignment pay, and pay for teaching CEL courses.

(d) Recognized Compensation of a Participant for any calendar year shall not exceed $150,000, adjusted for each year to take into account any cost of living increase provided for that year in accordance with regulations prescribed by the Secretary of the Treasury under Internal Revenue Code section 401(a)(17). Notwithstanding the foregoing, the limitations of this subsection shall not apply to any Participant who was an ORP Participant prior to January 1, 1996.

3.3 Limitations on Contributions. In no event shall the amount of the University's contribution for any Participant under this Plan for any year exceed the lesser of:

(a) The maximum exclusion allowance (as defined in Internal Revenue Code section 403(b)(2)) with respect to the Participant for said year, except when made inapplicable pursuant an election under Internal Revenue Code section 415(c)(4)(C).

(b) The maximum allocation permitted with respect to the Participant under Internal Revenue Code section 415, after taking into account any special elections made by the Participant under Internal Revenue Code section 415(c)(4).

3.4 Rollover Contributions. With the consent of the University and the applicable Investment Provider, an Eligible Employee may request that an annuity contract or custodial account under this Plan accept a transfer of an amount that constitutes a Rollover Contribution. Such consent shall be granted only if it is certain that the amount to be transferred will constitute a proper Rollover Contribution. For purposes of this section, a “Rollover Contribution” means a contribution of an amount which may be rolled over to an annuity contract or custodial account pursuant to Code section 403(b)(8), 408(d)(3)(A)(iii), or any other provision of the Code which may permit rollovers to an annuity contract described in Code section 403(b) or to an custodial account described in Code
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

section 403(b)(7) from time to time. The employee shall be treated the same as a Participant under this Plan from the time of the transfer of the Rollover Contribution, but shall not actually be a Participant and shall not be eligible to receive an allocation of employer contributions until he or she has satisfied the requirements of section 2.3 above.

IV. Investments & Investment Providers

4.1 Annuity Contracts or Mutual Funds Available Under Plan. Investments under the Plan shall be limited to such classes of annuity contracts or regulated investment company stock ("mutual funds") as shall be designated for such purpose by the University from time to time in the sole discretion of the University. The University may, in its sole discretion, add additional annuity contracts or mutual fund options or delete existing options (with respect to future contributions) at any time.

4.2 Participant Directed Investments. Each Participant shall direct the investment of contributions made on his or her behalf under this Plan, and the earnings thereon, subject to the following:

(a) The investment options available to the Participant shall be those classes of annuity contracts or mutual funds designated by the University pursuant to section 4.1. All investment directions shall be filed with the University, or with such agent or agents as may be designated from time to time by the University for this purpose, in the manner prescribed by the University or applicable Investment Provider. Each investment direction shall remain in effect until a new investment direction is filed by the Participant. An initial investment direction shall be filed when an Eligible Employee first becomes a Participant. Thereafter, a Participant may change the investment of the existing balances (including transfers between available Investment Providers within the Plan) and future contributions in accordance with such rules as may be established by the University and the applicable Investment Provider.

(b) All investment directions by a Participant shall be complete as to the terms of the investment transaction. An investment direction shall provide for both the investment of existing balances under any annuity contracts or custodial accounts and the investment of future contributions on behalf of the Participant. No Investment Provider shall have any obligation whatsoever to select annuity contracts or mutual funds on behalf of a Participant, its sole duty being to follow, within a reasonable period of time, all proper directions of the Participant which are made in accordance with the Plan. If a Participant fails to provide directions as to the investment of any contributions required to be made under the Plan, the University may, in its sole discretion, designate an investment vehicle to be used to hold such funds.

(c) Following the death of the Participant, each of his or her Beneficiaries shall have the right to direct the investment of the portion of the Participant's annuity contract or
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

custodial account held on behalf of the Beneficiary, subject to the same terms and conditions as
applied to the Participant prior to death.

(d) All investment directions shall be in accordance with such rules and regulations as the
University or the Investment Provider may establish from time to time for this purpose.

4.3 Designation of Investment Provider. The contributions made on behalf of each
Participant, and the earnings and accumulations thereon, may be held and invested as one fund or
may be divided into any number of parts for investment purposes and shall be held and invested by
one or more insurance companies or one or more custodians. The insurance company or custodian
so acting with respect to any part of such plan contributions is referred to herein as the "Investment
Provider" with respect to such part. The selection and appointment of each Investment Provider
shall be made by the University. The University shall have the right to determine the form and
substance of each annuity contract or custodial account agreement under which any part of the
contributions under the Plan are held, subject only to the requirement that they are not inconsistent
with the provisions of the Plan. The University shall have the right at any time to remove an
Investment Provider and if appropriate appoint a successor with respect to future contributions under
the Plan, subject only to the terms of any annuity contract or custodial account agreement.

4.4 No Diversion. The annuity contracts and custodial accounts shall be for the exclusive
purpose of providing benefits to Participants under the Plan and their beneficiaries and defraying
reasonable expenses of administering the Plan. No part of the annuity contracts or custodial account
may be used for, or diverted to, purposes other than for the exclusive benefit of employees of the
University or their beneficiaries. Notwithstanding the foregoing, if any contribution or portion
thereof is made by the University by a mistake of fact, the applicable Investment Provider shall,
on written request of the University within one year after the payment of the contribution to the
Investment Provider, return such contribution or portion thereof to the University as soon as
possible.

V. Distributions

5.1 Distributions After Termination of Employment. Following a Participant's termination
of employment with the University (for any reason other than death), the Participant shall be entitled
to distributions from his or her annuity contract or custodial account. The distribution shall be paid
at the time and in the manner determined under section 5.4.

5.2 Distributions to Beneficiary After Death. If a Participant's termination of employment
is the result of death, his or her Beneficiary shall be entitled to distributions from the Participant's
annuity contract or custodial account. The distribution shall be paid at the time and in the manner
determined under section 5.4. A Participant's "Beneficiary" shall be determined in accordance with
the provisions of the applicable annuity contract or custodial account agreement. Any designation
or revocation of a prior designation of Beneficiary by a Participant shall be in writing on a form
acceptable to the applicable Investment Provider and shall be filed with the Investment Provider.
If there is not on file with the Investment Provider an effective designation of Beneficiary by a
deceased Participant, and if the applicable annuity contract or custodial account agreement does not provide otherwise, then the Participant's Beneficiary shall be the Participant's personal representative (executor or administrator).

5.3 Withdrawals Before Termination of Employment. A Participant may request a cash withdrawal from his or her annuity contract or custodial account, to the extent permitted under the terms of the applicable annuity contract or custodial account agreement, at any time prior to the Participant's termination of employment with the University if the Participant either (i) has reached age 59½ or (ii) is totally and permanently disabled, as determined by the Social Security Administration.

5.4 Time and Method of Payment. Distributions to which a Participant or Beneficiary become entitled pursuant to sections 5.1 or 5.2 with respect to a particular annuity contract or custodial account shall be distributed to that individual at such time as he or she elects and according to the method that he or she elects in accordance with the terms of the applicable annuity contract or custodial account agreement, subject to the following rules:

(a) Distributions may be made by one or more of the following methods that may be permitted under the applicable annuity contract or custodial account agreement, as the Participant or Beneficiary may select:

(1) Payment in a single sum.

(2) Payment in a series of annual, systematic or periodic withdrawals.

(3) Payments under an annuity contract (which by its terms cannot be transferred by the Participant or Beneficiary to provide payments to anyone else) providing for substantially non-increasing payments.

(b) Distributions under this Plan shall be made in accordance with the requirements of Internal Revenue Code sections 403(b)(10) and 401(a)(9), including the incidental death benefit requirements of Code section 401(a)(9)(G) and the regulations thereunder. No distribution option otherwise permitted under this Plan, an annuity contract, or a custodial account will be available to a Participant or Beneficiary if such distribution option does not meet the requirements of Internal Revenue Code sections 403(b)(10) and 401(a)(9), including subparagraph (G) thereof. Pursuant to these requirements, distributions must commence by the required beginning date as follows:

(1) A Participant's entire benefit must be distributed, or installments or life annuity payments must commence, by April 1 of the calendar year following the calendar year in which the Participant reaches age 70½ or actual separation from service date if later, unless the Participant's death occurs before that date. Installments during the life of the Participant shall be paid no less rapidly than by reference to
one of the following periods: (i) a period-certain not longer than the life expectancy of the Participant, or (ii) a period-certain not longer than the joint life and last survivor expectancy of the Participant and the designated Beneficiary. Notwithstanding the foregoing, if the designated Beneficiary is not the Participant's spouse, installments during the life of the Participant shall be limited to the maximum period permitted under Proposed Treasury Regulation §1.401(a)(9)-2.

(2) If the Participant dies before April 1 of the calendar year following the calendar year in which the Participant would have reached age 70½, the Participant's total annuity contracts and custodial accounts shall be distributed to the Participant's Beneficiary not later than December 31 of the year containing the fifth anniversary of the Participant's death, subject to the following:

(i) Distributions to a designated Beneficiary may extend beyond five years from the death of the Participant if they are in the form of installment payments over a period-certain not exceeding the Beneficiary's life expectancy, provided such payments begin not later than December 31 of the year following the year in which the Participant's death occurred.

(ii) If the designated Beneficiary under paragraph (i) is the surviving spouse of the Participant, payments pursuant to paragraph (i) may commence at any time on or before the later of (I) December 31 of the year in which the Participant would have reached age 70½, or (II) December 31 of the year following the year in which the Participant's death occurred.

If a surviving spouse who is entitled to benefits under this subsection dies before distributions to the surviving spouse begin, this subsection (other than paragraph (ii)) shall be applied as if the surviving spouse were the Participant, with the date of death of the surviving spouse being substituted for the date of death of the Participant.

(c) A distributee may elect, at the time and in the manner prescribed by the Investment Provider, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. For purposes of this subsection:

(1) An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; and any distribution to the extent such distribution is required under Internal Revenue Code section 403(b)(10).
SUBJECT: OPTIONAL RETIREMENT PLAN (continued)

(2) An "eligible retirement plan" is an individual retirement account described in Internal Revenue Code section 408(a), an individual retirement annuity described in Internal Revenue Code section 408(b), an annuity described in Internal Revenue Code section 403(b), or a custodial account described in Internal Revenue Code section 403(b)(7), that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(3) A "distributee" includes a Participant or former Participant. In addition, the Participant's or former Participant's surviving spouse and the Participant's or former Participant's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Internal Revenue Code section 414(p), are distributees with regard to the interest of the spouse or former spouse.

(4) A "direct rollover" is a payment from the applicable annuity contract or custodial account to the eligible retirement plan specified by the distributee.

5.5 Source of Benefits. All benefits to which persons become entitled hereunder shall be provided only out of the Participant's annuity contracts or custodial accounts and only to the extent that the such annuity contracts or custodial accounts are adequate therefor. No benefits are provided by the University under the Plan except those expressly described herein.

5.6 Benefits May Not Be Assigned or Alienated. Except as otherwise expressly permitted by the Plan or required by law, the interests of persons entitled to benefits under the Plan may not in any manner whatsoever be assigned or alienated, whether voluntarily or involuntarily, or directly or indirectly. However, the Plan shall comply with the provisions of any court order which the University or Investment Provider determines is a qualified domestic relations order as defined in Internal Revenue Code section 414(p). Notwithstanding any provisions in the Plan to the contrary, an individual who is entitled to payments from an annuity contract or custodial account as an "alternate payee" pursuant to a qualified domestic relations order may receive a lump sum payment as soon as administratively feasible after the date of the determination by the University or Investment Provider that the order is a qualified domestic relations order to the extent consistent with the terms of the applicable annuity contract or custodial account, unless the order specifically provides for payment to be made at a later time or in a different form permitted under section 5.4.

VI. Administration of Plan

6.1 Administration by University. Except as to responsibilities allocated to the Investment Provider under the terms of any annuity contract or custodial account agreement, the University shall control and manage the operation and administration of the Plan and make all decisions and determinations incident thereto. In carrying out its Plan responsibilities, the University shall have
discretionary authority to construe the terms of the Plan, determine eligibility for participation in the Plan, and determine the amount of contributions required under the Plan. Action on behalf of the University may be taken by any person or persons, or committee, to whom such authority is delegated by the Board of Trustees or President of the University.

6.2 Correction of Errors. It is recognized that in the operation and administration of the Plan certain mathematical and accounting errors may be made or mistakes may arise by reason of factual errors in information supplied to the University or Investment Provider. The University shall have power to cause such equitable adjustments to be made to correct for such errors as the University in its discretion considers appropriate. Such adjustments shall be final and binding on all persons. Any return of a contribution due to a mistake in fact will be subject to section 4.4.

VII. Amendment and Termination

7.1 Amendment. Subject to the non-diversion provisions of section 4.4, the University, by action of its Board of Trustees, or by action of a person so authorized by resolution of the Board, may amend the Plan at any time and from time to time. No amendment of the Plan shall have the effect of changing the rights, duties, and liabilities of any Investment Provider without its written consent. Also, no amendment shall divest a Participant or Beneficiary of amounts held under annuity contracts or custodial accounts accrued prior to the amendment. Promptly upon adoption of any amendment to the Plan, the University will furnish a copy of the amendment, together with a certificate evidencing its due adoption, to each Investment Provider then acting.

7.2 Termination. The University, by action of its Board of Trustees, may terminate the Plan at any time. After such termination, no employee shall become a Participant, and no further contributions shall be made. The annuity contracts or custodial accounts of each Participant in the employ of the University at the time of such termination shall be nonforfeitable. Notwithstanding the foregoing, any annuity contract or custodial account agreement with an Investment Provider shall remain in effect, and distributions shall be made to Participants and Beneficiaries as they become entitled to distributions under Article V.

UPDATE: July 9, 1999

NOTE: This policy is the current plan as modified.