

NAVARRO COLLEGE  
RETIREMENT PLAN AND TRUST  
  
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**NAVARRO COLLEGE  
RETIREMENT PLAN AND TRUST**

**SUMMARY PLAN DESCRIPTION**

**ARTICLE 1 and 2 – INTRODUCTION TO YOUR PLAN**

Navarro College has adopted the Navarro College Retirement Plan and Trust (*the “Plan”*) to help its employees save for retirement. If you are an employee of Navarro College, you may be entitled to participate in the Plan, provided you satisfy the conditions for participation as described in this Summary Plan Description.

This Summary Plan Description (“SPD”) is designed to help you understand the retirement benefits provided under the Plan and your rights and obligations with respect to the Plan. This Summary Plan Description contains a summary of the major features of the Plan, including the conditions you must satisfy to participate under the Plan, the amount of benefits you are entitled to as a Plan participant, when you may receive distributions from the Plan, and other valuable information you should know to understand your Plan benefits. We encourage you to read this SPD and contact the Plan Administrator if you have any questions regarding your rights and obligations under the Plan.

This SPD does not replace the formal Plan document, which contains all legal and technical requirements applicable to the Plan. However, this SPD does attempt to explain the Plan language in a nontechnical manner that will help you understand your retirement benefits. If the non-technical language under this SPD and the technical, legal language under the Plan document conflict, the Plan document always governs. If you have any questions regarding the provisions contained in this SPD or if you wish to receive a copy of the legal Plan document, please contact the Plan Administrator.

The Plan document may be amended or modified due to changes in law, to comply with pronouncements by the Internal Revenue Service (*IRS*) or Department of Labor (*DOL*) s

amended or modified in a way that changes the provisions under this SPD, you will be notified of such changes.

This SPD does not create any contractual rights to employment, nor does it guarantee the right to receive benefits under the Plan. Benefits are payable under the Plan only to individuals who have satisfied all conditions under the Plan document for receiving benefits.

### **ARTICLE 3 DESCRIPTION OF PLAN**

#### **What type of plan is this considered?**

This Plan is a special type of retirement plan commonly referred to as a money purchase plan. A money purchase plan allows you to receive Employer Contributions, which we make on your behalf to the Plan, without having to include such amounts in income. If you have satisfied all eligibility conditions described in Article 5 for receiving an Employer Contribution, we will deposit such contribution directly into the Plan on your behalf. Because this money is not reported as income, you do not have to pay any income tax while the money is held in the Plan, and any earnings on such contributions are not taxed while they stay in the Plan. (See Article 4 below for a description of the Employer Contributions authorized under the Plan.)

In addition to any contributions we may make to the Plan, you also may be eligible to make After-Tax Contributions to the Plan. If you elect to make After-Tax Contributions, you contribute to the Plan out of your own compensation, after paying taxes on such amounts. When you take a distribution of your After-Tax Contributions, you will not be taxed on the amounts you contributed to the Plan as After-Tax Contributions (since you were already taxed on those amounts).

Any earnings on your After-Tax Contributions will not be subject to income taxation if those amounts stay in the Plan. Upon distribution,

you will be taxed on the earnings associated with your After-Tax Contributions. (See Article 8 below for a discussion of the distribution rules under the Plan.)

## **Article 4**

### **Plan Contributions**

The Plan provides for the contributions listed below. Article 5 discusses the requirements you must satisfy to receive the contributions described in this Article 4. Article 7 describes the vesting rules applicable to your plan benefits.

#### **How much will I contribute to the Plan?**

To participate in the Plan, you must make After-Tax Contributions to the Plan equal to **5%** of your compensation.

Earnings on that amount will not be taxed until you withdraw those amounts from the Plan.

#### **How much will the Employer contribute to the Plan?**

Each year that you are eligible to share in contributions, we will contribute, on your behalf, an amount equal to **8%** of your compensation.

In addition to our contributions made to your account, your account will be credited annually with a share of the investment earnings or losses of the trust fund.

#### **Can I roll over contributions from another plan?**

The Plan does not accept rollovers from another qualified retirement plan or an IRA.

#### **Will I share in Employer contributions during the year of my Retirement (Normal or Late), Total and Permanent**

## **Disability or death?**

In determining your eligibility to share in contributions for the year, there are special rules which apply if your employment terminates due to your Retirement (*Normal or Late*), Total and Permanent Disability or death.

In such cases, you will be eligible to share in the contributions in accordance with the following:

If the reason your employment terminated is due to your Retirement (*Normal or Late*), Total and Permanent Disability, or death, then you will be eligible to share in the contribution for the year without regard to whether you have satisfied the requirements explained above.

## **What compensation is used to determine my Plan benefits?**

For the purposes of the Plan, compensation has a special meaning. Compensation is defined as your total compensation that is subject to income tax, that is, all your compensation paid to you by us during a Plan Year, but excluding your salary reduction contributions to any plan or arrangement maintained by your Employer.

Your compensation will be recognized for benefit purposes from your date of entry into the Plan.

## **Is there a limit on the amount of compensation which can be considered?**

The Plan, by law, cannot recognize compensation more than \$270,000. This amount will be adjusted in future years for cost of living increases. It will also be applied to certain highly compensated employees and their family members as if they were a single participant. If you or a member of your family may be affected by this rule, ask your Administrator for further details.

## **Article 5**

### **Eligibility Requirements**

This Article sets forth the requirements you must satisfy to participate under the Plan. To qualify as a participant under the Plan, you must:

- be an Eligible Employee
- satisfy the Plan's minimum service conditions and
- satisfy any allocation conditions required under the Plan.

#### **When am I eligible to participate in the Plan?**

You will be eligible to participate in the Plan once you satisfy the requirements below. However, you will enter the Plan once you reach the Entry Date as described below.

You will be eligible to participate in the Plan if you have completed one (1) Year of Service.

You will have completed a Year of Service if, at the end of your first twelve consecutive months of employment with us, you have been credited with at least 1000 Hours of Service by the end of those twelve consecutive months of employment.

For purposes of determining whether you have completed a Year of Service where the computation period is based upon a short Plan Year, your Administrator will notify you of the number of the Hours of Service that are required and the method of calculating a Year of Service.

#### **Am I required to contribute to the Plan?**

Yes. To become a participant in the Plan, you must agree to contribute 5% of your compensation to the Plan.

You will always be 100% vested (*your ownership rights*) in any required amounts you elect to contribute to the Plan.



You may withdraw all the Mandatory Participant Contributions not to exceed the current value of your Mandatory Participant Account by giving the Plan Administrator written notice (*withdrawals are processed twice each year.*) Payment will be made within one hundred twenty (120) days after the close of the current withdrawal period. However, withdrawal of your Mandatory Participant Account shall interrupt the Participant's status as an Active Participant in the Plan, reinstatement of which may not be established for 6 months after distribution. You will also incur a \$100.00 transaction fee for processing each In-Service distribution. (*Withdrawal forms are available by email request to the Plan Administrator in the office of the Vice President for Finance & Administration.*)

You may wish to stop making required contributions while still employed with us. You may do so by notifying us at least 10 days before the end of a pay period that you want to suspend your savings deposits.

If you stop making required contributions, you may start again at any time in accordance with the procedures we have established.

### **When is my Entry Date?**

Provided you are an eligible employee, satisfy the Plan's minimum service requirements, and agree to contribute 5% of your compensation to the Plan, you may begin participation on the next closest of the two entry dates (March and September) after you meet the requirements. The Administrator will request that you complete certain paperwork related to your Plan participation.

### **Does all my service with the Employer count for purposes of plan eligibility?**

In determining whether you satisfy the minimum service conditions required to participate under the Plan, all service you perform for us will generally be counted. However, there are some exceptions to this general rule.

It will be considered a Break in Service if you complete less than 501 Hours of Service during the computation period used to determine whether you have a Year of Service. However, if you go on maternity or paternity leave of absence (including a leave of absence under the Family Medical Leave Act) or a military leave of absence, you may receive credit for service during your period of absence for certain purposes under the Plan, you may be credited with 501 Hours of Service to prevent a Break in Service.

You should always contact the Plan Administrator to determine the effect of such stated leaves of absence on your eligibility to participate under the Plan.

### **What happens if, as a participant, I terminate employment and then I am rehired?**

If you terminate employment and are rehired, you may "lose" credit for prior service under the Plan's Break in Service rules. While these eligibility Break in Service rules may delay you from participating in the Plan, they will never cause you to lose any benefits to which you have already become entitled to.

That said, if you are no longer a participant because you terminated employment, and are rehired, you will continue to participate in the Plan in the same manner as if your termination had not occurred but only if your service prior to your reemployment has not been lost under the Plan's eligibility Break in Service rules.

If you are not eligible to participate because your service with us has been lost under the eligibility Break in Service rules, then you will again be required to meet the eligibility requirements to become a participant.

## **ARTICLE 6**

### **LIMIT ON CONTRIBUTIONS**

#### **Are there limits on how much can be contributed to my account each year?**

Generally, the law imposes a maximum limit on the amount of contributions you may receive under the Plan. This limit applies to all contributions we make on your behalf, all contributions you make to the Plan and any other amounts allocated to any of your accounts during the Plan Year, excluding earnings. As of 2017, this total cannot exceed the lesser of \$54,000 or 100% of your annual compensation. *(For years after 2017, this amount may be increased for inflation.)*

## **ARTICLE 7**

### **DETERMINATION OF VESTED BENEFIT**

When you take a distribution of your benefits under the Plan, you are only entitled to withdraw your vested account balance. For this purpose, your vested account balance is the amount held under the Plan on your behalf for which you have earned an ownership interest. You earn an ownership interest in your Plan benefits if you have earned enough service with us to become vested based on the Plan's vesting schedule. If you terminate employment before you become fully vested in any of your Plan benefits, those non-vested amounts may be forfeited. *(See below for a discussion of the forfeiture rules that may apply if you terminate with a non-vested benefit under the Plan.)*

#### **What is my vested interest in my account?**

You are always 100% vested in your Participant After-Tax Contributions. In other words, you have complete ownership rights to your After-Tax Contributions under the Plan.

The vested percentage in your Employer Contributions is determined under the following schedule and is based on vesting Years of Service in the Plan. You will always, however, be 100% vested upon your Normal Retirement Age of 65.

### **Vesting Schedule**

Full Years of Participation (in plan)	Percentage
Less than 1 Year	0 %
1 Year but less than 2	20 %
2 Years but less than 3	40 %
3 Years but less than 5	60 %
4 Years but less than 5	80 %
5 Years or More	100 %

Your vested benefit will normally be distributed to you or your beneficiary upon your death, disability, or retirement.

### **How do I determine my Years of Service for vesting purposes?**

To earn a Year of Service, you must be credited with at least 1000 Hours of Service during any Plan Year after enrollment.

The Administrator will track your service and will credit you with a Year of Service for each Plan Year in which you are credited with the required Hours of Service, in accordance with the terms of the Plan. If you have any questions regarding your vesting service, you should contact the Administrator.

### **Does all my service count for vesting purposes?**

In calculating your vested percentage, all service you perform for us will generally be counted. However, there are some exceptions to this general rule.

If you terminate employment and are rehired, you may "lose" credit for prior service under the Plan's Break in Service rules as described in Article 5.

### **What happens to my non-vested balance if I terminate employment prior to being fully vested?**

If you terminate employment before you become fully vested in your Plan benefits, you will be entitled to receive a distribution of only your vested benefits under the Plan. Your non-vested benefits will be forfeited after incurring 5 consecutive 1-year Breaks in Service (5 years). You are not entitled to receive a distribution of your non-vested benefits.

### **What happens to the non-vested portion of a terminated participant's account balance?**

The non-vested portion of a terminated Participant's account balance remains in the Plan and is called a forfeiture. Forfeitures may be used by the Plan for several purposes such as the payment of Plan expenses. Any forfeitures not used by the Plan will be allocated to all other eligible Participants as additional contributions for the Plan Year in which the forfeiture occurs.

### **What happens to my non-vested account balance if I am rehired?**

If you had no vested percentage in the employer portion of your account balance when you left, your account balance is forfeited.

If you were partially vested in your account balance when you left, the non-vested portion of your account balance will be distributed on the earlier of the date:

- of the distribution of your entire vested account balance, or
- when you incur 5 consecutive 1-Year Breaks in Service (5 years)

## **Article 8**

### **Plan Distributions**

The Plan contains detailed rules regarding when you can receive a distribution of your benefits from the Plan. As discussed in Article 7 above, if you qualify for a Plan distribution, you will only receive your vested benefits unless you have reached the age of retirement.

#### **Are there any occasions where I might take a distribution while still “in-service”?**

Since this is a retirement plan, you may **not** withdraw amounts attributable to your Employer Contributions while you are still employed.

You may, however, withdraw amounts attributable to your Participant After-Tax Contributions while you are still employed.

*(Withdrawal while still employed shall interrupt the Participant’s status as Active. Reinstatement into the plan is only possible after a 6-month cessation. Additionally, reinstatement into the plan requires new paperwork to be filled out with the Plan Administrator.)*

#### **What are my tax consequences when I receive a distribution from the Plan?**

Generally, you must include any Plan distribution in your taxable income in the year in which you receive the distribution. The tax treatment may also depend on your age when you receive the distribution.

## **Can I reduce or defer tax on my distribution?**

**THE RULES WHICH DETERMINE WHETHER YOU QUALIFY FOR FAVORABLE TAX TREATMENT ARE VERY COMPLEX. YOU SHOULD CONSULT WITH QUALIFIED TAX COUNSEL BEFORE MAKING A DISTRIBUTION DECISION.**

## **May I take a partial distribution of my Participant After-Tax Contributions?**

No partial amounts may be disbursed. When you receive a distribution, it must be the **full** amount as allowed by the Participant After-Tax Contributions.

## **How will my distribution be paid if I terminate employment rather than retire?**

When you terminate employment, you may be entitled to a distribution from the Plan. The availability of a distribution will depend on the amount of your vested account balance. You may elect to have your participant and vested benefits distributed to you as soon as administratively feasible following your termination of employment.

## **What benefits will I receive at normal retirement?**

You will be entitled to 100% of all accounts under the Plan when you reach your Normal Retirement Age. However, actual payment of your benefits will, at your election, begin as soon as administratively feasible following your Normal Retirement Date.

You will attain your Normal Retirement Age when you reach your 65<sup>th</sup> birthday.

## **What if I choose not to retire at 65?**

If you have not taken your distribution before you attain your Late Retirement Date, the Plan will commence **mandatory** distributions as

of such date. *For this purpose, your Late Retirement Date is April 1 following the end of the calendar year in which you attain the age of 70½ or terminate employment, whichever is later.* The Plan Administrator will inform you of the amount you are required to receive once you attain your Late Retirement Date.

### **What if I become disabled?**

If you should terminate employment because you are disabled, you will be eligible to receive a distribution of your vested account balance under the Plan's normal distribution rules. The Plan Administrator may establish reasonable procedures for determining whether you are disabled for purposes of applying the distribution provisions of the Plan. *(Disability status will be applied in accordance with Section 223(d) of the Social Security Act.)*

If you become disabled while a participant, you will be entitled to 100% of your account balance. Payment of your disability benefits will be made to you as if you had retired.

### **What happens if I die while working for the Employer?**

If you die while working for us, 100% your account balance will be used to provide your beneficiary *(as designated on the appropriate designated beneficiary election form)* with a death benefit.

### **Upon my death, who is the beneficiary of my death benefit?**

If you are married at the time of your death, your spouse will be the beneficiary of the death benefit, unless the election was made to name someone other than your spouse as the beneficiary. In which case, the other party will be named the beneficiary.

*IF YOU WISH TO DESIGNATE A BENEFICIARY OTHER THAN YOUR SPOUSE, YOUR SPOUSE **MUST** IRREVOCABLY CONSENT TO WAIVE ANY RIGHT TO THE DEATH BENEFIT. YOUR SPOUSE'S CONSENT MUST BE IN WRITING ON THE DESIGNATED BENEFICIARY ELECTION FORM, BE*



**WITNESSED BY A NOTARY OR A PLAN REPRESENTATIVE AND  
ACKNOWLEDGE THE SPECIFIC NONSPOUSE BENEFICIARY.**

Additionally, should you change your designation (*prior to your death*), your spouse must again consent to the change. You may, however, elect a beneficiary other than your spouse without your spouse's consent only on the presentation of an official divorce decree (*if applicable*), or if your spouse cannot otherwise be located. But the Plan Administrator must be notified.

If you are not married at the time of your death, your previously designated beneficiary (*according to the designated beneficiary election form*) will receive 100% of your account balance.

In the event unlikely exception that no valid designation of beneficiary exists, or if the named beneficiary and/or contingent beneficiary is not alive at the time of your death, the death benefit will be paid in the following order of priority to:

- (a) Your surviving spouse
- (b) Your children, including adopted children, in equal shares
- (c) Your surviving parents, in equal shares
- (d) Your estate.

**How will distributions be paid?**

Regardless of whether you receive an in-service distribution, a retirement distribution, or a death distribution, all benefits which are payable to you or your beneficiary will be in the form of a single lump-sum payment, or you also have the option to roll the eligible portion over into another retirement account. **IF POSSIBLE, YOU SHOULD CONSULT WITH QUALIFIED TAX COUNSEL BEFORE MAKING A DISTRIBUTION DECISION.**

### **Is my benefit protected?**

Generally, your interest in your account, including your vested interest, may not be alienated. This means that your interest may not be sold, used as collateral for a loan, given away or otherwise transferred. In addition, your creditors may not attach, garnish, or otherwise interfere with your account.

### **Are there any exceptions to the general rule?**

There are two exceptions to this general rule. The Administrator must honor a "qualified domestic relations order." A "qualified domestic relations order" is defined as a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your assets in the Plan to your spouse, former spouse, child or other dependent. If a qualified domestic relations order is received by the Administrator, all or a portion of your benefits may be used to satisfy the obligation. The Administrator will determine the validity of any domestic relations order received. You and your beneficiaries can obtain, without charge, a copy of the QUALIFIED DOMESTIC RELATIONS ORDER PROCEDURE from the Administrator.

## **ARTICLE 9**

### **Plan Administration and Investments**

#### **How is the money in the Plan invested?**

The Trustees (*members of the plan vote on the Trustees for the Retirement Plan and the Board of Trustees of Navarro College approves the selections*) and the Plan's banking institution are responsible for the investment of all assets held by the Plan. Investment decisions are made in the best interests of you and other Plan participants at several meetings throughout the year. Twice annually, you will receive a benefit statement that provides information on your account balance and your investment returns. If you have any questions, please contact the Plan Administrator.

Participants shall have the option of a “safe harbor” provision. The safe harbor provision shall allow a participant to remove all or a portion of his account from the Plan’s investment portfolio and place it in a designated sub-account. The participant may designate a percentage of their account from 1% to 100% that they wish transferred to the safe harbor sub-account. This designated sub-account shall be invested in a U.S. Treasury Fund with a market interest rate and fixed principal value. All current contributions will continue to be deposited in the Plan’s investment portfolio. This safe harbor provides an investment alternative to those participants nearing retirement who wish to minimize fluctuations in their account and to those participants who desire less risk. To exercise this provision, the appropriate forms must be executed and returned to the Plan Administrator prior to the valuation date (*August 31 or February 28/29*) to be effective for the next valuation period.

## **ARTICLE 10**

### **Participant Loans**

#### **May I take a loan from the Plan?**

The plan does not permit Participants to take a loan from the account. To access Plan assets, you must be eligible to receive a distribution from the plan. Please see [Article 8](#) above for more information.

## **ARTICLE 11**

### **Plan Amendments and Termination**

#### **Can the Plan be amended?**

Yes. We have the right to amend the Plan at any time. In no event, however, will any amendment authorize or permit any part of the Plan assets to be used for purposes other than the exclusive benefit of participants or their beneficiaries. Additionally, no amendment will cause any reduction in the amount credited to your account.

## **What happens if the Plan is terminated?**

Although we expect to maintain the Plan indefinitely, we have the ability to terminate the Plan at any time. Upon termination, no further contributions will be made to the Plan and all amounts credited to your accounts will become 100% vested (*regardless of the Plan's vesting schedule.*) We will direct the distribution of your accounts to you, or at your direction, may be transferred directly to another qualified retirement plan or IRA.