Northwest Nazarene University
Defined Contribution Retirement Plan
Summary Plan Description
(Restated Effective January 1, 2004)

This document provides each Participant with a description of the Institution's Defined Contribution Retirement Plan
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This summary was prepared for participants in the Northwest Nazarene University Defined Contribution Retirement Plan. If there is any ambiguity or inconsistency between this summary and the Plan Document, the terms of the Plan Document will govern.

Employer Identification Number: 82-0200907
Plan Number: 001
1. What is the Northwest Nazarene University Retirement Plan?

The Northwest Nazarene University (the "Institution") Retirement Plan (the "Plan") is a defined contribution plan that operates under Section 403(b) of the Internal Revenue Code (IRC). The Plan was established on October 1, 1973. The purpose of the Plan is to provide retirement benefits for participating employees through fixed and variable annuity contracts specified by the Institution from time to time [currently including TIAA-CREF and Fidelity Investments ("funding vehicles").

The Institution is the administrator of the Plan and has designated Northwest Nazarene University to be responsible for plan operation. The plan year begins on January 1 and ends on December 31.

2. Who is eligible to participate in the Plan?

All eligible employees of the Institution can participate in the Plan. Eligible employee means any employee other than a student employee or a temporary employee, as those terms are ordinarily defined by the Institution.

Individuals deemed by the Plan Administrator to be independent contractors are not eligible to participate in the Plan. If an individual is classified as an independent contractor by the Plan Administrator, such individual will be deemed to be ineligible, even if the individual is determined to be a common law employee pursuant to a government audit or litigation.

3. When do I become eligible to participate in the Plan?

If you are an eligible employee, you may begin participation in this Plan, on a voluntary basis, immediately upon employment or at any time thereafter. If you are a former employee who is reemployed by the Institution and you satisfied the service requirement before you terminated employment, you will begin participation in the Plan immediately after reemployment.

The enrollment forms must be completed and returned to the Institution. The Institution will notify you when you've completed the requirements needed to participate in the Plan. All determinations about eligibility and participation will be made by the Institution. The Institution will base its determinations on its records and the official plan document on file with the plan administrator.

You will continue to be eligible for the plan until one of the following conditions occur:

- You stop contributing to the Plan;
- You cease to be an eligible employee;
- The plan is terminated.

In addition, if you begin benefits before termination of employment, you will cease to be eligible for the plan.

4. What contributions will be made?

Plan contributions by you are voluntary and are made on a before-tax (salary reduction) basis. Plan contributions made by you on a before-tax basis will be made under a written salary reduction agreement with the Institution. Under the agreement, your salary paid after the agreement is signed is reduced and the amount of the reduction is applied as premiums to one or more of the funding vehicles you select that are available under this Plan. You may terminate your salary reduction agreement at any time. Your ability to modify your agreement may be subject to such reasonable restrictions as established by the Plan Administrator. The salary reduction agreement will be legally binding and irrevocable with respect to salary paid while the agreement is in effect.
Institution Plan contributions will be made only after you complete one year of service, based on your salary reduction contributions thereafter. See section 9 for the definition of a year of service. The Institution will make matching contributions on a dollar-for-dollar basis up to 5% of your compensation for the plan year, or for the part of the plan year beginning with the first day of the month following your completion of a year of service. In addition, if you make a 5% salary reduction contribution, the Institution will make an additional matching contribution of 4% of your compensation, for 9% total, provided that you are not a “highly compensated employee” as defined in IRC Section 414(q). You may make salary reduction contributions of more than 5% of your compensation, but there will be no additional Institution matching contributions based on salary reduction contributions in excess of 5% of your compensation.

For faculty and administrative personnel, compensation means the salary stated in the academic year contract or appointment letter. For all other employees, compensation means the basic annual earnings excluding overtime pay, bonuses, and any other forms of supplemental remuneration. It also includes compensation that is not currently includable in your gross income because of the application of IRC Sections 125, 437(b), 132(f)(4) or 403(b) through a salary reduction agreement.

Compensation taken into account under the Plan cannot exceed the limits of IRC Section 401(a)(17). The limit under Section 401(a)(17) for 2004 is $205,000. This limit is adjusted by the Internal Revenue Service for increases in cost-of-living.

5. **Is there a limit on contributions?**

   Yes. The total amount of contributions made on your behalf for any year will not exceed the limits imposed by IRC Section 415. These limits may be adjusted from time to time. The amount of Plan contributions for “highly compensated employees” will also be subject to the IRC Section 401(m) limit. For more information on these limits, contact your plan administrator.

   In addition, salary reduction contributions to this Plan will be further limited by the IRC Section 402(g) limit ($13,000 in 2004). If you have made salary reduction contributions that exceed the 402(g) limit, you should request a distribution of the excess by notifying the Plan administrator by March 1 of the following year. The excess will be distributed to you by April 15.

6. **Do contributions continue during a paid leave of absence?**

   During a paid leave of absence, Plan Contributions will continue to be made based on your compensation paid during your leave of absence. No contributions will be made during an unpaid leave of absence.

7. **Do contributions continue while I am on active duty in the Armed Forces?**

   If you are absent from employment by reason of service in the uniformed services of the United States, once you return to actual employment, the Institution will make those contributions to the Plan that would have been made if you had remained employed at the Institution during your period of military service to the extent required by law.

8. **When do my plan contributions become vested (i.e., owned by me)?**

   You are fully and immediately vested in the benefits arising from contributions made under this Plan. Such amounts are non-forfeitable.
9. **How are years of service counted?**

You are credited with a year of service for each 12-month period (computation period) during which you complete 1,000 or more hours of service.

Hours of service will be determined on the basis of actual hours that you are paid or entitled to payment.

For purposes of determining your eligibility to participate, the computation period starts with your date of employment or anniversary of your employment date.

10. **What is the normal retirement age under the Plan?**

The normal retirement age under the Plan is age 59½.

11. **When does my retirement income begin?**

You may begin to receive benefits at any time on or after you reach the normal retirement age, whether or not you are still employed by the Institution, or upon your earlier disability or death. Also, if you terminate employment prior to normal retirement age, you may begin to receive your benefits at any time following the first anniversary of your termination of employment.

Retirement benefits must normally begin no later than April 1 of the calendar year following the year in which you attain age 70½ or, if later, April 1 following the calendar year in which you retire. Failure to begin annuity income by the required beginning date may subject you to a substantial federal tax penalty.

If you die before the distribution of benefits has begun, your entire interest must normally be distributed by December 31 of the fifth calendar year after your death. Under a special rule, death benefits may be payable over the life or life expectancy of a designated beneficiary if the distribution of benefits begins not later than December 31 of the calendar year immediately following the calendar year of your death. If the designated beneficiary is your spouse, the commencement of benefits may be deferred until December 31 of the calendar year that you would have attained age 70½ had you continued to live.

The payment of benefits according to the above rules is extremely important. Federal tax law imposes a 50 percent excise tax on the difference between the amount of benefits required by law to be distributed and the amount actually distributed if it is less than the required minimum amount.

Your fund sponsor will normally contact you several months before the date you scheduled your benefits to begin on your application. You may decide, however, to begin receiving income sooner, in which case you should notify the fund sponsor in advance of that date. Usually, the later you begin to receive payments, the larger each payment will be.

12. **What options are available for receiving retirement income?**

You may choose from among several income options when you retire. These options include:

- Lump sum payment.
- Installment payment over a period of months or years, until exhausted, with any residue at your death paid to your designated beneficiary.
- Annuities, either as a single life annuity or a joint and survivor annuity with your spouse, to provide guaranteed income for the rest of your life, and a continuing benefit to your surviving spouse for life, but with no residue payable to any other beneficiary.

At the time of your retirement, the plan administrator will provide you with a summary of these options for you to choose from.
What are my spouse's rights under this plan?

If you are married and benefits commenced before your death, your surviving spouse will continue to receive income that is at least half of the annuity income payable during the joint lives of you and your spouse (joint and survivor annuity). If you die before annuity income begins, your surviving spouse will receive a benefit that is at least half of the full current value of your annuity accumulation, payable in a single sum or under one of the income options offered by the fund sponsor (pre-retirement survivor annuity).

If you are married, benefits must be paid to you as described above, unless your written waiver of the benefits and your spouse's written consent to the waiver is filed with the fund sponsor on a form approved by the fund sponsor.

A waiver of the joint and survivor annuity may be made only during the 90-day period before the commencement of benefits. The waiver also may be revoked during the same period. It may not be revoked after annuity income begins.

The period during which you may elect to waive the pre-retirement survivor benefit begins on the first day of the plan year in which you attain age 35. The period continues until the earlier of your death or the date you start receiving annuity income. If you die before attaining age 35—that is, before you've had the option to make a waiver—at least half of the full current value of the annuity accumulation is payable automatically to your surviving spouse in a single sum, or under one of the income options offered by the fund sponsor. If you terminate employment before age 35, the period for waiving the pre-retirement survivor benefit begins no later than the date of termination. The waiver also may be revoked during the same period.

All spousal consents must be in writing and either notarized or witnessed by a plan representative and contain an acknowledgment by your spouse as to the effect of the consent. All such consents shall be irrevocable. A spousal consent is not required if you can establish to the institution's satisfaction that you have no spouse or that he or she cannot be located. Unless a Qualified Domestic Relations Order (QDRO), as defined in Code Section 414(p), requires otherwise, your spouse's consent shall not be required if you are legally separated or you have been abandoned (within the meaning of local law) and you have a court order to such effect.

The spousal consent must specifically designate the beneficiary or otherwise expressly permit designation of the beneficiary by you without any further consent by your spouse. If a designated beneficiary dies, unless the express right to designate a new one has been consented to, a new consent is necessary.

A consent to an alternative form of benefit must either specify a specific form or expressly permit designation by you without further consent.

A consent is only valid so long as your spouse at the time of your death, or earlier benefit commencement, is the same person as the one who signed the consent.

If a QDRO establishes the rights of another person to your benefits under this Plan, then payments will be made according to that order. A QDRO may preempt the usual requirements that your spouse be considered your primary beneficiary for a portion of the accumulation. Participants and beneficiaries can obtain, without charge, a copy of the plan's procedures governing QDRO determinations from the Plan Administrator.
14. **May I roll over my accumulations?**

If you are entitled to receive a distribution from your contract which is an eligible "rollover distribution," you may roll over all or a portion of it either directly or within 60 days after receipt into another Section 403(b) retirement plan or into an IRA. An eligible rollover distribution, in general, is any cash distribution other than an annuity payment, a minimum distribution payment, a payment which is part of a fixed period payment over ten or more years; or distributions made on account of hardship. The distribution will be subject to a 20 percent federal withholding tax unless it's rolled over directly into another retirement plan or into an IRA, this process is called a "direct" rollover.

If you have the distribution paid to you, then 20 percent of the distribution must be withheld even if you intend to roll over the money into another retirement plan or into an IRA within 60 days. To avoid withholding, instruct the fund sponsor to directly roll over the money for you.

15. **What if I die before starting to receive benefits?**

If you die before beginning retirement benefits, the full current value of your annuity accumulation is payable as a death benefit to your beneficiary.

You should review your beneficiary designation periodically to make sure the person you want to receive the benefits is properly designated. You may change your beneficiary by completing the "Designation of Beneficiary" form available from the plan administrator. If you die without having named a beneficiary and you are married at the time of your death, your spouse will automatically receive your accumulation. If you are not married, your estate receives the entire accumulation.

In addition, see the answer to the question "What are my spouse's rights under this plan to survivor benefits?" for a discussion of your spouse's rights to a survivor benefit if you are married at the time of your death.

16. **How is the Plan administered?**

Benefits under the plan are provided by annuity contracts. TIAA-CREF and Pension and Benefits (Church of Nazarene) are the names of the current fund sponsors. Northwest Nazarene University has been designated the Plan Administrator by the Institution. The Plan Administrator is responsible for enrolling participants, forwarding Plan contributions for each participant to the fund sponsors selected, and performing other duties required for operating the Plan.

17. **May the terms of the Plan be changed?**

While it's expected that the Plan will continue indefinitely, the Institution reserves the right to modify or discontinue the Plan at any time. The Institution, by action of its Board, also may delegate any of its power and duties with respect to the Plan or its amendments to one or more officers or other employees of the Institution. Any such delegation shall be stated in writing. The Institution will exercise good faith, apply standards of uniform application, and refrain from arbitrary action.

18. **How do I get more information about the Plan?**

Requests for information about the Plan and its terms, conditions and interpretations including eligibility, participation, contributions, or other aspects of operating the Plan should be in writing and directed to:

Northwest Nazarene University
ATTN: Office of Financial Affairs
623 Holly Street
Nampa, ID 83686
19. **What is the Plan’s claims procedure?**

The following rules describe the claims procedure under the Plan:

- **Filing a claim for benefits:** A claim or request for plan benefits is filed when the requirements of a reasonable claim-filing procedure have been met. A claim is considered filed when a written communication is made to:

  Northwest Nazarene University, ATTN: Office of Financial Affairs, 623 Holly Street, Nampa, ID 83686

- **Processing the claim:** The Plan Administrator must process the claim within 90 days after the claim is filed. If an extension of time for processing is required, written notice must be given to you before the end of the initial 90-day period. The extension notice must indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render its final decision. In no event can the extension period exceed a period of 90 days from the end of the initial 90-day period.

- **Denial of claim:** If a claim is wholly or partially denied, the Plan Administrator must notify you within 90 days following receipt of the claim (or 180 days in the case of an extension for special circumstances). The notification must state the specific reason or reasons for the denial, specific references to pertinent plan provisions on which the denial is based, a description of any additional material or information necessary to perfect the claim, and appropriate information about the steps to be taken if you wish to submit the claim for review. If notice of the denial of a claim is not furnished within the 90/180-day period, the claim is considered denied and you must be permitted to proceed to the review stage.

- **Review procedure:** You or your duly authorized representative has at least 60 days after receipt of a claim denial to appeal the denied claim to an appropriate named fiduciary or individual designated by the fiduciary and to receive a full and fair review of the claim. As part of the review, you must be allowed to review all plan documents and other papers that affect the claim and must be allowed to submit issues and comments and argue against the denial in writing.

- **Decision on review:** The Plan must conduct the review and decide the appeal within 60 days after the request for review is made. If special circumstances require an extension of time for processing (such as the need to hold a hearing if the plan procedure provides for such a hearing), you must be furnished with written notice of the extension, which can be no later than 120 days after receipt of a request for review. The decision on review must be written in clear and understandable language and must include specific reasons for the decision as well as specific references to the pertinent plan provisions on which the decision is based. For a Plan with a committee or board of trustees designated as the appropriate named fiduciary, a decision does not have to be made within the 60-day limit if the committee or board meets at least four times a year (about every 90 days). Instead, it must be made at the first meeting after the request is filed, except that when a request is made less than 30 days before a meeting, the decision can wait until the date of the second meeting following the Plan's receipt of request for review. If a hearing must be held, the committee can wait to decide until the first meeting after the hearing. However, it must notify you and explain the delay, which can be no later than the third meeting of the committee or board following the Plan's receipt of the request for review. If the decision on review is not made within the time limits specified above, the appeal will be considered denied. All interpretations, determinations, and decisions of the reviewing entity with respect to any claim will be its sole decision based upon the Plan documents and will be deemed final and conclusive. If appeal is denied, in whole or in part, however, you have a right to file suit in a state or federal court.

20. **What are my rights under Law?**

As a participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants shall be entitled to:
1. Examine, without charge, at the Plan Administrator's office and at other specified locations, all non-confidential documents governing the Plan, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.

2. Obtain, without written request to the Plan Administrator, copies of all non-confidential documents governing the operation of the Plan, including insurance contracts, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

3. Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

4. Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (age 65) and if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every 12 months. The Plan must provide the statement free of charge.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including Northwest Nazarene University, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA. If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in federal court.

If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

21. Is the Plan insured by the Pension Benefit Guaranty Corporation (PBGC)?

No. Since the Plan is a defined contribution plan, it isn't insured by the PBGC. The PBGC is the government agency that guarantees certain types of benefits under covered plans.
22. Who is the agent for service of legal process?

The agent for service of legal process is:

Northwest Nazarene University
ATTN: Office of Financial Affairs
623 Holly Street
Nampa, ID 83686