TO: NBER Employees
FROM: Mui Cheung
DATE: December 15, 2010
RE: Tax-Deferred Annuity Plan – New Election Procedures

It is time for annual enrollment under the NBER's Tax-Deferred Annuity Plan (TDA Plan). All NBER employees are eligible to participate in this plan, which provides a tax efficient way to save for retirement.

To participate in the TDA Plan, an employee enters into a salary reduction agreement with the NBER. Earlier this fall, all employees were provided with an updated Summary Plan Description that explains the new After-Tax Roth Contribution option that is available in the TDA Plan beginning January 1, 2011.

IMPORTANT NOTE: New procedures adopted in connection with the introduction of the After-Tax Roth Contribution feature require all employees to file a new Salary Reduction Agreement for 2011, even if they participated in 2010.

If an employee elects to make pre-tax contributions, the employee's taxable income is reduced by the amount elected, which the NBER then deposits into a TIAA/CREF annuity contract, and/or into a custodial retirement account in a Vanguard mutual fund. Pre-tax contribution amounts are taxed when distributed; earnings in TDA accounts are tax-deferred.

If an employee elects to make after-tax Roth contributions, the employee's taxable income is not reduced. Amounts contributed as after-tax Roth contributions, as well as the earnings on such amounts, are not taxed when distributed, provided that the distribution meets the rules for qualifying Roth distributions.

The designation of your contribution as a pre-tax contribution or after-tax Roth contribution is irrevocable for amounts contributed to the TDA Plan; your election may only be changed prospectively. The Summary Plan Description describes in more detail the operation and features of the TDA Plan.

The IRS contribution limit for TDA plans for 2011 is $16,500. If you are 50 or older in 2010, you are also eligible to make additional catch-up contributions of up to $5,500. You must make separate elections for regular salary reduction contributions and catch-up contributions.

These IRS limits are combined limits that apply to all your elective pre-tax and after-tax Roth deferral amounts. If you make contributions to more than one employer's plan during the year (e.g., another 403(b) or a 401(k) plan) your contributions to these plans are aggregated with your elective contributions to the Bureau's TDA Plan for purposes of these limits. I strongly advise you speak to a representative at either Vanguard (tel # 800-523-1188), or TIAA-CREF (tel #800-842-2888) before you decide how much you would like to contribute to the TDA plan.

If you would like to participate in the TDA Plan, please contact me at (617) 588-1412 or email

me at mcheung@nber.org for an enrollment package or for more information. If you wish to participate for 2011, you must complete a new salary reduction agreement form (attached). The deadline for new enrollments for the 2011 payroll is January 3, 2011. As noted above, all employees are required to submit a new enrollment for 2011, even if they contributed in 2010. For years after 2011, unless you are notified otherwise or you change or revoke your agreement, the salary reduction agreement will be carried over.

You may also enroll or make changes at a later date, as described in more detail in the Summary Plan Description at:

http://www.nber.org/retirementplan/NBERRetirementPlanSPD.pdf