



Vanguard Individual 403(b)(7) Program—Service Description

Individual 403(b)(7) Program—Service Description

This information provides an overview of the recordkeeping services Vanguard Fiduciary Trust Company (“Vanguard”) provides in connection with Vanguard 403(b)(7) Custodial Accounts and is intended to supplement the information contained in the Vanguard Individual 403(b)(7) Custodial Account Agreement (“Vanguard Agreement”). The Vanguard 403(b)(7) program is a streamlined program that may be a good fit for employers with simplified plan structures; however, the program may not be appropriate for employers with more complex plan designs.

Employers consider whether to include Vanguard as a provider under their plans should review this information carefully along with the Vanguard Agreement to ensure that the terms of the employer’s plan are consistent with the terms of Vanguard’s program. (In the event that this information is inconsistent with the terms of the Vanguard Agreement, the Vanguard Agreement controls.)

- 1. Plan document.** It’s the employer’s responsibility to ensure that the terms of the plan don’t conflict with the terms of the Vanguard Agreement or the information described in this Vanguard 403(b)(7) Program Service Description. Vanguard isn’t responsible for creating, reviewing, or executing plan documents.
- 2. Minimums.** Generally, Vanguard doesn’t require a minimum initial investment or a minimum annual contribution to establish a 403(b)(7) account. (Certain Vanguard funds may impose a minimum initial investment.)
- 3. Optional plan features.** Vanguard Individual 403(b)(7) Custodial Accounts (“Vanguard Accounts”) don’t support certain plan features, including the following:
 - **Roth and after-tax contributions.** Designated Roth contributions and after-tax contributions may not be made to Vanguard Accounts. Roth and/or after-tax amounts may not be included in any rollover, contract exchange, or plan-to-plan transfer to a Vanguard Account.
 - **Participant loans.** Loans aren’t permitted from Vanguard Accounts.
 - **In-service withdrawals of rollover amounts.** Rollover contributions to Vanguard Accounts won’t be held in a separate account. In-service withdrawals of rollover amounts aren’t permitted from Vanguard Accounts.
 - **Vesting.** Vanguard doesn’t track vesting (nor will Vanguard establish forfeiture accounts). All amounts contributed to Vanguard Accounts must be nonforfeitable and 100% vested.
 - **Automatic enrollment.** In order to establish a Vanguard Account, the participant must complete a Vanguard 403(b)(7) New Account Form. Vanguard
- Accounts can’t be established by the employer or its authorized delegate on behalf of automatically enrolled participants.
- **Investments.** Assets held in Vanguard Accounts may be invested in most Vanguard mutual funds. Insurance contracts can’t be held under a Vanguard Account, nor are brokerage services available.
- 4. Participant accounting.** Vanguard will collect enrollment data from the participant, including the participant’s name, address, Social Security number, and fund selections. A separate account will be established and maintained in the name of each participant in the plan to record the assets of the plan allocated to the participant and associated earnings. All contributions allocated to a participant (including any rollover contributions) are held in such a single separate account for each such participant. Vanguard doesn’t maintain rollovers in a separate account from other forms of assets.
- 5. Participant statements.** Vanguard will provide participants with quarterly statements that will reflect the current fair market value of the participants’ Vanguard Accounts and all activities occurring within their account during the most recent quarter, including plan earnings, exchanges, distributions, and transfers.
- 6. Transmittal of plan assets and participant information.** In allocating amounts to participants’ separate accounts under the plan and investing such amounts in Vanguard mutual funds, Vanguard will rely solely on the participant enrollment and allocation data furnished to it by the participant and/or the employer or its authorized delegate. Funding of individual participants’ accounts and remittance information can be made via ACH transmission and facilitated through Vanguard Small Business Online® (smallbiz.vanguard.com). Employers also have the ability to file their instructions electronically through the same website and mail checks separately. If Vanguard receives any plan contribution or other amount that isn’t preceded or accompanied by instructions directing its allocation to participants’ separate accounts, Vanguard will immediately notify the employer or its authorized delegate. Vanguard will hold or return all or a portion of the plan contribution or other amount uninvested without liability for loss of income or appreciation pending receipt of proper allocation directions.
- 7. Contributions.** Vanguard provides the 403(b)(7) Salary Reduction Agreement that may be used to record participant salary deferral elections. This form should be retained by the employer and not sent to Vanguard. The employer or its authorized delegate is responsible for ensuring that all contributions are made to the accounts in a timely manner in accordance with requirements under the Internal Revenue Code and Employee Retirement Income Security Act (ERISA), as applicable.

Employers or authorized delegates may make contributions to participants' accounts in accordance with the provisions of the employer's plan.

Vanguard doesn't monitor aggregate contributions made on behalf of the participant to other custodial accounts or annuity contracts under the plan. Vanguard doesn't systematically monitor special catch-up contributions under Code section 402(g)(7) for employees of certain organizations who have completed 15 years of service, nor is Vanguard responsible for the coordination of the age 50 catch-up and the special 403(b) catch-up. If Vanguard is notified of an excess contribution and directed to correct the excess by an individual authorized to act on the account, Vanguard will follow such directions. Additional information regarding contributions to Vanguard Accounts is contained in Article 3 of the Vanguard Agreement.

8. Investment exchanges between Vanguard funds.

Participants may direct Vanguard to make investment exchanges within the participant's Vanguard Account from one Vanguard fund to another permissible Vanguard fund. Investment exchanges can be made online, by phone, or in writing.

9. Contract exchanges, rollovers, and plan-to-plan transfers.

In general, contract exchanges, rollovers, and plan-to-plan transfers may be made to a Vanguard Account to the extent permitted under the terms of the employer plan. Contract exchanges are only permitted to a Vanguard Account if the sponsoring employer has entered into Vanguard's Information-Sharing Agreement for 403(b) Contract Exchanges. Vanguard won't accept any other versions of information-sharing agreements.

Vanguard doesn't record source information (including employee deferral amounts) with respect to assets received via a contract exchange, rollover, or plan-to-plan transfer. Vanguard won't treat any portion of such amounts as elective deferrals when reporting to the employer the total elective deferrals made to a Vanguard Account for purposes of the employer's hardship determination (described in the next section).

- 10. Hardship withdrawals.** Hardship withdrawals are permitted from Vanguard Accounts to the extent that 1) hardship withdrawals are available under the terms of the plan, and 2) hardship withdrawals are authorized by the employer or its authorized delegate. As soon as reasonably practicable following the receipt of a participant's request for a hardship withdrawal, Vanguard will provide the participant with 1) a hardship withdrawal request form, 2) the amount of total elective deferrals held in the participant's Vanguard Account, and 3) the amount of any prior distributions made to the extent this information is available in Vanguard's records. (Elective deferral and distribution amounts provided by Vanguard won't include rollover, contract exchange, or plan-to-plan transfer amounts.)

The participant will provide this information to the employer or its authorized delegate with any other documentation the employer may require.

The employer or its authorized delegate will be responsible for determining, in accordance with the limits and restrictions set forth under sections 1.401(k)-1(d)(3) and 1.403(b)-6(d)(2) of the Treasury Regulations, the existence of an immediate and heavy financial need, the amount necessary to meet the need, and the maximum distributable amount. Vanguard will process a hardship withdrawal upon receipt of a 403(b)(7) Hardship Withdrawal Form, which includes authorization by the employer or its authorized delegate, in a form and manner acceptable to Vanguard. The employer or its authorized delegate is responsible for the suspension and subsequent reinstatement of a participant's elective deferral contributions following a hardship withdrawal in accordance with section 1.401(k)-1(d)(3) of the Treasury Regulations.

Note: Employer authorization of hardship withdrawals may cause certain plans to become covered by Title I of ERISA. For further information, refer to Department of Labor Field Assistance Bulletin No. 2007-02 and consult your legal counsel.

- 11. Distributions.** Any amounts allocated to a participant's Vanguard Account will be paid to the participant or the participant's beneficiary, upon the receipt of direction from the participant or the beneficiary, as applicable, in a form and manner acceptable to Vanguard, which may require employer authorization. Employer certification may be required in the case of certain distributions from accounts that aren't part of a plan subject to ERISA, as represented by the employer to Vanguard. All hardship withdrawal requests require employer authorization. Vanguard is under no duty to ascertain whether distribution instructions are in accordance with the provisions of the plan. In making payments to plan participants and their beneficiaries, Vanguard will generate all necessary Internal Revenue Service tax forms. Vanguard will process distributions in accordance with the terms set forth in Article 5 of the Vanguard Agreement.

- 12. Required minimum distributions (RMDs).** Vanguard will mail an annual RMD notification to all 403(b)(7) plan participants that have reached age 70½. Through Vanguard's optional RMD service, eligible participants can choose to have their RMD automatically calculated annually or automatically calculated and distributed annually. Vanguard RMD calculations are based only on the assets in the participants' Vanguard Accounts and don't include other accounts or contracts under the plan. Participants must submit Vanguard's Required Minimum Distribution Service Form in order to request automatic calculations and distributions. Authorization by an employer or its authorized delegate may be required.

- 13. Domestic relations orders.** Vanguard will provide recordkeeping and tax reporting services necessary to comply with qualified domestic relations orders (or domestic relations orders in the case of a church or government plan). It's the responsibility of the plan administrator to determine, within the meaning of section 414(g) of the Code (and the regulations thereunder), whether a domestic relations order satisfies the requirements to be considered a qualified domestic relations order under section 414(p) of the Code.
- 14. Beneficiary designations and death distributions.** Participants may designate primary and contingent beneficiaries to receive undistributed amounts credited to the Vanguard Accounts at the time of the participant's death. Beneficiary designations must be made in a form and manner acceptable to Vanguard, in accordance with Article 5.6 of the Vanguard Agreement. Vanguard is responsible for storing such beneficiary designation and any changes thereto. Upon the death of a participant, Vanguard will make beneficiary payouts in accordance with its then-effective policies and procedures and with the beneficiary designations on Vanguard's records, provided that, if the plan is subject to ERISA, the employer or its authorized delegate authorizes distributions to beneficiaries and ensures that distributions are made in accordance with section 205 of ERISA.
- 15. Vanguard records.** Vanguard keeps full and accurate records of all investments, disbursements, and other transactions occurring with respect to plan assets held at Vanguard. Vanguard doesn't maintain participant records in aggregate at the employer group level as such, but does provide a specific plan identification number to each sponsoring organization and online access at Vanguard Small Business Online (smallbiz.vanguard.com). All participants under a plan are linked to the employer by the plan number. By utilizing smallbiz.vanguard.com, authorized individuals can make contributions and view contribution history for each participant enrolled through Vanguard.
- 16. Annual accounting.** If participant accounts are part of an ERISA plan (as represented by the employer to Vanguard), Vanguard will provide to the employer an annual accounting statement summarizing all transactions effected with respect to plan assets invested in Vanguard Accounts during the most recent period, including consolidated financial information necessary for the employer to complete the plan's annual report (Form 5500). Vanguard will provide this information within 120 days after the end of each taxable year of the plan, starting with the first plan year beginning on or after January 1, 2009.
- 17. Information sharing.** Upon request, Vanguard will share with the employer information necessary for compliance with section 403(b) of the Code and the regulations thereunder. Vanguard will provide only information available in its records and doesn't guarantee the accuracy of any information that is based on prior certifications by a participant or a previous service provider. In order for the employer to authorize a third party to receive information from Vanguard's records, the employer must complete a Vanguard 403(b)(7) Plan Authorization Form. By making contributions to the Vanguard Accounts, the employer agrees to share with Vanguard information necessary for the Vanguard Accounts to satisfy section 403(b) of the Code and other tax requirements. Contract exchanges, however, are only permitted to Vanguard Accounts if the sponsoring employer has entered into Vanguard's Information-Sharing Agreement for 403(b) Contract Exchanges.
- 18. Float.** Vanguard maintains pooled, or "omnibus," accounts to facilitate transactions. One such pooled account holds distributions pending redemption of a check. To the extent there are any earnings (i.e., "float") on the monies that accumulate in the pooled account, the earnings are allocated proportionately among all of the Vanguard mutual funds in order to offset expenses of the mutual funds. This cash management process ultimately lowers the expense ratios of the mutual funds, thereby benefiting all fund shareholders, including plan participants.

With respect to distributions pending redemption of a check, the potential earnings period begins on the date the distribution check is written and ends on the date the check is presented for payment. The earnings rate is a rate that is based on the federal funds rate. Administrative procedures are in place to limit any potential float period.
- 19. ERISA.** In the event the Vanguard Accounts are being maintained pursuant to a plan subject to Title I of ERISA, the employer is responsible for ensuring that the plan complies at all times with the requirements of Title I of ERISA.
- 20. Confidentiality.** Vanguard has safeguards and procedures in place to ensure the privacy of participants' personal information, including any information provided by employers (or authorized delegates). Vanguard's Information-Sharing Agreement for 403(b) Contract Exchanges stipulates that the employer and their designees also agree to use diligent efforts to maintain the confidentiality of any information that is provided to them by Vanguard, with the same level of care that they normally exercise with regard to their own confidential information. Vanguard may disclose or transfer such confidential information to authorized third parties as needed to provide services to the plan, or as required by law.



P.O. Box 1106
Valley Forge, PA 19482-1106

Connect with Vanguard® > vanguard.com > 800-662-2003