
Adventist Retirement Plan

Administrative
Manual

Updated January 2017

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Introduction

Responsibilities

In addition to providing certain basic information about the Adventist Retirement Plan (“Plan”), this Administrative Manual also describes the various responsibilities and duties of the parties involved in the Plan’s administration (e.g., the employee-participant, the employer, Empower Retirement and Adventist Retirement). It is each party’s responsibility to ensure that certain duties are fulfilled in a timely and appropriate fashion. Any questions about any of the responsibilities and duties described in this Manual should be directed to the individual who serves as the Daily Administrative Contact listed in Chapter 1 of this Manual.

It is important for employers to understand that, because they are involved in handling the employer and employee contributions made to the Adventist Retirement Plan, they are fiduciaries and must fulfill their fiduciary responsibilities in the proper manner. It is important that employers transmit *all* contributions and data to Adventist Retirement within ten calendar days of the pay date. An employer who fails to forward all contributions in a timely manner may cause an employee to lose earnings on the contributions credited to the employee’s account.

It is also important that employers do not provide investment advice to participants. An employer providing investment advice could be liable to a participant for any investment losses the participant incurs as a result of following this advice. Any participant inquiries that involve the provision of investment advice should be directed to an Empower Retirement representative.

If any information in this Administrative Manual conflicts with the terms of the Adventist Retirement Plan legal document, the terms of the legal plan document will be considered the controlling document.

If you have any questions about your employer’s responsibilities and duties under the Adventist Retirement Plan, please contact Adventist Retirement.

Contacts

Adventist Retirement Contacts

Administrator:	Raymond Jimenez (301) 680-6284 RaymondJimenez@nadadventist.org
Daily Administrative Contact:	Beth Roberts, Associate Administrator/DC Plan Manager (301) 680-6285 BethRoberts@nadadventist.org
Assistant Contacts:	Kristina Dahabura, Adventist Retirement Support – Accounting Software Specialist (301) 680-6456 KristinaDahabura@nadadventist.org Shyamala Injety, DC Plan Specialist (301) 680-6270 ShyamalaInjety@nadadventist.org Joanne Cortes, DC Plan Specialist (301) 680-6198 JoanneCortes@nadadventist.org
Mailing Address:	Adventist Retirement Plans of the North American Division 12501 Old Columbia Pike Silver Spring, MD 20904-6600
Fax:	(301) 680-6190
Work Hours:	8:00 a.m. to 5:30 p.m. Monday – Thursday
Time Zone:	Eastern

Empower Retirement Contacts

Empower Retirement - Voice Response Unit (VRU)

Security Level: Social security number and Personal Identification Number (PIN). Initial call-in requires additional information to set up a PIN.

Telephone Number: 1-866-467-7756

Availability: 24 hours a day, 7 days a week (subject to periodic maintenance).

Information Available:

- Account balance in total, by fund, by money type, fund performance
- Loan information, amount available for loan
- Distributions
- Transfers
- Future investments
- Recent account activity
- Change PIN
- Speak to a Retirement Services Representative (9:00 a.m. to 8:00 p.m. Eastern time)
- Ability to cancel transactions by opting out to a Retirement Services Representative (by 4:00 p.m. Eastern time - subject to market hours)

Empower Retirement Services Representatives – Advice Line

An employee may opt out of the Retirement Services Line Voice Response Unit (VRU) and speak with a Retirement Services Representative. English and Spanish speaking representatives are available.

Telephone Number: 1-866-467-7756

Availability: Mon through Fri 9:00 a.m. to 8:00 p.m. Eastern time

Information Available:

Same information as the VRU, plus:

- Request distribution paperwork
- General Plan provision questions
- Initiate research on account transactions
- Obtain loan quote and paperwork
- Cancel transactions made on the VRU or Internet (cutoff time is normally 4:00 p.m. Eastern time - subject to market hours)

Empower Retirement - Website

Security Level: Social Security Number and Personal Identification Number (PIN). Initial sign-on requires additional information to set up a PIN.

Custom Web URL: www.empower-retirement.com/participant

Availability: 24 hours a day, 7 days a week (subject to periodic maintenance)

Information Available:

- Account balance - balance in total, by fund, by source
- Investment elections - current investment elections and ability to change elections
- Current price information by fund
- Change PIN
- Ability to cancel transactions by calling the VRU and opting out to a Retirement Services Representative (by 4:00 p.m. Eastern time - subject to market hours)

Empower Retirement – Advisory Services

Security Level: Name, social security number, date of birth and address

Telephone Number: 1-844-302-2448

Availability: Mon through Fri 9:30 a.m. to 7:00 p.m. Eastern time

Information Available:

- Investment education
- Advice on managing retirement assets

General Plan Information

Legal Plan Name:	Adventist Retirement Plan
Plan Effective Date:	January 1, 2000
Trustee:	North American Division of the Seventh-day Adventists
Custodian:	Great West Trust Company
Plan/Fiscal Year End:	December 31
Type of Plan:	Non-ERISA 403(b)(9) church retirement income account plan
Participating Employers:	The Plan covers local conferences, union conferences, the North American Division, the General Conference, churches, schools, universities, U.S. based residents working overseas on an interdivision employee (IDE) basis, chaplains and other entities of the Seventh-day Adventist Church.

Eligibility & Enrollment

All eligible employees of participating employers are allowed to make salary reduction (pre-tax) and Roth (after-tax) elective deferral contributions and after-tax contributions under this plan.

As of July 1, 2012, each participating employer's governing body voted a Resolution to implement one of two retirement benefit options under the 2011 NAD Locally Funded Policy. Option A1 allows employees working on at least a half-time basis to be eligible for employer basic and matching contributions. Employees working less than half-time are not eligible for employer basic or matching contributions. Option A2 allows full-time employees to be eligible for employer basic contributions, and all employees, including those working less than full-time (at any level of part-time employment) to be eligible for matching contributions. It is up to each employer to determine the eligibility of its employees for Plan participation based on its definition of full-time and half-time employment.

The only exceptions to the above retirement benefit options A1 and A2 are for Early Childhood Education and Care (ECEC) employees. ECEC employees are eligible for contributions described under Options B1 or B2, depending on which of the two retirement benefit options the employer's governing body elected. Under Option B1, ECEC employees are eligible for the same retirement benefits the employer elected for all other employees (Option A1 or A2). Under Option B2, ECEC employees are not eligible for any employer contributions to this Plan, regardless of the benefits option elected for other employees.

Eligibility [Adventist Retirement Plan sections 2.16 & Article III]

Employees who are at least twenty (20) years of age and not otherwise excluded may participate in this Plan according to the Option selected in their Participating Employer's NAD policy resolution. Any employee working for a Participating Employer can make salary reduction and after-tax contributions (and, if allowed by the Participating Employer, Roth contributions), even if the employee is not eligible for employer contributions.

Individuals who are not eligible to participate in this Plan include: temporary employees, student employees, nonresident aliens (other than individuals who are also Interdivision Employees), individuals employed by Canadian or Bermudian employers that have church status, individuals paid above the NADCOM remuneration scale and participating in an alternate plan, individuals who have taken approved leaves of absences in order to pursue a course of graduate study, adjunct professors employed by a NAD educational institution or an industry employee (unless such individual's documentation of employment clearly specifies eligibility to participate in this Plan), and individuals employed by a Regional Conference that ceases to be a Participating Employer in this Plan.

Enrollment [Adventist Retirement Plan Article IV]

Employees eligible for employer basic and/or matching contributions to this Plan should be auto-enrolled, which means that payroll transmittals will include all necessary data.

Employers should have their employees complete a Salary Reduction Agreement (SRA) which can be found on www.adventistretirement.org. Each SRA must be completed by the employee upon hire, signed, dated and returned to the employer even if the employee elects not to make salary reduction, Roth or after-tax contributions. This form should be kept with each employee's original service record or permanent personnel file even if the employee terminates or transfers to another denominational employer. The form is also important for proof of contributions elected if the employer or employee is audited. Employers should also encourage employees to go to the Empower Retirement website to designate beneficiary (ies) for their Adventist Retirement Plan accounts.

Once enrolled, employees should be permitted to start or increase their contributions by completing a new Salary Reduction Agreement Form at times specifically designated by the employer. It is recommended that employers designate a period of time at least once each year for these changes to be made. An employee should be permitted to stop or decrease their contributions at any time. An employee may resume contributions at such time as established by the employer. All requests for changes should be made by the employee completing a new SRA (signed and dated) and kept on file by the employer.

The Enrollment Process

Employer Responsibilities:

- Determine eligibility for employer basic and match contributions based on the employer's local hire election:
 - Employee is at least twenty (20) years of age and meets other eligibility criteria
 - Determine what local hire option was chosen in 2011
 - Obtain signed and dated SRA
 - Encourage employee to go to Empower Retirement website to complete beneficiary designation information
 - Remind employee that summary plan description for the Plan can be found at www.adventistretirement.org/employee/defined-contribution-plan/
- Include new employee information with next data transmission to Adventist Retirement.

*Note: If an employee is **ineligible** to receive employer contributions, but elects to make salary reduction, Roth or after-tax contributions to the Adventist Retirement Plan, the employer must still check the "retirement plan" box on line 13 of the employee's W-2 and include the amounts contributed to this Plan on line 12 using Code E. The employer should also notify the employee that this may prevent the employee from making deductible personal contributions to an IRA.*

Employee Responsibilities:

- Sign a Salary Reduction Agreement and return to the employer.
- Contact Empower Retirement to complete beneficiary designation information and to make investment elections. If an employee does not make an investment election, the employee's contributions and any employer contributions will be invested in the default investment option selected by the Adventist Retirement Board. Note: Transactions entered after 4pm Eastern time will be processed on the next business day.

Empower Retirement Responsibilities:

- Receive new employee information from Adventist Retirement.
- Import the employee information into the record keeping system.
- Implement beneficiary designation and/or employee elections from information obtained from employee by 4 p.m. the day they are made, or if after 4 p.m., on the next business day.

Additional Enrollment Information

Participating After Retirement: A retired employee who is rehired and meets the Plan's eligibility requirements may participate in the Adventist Retirement Plan and receive applicable employer basic and/or matching contributions just like any other eligible employee.

Part-time Employment: Part-time employees (except for student employees) are eligible to make salary reduction, Roth and/or after-tax contributions to the Plan. They may also be eligible to receive employer basic or matching contributions depending on the retirement benefit options selected by their employer.

Dual Employment: Two employers that have adopted the same retirement benefit option can agree, at their discretion, to combine shared employment when determining eligibility for employer basic and/or matching contributions. Such an agreement should be documented in employment records. An employer that offers employment of less than full-time is not required to agree to such a sharing arrangement and thus is not required to make retirement contributions for non full-time employees with shared employed arrangements.

An employee working two part-time jobs for the same employer that add up to at least full-time employment is eligible for the employer basic and/or matching contribution based on total compensation as if he or she were a full-time employee.

If a full-time employee also works on a part-time basis for a second participating employer, the second employer is not required to provide employer basic and/or matching contributions.

Contributions

Retirement plan contributions should be made by the employer and employee so that at retirement age, career employees will have a retirement asset which combined with other savings and Social Security payments, will be able to generate adequate retirement income.

All contributions – employee and employer – are immediately 100% vested.

Regular Contributions

Salary Reduction Contributions [Adventist Retirement Plan section 4.01]: Employees may elect to defer a specified dollar amount or a specified percentage of their compensation as an elective deferral on a pre-tax basis. This contribution is fully vested.

Roth Contributions [Adventist Retirement Plan section 4.02]: If an employer allows this type of contribution, employees may elect to defer a specified dollar amount or a specified percentage of their compensation as a Roth elective deferral on an after-tax basis. This contribution is fully vested.

After-Tax Contributions [Adventist Retirement Plan section 4.03]: If an employer allows this type of contribution, employees may elect to defer a specified dollar amount or a specified percentage of their compensation on an after-tax basis. This contribution is fully vested.

Employer Basic Contributions [Adventist Retirement Plan section 4.04]: An employer will make a basic contribution (currently 5% of compensation; 5.43% of compensation for 10 - month educational employees) to each eligible employee's basic contribution account each pay cycle (biweekly, semi-monthly, monthly, etc.).

Employer Matching Contributions [Adventist Retirement Plan section 4.05]: An employer will make a matching contribution (currently 3% of compensation; 3.26% of compensation for 10-month educational employees) to each eligible employee's matching contributions account on a pay period basis. In addition to salary reduction contributions, Roth and after-tax contributions are matched if the employee is eligible for employer matching contributions.

Note: A parsonage allowance reduces an employee's taxable gross income, which may severely limit or prevent a pastor from contributing to the Plan because amounts used as parsonage allowance are not counted as compensation upon which Plan contributions are made. Pastors who exclude the majority or all of their compensation as non-taxable parsonage allowance should contact their tax advisor for assistance in adjusting their

parsonage allowance exclusion to maximize participation in the Plan.

Other Contributions

Chaplain Contributions [Adventist Retirement Plan section 4.06]: Contributions may be made by chaplains or their employers directly to the Adventist Retirement Plan. These contributions will be considered pre-tax contributions and will be fully vested. The chaplains contribution account is used for chaplains employed by entities **other than** denominational entities and credentialed by Adventist Chaplaincy Ministries. These chaplains will not receive employer basic or matching contributions.

Graduate Study Contributions [Adventist Retirement Plan section 4.07]: A participating employer will make additional employer basic contributions to eligible employees who were on leaves of absence for graduate study. These contributions are made to the employee's basic contributions account after the employee has obtained his/her Master's degree (or higher) and has returned to full-time work within a year of the degree being awarded. The contributions will be made for a period of time that is no longer than twice the approved leave of absence at 150% of the normal basic contribution rate (100% is the current employer basic contribution plus a 50% additional employer makeup basic contribution for the graduate study). Graduate study contributions are fully vested. Contributions are not to be given to individuals based on stipend pay while they are in school.

Interdivision Employee (IDE) Contributions [Adventist Retirement Plan section 4.08]: An employer will make an IDE contribution to eligible U.S. residents working in non-US territories on an IDE basis. These after-tax contributions are fully vested. U.S. residents working in a U.S. territory such as Guam receive employer contributions which are fully vested but are contributed on a pre-tax basis.

Rollover Contributions [Adventist Retirement Plan section 4.09]: A participant may roll over to the Plan all or part of any distribution from an eligible retirement plan or conduit IRA, provided procedures established by the Adventist Retirement Board are followed and the distribution is paid to the Plan within 60 days following receipt by the participant. These rollovers are generally not taxed at the time of rollover and are fully vested. All amounts rolled into the Plan will be contributed to a participant's rollover contributions account, except for Roth contributions which shall be contributed to a participant's Roth rollover contributions account.

Transfer Contributions [Adventist Retirement Plan section 4.10]: Subject to limitations imposed by applicable law, a participant may have amounts directly transferred from another 403(b) plan to this Plan in accordance with procedures established by the Adventist Retirement Board. These transfers are generally not taxed at the time of rollover and are fully vested. All amounts rolled into the plan will be contributed to a participant's transfer contributions account.

Special Pay Contributions [Adventist Retirement Plan section 4.11]: As of January 1, 2011, participating employers may elect the special pay resolution. There is no deadline for an

employer to adopt this resolution, and the employer may opt out at a later date with a governing body resolution. The application of this provision must be consistent and non-discriminatory, so an employer will not be allowed to move in and out of this provision at will.

If an employer has adopted the special pay option, a special pay contribution may be made for any participant eligible for a post-1999 employer retirement allowance. The contribution must be submitted via the ASP field in a payroll file without exception.

Note: Each employer is responsible for ensuring the special pay contribution will not cause the participant to exceed Internal Revenue Code 415(c) limits (See page 21 for a definition of the 415(c) limits). Therefore, employers should conduct a limits test before processing the contribution. If a participant's 415(c) limit is exceeded, the retirement allowance can be paid in the following year, or a portion of the retirement allowance can be paid in one year and the remainder in the following year.

Special pay contributions may only be made in the year in which the participant has retired, or for up to three (3) years following retirement if application is made after retirement as specified in NAD Policy Z40 and Y46. Special pay contributions are fully vested and shall be made on a pre-tax basis to a participant's special pay contributions account. These contributions are not subject to payroll taxes upon contribution or distribution, but will be subject to applicable federal and state tax.

Contributions made at Termination of Employment: Once an employee terminates employment and is no longer considered an employee (the employee is no longer receiving a salary/wage or service credit), contributions to the Plan must cease.

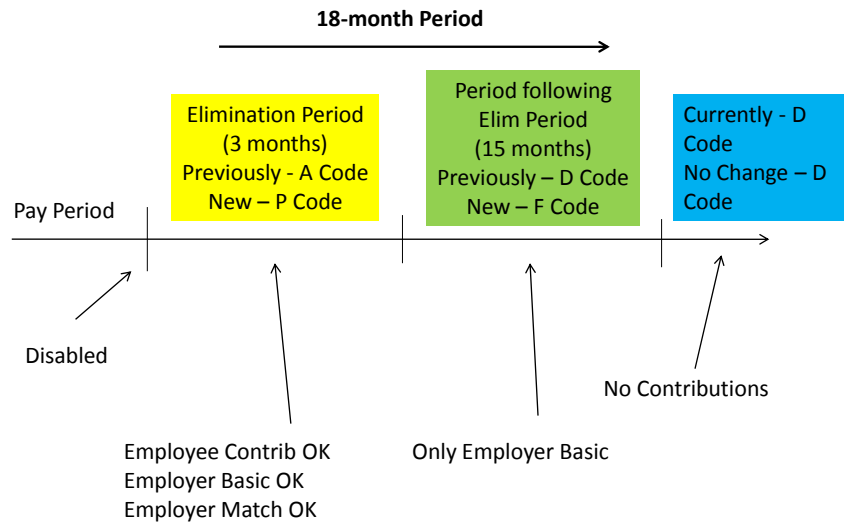
If an employee is no longer working, but is still considered an employee for purposes of salary/wages and is receiving "salary continuity" payments, Plan contributions should continue to be made until the end of the payment period. The employer should send through a "T" code (for termination) at the conclusion of the salary continuity payments. Plan contributions must be transmitted with an "A" code, and the "T" code only submitted at the conclusion of all salary continuity payments.

In contrast, if an employee terminates employment and a "lump sum" severance payment is made in lieu of future salary/wages or benefits (whether the "lump sum" is paid in one amount or in a series of payments under NAD Working Policy Y 36 30), employers should not make retirement plan contributions on the "lump sum" payment. The employer should send through a "T" code (for termination) at the beginning of any lump sum payment or series of lump sum payments. Settlement compensation paid upon termination of employment cannot be counted as Plan compensation upon which contributions can be made.

Disability Contributions [Adventist Retirement Plan section 4.04(b)]: If an employee is disabled prior to attaining age 59½ and is eligible for disability pay under the employer's long-term disability insurance plan or under Social Security, the employer continues to make employer basic and/or matching contributions during the elimination period. The employee may also continue to make salary reduction, Roth, or after-tax contributions

from compensation paid during the elimination period.

Disability Contributions



Following the elimination period, the employer continues to make employer basic contributions but not matching contributions. Employer basic contributions are calculated based on pre-disability contribution rates plus any cost of living adjustments. Employer basic contributions stop after 18 months. Disabled employees are not permitted to make any salary reduction, Roth, or after-tax contributions after the elimination period ends.

If an employee participates in a “return to work” program, the employer continues to make basic contributions based on the employee’s pre-disability contribution rates plus any cost of living adjustments for the period following the elimination period through the remainder of the 18 months, or if earlier, when the employee returns to work on a full-time basis.

If an employee has a Plan loan outstanding and goes on a disability leave, loan payments can be suspended for up to one year. Employees should contact Empower Retirement for information on how to suspend the loan.

Workers Compensation: No employee or employer contributions are allowed on amounts an employee receives from a state or private workers compensation program or policy. These amounts are not considered compensation under the Plan.

Military Service Contributions [Adventist Retirement Plan section 7.03]: Under the Uniformed Services Employment and Re-employment Rights Act (USERRA), activated employees are not required to receive employer contributions while on active duty. However, if the employee is re-employed following active duty, the employer must make up any employer contributions which would have been made if the employee had been employed during the period of military duty. Employer contributions are calculated based on what the employee’s pay would have been if continuing employment, including any raises or promotions.

The employee has three times the period of military duty or five years, whichever is less, to make up employee contributions. If the employee makes up the contributions, the employer must make up any matching contributions. There is no requirement to make up earnings on the matching contributions.

Note: Make-up contributions for previous years do not count against current-year contribution limits.

How to Calculate Employer Contributions for Employees [Adventist Retirement Plan sections 4.04 & 4.05]

- Establish eligibility of the employee.
- Basic contributions should be paid based on 5% of total salary/wages, including cost of living adjustments. (See “How to Calculate Educational Employee Contributions” for alternate basic contribution.) Apply the 5% rate to regular and overtime actual salary/wages, whether on or off the NAD Remuneration Scale, based on hourly rate times hours worked, or salary rate for the period. Examples of salary/wages to include are:
 - Cost of living adjustment if separate from wages
 - Wages designated as parsonage allowance
 - Vacation pay and sick pay – regular (paid to current employees, within a pay period)
 - Educational employee’s salary adjustment
 - Performance-based bonus (i.e. salesperson that reaches threshold receives additional income)
 - Commissions of a commissioned salesperson

Note: Literature Evangelists employed as employees for Federal income tax purposes should be provided with the appropriate IRS wage reporting form (IRS Form W-2). In contrast, Literature Evangelists that are considered independent contractors (receiving a Form 1099-MISC) are not eligible to participate in the Adventist Retirement Plan and are not allowed to make salary reduction, Roth or after-tax contributions because they are not employees.
- Do NOT apply to following pay items:
 - Area travel allowance
 - Flat travel budget (whether treated as taxable or not)
 - Tuition assistance
 - Moving allowance
 - Per diem or other travel reimbursement
 - Vacation pay and sick pay – lump sum at termination
 - Lump sum termination or severance settlement
 - Post-1999 employer-paid retirement allowance
 - Continuation of employee remuneration to spouse when employee dies in denominational service (NAD WP Y 25 10)
 - Other payments normally considered as benefits or reimbursements (i.e. Christmas bonus or other random bonuses)
- Determine the employer matching contribution based on a per-pay-period basis.

How to Calculate Graduate Study Contributions [Adventist Retirement Plan section 4.07]

“Make up” graduate study contributions for employees who have obtained a degree at the Master of Arts level or higher can only be made after the Participant has returned to full-time employment, and are calculated as follows:

- Follow the same procedures as outlined above in “How to Calculate Employer Contributions for Employees.”
- Once the employer basic contribution has been determined, multiply that amount by 150% (100% current employer basic contribution and 50% “make up” employer basic contribution). This will be the calculation used to determine what is contributed on behalf of this employee for a period of time twice as long as the graduate study leave.
- Employer matching contributions are made by using the regular calculation as outlined above in “How to Calculate Employer Contributions for Employees.” There are no “make up” amounts for the employer matching contributions. However, when applying the maximum employer matching contribution rate as a percentage of the employer basic contributions, which are made at 150% during the makeup period, an employee can “make up” employer matching contributions by increasing his/her voluntary salary reduction or Roth contributions.
- While this section is intended to address pre-approved graduate study leave, the same provisions may be applied in the case of employment of a self-sponsored graduate student at the employer’s election (see section 4.07(d) of the Adventist Retirement Plan).
- The employee must return to or begin full-time employment with a participating employer within one year of receiving an advanced degree in order to be eligible for these contributions.
- The employee is eligible for the “make up” contributions for up to two years of graduate study for each course of graduate study.

How to Calculate Educational Employee Contributions

Many contracts for educators are based on a school year; with the employee being paid on a 9, 10 or 11 month basis, usually over the full 12 months. This is often done by calculating the annual pay for a 12-month employee at the educator’s pay rate and then multiplying that by a percentage, usually ranging from 89% to 95%, and dividing the result by the number of pay periods in the year.

The Plan has no equalization system built in to accommodate this pay being spread out over 12 months. The NAD has taken action requiring K-12 educational employers to make a pay adjustment which will compensate the employee in taxable income for the loss of employer-based contributions. Thus an employee whose 12-month annual salary is multiplied by 92% might see this adjusted to 92.5%. The employee is then encouraged to

take that compensation and increase his/her salary reduction or Roth contributions by the amount of the “windfall” pay increase.

The Contribution Process

Employee Responsibilities:

- Sign Salary Reduction Agreement and submit to local payroll office
- Contact Empower Retirement to make investment elections and designate a beneficiary (your account will be accessible at Empower Retirement 15 days after your first pay date).
- If an employee does not make an investment election, the employee’s contributions and any employer contributions on his behalf will be invested in the default investment option selected by the Adventist Retirement Board.

Employer Responsibilities:

- Determine appropriate employer basic and matching contributions.
- Process any new Salary Reduction Agreement before each payroll.
- Send all contributions to Adventist Retirement within ten (10) calendar days of the pay date. For more information see Data Flow chapter.

Adventist Retirement Responsibilities:

- Receive and verify all contributions and dollar transmissions from payroll centers.
- Send all contributions to Empower Retirement within ten (10) calendar days of receipt from payroll center. The ten (10) calendar days begin when Adventist Retirement has received both a good payroll file and the money to fund it.

Empower Retirement Responsibilities:

- Receive and verify all contributions from Adventist Retirement.
- Invest all contributions within one business day of receipt of funds from Adventist Retirement.
- If employee has selected the PCRA Schwab investment option, additional business days may be required to invest funds.

Investments

The Plan is designed to provide employees with an array of suitable investments to assist in meeting retirement objectives. The investments provided fall into general categories designed to accommodate both employees with no investment experience and those who are more knowledgeable. Investment options include both unscreened funds and funds that follow the social screens taught by and traditionally applied by the Seventh-day Adventist Church.

Investment Options [Adventist Retirement Plan section 6.01]

For a current list of available investment options, please visit the Empower Retirement website at www.empower-retirement.com/participant. Select the “Investments” tile, then “Investment Options” at the top of the page.

Target Maturity Funds

The following Target Maturity Funds are currently available to participants:

SDA Retirement Income	SDA Retirement 2010	SDA Retirement 2015
SDA Retirement 2020	SDA Retirement 2025	SDA Retirement 2030
SDA Retirement 2035	SDA Retirement 2040	SDA Retirement 2045
SDA Retirement 2050	SDA Retirement 2055	SDA Retirement 2060

A participant can select a fund with a year nearest to his/her expected retirement. The funds are made up of socially screened index funds, and are rebalanced annually. The asset allocation model is incrementally adjusted to approach a retirement age appropriate investment strategy at the time of retirement.

Individual Funds

Individual funds are offered in the following categories. Please see the Empower Retirement website for a current listing of available funds.

- Guaranteed lifetime income
- International
- Specialty
- Small cap
- Mid cap
- Large cap
- Bonds
- Fixed
- Money market
- Balanced

Charles Schwab Personal Choice Retirement Account

- Participant can choose from a wide variety of mutual funds
-

The Investment Process

Employee Responsibilities:

- Contact Empower Retirement to make or change investment elections
- If the Charles Schwab Personal Choice Retirement Account investment election option is desired, access the Empower Retirement website, go to “Investments” and then select “Self-Directed Accounts” to enroll

Empower Retirement Responsibilities:

- Process employee’s changes by 4:00 p.m. Eastern time the day they are made.

Data Flow

File Specifications

The P/R Export File Definition on the Adventist Retirement website (nadadventistretirement.org) describes the electronic file specifications layout. This format must be followed each time contributions and data are transmitted to Adventist Retirement. If there are inconsistencies in the format, files may be delayed. Employers must correctly use the appropriate status codes. The status codes can be found in Appendix A of this Manual.

Employers must upload files to https://arp.advret.org/users/sign_in. Employers should contact Adventist Retirement if an account needs to be set up in order to upload files.

When to Send File

Payroll information and funds must be transmitted to Adventist Retirement's Upload Website within ten (10) days of the date of distribution of payroll (the "pay date" or the date printed on a paper check). When an employer uploads a file to the website, it will see a confirmation of successful submission on the screen. Employers should print and save this confirmation for its records.

Adventist Retirement will collect transmissions, verify totals and transmit all "good order" files with matching funds to Empower Retirement twice per week. Typically, files are sent to Empower Retirement on Mondays and Wednesdays. Adventist Retirement will send an email once the file and funds have been received and are being processed. Empower Retirement will process the files received from Adventist Retirement within 24 hours of receipt of the file and funds.

The Data Flow Process

Employee Responsibilities:

- Provide employer with Salary Reduction Agreement upon hire and update as needed.
- Review quarterly statements provided by Empower Retirement verifying all information. Notify employer of any discrepancies.

Employer Responsibilities:

- Create a data file to be sent each pay date to Adventist Retirement.
- Send payroll data and funds within ten (10) days of the pay date (date which would be on a paper check)

- Send EFT, Web Cash Concentration, or wire equal to the total Plan contributions listed in the file to arrive, if possible, the same day as payroll data file, but in no case later than within ten (10) calendar days of the pay date.
- Send update status codes and dates for employees regularly and periodically review payroll files to ensure status codes are accurate.
- Advise employees how discrepancies are corrected.
- Provide Adventist Retirement with information needed to correct any contribution errors on a timely basis.

Adventist Retirement Responsibilities:

- Reconcile the totals on the data file received from an employer with contributions sent by the employer. If the totals do not match, the Adventist Retirement Plan office will contact the employer to have the employer make necessary corrections.
- Send all files and funds received from various payroll centers to Empower Retirement twice per week.
- Assist with error corrections as necessary.

Empower Retirement Responsibilities:

- Receive and process the payroll data file and transmittal form within 24 hours.
- Verify contributions and loan repayment balance to the total provided by Adventist Retirement.
- Resolve any discrepancies with Adventist Retirement.

Payroll Errors

At any point during the process of employee data entry, calculation of contribution or sending a transmittal file, errors may occur. It may be necessary to adjust amounts contributed on behalf of an employee that require the return of a contribution. Negative contributions are not accepted by Empower Retirement’s record keeping system. See Chapter 13, EPCRS, for important information on correcting contribution errors.

Payment Instructions

There are three methods that can be used to send contributions to the Adventist Retirement Plan – EFT, Web Cash Concentration, and wires. The preferred method of sending contributions is by EFT because it is least expensive. Web Cash Concentration service is preferred over wires since the Adventist Retirement Plan is charged a fee for each wire received. Most sending organizations are also charged per wire fees. The Adventist Retirement Plan does not accept payment of contributions by check.

- **EFT:** For EFT information, contact Adventist Retirement.
- **Web Cash Concentration:** This method allows employers to call the Adventist Retirement bank using an 800 number, identify its organization by a code (which is provided by Adventist Retirement when an employer signs up for this service), and

make contributions, using the telephone keypad to designate the contribution amount. This initiates an automatic withdrawal from the account the employer authorizes Adventist Retirement's bank to deduct from. This is a free service provided by Adventist Retirement. To sign up, contact Adventist Retirement.

Compliance – Contribution Limits And Nondiscrimination Testing

Compliance with Internal Revenue Code contribution limits is primarily the responsibility of the individual employee because employers may or may not be aware of all retirement vehicles to which an employee makes contributions. For employers with multiple retirement vendor contracts (such as TIAA-CREF, Oppenheimer, Prudential, etc.), the responsibility for coordinating compliance testing across all vendors rests with each employer.

Compliance testing of the Internal Revenue Code contribution limits will be performed by Empower Retirement based on the data that is transmitted from each payroll center. Internal Revenue Code sections 415(c) and 402(g) testing will be performed by Empower Retirement annually. 402(g) limits apply to the employee's own salary reduction and/or Roth contributions to all retirement plans. 415(c) limits apply to all contributions made to the Plan for the calendar year, including employee and employer contributions. An employee that exceeds the 402(g) limit or 415(c) limit will be contacted by Adventist Retirement through his or her local employer or will receive a distribution of the excess amounts.

Below are the contribution limits for 2016. For up-to-date limit amounts, download the Contribution Limits Calculator from the website at www.adventistretirement.org:

- **415(c) Limit (for 2016)** [Adventist Retirement Plan section 7.01(a)]
Annual contributions made by the employer and employee to all retirement vehicles cannot exceed the lesser of:
 - \$53,000 or
 - 100% of the employee's includible compensationIncludible compensation includes **taxable** salary/wages, overtime, pretax deferrals to the Adventist Retirement Plan, area travel allowance, taxable flat travel budget, tuition assistance, moving allowance, etc., and **DOES NOT INCLUDE** any non-taxable parsonage allowance.

- **402(g) Limit (for 2016)** [Adventist Retirement Plan section 7.02]
An employee may defer (salary reduction and/or Roth contributions) up to \$18,000 in any calendar year. If the employee is age 50 or greater he/she may defer an additional \$6,000.

Participating employers who are non-qualified church controlled organizations (non-QCCOs) are subject to additional compliance testing. These organizations are typically colleges, universities, or medical clinics. See Article VII of the Adventist Retirement Plan

for more information on compliance testing for non-QCCOs.

Important Compliance Issues

- Parsonage allowance reduces taxable income which may reduce or prevent a pastor from making the desired amount salary reduction or Roth contributions, or from receiving the full amount of employer contributions. Pastors who declare the majority or all of their income as non-taxable parsonage allowance should consider adjusting their parsonage allowance exclusion in order to maximize contributions to the Plan.
- For compliance testing purposes, federal taxable wages should be reduced by the amount of the parsonage allowance, if applicable, in all payroll transmissions. Compliance testing is each employer's responsibility; however Adventist Retirement helps with this testing by working with the employer and Empower Retirement. Adventist Retirement and Empower Retirement rely on the data provided by each employer for compliance testing. Each year Adventist Retirement requires a census file to be submitted by each payroll center. The census file contains the box 1 W-2 amounts after adjustments have been made for parsonage allowance exclusion and any other corrections. Non-QCCO employers must include all employees in their census file even if the employees did not participate in the plan. If the employer does not provide accurate data to Adventist Retirement, Empower Retirement and Adventist Retirement will not be able to assist with the annual nondiscrimination testing.
- Compliance testing will be performed by Empower Retirement based on the information provided by each employer. For employers with multiple retirement vendor contracts (such as TIAA-CREF, Oppenheimer, Prudential, etc), the responsibility for coordinating compliance testing across all vendors rests with each employer. The payroll file includes a field for retirement contributions made to other retirement vehicles besides the Adventist Retirement Plan (DEFERAMT field). In addition, employees may also be making contributions outside of the employer's payroll. Empower Retirement will rely on the transmitted information to conduct the testing. It is the responsibility of the employee to be in compliance with the Internal Revenue Code requirements.
- If an employee has determined he/she has excess contributions for the year, he/she should contact Empower Retirement to confirm the excess amount and to begin the excess contribution distribution process. Excess contributions will be distributed after all annual limits testing is completed for the plan year.
- Any excess employer contributions will be used to offset future employer contributions.
- See pages 10 and 11 of this Manual if paying the retirement allowance as a special pay contribution causes an employee to exceed the 415(c) limit.

- Excess 402(g) and 415(c) employee contributions will be distributed to the employee by Empower Retirement and a 1099-R will be issued.

Note: If employees elect large salary reduction contributions, they could be in danger of exceeding the 402(g) limit before the end of the year and if so, will lose employer matching contributions (if any) for the remainder of the year.

Employee Responsibilities:

- Be aware of and do not exceed Internal Revenue Code contribution limits; consult with a tax advisor if necessary
- Sign and provide to the employer a current Salary Reduction Agreement
- Manage contributions to all retirement vehicles within Internal Revenue Code limits

Employer Responsibilities:

- Maintain current Salary Reduction Agreement on file for each employee
- Ensure payroll system reflects latest SRA from each employee
- Ensure federal taxable wages are reported on an interim, per pay period basis net of parsonage allowance and year-to-date
- Report employee contributions to alternate retirement vendors to Adventist Retirement in “DEFERAMT” field
- Set up payroll software warning system for excess contributions
- Review for contribution limit compliance across all alternate vendors
- Send year-end “census file” to Adventist Retirement. This file should contain the final W-2 Box 1 amount for each participating employee (for ALL employees if the employer is a non-QCCO)
- Employers that have paid a special pay retirement allowance during the year must provide requested federal taxable wage information to Adventist Retirement using the special pay form (<https://ret.naddocs.org/Forms/SpecialPay>)

Annual Limits Testing

The Internal Revenue Code annual limits testing will be done following the end of each year in February. Employers must submit their annual census file to Adventist Retirement via the Adventist Retirement Upload site (https://arp.advret.org/users/sign_in). A due date for the annual census file will be communicated by Adventist Retirement via an email to employers. The annual census file should contain all employees paid in the previous calendar year, including employees who retired or terminated during the year. No student workers should be included in the annual census file.

CENSUS FILE SPECIFICATIONS

1. The Census file should be in either Excel or CSV format and end in .xls or .xlsx or .csv.
2. The Census file should be uploaded via the Adventist Retirement Upload website under the header Upload Census File. https://arp.advret.org/users/sign_in
3. The file should contain **two** columns. In column 1 enter the Social Security Number

with **NO** hyphens. In column 2 enter the Federal Taxable Wages Year-to –Date as shown in Box 1 of Form W-2, **WITH** decimals.

4. Do **NOT** add any headers or totals in your file.
5. Include **ALL** employees with contributions during the year even if they were terminated, retired, disabled, deceased or inactive prior to the end of the year. Student workers (coded with an “N”) should not be included.
6. The file should be named as follows: ORGID+FTW+2016 [the applicable calendar year] .xls or .xlsx or .csv. (The ORGID is different for each organization. **Example:** The File Name for the North American Division would be AN1111FTW2016.xlsx. If an employer does not know its ORGID, please look it up on the NAD website under OrgCode (<http://www.nadadventist.org/article/58/directory/organization-search>).
7. Be sure to compile the census file after all W-2 corrections have been completed. The FED WAGE should reflect the Box 1 amount of Form W-2.

Employees with status codes of “F” or “D” (disability) and/or who received a special pay contribution during the year will require additional information to be provided to Adventist Retirement. For employees who retired or were disabled from employment, use the last 12 months of compensation for up to 5 years after the separation date in the limits testing. Example: if an employee retired 7/1/16, use the Federal Taxable Wages from 7/1/15 - 6/30/16 when doing their limits testing for 2016. This means Adventist Retirement will need to request from employers the Federal Taxable Wages from these specific dates.

If Adventist Retirement does not receive the annual census file, it will rely on the FEDWAGE as submitted by the employer in its files. Please be aware if the employer does not send a census file and Adventist Retirement determines that the employer’s last FEDWAGE is incorrect it may not be able to do compliance testing for the tax year and the employer may receive a notification that it is responsible for its own testing.

Non-QCCO employers must include all employees in the census file, even if the employees did not participate in the Adventist Retirement Plan. Student workers may be omitted from the file as long as no students made contributions during the calendar year. If even just one student made salary reduction contributions, the employer must include all students in the census file. Non-QCCO employers include colleges, universities, and some health clinics.

Adventist Retirement Responsibilities:

- Collect data from employers for compliance testing
- Transmit data from employers to Empower Retirement for testing

Empower Retirement Responsibilities:

- Conduct compliance testing based on information provided by employers
- Notify employees of excess contributions
- Arrange for distributions of excess contributions within required time limits

Loans

Employees with “A” (active) status codes may generally borrow from their salary reduction contributions, Roth contributions, after-tax contributions, rollover contributions, Roth rollover contributions and transfer contributions accounts an amount of up to \$50,000 reduced by their highest outstanding loan balance or if less, 50% of their account. Loans are subject to rules, guidelines, spousal consent, and fees assessed by Empower Retirement. An employee may continue to make contributions (and an employer make basic and matching contributions) while the employee has an outstanding loan. Chaplains are ineligible for loans, as well as employees with “N” status codes. Only one loan may be outstanding at any time.

Employers are required to review employee loan applications including supplemental disclosure information provided by the employee who has contribution amounts with multiple vendors. Employees must either secure alternate vendor signatures on alternate investment information, or employers must contact any other vendors listed to confirm the disclosed information before sending the loan application and disclosure information to Empower Retirement for processing.

Note: If an employee with a loan goes on a disability leave, the loan can be suspended for up to one year. The employee should contact Empower Retirement for information on how to suspend the loan.

The Loan Process [Adventist Retirement Plan section 9.10]

Employee Responsibilities:

- Contact Empower Retirement to request a loan application.
- Disclose all other vendor information as requested.
- Sign loan application and obtain spousal consent, if applicable.
- Forward loan application to the local payroll center for signature, which will then send the signed loan application to Empower Retirement for processing.
- It is the employee’s responsibility to contact Empower Retirement with changes in employment or status. Adventist Retirement does not manage the loan or any part of the loan process.
 - If an employee has an outstanding loan when transferring to another denominational employer, the employee must notify Empower Retirement and request a new loan amortization schedule to accommodate the new employer’s payroll frequency so payroll deductions can be set up with the new employer.
 - If an employee terminates denominational employment, the employee should contact Empower Retirement to make payment arrangements.
- Unpaid loans failing to follow the repayment amortization schedule will be

deemed a taxable distribution subject to taxes and penalties. A Form 1099-R will be issued to the employee.

Employer Responsibilities:

- Receive loan application from employee and verify employee's signature.
- Witness a spousal consent signature if the employee is married; or verify that the employee had spouse's signature witnessed by a notary public. If the employee is single, the employer must sign to verify that there is no spouse.
- Confirm employee has an "A" status code.
- Review the amortization schedule. If employee has listed investments or loans with any other vendor and has not secured the vendor's signature, call the other vendors to confirm the information.
- After confirming any other vendor information, sign loan application as local employer and forward loan application to Empower Retirement.
- Set up the payroll deduction as required by the loan application after receiving loan amortization from Adventist Retirement.
- Remind employees who transfer to other denominational entities to notify Empower Retirement and request a new amortization schedule for their outstanding loan.

Adventist Retirement Responsibilities:

- Receive loan application from Empower Retirement and send information/amortization schedule to appropriate employer for each new employee loan.
- Receive paid off loan information from Empower Retirement and send notification to appropriate employer to authorize termination of loan payment payroll deductions.

Empower Retirement Responsibilities:

- Provide loan application and information to employees upon request.
- Once the signed loan application is returned to Empower Retirement, process the loan and mail a check to the employee's address of record along with the amortization schedule.
- Send the loan information, including amortization schedule, to Adventist Retirement.

Early Loan Payoff Process

Early loan payoffs are allowed and should be handled as follows:

Employee Responsibilities:

- Contact Empower Retirement for loan payoff amount.
- Pay loan in full in one of two ways:
 - Send check to Empower Retirement (contact Empower Retirement for the mailing address), or
 - If employer protocol allows, give local employer full payment amount and ask that the employer uploads the payment amount with next payroll file.

Employer Responsibilities:

- If employer protocol allows, accept payment from employee and upload payment to Empower Retirement in next payroll file.
- If employer protocol can accommodate a lump sum payoff, inform employee that they must contact Empower Retirement for the payoff amount.
- If employer protocol cannot accommodate a lump sum payoff, inform employee that they must contact Empower Retirement to make payoff arrangements.
- Discontinue future loan payment payroll deductions only after notification from Adventist Retirement.
- Delete or remove LOANID from payroll system for the paid-off loan.

Adventist Retirement Responsibilities:

- If loan payoff is being made through the processing of the data file transmission, Adventist Retirement will process the file as usual.
- Loan payoff checks, when authorized, should be sent directly to Empower Retirement, not to Adventist Retirement, and are coordinated between the employee and Empower Retirement.
- Adventist Retirement will notify the employer of early loan payoffs when advised by Empower Retirement.

Empower Retirement Responsibilities:

- After receiving loan payoff either by transmission from Adventist Retirement, or by check from the employee, send loan payoff statement to the employee.
- Notify Adventist Retirement of loan payoffs.

Rollovers/Transfers into the Plan

Rollovers and transfers are tax-free distributions from an eligible retirement plan or conduit IRA that are contributed to the Adventist Retirement Plan. The Adventist Retirement Plan will accept a full or partial rollover or transfer from an Internal Revenue Code section 401(a) or 403(b) plan, a 403(b)(1) annuity contract, a 403(b)(7) custodial account, a 403(b)(9) retirement income account, a governmental 457(b) plan and an IRA.

The Rollover/Transfer Process [Adventist Retirement Plan sections 4.09 & 4.10]

Employee Responsibilities:

- Request Rollover/Transfer Form from Empower Retirement.
- Complete the Rollover/Transfer Form, attach supporting documentation, and mail to the address listed on the form. Be sure to keep a copy of this form.
 - Indirect rollover: A distribution from a plan to the employee, who then sends it to Adventist Retirement (Empower Retirement) within 60 days of the distribution from the previous plan. Employees contributing an indirect rollover to the Adventist Retirement Plan must include a certified check, cashier's check or money order payable to Great West Trust Company, LLC, FBO (for the benefit of) the employee's name, and send to Empower Retirement for approval and processing.
 - Direct rollover: A distribution made directly from a plan to the Adventist Retirement Plan. Include a check from the custodian or trustee of the prior employer's plan, payable to Great West Trust Company, and send to Empower Retirement for approval and processing.

Empower Retirement Responsibilities:

- Review the Rollover/Transfer Form for accuracy and completeness.
- Verify the distribution is a qualified rollover/transfer contribution.
- Approve the rollover/transfer by signing the form.
- Process all pending rollovers and transfers on the first day of each month.

In-Service Withdrawals

The Adventist Retirement Plan permits three types of in-service withdrawals:

- Hardship
- After-Tax
- Age 59½

Hardship Withdrawals [Adventist Retirement Plan section 9.08]

Employees with “A” and “N” status codes can request hardship withdrawals. Hardship withdrawals must first come from the employee’s after-tax and interdivision employee contribution accounts, if any, and then from the employee’s salary reduction and/or Roth contributions accounts (but not including any earnings on salary reduction or Roth contributions). Foreign missionary and chaplain contribution accounts are also available for hardship withdrawal. Withdrawal amounts can be up to 100% of the employee’s immediate and heavy financial need, but cannot exceed 100% of the amount in the accounts described in the previous sentences. All withdrawals are made pro rata from each investment fund in the employee account. Hardship withdrawal checks are made payable to the employee and are mailed to the employee’s address on record with Empower Retirement. Spousal consent is required for a hardship withdrawal. All employee salary reduction, Roth and after-tax contributions, and related employer matching contributions to all retirement vendors must be suspended for a period of six months following a hardship distribution. Employer basic contributions may continue to be made.

Employers are required to review employee hardship withdrawal applications and hardship distribution supplement forms provided by the employee. If employees have contributions with multiple vendors, employees must either secure alternate vendor signatures on alternate investment information, or employers must contact any other vendors listed by the employee to confirm disclosed information before sending the hardship application and supplement forms to Adventist Retirement for review.

The Adventist Retirement Plan, following Internal Revenue Code guidelines, allows hardship withdrawals for the following reasons:

- Uninsured, deductible medical expenses (as defined for Federal income tax purposes) incurred by the employee, the employee’s spouse or one or more of the employee’s dependents.
- The purchase of the employee’s principal residence, excluding mortgage payments.
- The payment of post-secondary education tuition (not Academy tuition) for the

next 12 months for the employee, the employee's spouse or one or more of the employee's dependents.

- To prevent eviction from the employee's principal residence or foreclosure on the mortgage of that residence. (Note that late mortgage payments or lender letters offering refinancing/restructuring debt options to remedy delinquent mortgage payments do NOT qualify.)
- To pay burial or funeral expenses for the employee's deceased parent, spouse, or other dependent, including travel to the funeral.
- To pay expenses relating to the repair of damage to the employee's principal residence that would qualify for the casualty deduction (i.e. damage caused by catastrophic events such as floods, hurricanes, or tornados)

Note that an employee must need the hardship withdrawal to pay these expenses directly; the IRS specifically prohibits using a hardship withdrawal to repay credit card debt or loans previously incurred to meet these expenses. Supporting documentation must be provided to substantiate hardship distribution requests. The hardship must have occurred within the past 12 months, and the hardship withdrawal request cannot cover the same expenses for which a hardship withdrawal has already been taken.

Hardship Withdrawal Process

Employee Responsibilities:

- Request Hardship Withdrawal Form from Empower Retirement.
- Complete the form, including spousal consent, if applicable.
- If spousal consent is required, the local employer or a notary public can witness the spousal signature.
- Review the Special Tax Notice Regarding Plan Payments.
- Provide all other vendor information required.
- Provide supporting documentation substantiating a qualifying hardship (see list of acceptable hardship reasons above)
- Forward completed form and supplement (with supporting documentation for the hardship) to the employer for review and confirmation of other vendor information.
- After local employer has signed the hardship application, employee or employer must send entire hardship application (including supporting documentation) to Adventist Retirement.

Employer Responsibilities:

- Review the Hardship Withdrawal form. If another vendor is disclosed by employee, confirm that other vendor signature is on the supplemental form or contact other vendors to confirm information.
- Witness a spousal consent signature if the employee is married; or verify that the employee had spouse's signature witnessed by a notary public.
- Sign off on confirmed forms and send to Adventist Retirement, or have employee send to Adventist Retirement.
- Upon receipt of information from Adventist Retirement, suspend all salary reduction, Roth, and/or after-tax contributions and related matching

contributions for six months from the date of hardship withdrawal for the Adventist Retirement Plan and any other retirement plan maintained by the employer. During this time, be sure that the employee's status code is reported as an "S" (for suspended) in the payrolls submitted to Adventist Retirement.

- The only contributions allowed on behalf of the employee during the hardship period are employer basic contributions.

Adventist Retirement Responsibilities

- Review hardship applications and documentation received for conformity with IRS guidelines on approved hardship reasons.
- Approve hardship withdrawal requests received from employers, and send to Empower Retirement for processing.
- Notify employer to suspend employee contributions for 6 months.

Empower Retirement Responsibilities:

- Review the completed Hardship Withdrawal Form for accuracy. Incomplete or inaccurate forms will be denied, and will cause a delay in the processing of the withdrawal request.
- Process the withdrawal request. Withhold appropriate taxes and mail check to the employee at their address of record.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.

After-Tax Withdrawals [Adventist Retirement Plan section 9.07(b)]

Employees may receive a distribution of all or part of their after-tax contributions account (including earnings) at any time. Spousal consent is required for all after-tax withdrawals.

After-Tax Withdrawal Process

Employee Responsibilities:

- Request Distribution Request Form by contacting Empower Retirement. Complete the form, including spousal consent, if applicable.
- Review the Special Tax Notice Regarding Plan Payments.
- Send to Empower Retirement for processing.

Empower Retirement Responsibilities:

- Review the completed Distribution Request Form for accuracy. Incomplete or inaccurate forms will be denied, and will cause a delay in the processing of the withdrawal request.
- Process the withdrawal request. Withhold appropriate tax and mail check to the employee at their address of record.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.

Age 59½ Withdrawals [Adventist Retirement Plan section 9.07(a)]

Employees age 59½ or greater may receive a distribution of all or part of their entire account balance in the Plan. Spousal consent is required for all withdrawals.

Note: Participants who are eligible for parsonage allowance and who are at least age 59½ but not yet retired, or previously retired but who have never submitted a parsonage allowance form, must complete a Parsonage Allowance Designation Form (available at www.adventistretirement.org). The form is then given to the employer, who signs it and sends it to Adventist Retirement for approval. Adventist Retirement will then notify Empower Retirement to designate the distribution as parsonage allowance eligible.

Age 59½ Withdrawal Process

Employee Responsibilities:

- Request Distribution Request Form by contacting Empower Retirement
- Complete the form, including spousal consent, if applicable
- Review the Special Tax Notice Regarding Plan Payments.
- Send to Empower Retirement for processing.

Empower Retirement Responsibilities:

- Review the completed Distribution Request Form for accuracy. Incomplete or inaccurate forms will be denied, and will cause a delay in the processing of the withdrawal request.
 - Process the withdrawal request. Withhold appropriate tax and mail check to the employee at their address of record.
 - In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.
-

Qualified Domestic Relations Orders (QDROS) [Adventist Retirement Plan section 15.06]

If a participant gets divorced, his or her account can only be divided according to the terms of a QDRO. Employees must use the template QDRO provided by Empower Retirement – a divorce decree, property settlement agreement, or non-Empower QDRO will not be accepted. Employees should contact Empower Retirement to get a copy of the template QDRO.

QDROS

Employee Responsibilities:

- Request QDRO template document by contacting Empower Retirement.
- Complete the template document and send to Empower Retirement for review. Incomplete or inaccurate QDROs will be denied and will cause a delay in the division of the account.
- Review information sent from Empower regarding whether the QDRO template meets requirements, and make any changes requested by Empower.
- File QDRO with court system.
- Send finalized QDRO filed and signed by court system to Empower for final review.

Empower Responsibilities:

- Review the QDRO document from employee for completeness and accuracy.
- Communicate with employee on review of QDRO and any changes that are necessary to approve QDRO.
- Review the executed (judge-signed) QDRO for completeness, accuracy and plan requirements.
- Process the QDRO, setting up an account for the alternate payee named in the QDRO and transferring funds from the employee's account to the new account for the alternate payee.

Distributions After Retirement Or Separation From Service

Upon retirement or termination of denominational employment, an employee may take a total or partial distribution from all accounts in the Adventist Retirement Plan.

Terminated or retired employees are not required to withdraw or transfer funds and may leave them in the Plan. Terminated employees cannot contribute to the Plan other than through transfers or rollovers from other plans.

Upon reaching age 70½, participants are generally required by the IRS to begin taking required minimum distributions (RMDs) from the Plan.

Methods of Distribution [Adventist Retirement Plan section 10.01]

An employee must elect in writing to receive benefits under any of the following options:

- Lump sum
- Installment Payments
- Annuity (SecureFoundation II)

Note: Participants who are eligible for parsonage allowance in retirement have two options: (1) Participants at least age 59½ but not yet retired, or previously retired but who have never submitted a parsonage allowance form, must complete a Parsonage Allowance Designation Form (available at www.adventistretirement.org). The form is then given to the employer, who signs it and sends it to Adventist Retirement for approval. Adventist Retirement will then notify Empower Retirement to designate distributions as parsonage allowance eligible; or (2) Employees who are currently retiring can, as part of the retirement application process, complete the parsonage allowance section of the Benefits Application through the local employer HR department. The employer will sign and forward the Parsonage Allowance Application form to Adventist Retirement for approval and submission to Empower Retirement.

Note that retired pastors may preserve parsonage allowance treatment for either lump sum or installment payment distributions.

The Distribution Process

Employee Responsibilities:

- Contact Empower Retirement to discuss distribution options.
- Complete a distribution form and send to Empower Retirement.

- Review the Special Tax Notice Regarding Plan Payments.
- If the employee is eligible for a parsonage allowance in retirement, complete the Parsonage Allowance Designation Form and give to local employer. Eligible employees may preserve a parsonage allowance whether taking installment or lump sum distributions from this Plan. Providing this form will result in the participant's Form 1099-R being coded to categorize distributions as "Taxable Amount Not Determined" and will therefore allow participants to later provide documentation to their tax preparer to support any parsonage allowance claimed on tax returns.
- Spousal consent is required where applicable. The spouse's signature must be witnessed by local employer or Notary Public.

Employer Responsibilities:

- After final payroll file submission of all salary/wages, send through a payroll file with a "T" (termination) status code and effective date. Empower Retirement processes distribution requests 45 days after the date of termination for participants less than 59½ years of age. Note: If the payroll file is not updated with a "T" status code and date, Empower Retirement will delay processing distribution requests until the termination code and date have been submitted by the employer. If applicable, sign the Parsonage Allowance Designation Form and send to Adventist Retirement.
- Witness a spousal consent signature if the employee is married; or verify that the employee had spouse's signature witnessed by a notary public.

Adventist Retirement Responsibilities:

- Process data file transmission and send to Empower Retirement.
- Approve Parsonage Allowance Designation Form and send to Empower Retirement.

Empower Retirement Responsibilities:

- Review the completed Distribution Election Form for accuracy and process, withholding appropriate taxes.
- If lump sum is requested, mail the check to the employee at their address of record. If periodic distributions are requested, adjust employee's account in the Adventist Retirement Plan to reflect the ongoing distribution.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.

Additional Distribution Information

Pre-Retirement Death Benefits [Adventist Retirement Plan section 9.03]: If an employee dies before retiring or before receiving pre-retirement termination benefits from the Adventist Retirement Plan, the employee's surviving spouse may request a distribution or rollover of the employee's account balance. Contact Empower Retirement or Adventist Retirement for more information.

For final employer contributions to be received after the date of death, the surviving

spouse or other designated beneficiary may contact Empower Retirement to set up a mirror account under the beneficiary's social security number into which Empower Retirement can transfer the deceased's account balance. The "mirror account" is not automatic, but must be requested by the beneficiary. Final employer contributions should be paid under the designated beneficiary's name and social security number.

Disability Distributions [Adventist Retirement Plan section 9.04]: An employee who is disabled before reaching age 59½ and who is:

- Eligible for disability from a participating employer's long-term disability insurance plan, or
- Determined to be disabled using the Social Security definition of disabled

may receive a distribution of his/her entire account balance, except that if the employee is not totally and permanently disabled according to the Social Security definition, he/she is not allowed any disability distribution from their salary reduction and/or Roth contribution accounts.

Suspension of Distributions Upon Re-employment [Adventist Retirement Plan section 9.05]: An employee receiving installment payments from the Plan may elect to suspend such payments if re-employed by a participating employer. When the employee again retires or separates from service, he/she can choose to receive a distribution of the entire account balance, including any contributions made during re-employment, or may resume installment payments.

Cash-Out of Small Accounts [Adventist Retirement Plan section 9.06]: Adventist Retirement will "cash-out" any account with a balance of less than \$500 if an employee separates from service before reaching age 59½.

Tax Reporting

Employer basic, employer matching and employee after-tax contributions **may be** reported on the W-2 Form at the option of the employer. Salary reduction and Roth contributions **must be** reported on the employee's W-2 Form.

W-2 Instructions

Contributions should be reported on the W-2 form as follows:

Box 1 - Wages, tips, other compensation

Show total wages, tips and other compensation, before any payroll deductions. This box **does not** include amounts deferred in a salary reduction agreement to the Adventist Retirement Plan, or any other elective deferrals to other retirement arrangements described in box 12.

Box 3 - Social security wages

Show total wages, tips and other compensation, before any payroll deductions. This box **includes** amounts deferred in a salary reduction agreement to the Adventist Retirement Plan and all other elective deferrals made to other retirement arrangements described in box 12.

Box 12

Complete and code this box for employee salary reduction contributions:

- Enter code E using a capital letter.
- Leave at least one space blank after the code.
- Enter the dollar amount on the same line. Use decimal points, but not dollar signs or commas.

Example of what is entered in Box 12: E 1526.75

Box 13

The box entitled "Retirement Plan" must be checked if the employee was an active participant in the Adventist Retirement Plan for any part of the year.

*Note: If an employee was **ineligible** to receive employer contributions in the Adventist Retirement Plan, but chose to enter into a salary reduction agreement to make salary reduction and/or Roth contributions, the employer must still check the "retirement plan" box. The employer should also notify the employee that this box will be checked as it may prevent the employee from deducting contributions to an IRA.*

Box 14 - Other

Employers may (but are not required to) use this box for any other information they want to give employees, including:

- Employer basic contributions
- Employer matching contributions
- Employee after-tax contributions
- Employer special pay contributions

Employers that use this box to report any of the above should clearly label the amounts being reported.

Please see the IRS Form W-2 Instructions for additional information. The instructions can be found at www.irs.gov

Error Correction Using EPCRS

If errors occur (such as over contributions or missed contributions to Plan participants), corrective contributions or distributions must be made on a timely basis. All errors must be corrected following the guidance described in the Internal Revenue Service's Employment Plans Compliance Resolution System (EPCRS).

EPCRS offers three programs for correcting plan errors:

- Self-Correction Program (SCP)
- Voluntary Correction Program (VCP)
- Audit Closing Agreement Program (Audit CAP)

Self Correction Program (SCP)

Self-correction, also known as the Self-Correction Program or "SCP," is authorized under Revenue Procedure 2016-51, the revenue procedure that governs the Employee Plans Compliance Resolution Program (EPCRS). Employers can self-correct eligible retirement plan errors without contacting the IRS or paying a fee. Employers can self-correct an insignificant operational error at any time to preserve the tax-favored status of your Plan. An operational error occurs when employers do not follow the written terms of the Plan. Even where the operational error is significant, employers may still be able to self-correct if action is taken in a timely manner. Eligible operational failures include failure to follow the terms of the Plan, excluding eligible participants, not making contributions promised under the Plan terms and loan failures.

Significant and insignificant failures. An insignificant operational failure can be self-corrected at any time. Employers must self-correct a significant failure within a certain timeframe. Significance is determined based on the facts and circumstances. No single factor is determinative. Failures are not significant just because they occur in more than one year. Factors to consider include:

- other failures in the same period (not how many people are affected)
- percentage of plan assets and contributions involved
- number of years it occurred
- participants affected relative to the total number in the plan
- participants affected relative to how many could have been affected
- whether correction was made soon after discovery
- reason for the failure

Timing of Retirement Plan Self-Correction. An insignificant operational failure can be self-corrected at any time. A significant operational failure eligible for self-correction must generally be completed before the end of the second plan year after the failure occurred, or substantially corrected within a reasonable time. Self-correction isn't available for

significant operational failures that are not timely corrected. However, the employer can still correct these failures with IRS approval by using the Voluntary Correction Program.

Other eligibility requirements for self-correction

- The employer must have routinely followed established procedures to operate the Plan in compliance with the law. A Plan document alone isn't evidence of established procedures.
- The failure occurred because:
 - an oversight or mistake occurred in applying the Plan's procedures, or
 - the procedures that were in place, while reasonable, weren't sufficient to prevent the occurrence of the failure.

Steps to Self-Correct Retirement Plan Errors. There is no fee for self-correction of retirement plan errors. Nothing needs to be filed with the IRS. However, the employer should maintain adequate records to demonstrate correction in the event of a plan audit.

1. Make sure that you're eligible to self-correct. Is the failure eligible for self-correction, and did your Plan have appropriate practices and procedures?
2. Calculate any necessary corrections, including missed employee contributions (employee contributions are reported to Adventist Retirement in the QNEC field of the file), to put the participants in the position they would have been in if the error had not occurred. Use a reasonable and appropriate self-correction method, and follow the general correction principles described in the Section 6 of IRS Revenue Procedure 2016-51. If you use one of the correction methods described in the examples in Appendix A or B of the Revenue Procedure, the IRS will automatically treat it as reasonable and appropriate.
3. To submit corrective contributions, contact Adventist Retirement or complete the applicable form (the Make-up Contributions Form or the Overpayments Form) found in the Employer-Defined Contribution Plan section of the website (www.adventistretirement.org).
4. Document the steps you took to correct the error.
5. Adjust your administrative procedures, if necessary, to make sure the mistake does not happen again.

Voluntary Correction Program (VCP)

Correction through the VCP preserves the plan's tax-favored status. A 403(b) plan will generally lose its tax-favored status if "failures" occur, meaning that the employer does not take certain actions, for example, the employer does not follow the terms of the Plan document while operating the Plan, or does not follow the requirements of federal tax laws while operating the Plan.

Compared to the Self-Correction Program (SCP), reasons for using VCP include:

- Some failures are not eligible for SCP,
- Employers may prefer the comfort of a written IRS approval even for failures that are eligible for SCP, and
- Certain federal income and excise tax relief is available under VCP that is not available under the SCP.

Steps to using VCP:

1. Find the failures. Review the Plan document and operations to determine what failures have occurred. Failures may come to your attention as the result of an internal audit or when the Plan's document and operations are reviewed by your adviser or a third-party administrator. Lists of common failures and suggestions as to how they can be corrected are found in IRS Fix-It Guides at www.irs.gov.
2. Submit the correction to the IRS. Voluntarily report the problem in a VCP submission that describes the failures and the methods you will use to correct the failures and prevent them from happening again, and pay the compliance fee. To request approval of a correction under the VCP, you need to mail a submission to the IRS. The submission includes IRS Forms 8950 and 8951, a document that includes a description of the failures to be corrected, a description of the corrective actions that the employer proposes to do, a description of the changes in its administrative procedures that the employer will adopt to prevent the failures from happening again, a compliance fee and various other documents listed in the EPCRS Revenue Procedure. The compliance fee for a VCP application is typically based on the number of participants in the Plan, ranging from \$750 for plans with 20 or fewer participants to \$25,000 for plans with over 10,000 participants. Some submissions are eligible for discounts, depending on the type of failures involved and how many participants were affected.
3. Correct the failures before or after the submission is filed. The compliance statement will include a 150-day deadline by which corrective actions must be completed. Note that if you correct the failures before you submit, you may have to undo the correction if the IRS does not approve the method you used.
4. Keep your compliance statement and documentation proving that the corrections were completed before the deadline. Store them with your Plan document. Your compliance statement is our agreement not to disqualify your Plan because of the failures you have reported and corrected. Your compliance statement does not protect your Plan from the effects of other failures that may be discovered by the IRS during an audit. Your compliance statement also does not affect the rights of participants or beneficiaries under the Plan. Keep the compliance statement and documentation proving that the corrections were completed before the deadline with your other Plan-related records. You may need to produce a copy if your Plan is audited.

Certain tax relief and VCP. Some Plan failures (and some appropriate corrections) will cause a participant or the employer to be liable for an excise tax or additional income tax. In your VCP submission, you can ask that the IRS not pursue certain excise taxes or certain additional income taxes that an employer or participant would be liable for because of either a failure or a correction.

Audit Closing Agreement Program (Audit CAP)

An employer that does not come forward to the IRS, but whose Plan has significant problems that are discovered by the IRS during an audit is entitled under the audit correction program to preserve the tax benefits associated with properly maintained retirement plans. Under this program, the employer pays a reasonable sanction that is based on an amount that is directly related to the amount of tax benefits preserved. The sanction imposed will bear a reasonable relationship to the nature, extent and severity of the failure, taking into account the extent to which correction occurred before audit.

Generally, under the Audit CAP, the employer or the Plan is under examination and the employer enters into a Closing Agreement with the IRS, makes correction prior to entering into the Closing Agreement, and pays a sanction negotiated with the IRS. The sanction paid under Audit CAP should be greater than the fee paid under the Voluntary Correction Program (VCP). The sanction under Audit CAP is a negotiated percentage of the maximum payment amount based on the sum for all open taxable years of the additional income tax resulting from income inclusion for participants in the Plan (Form 1040), including the tax on Plan distributions that have been rolled over to other qualified trusts (and any interest and penalties applicable to the participants' tax returns) and any other tax that results from a 403(b) failure that would apply except for correction under Revenue Procedure 2016-51.

How to Calculate Missed Contributions

Employers should fill out and submit to Adventist Retirement the Make-up Contributions Form found on the website (www.adventistretirement.org/employer/defined-contribution-plan/) prior to sending the make-up contributions in a file and funding that file. Missed employee contributions must be made up by the employer and submitted in the QNEC field of the Adventist Retirement file. Missed Employer Basic or Employer Matching Contributions should also be included on the Make-up Contributions Form and sent in the Adventist Retirement file in the respective Basic or Match field.

Employee Contributions: If the employee had filled out a Salary Reduction Agreement (SRA) requesting salary reduction, Roth or after-tax contributions to be made, but these deductions were not made due to employer oversight, IRS self-correction methods must be followed. The IRS does not require any makeup contribution to be made by the employer if appropriate notification is given and the error is corrected within 3 months of the failure. If the error is found and corrected after three months but within 2 years after the plan year in which the failure occurred, the IRS requires that the employer provide the appropriate notification and, at its expense, calculate and contribute 25% of what the employee contributions would have been to the employee's account. If the error is found and corrected more than 2 years after the plan year in which the failure occurred, the IRS requires that the employer, at its expense, calculate and contribute 50% of what the employee contributions would have been to the employee's account. Please see Appendix A of Revenue Procedure 2016-5 for specific correction requirements.

Employer Basic Contributions: If employer basic contributions were not sent to Empower Retirement for an eligible employee, the employer must calculate the employer basic

contributions which should have been made and send these contributions to Empower Retirement as soon as the error is found, along with associated earnings. Please see the IRS EPCRS guidance for additional correction requirements.

Employer Matching Contributions: If an employee is only after-the-fact determined to be eligible for employer match contributions, the employer must calculate what those match contributions should have been along with earnings and send 100% of those to Empower Retirement. This remedy should be followed whether the employee already made salary reduction or Roth contributions (and just the match needs to be remedied) or if the employee had requested payroll deductions but the employer failed to make those deductions. Please see the IRS EPCRS guidance for additional correction requirements.

Employee Responsibilities:

- Notify employer of any discrepancies or errors noticed on the Quarterly Statement from Empower Retirement.

Employer Responsibilities:

- Correct the error using SCP or VCP.
- Notify Adventist Retirement of the correction.

Adventist Retirement Responsibilities:

- Provide Empower Retirement with error correction documentation and request that Empower Retirement distribute any necessary contributions from the employee's account.
- Inform payroll centers of errors documented by Empower Retirement, and assist with the correction process.

Empower Retirement Responsibilities:

- Process correction requests from Adventist Retirement.
- Send corrective salary reduction contributions to employee.
- Use corrective employer contributions to offset future employer obligations.
- Notify Adventist Retirement of any mistakes found

Note: If a gain or loss is incurred during the time the money is invested in the wrong account, the amount distributed/removed from the account will be equal to the original contribution, plus or minus that gain or loss.

Correction of Errors that Occurred in 2007-2011

Employee recommended deferrals and matches have been set on a trend beginning in 2008 until 2011 according to the following table. The employee recommended deferral is considered the maximum to be matched. The effective date for each change beginning in 2008 is July 1.

Contribution percentages for all employees EXCEPT 10-month educational employees (see next chart for percentages for 10-month educational employees):

Contributions	2007	2008	2009	2010	2011
Basic	5.00%	5.00%	5.00%	5.00%	5.00%
Salary reduction, Roth, after-tax	2.50%	2.75%	3.00%	3.00%	3.00%
Matching	1.25%	1.65%	2.10%	2.55%	3.00%
Total	8.75%	9.40%	10.10%	10.55%	11.00%
(Vol % of Base)	50.00%	55.00%	60.00%	60.00%	60.00%
(Matching %)	50.00%	60.00%	70.00%	85.00%	100.00%
(Matching Max %)	1.25%	1.65%	2.10%	2.55%	3.00%

In 2007, it was determined that many employers have not paid the additional amount, and many employees who received the additional amount have not requested that the additional pay be placed in their retirement plan, which was the original intent. Therefore the NAD has authorized employers to change the Base option for 10-month educational employees from 5% to 5.43%. Subsequently provision has been made for alternate percentages or methods to be used to provide contribution parity with full time employees, but such alternatives must be approved by NAD Treasury in writing.

Contribution percentages for 10-month educational employees only:

Contributions	2007	2008	2009	2010	2011
Basic	5.00%	5.43%	5.43%	5.43%	5.43%
Salary reduction, Roth, after-tax	2.50%	2.99%	3.26%	3.26%	3.26%
Matching	1.25%	1.79%	2.28%	2.77%	3.26%
Total	8.75%	10.21%	10.97%	11.46%	11.95%
(Vol % of Base)	50.00%	55.00%	60.00%	60.00%	60.00%
(Matching %)	50.00%	60.00%	70.00%	85.00%	100.00%
(Matching Max %)	1.25%	1.79%	2.28%	2.77%	3.26%

APPENDIX A - PAYROLL STATUS CODES

Status Codes for Working Employees

- A Active - for employees under Option 2 of the 2011 Locally Funded Policy (V (violet) or G (green)) who are working 100% full time and are at least 20 years old:** The employee is eligible for employer basic and match contributions. All contribution types are allowed with this status code.
- A Active - for employees under Option 1 of the 2011 Locally Funded Policy (B (blue) or P (pink)) who are working at least 50% of full time and are at least 20 years old :** The employee is eligible for employer basic and match contributions. All contribution types are allowed with this status code.
- N Not eligible – for employees less than 20 years old or who have not otherwise satisfied the eligibility requirements for Status Code A and who are under Option 2 of the 2011 Locally Funded Policy (V (violet) or G (green)) and are working less than 100% of full time:** The employee is not eligible for the employer basic contribution; however, he is eligible for the employer match. Any personal contribution and the employer match contributions are allowed with this status code
- N Not Eligible – for employees less than 20 years old or who have not otherwise satisfied the eligibility requirements for Status Code A and who are under Option 1 of the 2011 Locally Funded Policy (B (blue) or P (pink)) and are working less than 50% of full time or Option 2 ECEC employees of the 2011 Locally Funded Policy (G (green)).** The employee is not eligible for employer basic or matching contributions. Any personal contributions are allowed with this status code.
- S Suspended -** The employee is suspended from participating in the Plan. This is used in conjunction with a hardship distribution. Only employer basic contributions are allowed with this status code.

Status Codes for Disabled Employees

- P Elimination period for disability -** The P code should be used during the first of three disability periods: the elimination period. Employee and employer contributions are allowed during this period. Following the elimination period, the F code should be used.
- F Period following disability elimination period -** The F code should be used during the second of three disability periods: the period following the elimination period (code P). During this period only employer basic contributions are allowed. Following the 18-month period, the D code should be used (no contributions are allowed).
- D Disabled -** The D code should be used during the third of three disability periods: the period following the 18-month disability period. No contributions are allowed during this period.

Status code for Employees away on Leave (Seminary, Graduate Study, etc)

- I Inactive** - The employee has satisfied all eligibility requirements but should not receive employer contributions at this time because the employee is
1. on a leave of absence and is not receiving a salary/wage, or
 2. on an approved study leave and receives a salary/wage/stipend, and
 3. is expected to return to active status.
- With this status code, the employee may make personal contributions.

Status Codes for Individuals no longer employed

- R Retired** - An employee who has retired from service with a participating employer. This code should be used at the end of the employee's service to notify the plan vendor that the employee has retired. If a retired employee is later re-hired by an employer, and he/she meets eligibility requirements, an "A" code should be used as the status code. If a retired employee is later re-hired by an employer, and he/she does not meet eligibility requirements, an "N" code should be used as the status code. No contributions are allowed with this code.
- T Terminated** - The employee is terminated from employment with a participating employer. No contributions are allowed with this code.
- X Deceased** - The employee is deceased. No contributions are allowed with this code.