Guam-Micronesia Mission of Seventh-day Adventists Retirement Plan

Seventh-day Adventist Guam Clinic Administrative Manual

September 2019

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Introduction

Responsibilities

In addition to providing certain basic information about the Guam-Micronesia Mission of Seventh-day Adventists 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, Seventh-day Adventist Guam Clinic ("Clinic"); the recordkeeper, ASC Trust ("ASC Trust"); 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 Contact listed in Chapter 1 of this Manual.

It is important for the Clinic to understand that, because it is involved in handling the employer and employee contributions made to the Plan, it is a fiduciary and must fulfill its fiduciary responsibilities in the proper manner. It is important that the Clinic transmits *all* contributions and data to ASC Trust by the end of the week following the week contributions were withheld from an employee's paycheck. Failing 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 the Clinic does not provide investment advice to participants. Providing investment advice could cause the Clinic to 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 ASC Trust representative.

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

If you have any questions about the Clinic's responsibilities and duties under the Plan, please contact Dora Desamour in Human Resources.

Contacts

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Adventist Retirement Mailing Address:	Adventist Retirement Plans of the North American Division 9705 Patuxent Woods Drive Columbia, MD 21046
Daily Contact:	Dora Desamour, Human Resources Director Seventh-day Adventist Guam Clinic 671-646-8881 ext. 102 Direct: 671-648-2512 ddesamour@adventistclinic.com

ASC Trust Contacts

Telephone Number:	(671) 477-2724
Availability:	Monday through Friday, 8:00 a.m. to 5:00 p.m.
Website:	www.ASCTrust.com
Availability:	24 hours a day, 7 days a week (subject to periodic maintenance)

Web Features:

- Dashboard – track your retirement, view your current account balance, your current deferrals, your portfolio with performance models, a summary of your account's recent activity, and a quick link to view your transaction history
- Manage – select this to manage your investments and view your transaction history
- Plan – select this to access the Retirement Calculator
- Performance – select this to open up options that provide information on plan investments (rate of return, investment information)
- Loans and Withdrawals – select this to calculate how much is available for loans or withdrawals
- Forms and Reports – select this to review quarterly participant statements, quarterly rate of return and forms
- Contact us – select this to send an e-mail to Adventist Retirement, the Plan Administrator
- Contact ASC - select this to be directed to ASC's website to get in touch with ASC Trust

General Plan Information

Legal Plan Name:	Guam-Micronesia Mission of Seventh-day Adventists Retirement Plan
Plan Effective Date:	January 1, 2018
Trustee:	North American Division of the Seventh-day Adventists
Custodian:	Fidelity
Plan/Fiscal Year End:	December 31
Type of Plan:	Non-ERISA 403(b)(9) church retirement income account plan
Participating Employers:	The Plan covers the Guam-Micronesia Mission of Seventh-day Adventists and related employers, including the Seventh-day Adventist Guam Clinic

Eligibility & Enrollment

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

Eligible Clinic employees who have attained age 20 shall receive employer basic contributions after completion of a service requirement. It is up to the Clinic to determine the eligibility of its employees for Plan participation. The Clinic does not make employer matching contributions to the Plan.

Eligibility [Section 2.15 & Article III of the Plan]

Employees who are at least twenty (20) years of age and not otherwise excluded may participate in this Plan after they complete the earlier of: (1) three months of service with the Clinic (for which the employee completes at least 83 hours of service in each month), or (2) one year of service with the Clinic. Any employee (other than those excluded from Plan participation and described in the following paragraph) working for the Clinic can make salary reduction and 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 with no U.S. source income, leased employees, independent contractors, IDE/ISE employees of the North American Division of Seventh-day Adventists, auxiliary employees, adjunct professors, or employees covered by a collective bargaining agreement which provides for retirement benefits. These employees may NOT make employee contributions to the Plan and will not receive employer contributions.

Enrollment [Articles III and IV of the Plan]

Newly eligible employees should be given the appropriate automatic enrollment notice and then automatically enrolled in the Plan at a 3% salary reduction contribution level, unless the employee opts out of automatic enrollment or elects a different contribution percentage. This means that payroll files transmitted to ASC Trust will include all necessary data to have a 3% contribution taken from eligible employees' pay on a pre-tax basis.

The Clinic will ask each eligible employee to complete the Seventh-day Adventist Comprehensive Enrollment Form (available from ASC Trust). The employee should complete, sign and date the form and return it to Clinic HR. This form serves as the employee's salary reduction agreement, investment option election and beneficiary designation, and a copy 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. Although not required for automatic enrollment, the form is also important for proof of contributions elected if the Clinic or employee is audited. The Clinic should encourage employees to designate beneficiary (ies) for their Plan accounts on the last page of the Seventh-day Adventist Comprehensive Enrollment Form.

Once enrolled, employees should be permitted to start, stop, decrease or increase their contributions at any time by completing a new Seventh-day Adventist Comprehensive Enrollment Form or contacting ASC Trust. All requests for changes made by the employee on a Comprehensive Enrollment Form (signed and dated) are reviewed by the Clinic and forwarded to ASC Trust. A copy of the new Comprehensive Enrollment Form should be kept with the employee's service record.

The Enrollment Process

Employee Responsibilities:

- Complete Seventh-day Adventist Comprehensive Enrollment Form, including selecting investment options and designating a beneficiary, sign and date and return to Human Resources.
- If an employee does not make an investment option election, the employee's contributions and any employer contributions will be invested in the default investment option selected by the Adventist Retirement Board.

Clinic Responsibilities:

- Ensure employee has received automatic enrollment notice and does not wish to opt out of or modify his or her 3% salary reduction contribution.
- Determine eligibility for employer basic contributions – Non-excludable employees at least twenty (20) years of age and meets service criteria.
- Obtain signed and dated Comprehensive Enrollment Form, review form for completeness and accuracy, sign and send to ASC Trust.
- Provide employees with copy of the summary plan description.
- Include applicable employee information on payroll feeds to ASC Trust for automatic enrollment/escalation and employer contributions.

ASC Trust Responsibilities:

- Auto enroll eligible employees; provide plan highlights document to employees.
- Receive completed Comprehensive Enrollment Form from Clinic.
- Import the employee information, investment option elections and beneficiary designation information into the record keeping system.

Rehire after a Break in Service [Section 3.03 of the Plan]

Employee not Previously Eligible: A former employee who did not satisfy the Plan's age and/or service requirements as of the date of termination of employment shall become a participant in the plan after reemployment with the Clinic as if he or she were a new employee, pursuant to the participation requirements described in Section 3.01 of the Plan.

Vested Participant: A former employee who was 100% vested in his or her Plan account as of the date of termination of employment shall become an active participant in the Plan effective as of the date of reemployment with the Clinic. All years of service before a 5-year break in service shall be considered for purposes of determining the participant's vested interest in his or her Plan account.

Non-Vested Participant: A participant who does not have a 100% vested interest in his or her Plan account on the date of termination of employment and who has not incurred five (5) consecutive one-year breaks in service shall become a participant in the Plan effective as the date of reemployment with the Clinic. All years of service before a 5-year break in service shall be considered for purposes of determining the participant's vested interest in his or her Plan account.

However, if a former employee incurs five (5) consecutive one-year breaks in service, only his or her years of service after reemployment shall be considered for eligibility and vesting purposes and accordingly, he or she shall become a participant in the Plan after reemployment with the Clinic as if he or she were a new employee, pursuant to the participation requirements described in Section 3.01 of the Plan.

Contributions and Vesting

Retirement plan contributions should be made by the Clinic 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 employee contributions are immediately 100% vested. Employer basic contributions will vest according to the schedule described later in this chapter.

Regular Contributions

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

Roth Contributions [Section 4.02 of the Plan]: Employees may elect to defer a specified percentage of their compensation as a Roth elective deferral on an after-tax basis. This contribution is fully vested.

Employer Basic Contributions [Section 4.03 of the Plan]: The Clinic will make a basic contribution (currently 3% of compensation) to each eligible employee's basic contribution account each pay period.

Automatic Enrollment/Escalation [Section 4.01(c) of the Plan]

Automatic Enrollment [Section 4.01(c)(1) of the Plan]: Newly hired eligible employees should be given the appropriate automatic enrollment notice and then be automatically enrolled in the Plan at a 3% salary reduction contribution level, unless the employee opts out of automatic enrollment or elects a different contribution percentage (see Enrollment section on page 5).

Once automatically enrolled, employees should be permitted to start, stop, decrease or increase their contributions at any time by completing a new Seventh-day Adventist Comprehensive Enrollment Form or contacting ASC Trust.

Employees who have been automatically enrolled may elect to withdraw all contributions (and opt out of automatic enrollment going forward) if the withdrawal election is made within 90 days after the date of the first automatic enrollment contribution. Employees wishing to withdraw contributions should contact ASC Trust.

Automatic Escalation [Section 4.01(c)(2) of the Plan]: Beginning July 1, 2019, all eligible employees who are not making elective deferral contributions (pre-tax salary reduction contributions and/or Roth contributions) of at least 7% of compensation will have their salary reduction contribution increased by 1% each July 1 until their salary reduction contributions reach 7% of compensation. Affected employees will receive a notice before each annual automatic escalation occurs and will be given the opportunity to elect a different percentage or elect to have no compensation reduction.

Other Contributions

Rollover Contributions [Section 4.05 of the Plan]: A participant may roll over to the Plan all or part of any distribution from an eligible retirement plan or IRA, provided established procedures 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.

Merger/Transfer Contributions [Section 4.06 of the Plan]: Subject to limitations imposed by applicable law, and with the approval of the Plan Administrator, 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 mergers/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 merger/transfer contributions account.

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.

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), the Clinic should not make retirement plan contributions on the "lump sum" payment. Settlement compensation paid upon termination of employment cannot be counted as Plan compensation upon which contributions can be made.

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 [Section 7.03 of the Plan]: 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 Clinic 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.

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

How to Calculate Employer Contributions [Sections 2.10 & 4.03 of the Plan]

- Establish eligibility of the employee.
- Basic contributions should be calculated based on 3% of total salary/wages. Apply the 3% rate to regular and overtime actual salary/wages, based on hourly rate times hours worked, or salary rate for the period. Examples of salary/wages to include are:
  - Vacation pay and sick pay – regular (paid to current employees, within a pay period)
  - Salary reduction amounts to 403(b) plan, pre-tax cafeteria plan and transportation plan contributions
  - Overtime and bonus

- Do **NOT** apply to following pay items:
  - Taxable fringe benefit allowance
  - Moving allowance
  - Deferred compensation
  - Per diem or other travel reimbursement or allowance
  - Accrued but unused vacation and sick pay paid in a lump sum at termination
  - Lump sum termination or severance settlement
  - Other payments normally considered as benefits or reimbursements

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The Contribution Process

Employee Responsibilities:
- Complete Comprehensive Enrollment Form (which serves as a salary reduction agreement) and submit to Human Resources.
- If an employee does not make an investment election on the Comprehensive Enrollment Form, 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.

Clinic Responsibilities:
- Review Comprehensive Enrollment Forms, approve and send to ASC Trust. Keep a copy in the employee's file.
- Ensure information to automatically enroll eligible employees in 3% salary reduction contributions is sent to ASC Trust.
- Determine appropriate amount of employer basic contributions.
- Send all contributions to ASC Trust by the end of the week following each pay date.

ASC Trust Responsibilities:
- Automatically enroll newly eligible employees.
- Receive and verify all information on the Comprehensive Enrollment Forms and contributions from the Clinic.
- Invest all contributions within one business day following receipt of funds from the Clinic.

Vesting [Article V of the Plan]

Employer basic contributions shall vest according to the following schedule. These amounts will also immediately vest upon death while employed by the Clinic, disability while employed by the Clinic, attainment of age 65, or termination of the Plan.

Years of Service	Vested Percentage
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Any portion of a participant's account that is not vested shall constitute a forfeiture as of the earlier of the date of the complete distribution of the participant's vested account after termination of employment, or the last day of the Plan year in which the participant incurs five consecutive one-year breaks in service.

If a participant is re-employed before incurring five consecutive one-year breaks in service, the amount of the forfeiture shall be fully restored if the participant repays the amount of any prior distribution of employer contributions.

Forfeitures which are not used to restore participants' accounts shall first be applied to trustee and administrative fees incurred by the Plan. If forfeitures exceed these fees, any remaining forfeitures shall offset and apply against future employer contributions.

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 [Section 6.01 of the Plan]

A current list of available investment options can be found on the Comprehensive Enrollment Form or the ASC Trust website.

Participants that select target date funds as an investment option can select a fund with a year nearest to their 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.

The Investment Process

Employee Responsibilities:

- Complete the Comprehensive Enrollment Form or contact ASC Trust to make or change investment elections.

ASC Trust Responsibilities:

- Process employee’s changes as soon as administratively practicable after receiving direction from the employee on the Comprehensive Enrollment Form or by the employee’s submission on the participant website, or by contacting ASC Trust by telephone.

File Transmission/Data Flow

When to Transmit Payroll File

Accounting should transmit payroll information and employee and employer contributions to ASC Trust by the end of the week following the week of payroll (the "pay date" or the date printed on a paper check).

ASC Trust will process the files received from the Clinic within 24 hours of receipt of the file and funds.

The Data Flow Process

Employee Responsibilities:

- Provide Human Resources with completed Comprehensive Enrollment Form upon hire and update as needed.
- Review quarterly statements provided by ASC Trust and verify all information. Notify Human Resources of any discrepancies.

Clinic Responsibilities:

- Create a data file to be sent each pay date to ASC Trust.
- Send payroll data and funds by the end of the week following the pay date (date which would be on a paper check).
- Send EFT or wire equal to the total Plan contributions listed in the file to arrive, if possible, the same day as payroll data file.
- Send employee status updates/effective dates to ASC Trust regularly, and periodically review payroll files to ensure employee status is accurate.
- Provide ASC Trust with information needed to correct any contribution errors on a timely basis.
- Advise employees how discrepancies are corrected.

ASC Trust 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 the Clinic.
- Resolve any discrepancies with the Clinic.

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. See Chapter 13, EPCRS, for important information on correcting contribution errors.

Payment Instructions

The preferred method of sending Plan contributions is by wire or ACH. Contact ASC Trust with any questions on payment instructions.

Wire to:	J.P. Morgan Chase
Address:	One Chase Manhattan Plaza, New York, NY 10005
ABA Routing:	021000021
For Credit to:	National Financial Services
Bene Acct #:	066196-221
Bene Address:	200 Liberty Street, NY4F, New York, NY 10281
For Benefit of:	ASC Trust Account # 251-105376

ACH to Fidelity:

Bank Name:	UMB Bank, NA (United Missouri Bank)
Address:	1008 Oak Street, Kansas City, MO 64106
For Benefit of:	ASC Trust
ASC Trust Address:	120 Father Duenas Avenue, Suite 110, Capitol Plaza, Hagatna, GU 96910
ABA Routing #:	101205681
Fidelity Account #:	39900001251105376

Compliance – Contribution Limits

Compliance testing of the Internal Revenue Code contribution limits will be performed by ASC Trust based on the data that is transmitted from the Clinic. Internal Revenue Code sections 415(c) and 402(g) testing will be performed by ASC Trust annually. 402(g) limits apply to the employee's own salary reduction and/or Roth contributions to all retirement plans for the calendar year. 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 ASC Trust through the Clinic or will receive a distribution of the excess amounts.

Below are the contribution limits for 2019. For up-to-date limit amounts, download the Contribution Limits Calculator from the website at www.adventistretirement.org:

- **415(c) Limit (for 2019)** [Section 7.01(a) of the Plan]
  Annual contributions made by the Clinic and employee to all retirement vehicles cannot exceed the lesser of:
  - $56,000 or
  - 100% of the employee's includible compensation

  Includible compensation includes taxable salary/wages, overtime, elective deferrals to the Plan, area travel allowance, taxable flat travel budget, tuition assistance, moving allowance, etc.

- **402(g) Limit (for 2019)** [Section 7.02 of the Plan]
  An employee may defer (salary reduction and/or Roth contributions) up to $19,000 in any calendar year. If the employee is age 50 or greater, he/she may defer an additional $6,000.

Important Compliance Issues

- Compliance testing is the Clinic's responsibility; however, ASC Trust helps with this testing. ASC Trust relies on the data provided by the Clinic for compliance testing. Each year the Plan requires a census file to be submitted by the Clinic (see census file specifications described on the following page). If the Clinic does not provide accurate data to ASC Trust, it will not be able to assist with the annual nondiscrimination testing.

- If an employee has determined he/she has excess contributions for the year, he/she should contact ASC Trust 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.

- Excess 402(g) and 415(c) employee contributions will be distributed to the employee by ASC Trust 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.

Employee Responsibilities:

- Sign and provide to Human Resources a current Comprehensive Enrollment Form, which includes a salary reduction agreement.
- Manage contributions to all retirement vehicles within Internal Revenue Code limits.
- Be aware of and do not exceed Internal Revenue Code contribution limits; consult with a tax advisor if necessary.

Clinic Responsibilities:

- Maintain current salary reduction agreement (comprehensive enrollment form) is on file for each employee.
- Ensure payroll system reflects latest salary reduction agreement percentage from each employee.
- Ensure federal taxable wages are reported on an interim, per pay period basis and year-to-date.
- Send year-end census file to ASC Trust.

Annual Limits Testing

The Internal Revenue Code annual limits testing will be done following the end of each year in February. The Clinic must submit its annual census file to ASC Trust. A due date for the annual census file will be communicated by ASC Trust. The annual census file should contain all employees paid in the previous calendar year, including employees who retired or terminated during the year.

CENSUS FILE SPECIFICATIONS

1. The Census file should be in either Excel or CSV format and end in .xls or .xlsx or .csv and in a format specified by ASC Trust.

2. The Census file should be uploaded to ASC Trust.

3. 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.

4. Be sure to compile the census file after all W-2 corrections have been completed.

If ASC Trust does not receive the annual census file, it may not be able to do compliance testing for the tax year and the Clinic may receive a notification that it is responsible for its own testing.

ASC Trust Responsibilities:

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

Loans

Plan participants may generally borrow from their salary reduction contributions and Roth contributions accounts an amount of up to $50,000 reduced by their highest outstanding loan balance or if less, 50% of their account, on account of a hardship or for the purchase of a principal residence. Loans are subject to rules, guidelines, spousal consent, and fees assessed by ASC Trust. Employees may continue to make salary reduction or Roth contributions (and the employer may continue to make basic contributions) while a loan is outstanding. Two loans may be outstanding at any time (one hardship loan and one home purchase loan).

Human Resources is required to review employee loan forms before sending form to ASC Trust for processing.

The Loan Process [Section 8.08 of the Plan]

Employee Responsibilities:

- Contact ASC Trust to request a Hardship Loan Request Form.
- Sign loan form and obtain spousal consent, if applicable.
- Forward loan form to Human Resources for review and signature. Human Resources will send the signed loan form to ASC Trust for processing.
- It is the employee's responsibility to contact ASC Trust with changes in employment or status.
    - If an employee has an outstanding loan when transferring to another GMM employer, the employee must notify ASC Trust 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 employment, the employee should contact ASC Trust 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.

Clinic Responsibilities:

- Receive loan form 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, Human Resources must sign to verify that there is no spouse.
- Sign loan form and forward to ASC Trust.
- Set up the payroll deduction as required by the loan application after receiving loan amortization from ASC Trust.
- Remind employees who transfer to other GMM employers to notify ASC Trust and request a new amortization schedule for their outstanding loan.
- Assist ASC Trust with providing amortization schedule and promissory note to employee with no email address on record.
- Release paper check to employee if not direct deposited,

ASC Trust Responsibilities:

- Provide loan form and information to employees upon request.

- Process signed loan form received from the Clinic.
- Prepare promissory note and amortization schedule.
- Direct deposit to employee’s bank account or release check to Human Resources.
- Send the loan information, including amortization schedule, to the Clinic.

Early Loan Payoff Process

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

Employee Responsibilities:
- Contact ASC Trust for loan payoff amount.
- Pay loan in full by delivering or sending check or making direct deposit to ASC Trust.

Clinic Responsibilities:
- If employee asks about a loan payoff, tell employee to contact ASC Trust to make payoff arrangements.
- Discontinue future loan payment payroll deductions only after notification from ASC Trust.

ASC Trust Responsibilities:
- After receiving loan payoff by check or direct deposit from the employee, send loan payoff statement to the employee.
- Notify the Clinic of loan payoffs.
- Process loan payments while an employee is on unpaid leave – receive either checks or ACH payments from employee on leave.

Loan Payments While on Leave

While on unpaid leave, loan payments must continue. Employees on unpaid leave should contact ASC Trust to set up payment arrangements (either by sending a check to ASC Trust or setting up an ACH from a bank account).

Rollovers/Transfers into the Plan

Rollovers and transfers are tax-free distributions from an eligible retirement plan or IRA that are contributed to the Plan. The 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 [Sections 4.05 & 4.06 of the Plan]

Employee Responsibilities:

- Request Distribution Form from prior employer plan.
- Complete prior employer plan Distribution Form, attach any required supporting documentation, and send to Human Resources. Be sure to keep a copy of this form.
  - Indirect rollover: A distribution from a plan to the employee, who then sends it to ASC Trust within 60 days of the distribution from the previous plan. Employees contributing an indirect rollover to the Plan must include a certified check, cashier's check or money order payable to ASC Trust, FBO (for the benefit of) the employee's name and send to ASC Trust for approval and processing.
  - Direct rollover: A distribution made directly from a plan to the GMM Retirement Plan, including a check from the custodian or trustee of the prior employer's plan, payable to ASC Trust, and sent to ASC Trust for approval and processing.
- Complete Comprehensive Enrollment Form if not currently enrolled.

Clinic Responsibilities:

- Review prior employer plan Distribution Form for accuracy and completeness.
- Verify the distribution is a qualified rollover/transfer contribution (ASC Trust can assist with this step, if necessary).
- If prior employer plan Distribution Form requires signature of the receiving plan, approve the rollover/transfer by signing the form as Plan Administrator and forward the signed form to ASC Trust if ASC Trust will be working with the prior employer to roll over/transfer the assets to this Plan.
- Review Comprehensive Enrollment Form, approve and send to ASC Trust, and keep a copy in employer's file.

ASC Trust Responsibilities:

- If requested, assist prior employer in rolling over/transferring assets.
- Process rollover/transfer as soon as administratively practicable after receiving rollover/transfer of assets.

In-Service Withdrawals

The Plan permits two types of in-service withdrawals:

- Hardship
- Age 59½

Hardship Withdrawals [Section 8.07 of the Plan]

Participants can request hardship withdrawals from salary reduction and/or Roth contributions accounts (but not including any earnings on salary reduction or Roth contributions). 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 released to Human Resources or direct deposited into the employee's bank account. Spousal consent is required for a hardship withdrawal. Effective as of January 1, 2019, a six-month suspension of employee salary reduction and Roth contributions following a hardship distribution is no longer required.

Human Resources is required to review employee hardship withdrawal applications and hardship distribution supplement forms provided by the employee.

The 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 (i.e. damage caused by catastrophic events such as floods, typhoons, or tornados).
- To pay for expenses and losses (including a loss of income) incurred by the employee on account of a disaster declared by the Federal Emergency Management Agency (FEMA), provided that the employee's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

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 Distribution Form from ASC Trust. Incomplete or inaccurate forms will be denied by ASC Trust or Human Resources and will cause a delay in the processing of the withdrawal request.
- Complete the form, including spousal consent, if applicable.
- If spousal consent is required, Human Resources or a notary public can witness the spousal signature.
- Review the Special Tax Notice Regarding Plan Payments.
- 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 Human Resources for review.
- After Human Resources has signed the form, it will send the form (including supporting documentation) to ASC Trust.

Clinic Responsibilities:

- Review the Hardship Distribution Form for accuracy and completeness.
- Review documentation to ensure employee is eligible for a hardship distribution.
- 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 ASC Trust.

ASC Trust Responsibilities:

- Review the completed Hardship Distribution Form for accuracy.
- Process the distribution request. Withhold appropriate taxes (if applicable) and release check to Human Resources or direct deposit funds into employee's bank account.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and file with the appropriate jurisdiction.

Age 59½ Withdrawals [Section 8.06 of the Plan]

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

Age 59½ Withdrawal Process

Employee Responsibilities:

- Request Distribution Form by contacting ASC Trust.
- Complete the form, including spousal consent, if applicable. Incomplete or inaccurate forms will be denied by ASC Trust or Human Resources and will cause

a delay in the processing of the distribution request.
- If spousal consent is required, Human Resources or a notary public can witness the spousal signature.
- Review the Special Tax Notice Regarding Plan Payments.
- Forward completed form to Human Resources for review.

Clinic Responsibilities:
- Review the Distribution Form for accuracy and completeness.
- 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 form and send to ASC Trust.

ASC Trust Responsibilities:
- Review the completed Distribution Form for accuracy.
- Process the distribution request. Withhold appropriate tax and release check to Human Resources or direct deposit funds into employee's bank account.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and file with the appropriate jurisdiction.

Qualified Domestic Relations Orders (QDROS) [Section 14.02 of the Plan]

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 ASC Trust – a divorce decree, property settlement agreement, or non-ASC Trust QDRO will not be accepted. Employees should contact ASC Trust to get a copy of the template QDRO.

QDROS

Employee Responsibilities:
- Request QDRO template document by contacting ASC Trust.
- Complete the template document and send to ASC Trust for review. Incomplete or inaccurate QDROs will be denied and will cause a delay in the division of the account.
- Review information sent from ASC Trust regarding whether the QDRO template meets requirements, and make any requested changes.
- File QDRO with court system.
- Send finalized QDRO filed and signed by judge to ASC Trust for final review.
- Update beneficiaries and name change, if applicable, on Comprehensive Enrollment Form.

ASC Trust 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 employment with the Clinic or a related employer, an employee may take a lump sum payment from his or her vested account balance in the Plan.

Terminated or retired employees are not <u>required</u> to withdraw or transfer funds and may leave them in the Plan as long as the participant's vested account balance is $500 or more. 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.

Method of Distribution [Section 9.01 of the Plan]

All benefits will be in the form of a lump sum.

The Distribution Process

<u>Employee Responsibilities</u>:

- Complete a Distribution Form and send to Human Resources.
- Review the Special Tax Notice Regarding Plan Payments.
- Spousal consent is required where applicable. The spouse's signature must be witnessed by Human Resources or a Notary Public.

<u>Clinic Responsibilities</u>:

- After final payroll file submission of all salary/wages, notify ASC Trust that employee has terminated and provide termination date.
- Witness a spousal consent signature on the Distribution Form if the employee is married; or verify that the employee had spouse's signature witnessed by a notary public.
- Approve Distribution Form and send to ASC Trust.

<u>ASC Trust Responsibilities</u>:

- Review the completed Distribution Form for accuracy and process, withholding appropriate taxes.
- Release the check to Human Resources or direct deposit funds into employee's bank account.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and file with the appropriate tax authority.

Additional Distribution Information [Article VIII of the Plan]

Pre-Retirement Death Benefits [Section 8.03 of the Plan]: If an employee dies before retiring or before receiving pre-retirement termination benefits from the Plan, the employee's surviving spouse may request a distribution or rollover of the employee's account balance. Contact ASC Trust for more information.

For final employer contributions to be received after the date of death, the surviving spouse or other designated beneficiary should contact ASC Trust to set up a mirror account under the beneficiary's social security number into which ASC Trust 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 [Section 8.04 of the Plan]: An employee who is disabled before reaching age 59½ and who is determined to be disabled using the definition of disabled described in the Plan 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 salary reduction and/or Roth contribution accounts.

Cash-Out of Small Accounts [Section 8.05 of the Plan]: ASC Trust will automatically "cash-out" any account with a vested balance of less than $500 if an employee separates from service before reaching age 59½ and has not yet submitted a Distribution Form.

Tax Reporting

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

W-2 Instructions

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

Box 1 - Wages, tips, other compensation
Show total wages and other compensation, including bonuses, before any payroll deductions. This box **does not** include automatic enrollment and automatic escalation amounts, pre-tax salary reduction amounts elected to be contributed to the Plan on the Comprehensive Enrollment Form, or any other pre-tax elective deferrals to other retirement arrangements described in box 12. Box 1 includes Roth contributions to the Plan.

Box 3 - Social security wages
Show total wages and other compensation before any payroll deductions. This box **includes** amounts deferred to the Plan, both pre-tax salary reduction and Roth contributions.

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 Plan for any part of the year.

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

Box 14 - Other
The Clinic may (but are not required to) use this box for any other information they want to give employees, including Employer basic contributions. If the Clinic uses this box to report any of the above, it 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 excess 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 Employee Plans Compliance Resolution System (EPCRS).

How to Calculate Missed Contributions

Employee Contributions: If the employee had filled out a Comprehensive Enrollment Form requesting salary reduction or Roth contributions to be made, but these deductions were not made due to the Clinic's oversight, IRS self-correction methods must be followed. The IRS does not require any makeup contribution to be made by the Clinic 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 Clinic 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 Clinic, at its expense, calculate and contribute 50% of what the employee contributions would have been to the employee's account. See Appendix A of Revenue Procedure 2019-19 for specific correction requirements.

Employer Basic Contributions: If employer basic contributions were not sent to ASC Trust for an eligible employee, the Clinic must calculate the employer basic contributions which should have been made and send these contributions to ASC Trust as soon as the error is found, along with associated earnings. Please see the IRS EPCRS guidance for additional correction requirements.

Employee Responsibilities:

- Notify Human Resources of any discrepancies or errors noticed on the Quarterly Statement from ASC Trust.

Clinic Responsibilities:

- Correct the error using SCP or VCP (see discussion on following pages).
- Notify ASC Trust of the required correction.

Adventist Retirement Responsibilities:

- Assist Clinic and ASC Trust with EPCRS corrections as necessary

ASC Trust Responsibilities:

- Process correction requests from Clinic.
- Send corrective salary reduction contributions to employee.
- Use corrective employer contributions to offset future employer obligations.
- Notify Clinic 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.

Employee 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 2019-19, 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 the 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.

<u>Significant and insignificant failures.</u> 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

<u>Timing of Retirement Plan Self-Correction</u>. An insignificant operational failure can be self-corrected at any time. A significant operational failure <u>eligible for self-correction</u> 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 is not 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.

<u>Other eligibility requirements for self-correction</u>

- 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.

<u>Steps to Self-Correct Retirement Plan Errors.</u> 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, 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 2019-19. 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 ASC Trust.

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 file a submission with 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 based on plan assets.

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 the IRS' 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.