

# **AFGE Employees 401(k) Plan**

## **SUMMARY PLAN DESCRIPTION**



**January 1, 2016**



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## **OBTAINING INFORMATION ABOUT YOUR RETIREMENT BENEFITS UNDER THE PLAN**

You have your own retirement account under the Plan to hold the contributions made on your behalf and to track the performance of the investments in your account. This booklet contains a summary of your rights and benefits under the Plan.

You should read this material carefully and keep it with your records for future reference.

# AFGE Employees 401(k) Plan

## SUMMARY PLAN DESCRIPTION

### ARTICLE 1 INTRODUCTION

American Federation of Government Employees, AFL-CIO (“AFGE”) has adopted the AFGE Employees 401(k) Plan (the “Plan”) to help its employees save for retirement. If you are an employee of AFGE, you may be entitled to participate in the Plan, provided you satisfy the conditions for participation as described in this Summary Plan Description.

This Summary Plan Description (“SPD”) is designed to help you understand the retirement benefits provided under the Plan and your rights and obligations with respect to the Plan. This Summary Plan Description contains a summary of the major features of the Plan, including the conditions you must satisfy to participate under the Plan, the amount of benefits you are entitled to as a Plan participant, when you may receive distributions from the Plan, and other valuable information you should know to understand your Plan benefits. We encourage you to read this SPD and contact the Plan Administrator if you have any questions regarding your rights and obligations under the Plan. (See Article 2 below for the name and address of the Plan Administrator.)

This SPD contains a summary of your rights and benefits under the Plan. This SPD does not replace the formal Plan document, which contains all of the legal and technical requirements applicable to the Plan. This summary does not change or expand or otherwise interpret the terms of the Plan document. Your rights can be determined only by the full text of the Plan document. However, this SPD does attempt to explain the Plan language in a non-technical manner that will help you understand your retirement benefits. If the non-technical language under this SPD and the technical, legal language under the Plan document conflict, the Plan document always governs. If you have any questions regarding the provisions contained in this SPD or if you wish to receive a copy of the Plan document, please contact the Plan Administrator.

The Plan document may be amended or modified due to changes in law, to comply with pronouncements by the Internal Revenue Service (IRS) or Department of Labor (DOL), or due to other circumstances. If the Plan is amended or modified in a way that changes the provisions under this SPD, you will be notified of such changes.

This SPD does not create any contractual rights to employment nor does it guarantee the right to receive benefits under the Plan. Benefits are payable under the Plan only to individuals who have satisfied all of the conditions under the Plan document for receiving benefits.

### ARTICLE 2 GENERAL PLAN INFORMATION AND KEY DEFINITIONS

This Article 2 contains information regarding the day-to-day administration of the Plan as well as the definition of key terms used throughout this Summary Plan Description.

**Plan Name:** AFGE Employees 401(k) Plan

**Plan Number:** 002

**Employer:**

**Name:** American Federation of Government Employees, AFL-CIO (“AFGE”)

**Address:**

80 F Street, N.W.

Washington, District of Columbia 20001

**Telephone number:** (202) 737-8700

**Employer Identification Number (EIN):** 53-0025740

**Plan Administrator:**

The Plan Administrator is responsible for the day-to-day administration and operation of the Plan. For example, the Plan Administrator maintains the Plan records, provides you with forms necessary to request a distribution from the Plan, and directs the payment of your vested benefits when required under the Plan. The Plan Administrator may designate another person or persons to perform the duties of the Plan Administrator. AFGE has designated the Board of Trustees as the Plan Administrator. The Plan Administrator or its delegate, as the case may be, has the power and sole discretion to interpret, apply, construe, and amend the provisions of the Plan (and any related documents and underlying policies) and make all factual determinations regarding the construction, interpretation, and application of the Plan, including the authority to resolve ambiguities in the Plan document and to interpret the Plan’s terms, including who is eligible to participate under the Plan and the benefit rights of participants and beneficiaries. All interpretations, constructions and determinations of the Plan Administrator or its delegate shall be final and binding on all persons. The Plan Administrator also will allow you to review the formal Plan document and other materials related to the Plan.

The name, address, and business telephone of the Plan Administrator are:

Board of Trustees, AFGE Employees 401(k) Plan  
Attn: Wendy Chambers  
4301 Garden City Drive, Suite 201  
Landover, MD 20785  
888-696-2343

**Trustees:**

All amounts contributed to the Plan are held in a qualified Trust. The Trustees are responsible for the safekeeping of the trust funds and must fulfill all Trustee duties in a prudent manner and in the best interest of you and your beneficiaries. The trust established on behalf of the Plan will be the funding medium used for the accumulation of assets from which Plan benefits will be distributed. While all the Plan assets are held in a trust fund, the Plan Administrator separately accounts for each Participant’s interest in the Plan.

The following are the names and addresses of the Plan Trustees:

- **Name:** J. David Cox, Sr., National President  
**Address:** 80 F Street, N.W.  
**City, State, Zip Code:** Washington, District of Columbia 20001
- **Name:** Eugene Hudson, Jr., National Secretary - Treasurer  
**Address:** 80 F Street, N.W.  
**City, State, Zip Code:** Washington, District of Columbia 20001
- **Name:** Augusta Thomas, National Vice President for Women & Fair Practices  
**Address:** 80 F Street, N.W.  
**City, State, Zip Code:** Washington, District of Columbia 20001

**Service of Legal Process:**

Service of legal process may be made upon AFGE. In addition, service of legal process may be made upon the Plan Trustees or Plan Administrator.

**Effective Date of Plan:**

The Plan was originally effective January 1, 1998. The Plan was amended and restated effective as of January 1, 2016.

**Plan Year:**

Many of the provisions of the Plan are applied on the basis of the Plan Year. For this purpose the Plan Year is the calendar year running from January 1 – December 31.

**Plan Compensation:**

In applying the contribution formulas under the Plan (as described in Section 4 below), your contributions may be determined based on Plan Compensation earned during the Plan Year. However, in determining Plan Compensation, no amount will be taken into account to the extent such compensation exceeds the compensation dollar limit set forth under IRS rules. For 2015 and 2016, the compensation dollar limit is \$265,000. For Plan Years beginning in 2015 or 2016, no contribution may be made under the Plan with respect to Plan Compensation above \$265,000. For subsequent Plan Years, the contribution dollar limit may be adjusted for cost-of-living increases.

For purposes of determining Plan Compensation, your total taxable wages or salary is taken into account. Unless provided otherwise, Plan Compensation includes any Salary Deferrals you make to this 401(k) plan and any pre-tax salary reduction contributions you may make under any other plans we may maintain, which may include any pre-tax contributions you make under a medical reimbursement plan or “cafeteria” plan. Plan Compensation also generally includes compensation for services that is paid after termination of employment, as long as such amounts are paid by the end of the year or within 2½ months following termination of employment, if later. However, for purposes of determining contributions under the Plan, certain amounts may be excluded from Plan Compensation based on the type of contributions being determined.

- **Salary Deferrals.** In determining the amount of Salary Deferrals you may make under the Plan, the following adjustments will be made in determining Plan Compensation:
  - All fringe benefits (cash and noncash), reimbursements or other expense allowances, moving expenses, deferred compensation and welfare benefits are excluded.
  - Lump sum payments made to a Participant pursuant to a lump sum buyout of the Participant by AFGE are excluded.
  - Car allowances are included.

*[Note: The exclusions set forth for Salary Deferrals also will apply to any Roth Deferrals or Safe Harbor Employer Contributions under the Plan.]*

- **Matching Contributions.** In determining the amount of Matching Contributions that will be made on behalf of Participants under the Plan, the following adjustments will be made in determining Plan Compensation:
  - All fringe benefits (cash and noncash), reimbursements or other expense allowances, moving expenses, deferred compensation and welfare benefits are excluded.
  - Lump sum payments made to a Participant pursuant to a lump sum buyout of the Participant by AFGE are excluded.
  - Car allowances are included.
  
- **Non-Safe Harbor Discretionary Employer Contributions.** In determining the amount of Non-Safe Harbor Discretionary Employer Contributions that will be made on behalf of Participants under the Plan, the following adjustments will be made in determining Plan Compensation:
  - Lump sum payments made to a Participant pursuant to a lump sum buyout of the Participant by AFGE are excluded.
  - Car allowances are included.

**Plan Compensation for Safe Harbor Employer Contributions.** In determining the amount of Safe Harbor Employer Contributions that will be made on behalf of Participants under the Plan, the same definition of Plan Compensation that applies for purposes of Salary Deferrals (as described above) also applies for Safe Harbor Employer Contributions.

Generally, all includible compensation you earn will be taken into account for purposes of determining Plan Compensation, including any compensation you earn while you are not a Participant in the Plan. However, for purposes of determining the amount of the following Plan contributions, Plan Compensation will only be taken into account to the extent you earn the compensation while you are eligible for such contributions under the Plan.

- Salary Deferrals
- Matching Contributions
- Safe Harbor Employer Contributions

Any compensation you earn while you are not eligible for a particular contribution described above will not be taken into account in determining your Plan Compensation for purposes of determining the amount of such contribution. Article 4 below describes the various contributions that are authorized under the Plan.

**Normal Retirement Age:**

You will reach Normal Retirement Age under the Plan when you turn age 60.

**Early Retirement Age:**

You will reach Early Retirement Age under the Plan when you attain age 55.

**ARTICLE 3  
DESCRIPTION OF PLAN**

**Type of Plan.** This Plan is a special type of qualified retirement plan commonly referred to as a 401(k) plan. Under the Plan, you may elect to have a portion of your salary deposited directly into a 401(k) account on your behalf. This pre-tax contribution is called a "Salary Deferral." As a pre-tax contribution, you do not have to pay any income tax while your Salary Deferrals are held in the Plan, and any earnings on your Salary Deferrals are not taxed while they stay in the Plan.



You also may choose to make contributions to the Plan on an after-tax basis, by designating your Salary Deferrals as Roth Deferrals. While you are taxed on a Roth Deferral in the year you contribute to the Plan, you will not be taxed on the contribution or earnings attributable to Roth Deferrals under the Plan when you elect to withdraw your Roth amounts from the Plan, as long as your withdrawal is a qualified distribution. See the discussion of Roth Deferrals under Article 4 below.

In addition to your own Salary Deferrals, if you satisfy the eligibility conditions described in Article 5 below, you may be eligible to receive an additional Employer Contribution under the Plan. If you are eligible to receive an Employer Contribution, AFGE will deposit such contribution directly into the Plan on your behalf. Like the pre-tax Salary Deferrals discussed above, any Employer Contribution AFGE makes to the Plan on your behalf and any earnings on such amounts will not be subject to income tax as long as those amounts stay in the Plan. You will not be taxed on your Employer Contributions generally until you withdraw such amounts from the Plan. Article 4 below describes the Employer Contributions authorized under the Plan.

This Plan is a defined contribution plan. As a defined contribution plan, benefits are not insured by the Pension Benefit Guaranty Corporation.

## ARTICLE 4 PLAN CONTRIBUTIONS

The Plan provides for the contributions listed below. Article 5 discusses the requirements you must satisfy to receive the contributions described in this Article 4. Article 7 describes the vesting rules applicable to your Plan benefits. Special rules also may apply if you leave employment to enter qualified military service. See your Plan Administrator if you have questions regarding the rules that apply if you are on military leave.

### Salary Deferrals

If you have satisfied the conditions for participating under the Plan (as described in Article 5 below) you are eligible to make Salary Deferrals to the Plan. To begin making Salary Deferrals, you must complete a Salary Deferral election requesting that a portion of your compensation be contributed to the Plan instead of being paid to you as wages. However, see the discussion below regarding the application of the “automatic deferral” provisions under the Plan that may apply if you do not specifically elect to defer (or not defer) under the Plan. Any Salary Deferrals you make to the Plan will be invested in accordance with the Plan’s investment policies.

**Pre-Tax Salary Deferrals.** If you make Salary Deferrals to the Plan, you will not have to pay income taxes on such amounts or on any earnings until you withdraw those amounts from the Plan.

Consider the following examples:

- If you earn \$30,000 a year, are in the 15% tax bracket, are eligible to participate in the Plan and you elect to save 3% (or \$900) of your salary under the 401(k) Plan this year, you would save \$135 in Federal income taxes (15% of \$900 = \$135).
- If you earn \$30,000 a year, are in the 15% tax bracket, are eligible to participate in the Plan, and you elect to save 5% (or \$1,500) of your salary under the 401(k) Plan this year, you would save \$225 in Federal income taxes (15% of \$1,500 = \$225).
- If you earn \$30,000 a year, are in the 15% tax bracket, are eligible to participate in the Plan and you elect to save 8% (or \$2,400) of your salary under the 401(k) Plan this year, you would save \$360 in Federal income taxes (15% of \$2,400 = \$360).

As you can see, the more you are able to put away in the Plan and the higher your tax bracket, the greater your tax savings will be. In addition, if the amount of your Salary Deferrals grows due to investment earnings, you will not have to pay any Federal income taxes on those earnings until such time as you withdraw those amounts from the Plan.

**Roth Deferrals.** You also may be able to avoid taxation on earnings under the Plan by designating your Salary Deferrals as Roth Deferrals. Roth Deferrals are a form of Salary Deferral but, instead of being contributed on a pre-tax basis, you must pay income tax currently on such deferrals. However, provided you satisfy the distribution requirements applicable to Roth Deferrals (as discussed in Article 8 below), you will not have to pay any income taxes at the time you withdraw your Roth Deferrals from the Plan, including amounts attributable to earnings. If you take a qualified distribution (as described in Article 8) your entire distribution may be withdrawn tax-free. You should discuss the relative advantages of pre-tax Salary Deferrals and Roth Deferrals with a financial advisor before deciding how much to designate as pre-tax Salary Deferrals and Roth Deferrals.

**Salary Deferral election.** You may not begin making Salary Deferrals under the Plan until you enter into a Salary Deferral election designating how much you wish to defer under the Plan. However, as described below, Salary Deferrals may be automatically withheld from your paycheck if you do not specifically elect to defer (or not defer) under the Plan.

**Change of election.** You can increase, decrease, or revoke the amount of your Salary Deferrals at any time. Any change you make to a Salary Deferral election will become effective as soon as administratively feasible after it is received by the Plan Administrator, and will remain in effect until modified or canceled during a subsequent election period.

**Automatic deferral election.** The Plan includes an “automatic” deferral feature. Under this feature, if you are a new Participant and have otherwise satisfied the eligibility requirements for Salary Deferrals described under Article 5 but have not made a Salary Deferral election, AFGE will automatically withhold 1% of your Plan Compensation from each paycheck and deposit such amounts into the Plan as a Salary Deferral.

In addition, unless you specifically make a different election, if your pre-tax Salary Deferral was less than 4% for the prior year, your deferral amount will be increased by 1% of Plan Compensation in each subsequent Plan Year until your deferral amount equals 4% or more of Plan Compensation, unless you elect a different deferral amount (including an election to not make deferrals for the year). The automatic deferral amount will increase annually up to a maximum of 4% of Plan Compensation unless you designate otherwise under a Salary Deferral election for the applicable year.

Any amounts that are automatically withheld from your paycheck will be invested in accordance with the Plan’s investment policies and will be exempt from taxation just like any other pre-tax Salary Deferral. If you would like to modify your automatic deferral amount, you must make a Salary Deferral election indicating the amount you wish to defer. If you do not wish to defer under the Plan, you must make a Salary Deferral election indicating a zero deferral rate.

In addition, if the automatic deferral provisions apply to you, the Plan will provide a reasonable opportunity to make an affirmative election to defer or not defer under the Plan before any automatic deferral election goes into effect. If you do not affirmatively elect, deferrals will automatically commence within a reasonable period of time following the date an Employee (or rehired Employee) is provided notice of the Plan’s automatic enrollment provisions.

**Permissive withdrawals under certain automatic enrollment plans.** If you have Salary Deferrals automatically contributed to the Plan pursuant to an automatic deferral election, you may withdraw such contributions (and earnings attributable thereto) within 90 days after the first default Salary Deferral is made, regardless of any other withdrawal restrictions under the Plan. If you withdraw automatic deferrals under this special withdrawal rule, you will lose any Matching Contributions associated with those deferrals. If you withdraw the automatic deferrals, no additional deferrals will be withheld from your paycheck unless you enter into a subsequent election to defer into the Plan.

### **Matching Contributions**

AFGE is authorized under the Plan to make a Matching Contribution on behalf of eligible Plan participants. A Matching Contribution is an Employer Contribution that is made to Participants who make Salary Deferrals to

the Plan. Unless you are covered by a collective bargaining agreement that provides otherwise, if you satisfy all of the eligibility requirements described in Article 5 below for Matching Contributions and you make Salary Deferrals to the Plan, you will receive an allocation of any Matching Contributions AFGE makes to the Plan, in accordance with the matching formula described below. For this purpose, any Matching Contribution will also apply with respect to any Roth Deferrals you make to the Plan. If you do not satisfy all of the eligibility requirements for receiving a Matching Contribution, you will not share in an allocation of such Matching Contributions for the period for which you do not satisfy the eligibility requirements.

Matching Contributions will be contributed to your Matching Contribution account under the Plan at such time as AFGE deems appropriate. Matching Contributions may be contributed during the Plan Year or after the Plan Year ends. Any Matching Contributions AFGE makes will be made in accordance with the following Matching Contribution formula.

- **Fixed Matching Contribution formula.** AFGE will make a fixed Matching Contribution on behalf of eligible Participants who make Salary Deferrals to the Plan. The Matching Contribution will equal 100% of Salary Deferrals you make during each payroll period, but only up to the limit described in the paragraph below. To receive the employer Matching Contribution, you must make Salary Deferrals to the Plan of at least 1% of Plan Compensation during each payroll period.

**Limit on Matching Contributions.** In addition to the overall limit on total contributions described in Article 6 below, the Plan imposes the following special limits on the amount a Participant may receive as a Matching Contribution under the Plan for each payroll period. In determining the amount of Matching Contributions you are entitled to under the Plan, only a certain amount of your Salary Deferrals are taken into account. If you are covered by any collective bargaining agreement between AFGE and any labor organization, any Salary Deferrals you make up to 1% of Plan Compensation will be eligible for a Matching Contribution. For all other Employees, any Salary Deferrals you make up to 2% of Plan Compensation will be eligible for a Matching Contribution. If you make Salary Deferrals in excess of 1% or 2% of Plan Compensation, as applicable, you will not receive a Matching Contribution with respect to those Salary Deferrals.

### **Safe Harbor Employer Contributions**

This Plan is designed to qualify as a “Safe Harbor 401(k) Plan”. As a Safe Harbor 401(k) Plan, AFGE will provide a special Safe Harbor Employer Contribution to the Plan for those Participants who satisfy the eligibility requirements for the Safe Harbor Employer Contributions. See Article 5 below for the eligibility rules for Safe Harbor Employer Contributions.

Any Safe Harbor Employer Contribution AFGE makes on your behalf will be contributed to a special Safe Harbor Employer Contribution account. Safe Harbor Employer Contributions may be contributed at any time during the Plan Year or after the Plan Year ends.

**Safe Harbor Employer Contribution formula.** If you are eligible to receive a Safe Harbor Employer Contribution, AFGE will contribute to the Plan on your behalf an amount equal to 3% of your Plan Compensation for the Plan Year. AFGE will provide you with a notice prior to the beginning of each Plan Year describing the Safe Harbor Employer Contribution and your rights with respect to such contributions.

### **Non-Safe Harbor Discretionary Employer Contributions**

AFGE also is authorized under the Plan to make additional Non-Safe Harbor Discretionary Employer Contributions on behalf of its employees. In order to receive a Non-Safe Harbor Discretionary Employer Contribution, you must satisfy all of the eligibility requirements described in Article 5 below for Non-Safe Harbor Discretionary Employer Contributions. If you do not satisfy all of the conditions for receiving a Non-Safe Harbor Discretionary Employer Contribution or if you are covered by a collective bargaining agreement that provides you are not eligible for a Non-Safe Harbor Discretionary Employer Contribution, you will not share in an allocation of such Non-Safe Harbor Discretionary Employer Contributions for the period for which you do not satisfy the eligibility requirements.

**Non-Safe Harbor Discretionary Employer Contribution Formula.** Non-Safe Harbor Discretionary Employer Contributions will be contributed to your Employer Contribution account under the Plan at such time as AFGE deems appropriate. Generally, Non-Safe Harbor Discretionary Employer Contributions may be contributed during the Plan Year or after the Plan Year ends. Any Non-Safe Harbor Discretionary Employer Contributions AFGE makes will be made in accordance with the following Non-Safe Harbor Discretionary Employer Contribution formula.

- **Discretionary pro-rata Non-Safe Harbor Discretionary Employer Contribution formula.** AFGE will decide each year how much, if any, it will contribute to the Plan. Since this Non-Safe Harbor Discretionary Employer Contribution is discretionary, AFGE may decide not to make a Non-Safe Harbor Discretionary Employer Contribution for a given year. If AFGE decides to make a Non-Safe Harbor Discretionary Employer Contribution to the Plan, the contribution will be a uniform formula for all eligible Participants. AFGE will inform you of the amount of your Non-Safe Harbor Discretionary Employer Contribution once it determines how much it will be contributing to the Plan.

### **Top Heavy Benefits**

A plan that primarily benefits key employees is called a top heavy plan. For this purpose, key employees are defined as certain officers with a specified level of compensation. A plan is generally a top heavy plan when more than 60% of all account balances under the plan are attributable to key employees. The Plan Administrator will determine each year whether the Plan is a top heavy plan.

If the Plan becomes top heavy in any Plan Year, non-key employees who are eligible to receive a top heavy benefit under the Plan will receive a minimum benefit under the American Federation of Government Employees Pension Plan. The Plan Administrator will advise you if the Plan ever becomes top heavy.

### **Rollover Contributions**

If you have an account balance in another qualified retirement plan or an IRA, you may move those amounts into this Plan, without incurring any tax liability, by means of a "rollover" contribution. You are always 100% vested in any amounts you contribute to the Plan as a rollover from another qualified plan or IRA. This means that you will always be entitled to all amounts in your rollover account. Rollover contributions will be affected by any investment gains or losses under the Plan.

You may accomplish a rollover in one of two ways. You may ask your prior plan administrator or trustee to directly rollover to this Plan all or a portion of any amount which you are entitled to receive as a distribution from your prior plan. Alternatively, if you receive a distribution from your prior plan, you may elect to deposit into this Plan any amount eligible for rollover within 60 days of your receipt of the distribution. Any rollover to the Plan will be credited to your Rollover Contribution Account. See Article 8 below for a description of the distribution provisions applicable to rollover contributions.

Generally, the Plan will accept a rollover contribution from another qualified retirement plan or IRA. The Plan Administrator may adopt separate procedures limiting the type of rollover contributions it will accept. For example, the Plan Administrator may impose restrictions on the acceptance of after-tax contributions or Salary Deferrals (including Roth Deferrals) or may restrict rollovers from particular types of plans. In addition, the Plan Administrator may, in its discretion, accept rollover contributions from Employees who are not currently Participants in the Plan. You also must be a current Employee to make a Rollover Contribution to the Plan. Any procedures affecting the ability to make Rollover Contributions to the Plan will not be applied in a discriminatory manner.

If you have questions about whether you can rollover a prior plan distribution, please contact the Plan Administrator or other designated Plan representative.

## ARTICLE 5 ELIGIBILITY REQUIREMENTS

This Article explains the requirements you must satisfy to participate under the Plan. To qualify as a Participant under the Plan, you must:

- be an Eligible Employee, and
- satisfy the Plan's minimum service conditions.

### Eligible Employee

To participate under the Plan, you must be an Eligible Employee. For this purpose, you are considered an Eligible Employee if you are an employee of AFGE, provided you are not otherwise excluded from the Plan.

**Excluded Employees.** If you fall under any of the excluded employee categories, you will not be eligible to participate under the Plan (until such time as you no longer fall into an excluded employee category). See below for a discussion of your rights upon changing to or from an excluded employee classification.

The following categories of employees are not eligible to participate in the Plan:

- An Employee in the position of "intern" is excluded.
- Temporary Employees are also excluded. For this purpose, a "temporary" Employee is any Employee who is classified by AFGE as a "temporary employee" and whose regularly scheduled service is less than 1,000 hours per year or who works less than one Year of Service. A "temporary" employee who actually completes 1,000 Hours of Service during any Eligibility Computation Period and is otherwise considered to be an Eligible Employee will be eligible to participate in the Plan as of the applicable Entry Date. The initial Eligibility Computation Period is the 12-month period beginning on the Employee's date of hire. Subsequent Eligibility Computation Periods are based on the Plan Year.

**Special rules applicable to Safe Harbor Employer Contributions.** In determining the Excluded Employees for purposes of Safe Harbor Employer Contributions, the same Employees excluded for purposes of receiving Salary Deferrals are excluded for purposes of the Safe Harbor Employer Contributions.

### Minimum Service Requirements

In order to participate in the Plan, you must satisfy certain service conditions under the Plan. Different minimum service requirements apply depending on the type of contributions made under the Plan.

- **Salary Deferrals.** In order to make Salary Deferrals under the Plan, you must be an Eligible Employee and you must satisfy the following minimum service requirements.
  - **Minimum service requirement.** There is no minimum service requirement in order to make Salary Deferrals under the Plan. You will be able to make Salary Deferrals (provided you are an Eligible Employee) as of the first Entry Date following your date of employment.
- **Matching Contributions.** In order to receive Matching Contributions under the Plan, you must be an Eligible Employee and you must satisfy the following minimum service requirements.
  - **Minimum service requirement.** The minimum service requirements under your collective bargaining agreement or other agreement with AFGE covering you apply.

You will be eligible to participate in the Plan as of the first Entry Date based on when you satisfy the minimum service requirements.

- **Non-Safe Harbor Discretionary Employer Contributions.** In order to receive Non-Safe Harbor Discretionary Employer Contributions under the Plan, you must be an Eligible Employee and you must satisfy the following minimum service requirements.
  - **Special minimum service requirement.** In order to receive Non-Safe Harbor Discretionary Employer Contributions under the Plan, the minimum service requirements under your collective bargaining agreement or other agreement with AFGE covering you apply.

You will be eligible to participate in the Plan as of the first Entry Date based on when you satisfy the minimum service requirements.

**Entry Date.** Once you have satisfied the eligibility conditions described above, you will be eligible to participate under the Plan on your Entry Date. For this purpose, your Entry Date is the first day of the month coinciding with or next following the date you satisfy the eligibility conditions described above. For example, if you satisfy the Plan's eligibility conditions on April 12, you will be eligible to enter the Plan on the following May 1. If on the other hand, you satisfy the eligibility conditions on November 12, you will be eligible to enter the Plan on the following December 1.

**Crediting eligibility service.** In determining whether you satisfy any minimum service conditions under the Plan, all service you perform during the year is counted. In addition, if you go on a maternity or paternity leave of absence (including a leave of absence under the Family Medical Leave Act) or a military leave of absence, you may receive credit for service during your period of absence for certain purposes under the Plan. You should contact the Plan Administrator to determine the effect of a maternity/paternity or military leave of absence on your eligibility to participate under the Plan.

**Break in Service rules.** If you stop working for AFGE, you may "lose" credit for certain eligibility service under the Plan's Break in Service rules. For this purpose, you will have a Break in Service if you are terminated for a period of at least 12-consecutive months. The Plan Administrator monitors the Break in Service rules and can provide you with additional information on the effect of these rules. While these eligibility Break in Service rules may delay you from participating in the Plan, they will never cause you to lose any benefits you have already become entitled to.

- ◆ **Nonvested Break in Service rule.** The Nonvested Break in Service rule applies only to *totally nonvested* (i.e., 0% vested) Participants. If you are totally nonvested in your benefits under the Plan and you have 5-consecutive Breaks in Service, all the service you earned before the 5-year period no longer counts for eligibility purposes. To be eligible to receive any contributions under the Plan after the 5-year period, you would have to re-satisfy any minimum age and service conditions described above. However, if you have any benefits under the Plan in which you are vested, this Break in Service rule will not apply. (See Article 7 for a discussion of the vesting rules under the Plan.)

**Eligibility upon rehire or change in employment status.** If you terminate employment after satisfying the minimum service requirements under the Plan and you are subsequently rehired as an Eligible Employee, you will enter the Plan on the later of your rehire date or your Entry Date, unless you have lost credit for service under the Break in Service rules. If you terminate employment prior to satisfying the minimum age and service requirements, and you are subsequently rehired, you will have to meet the eligibility requirements as if you are a new Employee in order to participate under the Plan. However, if you are rehired within 12 months of your date of termination, you will be credited with service as if you never terminated employment.

If you are not an Eligible Employee on your Entry Date, but you subsequently change status to an eligible class of Employee, you will be eligible to enter the Plan immediately (provided you have already satisfied the minimum service requirements). If you are an Eligible Employee and subsequently become ineligible to participate in the Plan, all contributions under the Plan will cease as of the date you become ineligible to participate. However, all service earned while you are employed, including service earned while you are ineligible, will be counted when calculating your vested percentage in your account balance.

## ARTICLE 6 LIMIT ON CONTRIBUTIONS

The IRS imposes limits on the amount of contributions you may receive under this Plan, as described below.

**IRS limits on Salary Deferrals.** The IRS limits the amount you can contribute as Salary Deferrals during a calendar year. For 2016, the maximum deferral limit is \$18,000. For years after 2016, the maximum deferral limit may be adjusted by the IRS for cost-of-living each year. In addition, if you are at least age 50 by December 31 of the calendar year, you also may make a special catch-up contribution in addition to the maximum deferral limit described above. For 2016, the catch-up contribution limit is \$6,000. For years after 2016, the catch-up contribution limit may be adjusted by the IRS for cost-of living each year.

**Example.** If you are at least age 50 by December 31, 2016, the maximum Salary Deferral you may make for the 2016 calendar year would be \$24,000 [i.e., \$18,000 maximum deferral limit plus \$6,000 catch-up contribution limit].

The IRS deferral limit applies to all Salary Deferrals you make in a calendar year to this Plan or any other cash or deferred arrangement (including a cash or deferred arrangement maintained by an unrelated employer). For this purpose, cash or deferred arrangements include 401(k) plans, 403(b) plans, simplified employee pension (SEP) plans or SIMPLE plans. (Note: If you participate in both this Plan and a 457 eligible deferred compensation plan, you should contact the plan administrator of the 457 plan to find out how this Plan may affect your limits under the 457 plan.)

If you make Salary Deferrals for a given year in excess of the deferral limit described above under this Plan or another plan maintained by AFGE (or any other employer maintaining this Plan), the Plan Administrator will automatically return the excess amount and associated earnings to you by April 15. If you make Salary Deferrals for a given year in excess of the deferral limit described above because you made Salary Deferrals under this Plan and a plan of an unrelated employer not maintaining this Plan, you must ask one of the plans to refund the excess amount to you. If you wish to take a refund from this Plan, you must notify the Plan Administrator, in writing, by March 1 of the next calendar year so the excess amount and related earnings may be refunded by April 15. The excess amount is taxable for the year in which you made the excess deferral. If you fail to request a refund, you will be subject to taxation in two separate years: once in the year of deferral and again in the year the excess amount is actually paid to you.

**IRS limit on total contributions under the Plan.** The IRS limits the total amount of contributions you may receive under this Plan. This limit applies to all contributions AFGE makes on your behalf, all contributions you contribute to the Plan, and any forfeitures allocated to any of your accounts during the year. Under this limit, the total of all contributions under the Plan cannot exceed a specific dollar amount or 100% of your annual compensation, whichever is less. For 2016, the specific dollar limit is \$53,000. For years after 2016, this amount may be increased for inflation. For purposes of applying the 100% of compensation limit, your annual compensation includes all taxable compensation, increased for any Salary Deferrals you may make under a 401(k) plan and any pre-tax contributions you may make to any other plan AFGE maintains, such as a cafeteria health plan.

**Example:** Suppose in 2016 you earn compensation of \$50,000 (after reduction for pre-tax 401(k) plan contributions of \$5,000). Your compensation for purposes of the overall contribution limit is \$55,000 (\$50,000 + \$5,000 of pre-tax deferrals). The maximum amount of contributions you may receive under the Plan for 2016 is \$53,000 (the lesser of \$53,000 or 100% of \$55,000).

## ARTICLE 7 DETERMINATION OF VESTED BENEFIT

**Vested account balance.** When you take a distribution of your benefits under the Plan, you are only entitled to withdraw your *vested* account balance. For this purpose, your *vested* account balance is the amount held under the Plan on your behalf for which you have earned an ownership interest. You earn an ownership

interest in your Plan benefits if you have earned enough service with AFGE to become *vested* based on the Plan's vesting schedule. If you terminate employment before you become fully vested in any of your Plan benefits, those non-vested amounts may be forfeited. (See below for a discussion of the forfeiture rules that apply if you terminate with a non-vested benefit under the Plan.)

The following describes the vesting schedule applicable to contributions under the Plan.

- **Salary Deferrals.** You are always 100% vested in your Salary Deferrals. In other words, you have complete ownership rights to your Salary Deferrals under the Plan.
- **Matching Contributions and Non-Safe Harbor Discretionary Employer Contributions.** You are always 100% vested in your Matching Contributions and Non-Safe Harbor Discretionary Employer Contributions. You have complete ownership rights to those contributions immediately after such amounts are contributed to the Plan on your behalf.
- **Other contributions.** You are always 100% vested in any:
  - Safe Harbor Employer Contributions, and
  - Rollover Contributions

**Protection of vested benefit.** Once you are vested in your benefits under the Plan, you have an ownership right to those amounts. While you may not be able to immediately withdraw your vested benefits from the Plan due to the distribution restrictions described under Article 8 below, you generally will never lose your right to those vested amounts. However, it is possible that your benefits under the Plan will decrease as a result of investment losses. If your benefits decrease because of investment losses, you will only be entitled to the vested amount in your account at the time of distribution.

**Break in Service rules.** If you do not work a sufficient number of hours during a year, you may "lose" credit for certain vesting service under the Plan's Break in Service rules. For this purpose, you will have a Break in Service if you are terminated for a period of at least 12-consecutive months. The Plan Administrator monitors the Break in Service rules and can provide you with additional information on the effect of these rules. While these vesting Break in Service rules may cause you to lose credit for certain vesting service, they will not cause you to lose any benefits for which you are already vested.

- ◆ **Nonvested Break in Service rule.** The Nonvested Break in Service rule applies only to *totally nonvested* (i.e., 0% vested) Participants. If you are totally nonvested in your benefits under the Plan and you have five consecutive Breaks in Service, all the service you earned before the 5-year period no longer counts for vesting purposes. If you return to employment after incurring five consecutive Breaks in Service, you will be treated as a new employee (with no prior service) for purposes of determining your vested percentage in your benefits under the Plan. However, if you have benefits under the Plan in which you are vested, you do not lose any rights to those amounts under these rules.

## ARTICLE 8 PLAN DISTRIBUTIONS

The Plan contains detailed rules regarding when you can receive a distribution of your benefits from the Plan. As discussed in Article 7 above, if you qualify for a Plan distribution, you will only receive your vested benefits. This Article 8 describes when you may request a distribution and the tax effects of such a distribution.

**Distribution upon termination of employment.** When you terminate employment with AFGE, you may be entitled to a distribution from the Plan. The availability of a distribution will depend on the amount of your vested account balance.

- **Vested account balance in excess of \$5,000.** If your total vested account balance exceeds \$5,000 as of the distribution date, you may receive a distribution from the Plan as soon as administratively



feasible following your termination of employment. If you do not consent to a distribution of your vested account balance, your balance will remain in the Plan. If you receive a distribution of your vested benefits when you are only partially-vested in your Plan benefits, your non-vested benefits will be forfeited.

Generally, you may elect to take your distribution in any of the following forms. Prior to receiving a distribution from the Plan, you will receive a distribution package that will describe the distribution options that are available to you. If you have any questions regarding your distribution options under the Plan, please contact the Plan Administrator.

- **Lump sum.** You may elect to take a distribution of your entire vested account balance in a lump sum. In addition, if permitted by the Plan Administrator, you may take a partial distribution of a portion of your vested account upon termination of employment. If you take a lump sum distribution, you may elect to rollover all (or any portion) of your distribution to an IRA or to another qualified plan. See the "Special Tax Notice," which you may obtain from the Plan Administrator, for more information regarding your ability to rollover your plan distribution.
- **Installment payments.** You may elect to receive a distribution in the form of a series of installment payments. If you elect distribution in the form of installments, your vested benefit will be paid out in equal annual installments over a set number of years. If the installment period is ten (10) years or greater, you may not rollover any of the installment payments into an IRA or into another qualified plan. The Plan Administrator will provide you with forms necessary to elect an installment distribution under the Plan.
- **Vested account balance of \$5,000 or less.** If your total vested account balance under the Plan is \$5,000 or less as of the distribution date, you will be eligible to receive a distribution of your entire vested account balance in a lump sum as soon as administratively feasible following your termination of employment. If you receive a distribution of your vested benefits when you are partially-vested in your Plan benefits, your non-vested benefits will be forfeited.

You may elect to receive your distribution in cash or you may elect to rollover your distribution to an IRA or to another qualified plan. If your total vested account balance under the Plan is \$1,000 or less as of the distribution date, your vested benefit will be distributed in a lump sum, even if you do not consent to a distribution. If your total vested account balance exceeds \$1,000, no distribution will be made from the Plan without your consent. Your pre-tax Salary Deferrals and your Roth Deferrals are counted separately in applying this \$1,000 limit.

**In-service distributions.** You may withdraw vested amounts from the Plan while you are still employed with AFGE if you satisfy the Plan's requirements for in-service distributions. Different in-service distribution options apply depending on the type of contribution being withdrawn from the Plan.

- **Salary Deferrals.** You may withdraw amounts attributable to Salary Deferrals while you are still employed upon any of the following events:
  - You are at least age 59½ at the time of the distribution.
  - You have incurred a hardship, as described below.
  - You are in certain qualified active military duty. Please contact your Plan Administrator if you have any questions regarding the availability of a distribution under this provision.
- **Matching Contributions.** You may withdraw amounts attributable to Matching Contributions while you are still employed upon any of the following events:
  - You are at least age 59½ at the time of the distribution.
  - You have incurred a hardship, as described below.
- **Non-Safe Harbor Discretionary Employer Contributions.** You may withdraw amounts attributable to Non-Safe Harbor Discretionary Employer Contributions while you are still employed upon any of the following events:
  - You are at least age 59½ at the time of the distribution.
  - You have incurred a hardship, as described below.

- **Safe Harbor Employer Contributions.** You may withdraw amounts attributable to Safe Harbor Employer Contributions while you are still employed upon any of the following events:
  - You are at least age 59½ at the time of the distribution.
- **Rollover Contributions.** If you have rolled money into this Plan from another qualified plan or IRA, you may take an in-service distribution of your Rollover Contribution account at any time.

**Hardship distribution.** To receive a distribution on account of hardship, you must demonstrate one of the following hardship events.

- (1) You need the distribution to pay unpaid medical expenses for yourself, your spouse or any dependent.
- (2) You need the distribution to pay for the purchase of your principal residence. You must use the hardship distribution for the *purchase* of your principal residence. You may not receive a hardship distribution solely to make mortgage payments.
- (3) You need the distribution to pay tuition and related educational fees (including room and board) for the post-secondary education of yourself, your spouse, your children, or other dependent. You may take a hardship distribution to cover up to 12 months of tuition and related fees.
- (4) You need the distribution to prevent your eviction or to prevent foreclosure on your mortgage. The eviction or foreclosure must be related to your principal residence.
- (5) You need the distribution to pay funeral or burial expenses for your deceased parent, spouse, child or dependent.
- (6) You need the distribution to pay expenses to repair damage to your principal residence (provided the expenses would qualify for a casualty loss deduction on your tax return, without regard to 10% adjusted gross income limit).

In addition, a hardship event described under (1), (3) or (5) above may also be determined with respect to a primary beneficiary under the Plan. For this purpose, a primary beneficiary is an individual who is named as a beneficiary under the Plan and has an unconditional right to all or a portion of a Participant's benefit upon the death of the Participant.

Before you may receive a hardship distribution, you must provide the Plan Administrator with sufficient documentation to demonstrate the existence of one of the above hardship events. The Plan Administrator will provide you with information regarding the documentation it deems necessary to sufficiently document the existence of a proper hardship event.

In addition, if you have other distributions or loans available under this Plan (or any other plan AFGE maintains) you must take such distributions or loans *before* requesting a hardship distribution. Upon receiving a hardship distribution, you will be suspended from making any further Salary Deferrals for six months following the receipt of your hardship distribution.

Some contribution types under the Plan are not eligible for distribution on account of hardship. For example, a hardship distribution is not available with respect to Safe Harbor Employer Contributions. You will not be able to withdraw from the Plan any amounts which are attributable to such contributions solely on account of a hardship.

You may not receive a hardship distribution of more than you need to satisfy your hardship. In calculating your maximum hardship distribution, you may include any amounts necessary to pay federal, state or local income taxes or penalties reasonably anticipated to result from the distribution. See the Plan Administrator for more information regarding the maximum amount you may take from the Plan as a hardship distribution and the total amount you have available for a hardship distribution. The Plan Administrator will provide you with the appropriate forms for requesting a hardship distribution.

**Limits on in-service distributions.** In addition to the requirements described above for receiving an in-service distribution, the Plan contains additional limits which may limit your ability to take an in-service

withdrawal. For example, the amounts you withdraw from the Plan must be 100% vested. (See Article 7 for a description of the vesting rules). The Plan Administrator may impose additional limitations on in-service distributions as authorized under the Plan.

**Required distributions.** If you have not begun taking distributions before you attain your Required Beginning Date, the Plan generally must commence distributions to you as of such date. For this purpose, your Required Beginning Date is April 1 following the end of the calendar year in which you attain age 70½ or terminate employment, whichever is later.

Once you attain your Required Beginning Date, the Plan Administrator will commence distributions to you as required under the Plan. The Plan Administrator will inform you of the amount you are required to receive once you attain your Required Beginning Date.

**Distribution upon disability.** If you terminate employment because you are disabled, you will be eligible to receive a distribution of your vested account balance under the Plan's normal distribution rules. The following definition of disability applies for purposes of applying the distribution provisions under the Plan: A physical or mental condition resulting from bodily injury, disease, or mental disorder which renders you incapable of continuing any gainful occupation and which has lasted or can be expected to last for a continuous period of at least twelve (12) months. Disability must be determined by a licensed physician. However, if the Participant's condition constitutes total disability under the federal Social Security Act, then the Plan Administrator may deem the Participant as disabled for purposes of the Plan. The Plan Administrator may establish reasonable procedures for determining whether you are disabled.

**Distributions upon death.** If you die before taking a distribution of your entire vested account balance, your remaining benefit will be distributed to your beneficiary or beneficiaries, as designated on the appropriate designated beneficiary election form. You may request a designated beneficiary election form from the Plan Administrator.

If you are married, your spouse generally is treated as your beneficiary, unless you and your spouse properly designate an alternative beneficiary to receive your benefits under the Plan. The Plan Administrator will provide you with information concerning the availability of death benefits under the Plan and your rights (and your spouse's rights) to designate an alternative beneficiary for such death benefits. For purposes of determining your beneficiary to receive death distributions under the Plan, any designation of your spouse as beneficiary is automatically revoked upon a formal divorce decree unless you re-execute a new beneficiary designation form or enter into a valid Qualified Domestic Relations Order (QDRO).

**Default beneficiaries.** If you do not designate a beneficiary to receive your benefits upon death, your benefits will be distributed in the following order of priority to: your surviving spouse, your surviving children in equal shares, your surviving parents in equal shares, and then to your estate.

**Taxation of distributions.** Generally, you must include any Plan distribution in your taxable income in the year you receive the distribution. More detailed information on tax treatment of Plan distributions is contained in the "Special Tax Notice" which you may obtain from the Plan Administrator.

- **Roth Deferrals.** If you make Roth Deferrals under the Plan, you will not be taxed on the amount of the Roth Deferrals taken as a distribution (because you pay taxes on such amounts when you contribute them to the Plan). In addition, you will not pay taxes on any earnings associated with the Roth Deferrals, provided you take the Roth Deferrals and earnings in a qualified distribution. For this purpose, a qualified distribution occurs only if you have had your Roth Deferral account in place for at least five (5) years and you take the distribution on account of death, disability, or attainment of age 59½. If you have made both pre-tax Salary Deferrals and Roth Deferrals under the Plan, any distribution you take from your Salary Deferral Accounts will be taken first from the Roth Deferral Account and then from the pre-tax Salary Deferral Account. Any distribution of Salary Deferrals (including Roth Deferrals) must be authorized under the Plan distribution provisions.

If you take a distribution that does not qualify as a qualified distribution, you will be taxed on the earnings associated with the Roth contributions. (You will never be taxed on the Roth contributions

distributed since those amounts are taxed at the time you make the Roth contributions or Roth conversion.)

**Distributions before age 59½.** If you receive a distribution before age 59½, you generally will be subject to a 10% penalty tax in addition to regular income taxation on the amount of the distribution that is subject to taxation. You may avoid the 10% penalty tax by rolling your distribution into another plan or IRA. Certain exceptions to the penalty tax may apply. For more information, please review the “Special Tax Notice,” which may be obtained from the Plan Administrator.

**Rollovers and withholding.** You may “roll over” most Plan distributions to an IRA or another qualified plan and avoid current taxation. You may accomplish a rollover either directly or indirectly. In a direct rollover, you instruct the Plan Administrator that you wish to have your distribution deposited directly into another plan or an IRA. In an indirect rollover, the Plan Administrator actually makes the distribution to you and you may rollover that distribution to an IRA or another qualified plan within 60 days after you receive the Plan distribution.

If you are eligible to directly rollover a distribution but choose not to, the Plan Administrator must withhold 20% of the taxable distribution for federal income tax withholding purposes. The Plan Administrator will provide you with the appropriate forms for choosing a direct rollover. For more information, see the “Special Tax Notice,” which may be obtained from the Plan Administrator.

Certain benefit payments are not eligible for rollover and will not be subject to 20% mandatory withholding. The types of benefit payments that are not “eligible rollover distributions” include:

- annuities paid over your lifetime,
- installments payments for a period of at least ten (10) years,
- minimum required distributions at age 70½
- hardship withdrawals, and
- Certain “corrective” distributions.

**Note:** All of the above distribution options may not be available under this Plan.

**Non-assignment of benefits and Qualified Domestic Relations Orders (QDROs)** Your benefits cannot be sold, used as collateral for a loan, given away, or otherwise transferred, garnished, or attached by creditors, except as provided by law. However, if required by applicable state domestic relations law, certain court orders could require that part of your benefit be paid to someone else—your former spouse or children, for example. This type of court order is known as a Qualified Domestic Relations Order (QDRO). As soon as you become aware of any court proceedings that might affect your Plan benefits, please contact the Plan Administrator. You may request a copy of the procedures concerning QDROs, including those procedures governing the qualification of a domestic relations order, without charge, from the Plan Administrator.

## ARTICLE 9 PLAN ADMINISTRATION AND INVESTMENTS

**Investment of Plan assets.** You have the right to direct the investment of Plan assets held under the Plan on your behalf. The Plan Administrator will provide you with information on the amounts available for direction, the investment choices available to you, the frequency with which you can change your investment choices and other investment information. Periodically, you will receive a benefit statement that provides information on your account balance and your investment returns. If you have any questions about the investment of your Plan accounts, please contact the Plan Administrator or other Plan representative.

Although you have the opportunity to direct the investment of your benefits under the Plan, the Plan Administrator may decline to implement investment directives where it deems it is appropriate in fulfilling its role as a fiduciary under the Plan. The Plan Administrator may adopt rules and procedures to govern Participant investment elections and directions under the Plan.

This Plan is designed to comply with the requirements of Section 404(c) of ERISA. As such, to the extent you are permitted to direct the investment of your account, you are solely responsible for the investment decisions you make with respect to your Plan benefits. No fiduciaries of the Plan will be responsible for any losses resulting from your direction of investments under the Plan. If you have questions regarding investment decisions or strategies with respect to the investment of your Plan benefits, you should consult an investment advisor.

**Valuation Date.** To determine your share of any gains or losses incurred as a result of the investment of Plan assets, the Plan is valued on a daily basis. You will receive an allocation of gains or losses under the Plan at the end of each business day during which the New York Stock Exchange is open.

**Plan fees.** There may be fees or expenses related to the administration of the Plan or associated with the investment of Plan assets that will affect the amount of your account. Any fees related to the administration of the Plan or associated with the investment of Plan assets may be paid by the Plan or by AFGE. If AFGE does not pay Plan-related expenses, such fees or expenses will generally be allocated to the accounts of Participants either proportionally based on the value of account balances or as an equal dollar amount based on the number of Participants in the Plan. You also will be responsible for any investment-related fees incurred as a result of your investment decisions. Prior to making any investment, you should obtain and read all available information concerning that particular investment, including financial statements, prospectuses, and other available information.

In addition to general administration and investment fees that are charged to the Plan, you may be assessed fees directly associated with the administration of your account. All fees are subject to change. The following are examples of this type of fee that may be charged directly against your account:

- Fees related to the processing of distributions upon termination of employment.
- Fees related to the processing of in-service distributions (including hardship distributions).
- Fees related to the processing of required minimum distributions at age 70½ (or termination of employment, if later).
- Participant loan origination fees and annual maintenance fees.
- Charges related to processing of a Qualified Domestic Relation Order (QDRO) where a court requires that a portion of your benefits is payable to your ex-spouse or children as a result of a divorce decree.

Each year you will receive a separate notice describing the fees that may be charged under the Plan. In addition, you will also receive a separate notice describing any actual fees charged against your account. Please contact the Plan Administrator if you have any questions regarding the fees that may be charged against your account under the Plan.

## ARTICLE 10 PARTICIPANT LOANS

You may take a loan from your vested benefits under the Plan. The following procedures generally apply for purposes of administering Participant loans. The Plan Administrator may modify these procedures in a separate, written loan policy. For more information regarding the procedures for receiving a Participant loan, please contact the Plan Administrator.

- **Availability of Participant loans.** Participant loans are available to Participants. To receive a Participant loan, you must sign a promissory note and pledge your Account Balance as security for the loan. You will have to enter into a written loan agreement that specifies the amount and term of the loan, and the repayment schedule.

- **Loan limitations.** The total amount you may take as a loan from the Plan may not exceed one-half ( $\frac{1}{2}$ ) of your vested Account Balance. In addition, the total amount you may have outstanding as a loan during any 12-month period may not exceed \$50,000. If you have any questions regarding the amount that is available as a Participant loan under the Plan, please contact the Plan Administrator.
- **Number of outstanding loans and minimum loan amounts.** The Plan may limit the minimum amount available for a loan and the number of loans you may take under the Plan. In determining the availability of a Plan loan, you may only have 2 loans outstanding at any time. The minimum amount you may take as a loan is \$1,000. The Plan Administrator may refuse to make a loan if it is decided that you are not creditworthy to receive a Participant loan.
- **Rate of interest and periodic repayment requirement.** The interest you will be charged on a loan will be determined by adding one percent (1%) to the Prime Rate listed in The Wall Street Journal on the first business day of the month in which you request the loan. This interest rate will remain fixed for the duration of the loan. Loans granted at different times may bear different interest rates. The Plan Administrator will tell you the applicable interest rate at the time you request the loan. The Plan Administrator will provide you with an amortization schedule providing for level periodic payments.
- **Loan Period.** The loan repayment period generally may not extend beyond five (5) years. However, if you take a loan for the purchase of your primary residence, the loan period may extend beyond five (5) years (but in no case more than ten (10) years). Loan repayments must be made through payroll withholding, except to the extent the Plan Administrator determines payroll withholding is not practical given the level of your wages, the frequency with which you are paid, or other circumstances. Please contact the Plan Administrator if you have any questions regarding the rate of interest or repayment period applicable to a Participant loan.
- **Adequate Security.** All Participant loans must be adequately secured. If you take a loan from the Plan, your vested Account Balance will be used as security for the loan. The Plan Administrator may require you to provide additional collateral if the Plan Administrator determines such additional collateral is required to protect the interests of Plan participants.
- **Loan repayment and default procedures.** If you take a loan from the Plan, you must make periodic loan payments, at least quarterly, throughout the loan period. You will receive an amortization schedule with the required payments under the terms of the loan. If you fail to make a required loan payment by the end of the calendar quarter following the calendar quarter in which the loan payment is due, you will be taxed on the entire amount of the outstanding loan (plus accrued interest) through the date of the default.

If you take a loan from the Plan, the loan will become due and payable in full upon your termination of employment. Upon your termination of employment, you must repay the entire outstanding balance of the loan (including any accrued interest) by the end of the calendar quarter following the calendar quarter of your termination of employment. If you do not repay the entire outstanding loan balance, your vested Account Balance will be reduced by the remaining outstanding balance of the loan and you will be taxed on the entire amount of the outstanding loan (plus accrued interest).

## ARTICLE 11 PLAN AMENDMENTS AND TERMINATION

**Plan amendments.** AFGE can amend this Plan at any time. Any amendment, including the restatement of an existing Plan, may not decrease your vested benefit under the Plan, except to the extent permitted by law, and may not reduce or eliminate any “protected benefits” (except as provided by law) determined immediately prior to the adoption or effective date of the amendment (whichever is later). However, AFGE may amend the Plan to increase, decrease or eliminate benefits on a prospective basis.

**Plan termination.** Although AFGE expects to maintain this Plan indefinitely, it has the ability to terminate the Plan at any time. For this purpose, termination includes a complete discontinuance of contributions under the Plan or a partial termination. If the Plan is terminated, all amounts credited to your account shall become 100% vested, regardless of the Plan’s current vesting schedule. In the event of the termination of the Plan,

you are entitled to a distribution of your entire vested benefit, made directly to you or, at your direction, directly to another qualified retirement plan or IRA. If you do not consent to a distribution of your benefit upon termination of the Plan, the Plan Administrator will transfer your vested benefit directly to an IRA that we will establish for your benefit. Except as permitted by Internal Revenue Service regulations, the termination of the Plan shall not result in any reduction of protected benefits.

A partial termination may occur if either a Plan amendment or severance from service excludes a group of employees who were previously covered by this Plan. If a partial termination occurs, only those Participants who cease participation due to the partial termination will become 100% vested. The Plan Administrator will advise you if a partial termination occurs and how such partial termination affects you as a Participant.

## ARTICLE 12 PLAN PARTICIPANT RIGHTS AND CLAIM PROCEDURES

**Participant rights.** As a Participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended (ERISA). ERISA provides that all Plan participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to provide each Participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive benefits under the Plan and, if so, what your current benefits are at least annually. You will receive a status report on your 401(k) account four times each year. The Plan will provide the statements free of charge.

**Prudent Actions by Plan Fiduciaries.** In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. These people, called "fiduciaries," have a duty to operate the Plan prudently and in the best interests of you, other Plan participants and beneficiaries. No one, including AFGE or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA.

**Enforce Your Rights.** If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the documents and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that the Plan's fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you

are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

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

**Claim for Benefits.** You may submit to the Plan Administrator a written claim for benefits. Your request for Plan benefits will be considered a claim for Plan benefits, and it will be subject to a full and fair review. The Plan Administrator will evaluate your claim (including all relevant documents and records you submit to support your claim) to determine if benefits are payable to you under the terms of the Plan. The Plan Administrator may solicit additional information from you if necessary to evaluate the claim.

If the Plan Administrator determines the claim is valid, then you will receive a statement describing the amount of benefit, the method or methods of payment, the timing of distributions and other information relevant to the payment of the benefit.

If the Plan Administrator denies all or any portion of your claim, you will receive within a reasonable period of time (not to exceed 90 days after receipt of the claim form), a written or electronic notice setting forth the specific reason or reasons for the denial (including references to the specific provisions of the Plan on which the decision is based), a description of any additional material or information needed to perfect your claim and an explanation of why such material or information is necessary, and appropriate information as to the steps to be taken if you or your beneficiary want to submit the claim for review. If the Plan Administrator determines that special circumstances require an extension of time for processing your claim, it may extend the 90-day period described in the prior sentence to 180 days, provided the Plan Administrator provides you with written notice of the extension and prior to the expiration of the original 90-day period. The extension notice will indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

If the Plan Administrator denies your claim, you will have 60 days from the date you receive notice of the denial of your claim to appeal the adverse decision of the Plan Administrator. You may submit to the Plan Administrator written comments, documents, records and other information relating to your claim for benefits. You may review all pertinent documents relating to the denial of your claim and submit any issues and comments, in writing, to the Plan Administrator. You will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim. Your claim for review must be given a full and fair review. The Plan Administrator's review of the claim and of its denial of the claim shall take into account all comments, documents, records and other information relating to the claim, without regard to whether these materials were submitted or considered by the Plan Administrator in its initial decision on the claim.

If the Plan Administrator makes a final written determination denying your claim for benefits, you may commence legal or equitable action with respect to the denied claim upon completion of the claims procedures outlined under the Plan. If you bring a suit for benefits under the Plan, you must bring that litigation in the United States federal district court in the District of Columbia. Any legal or equitable action must be commenced no later than the earlier of 180 days following the date of the final determination or three (3) years following the proof of loss. If you fail to commence legal or equitable action with respect to a denied claim within the above timeframe, you will be deemed to have accepted the Plan Administrator's final decision with respect to the claim for benefits.

If your claim is based on disability benefits, different claim procedures and deadlines will apply. If your benefits are provided or administered by an insurance company, insurance service, or other similar organization which is subject to regulation under the insurance laws, the claims procedure relating to those



benefits may provide for review. If so, that company, service, or organization will be the entity to which claims are addressed. Ask the Plan Administrator if you have any questions regarding the proper person or entity to address claims or the deadlines for making a claim for benefits.

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