Parkland Supplemental Retirement Plan

Plan Summary

Si usted tiene preguntas acerca del plan, por favor llame al Centro de Servicios de Beneficios al 1-800-995-2608. Los representantes que hablan español están a su servicio.

Life has a way of rushing by — before you know it tomorrow is yesterday.

That's why it's so important to have a plan for your future and to begin saving to make that plan more than a dream. As an employee of Parkland Health & Hospital System ("Parkland") or a participating affiliated employer, you have a real advantage. By participating in the Dallas County Hospital District Supplemental Retirement Plan ("Parkland Supplemental Retirement Plan") you can:

- Build an excellent source of supplemental income for your future
- Lower your current taxable income by saving on a before-tax basis
- Add to your retirement income by saving on both a before-tax and after-tax basis
- Become eligible to receive employer matching contributions after one year of service
- Take advantage of a variety of investment choices

This brochure is a summary of the Parkland Supplemental Retirement Plan. It tells how you can build the kind of financial resources which, when joined with your other savings, can help provide financial security during retirement.

So, start today. Begin planning — and saving — to make your retirement dreams come true.

The information included in this brochure serves as a Summary Plan Description of the provisions of the Dallas County Hospital District 401(a) Supplemental Retirement Plan, the Dallas County Hospital District 403(b) Supplemental Retirement Plan and the Dallas County Hospital District 457(b) Supplemental Retirement Plan that were in effect as of January 1, 2017, collectively referred to as the Parkland Supplemental Retirement Plan in this Summary Plan Description. A complete description, found in the legal documents, can be obtained from the Parkland Benefits Department. If there are any differences between the information in this Summary Plan Description and the actual provisions of the Plans as reflected in the Plan documents, the Plan documents will govern.

Eligibility and Participation

You are covered by the Parkland Supplemental Retirement Plan if you are an employee of Parkland or a participating affiliated employer.

However, you are not covered by the Parkland Supplemental Retirement Plan if you are:

- An employee covered under a collectively bargained agreement;
- A leased employee;
- An independent contractor;
- An employee of an affiliated employer that has not adopted the plan.

Join the plan immediately upon hire.

If you are a full-time employee, to make contributions, you must enroll in the Parkland Supplemental Retirement Plan. First review the enrollment instructions and note your investment option choices. Then call the telephone hotline or log on through the Internet at **MillimanBenefits.com**. Please allow two weeks so the recordkeeper can receive the necessary payroll information.

If you are a part-time, temporary or seasonal employee, then you are automatically enrolled in the Parkland Supplemental Retirement Plan for purposes of making Employee Before-tax Mandatory Contributions of seven and one-half percent (7.5%) of pay. This Employee Before-tax Mandatory Contribution is automatically contributed to the Parkland Supplemental Retirement Plan beginning with your first paycheck. You will need to review the enrollment instructions and note your investment option choices. Then call the telephone hotline or log on through the Internet at **MillimanBenefits.com**. Please allow two weeks so the recordkeeper can receive the necessary payroll information.

If you do not elect your investment option choices, your contributions will be invested in the InvestMap portfolio consistent with your age. InvestMap uses your current age along with your complete life span to chart a long-term investment strategy called a glide path. With annual reallocations according to the glide path, your portfolio gradually becomes more conservative so you take on less and less investment risk.

If you are a part-time, temporary or seasonal employee, you may also make Employee Before-tax 403(b) Contributions. These contributions are in addition to the mandatory 7.5% contributions previously discussed. To make your Employee Before-tax 403(b) Contributions election, call the telephone hotline or log on through the Internet at **MillimanBenefits.com**. See the section titled "Contributions to the Plan" in this brochure for more information.

You will be eligible to receive Employer Matching Contributions after completion of one year of service. However, if you are classified as "part-time without benefits," you are not eligible for Employer Matching Contributions.

Naming Your Beneficiary

Your beneficiary is the person or persons whom you want to receive your plan accounts in the event of your death. If you are married, your spouse is automatically your beneficiary unless your spouse provides written notarized consent to the naming of another beneficiary. To elect your beneficiary, simply log on to **MillimanBenefits.com** to make or change your beneficiary election. If written spouse's consent is required, you will be prompted to print the beneficiary form in order to obtain the required notarized signature.

You may change your beneficiary as often as you wish (with the required spouse's consent if you are married). If you do not designate a beneficiary, your beneficiary will be determined as follows:

- First, your surviving spouse;
- Then, your surviving descendants *per stirpes*;
- Then, your parents, brothers and sisters in equal shares; and
- Then, your estate.

Please call the Benefits Service Center for more detail regarding determination of beneficiary if you do not elect one.

Plan Participation After Reemployment

If you were a plan participant or were eligible but had not actually joined the Parkland Supplemental Retirement Plan before leaving Parkland, then under most circumstances, you will be eligible to reenter the plan immediately upon your rehire. Please see the Parkland Benefits Department for more information.

Plan Participation After Military Duty

The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) extends certain plan benefit protection rights to reservists called to active duty and those who volunteer for such service. These rights relate to your rights to continue to accrue service if you return to work within the time periods set forth in USERRA. There may also be benefits for employees who die or become disabled while on active duty. Employees who receive wage continuation payments while in the military may benefit from law changes effective in 2009.

If you think this may apply to you, see the Parkland Benefits Department for more information.

Account Access

Internet Access: MillimanBenefits.com

Access to your Parkland Supplemental Retirement Plan accounts is always at your fingertips. Through **MillimanBenefits.com**, you can access up-to-date information on your account balances, provisions of

the Parkland Supplemental Retirement Plan and investment fund information or initiate a web chat or email exchange with a Milliman Benefits Service Representative. The website also provides you with access to retirement planning tools. You can:

- Change your payroll deduction at any time (not applicable to Employee Before-tax Mandatory Contributions). After your request is processed, it is effective on the next available payroll.
- Transfer funds.
- Change your investment elections.
- Apply for loans, in-service withdrawals (not applicable to Employee Before-tax Mandatory Contributions) or distributions.
- Explore different investment strategies using the Investor Profile Quiz.
- Determine your retirement income needs and ways to achieve your goals through the PlanAhead For Retirement feature.

Toll-free Telephone Hotline: 1-800-995-2608

Through our convenient toll-free telephone hotline, available seven days a week, you can get many of the same types of information and conduct the same transactions as through our Internet website.

Benefits Service Center

When you have a question and cannot find the answer on the telephone hotline menu, follow the prompts to speak with a Benefits Service Representative. Representatives are available Monday through Friday from 7:00AM until 7:00PM Central Time.

Internet and Telephone Hotline Security

To ensure that only you can access your account information, a security system requires your personal identification number (PIN) or Username and Password.

Hotline PIN: Prior to initiating any transactions, you must request a temporary PIN through the Telephone Hotline system. This temporary PIN may be received via text message, email, or mail to a mobile phone, email address or mailing address that is on record and associated with your account. For your security and protection, you must change your temporary PIN to a permanent one before it expires.

Internet Username and Password: The login process at **MillimanBenefits.com** is designed to protect access to your retirement account information. The steps you will take to log on depend upon whether you are a new user or have already visited the website. To get started, go to **MillimanBenefits.com**. You can access the website in either English or Spanish. When you log on to **MillimanBenefits.com** for the first time, click on "New User" and follow the prompts to register your account. If you have previously registered, enter your Username and Password to log in and follow the prompts to access your account. For security purposes, you may be asked to provide additional information. If you do not remember your Username or Password, click on "Login Help?" and follow the prompts to access your account.

Using your PIN and/or password has the *force of signature*. This means transactions requested through the telephone hotline or Internet are legally binding — as if you had personally signed the request.

For your protection, **MillimanBenefits.com** is a secure website. However, to ensure that ***only you*** have access to your account information, always select *Log Off* when exiting the system.

Paperless Payments

You may make payment requests from the Parkland Supplemental Retirement Plan over the **MillimanBenefits.com** website or the telephone hotline – fast, easy and paperless.

In order for the Parkland Supplemental Retirement Plan to offer the paperless payment process, you must receive a TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS as a reference document. This Notice is included in this brochure as Appendix A. This document is provided for your future reference when you request a payment from the Parkland Supplemental Retirement Plan.

See the sections titled "In-Service Withdrawals" and "Benefit Payments From The Plan" in this brochure for more details about available payment options from the Parkland Supplemental Retirement Plan.

Confirmations

When using **MillimanBenefits.com** to make a change in your account(s), a confirmation of your transaction is automatically stored for future reference. You can print your confirmation if desired. When using the telephone hotline, a transaction confirmation is mailed or emailed to you within two working days of your request. In either case, you should review each confirmation and notify a Benefits Service Representative immediately if you think an error has occurred. Every possible effort is made to correct errors reported within 30 days of the date the confirmation was generated. Failure to report an error within 30 days indicates your acceptance of the transaction.

Contributions to the Plan

Contributions to the Parkland Supplemental Retirement Plan are based on your pay. Generally, pay means the amounts actually paid and reported on your W-2, including your before-tax contributions to this and any other Parkland benefit plans, but excluding bonuses, overtime pay, severance pay, premiums for shift differential and accrued paid time off (PTO) pay while on an authorized leave of absence.

Certain pay paid within a limited time after you terminate employment with Parkland is also included, but only if paid by the later of 2 ½ months after you terminate, or December 31 of the year in which you terminate, i.e. regular pay earned before you terminate, cashouts for unused accrued sick, vacation or other leave to which you would have been entitled if you had continued in service, military service salary continuation payments.

The plan, by law, cannot recognize pay in excess of $280,000 (2019) (s*ubject to certain "grandfather" treatment for plan participants prior to 1996)*. This dollar limit will be adjusted in future years for cost of living increases.

Because accrued paid time off (PTO) pay while you are on an authorized leave of absence is not counted in pay recognized for plan contribution purposes, you may not make any employee contributions, nor receive any matching contributions, while on a leave of absence.

Employee Before-Tax Mandatory Contributions (Part-time Employees Only)

If you are a part-time, temporary or seasonal employee, you are automatically enrolled in the Parkland Supplemental Retirement Plan for purposes of making Employee Before-tax Mandatory Contributions of seven and one-half percent (7.5%) of pay. This Employee Before-tax Mandatory Contribution is automatically contributed to the Parkland Supplemental Retirement Plan beginning with your first paycheck. These contributions are treated as employer contributions, rather than employee salary deferral contributions, for purposes of the limitations on contributions and distributions. Loans and in-service withdrawals are not allowed from these contributions.

Employee Salary Deferral Contributions

You may ***save up to 75% of your pay*** (up to IRS limits shown below) through convenient payroll deductions. At your election, these may be either ***"traditional" before-tax or "Roth" after-tax salary deferral contributions*** depending on whether they are deducted before or after federal income taxes are withheld.

Because Parkland Health & Hospital System is a governmental entity, you enjoy enhanced opportunities to save for retirement. Under the Parkland Supplemental Retirement Plan, you may make substantially higher salary deferral contributions than you could if you participated in a non-governmental plan. As the following table illustrates, the IRS maximum for most plans is one-half of the maximum amount you may save through the Parkland Supplemental Retirement Plan. Note that the IRS maximum annual limits described above apply on a combined basis ("traditional" before-tax and "Roth" after-tax combined).

The IRS maximum annual salary deferral contribution is higher for participants who are age 50 or older (have attained age 50 by the end of a particular calendar year).

IRS Maximum Annual Salary Deferral Contribution Applicable to Standard Retirement Plans		***IRS Maximum Annual Salary Deferral Contribution Applicable to the Parkland Supplemental Retirement Plan***	
Under Age 50	***Age 50 and Over****	***Under Age 50***	***Age 50 and Over****
$19,000	$25,000	$38,000	$50,000

** The increased limits for persons who have attained age 50 by the end of a particular calendar year reflect special "catch-up" contributions allowed under the Internal Revenue Code. In addition to meeting the age requirement, you must also contribute the lesser of the Plan's employee salary deferral contribution limit or the legal limit to contribute the catch-up contribution.*

The above limits are for the 2019 calendar year; the maximum limits will be adjusted periodically for cost of living increases.

Once you decide how much you want to contribute, your contributions are allocated first to your 403(b) account. When you reach the maximum for the 403(b) account (which is the same as that which is applicable to standard retirement plans), your additional salary deferral contributions are then automatically allocated to your 457 account, unless you elect to stop your contributions. As a note of explanation, the ability to make these additional contributions is granted under Section 457(b) of the Internal Revenue Code – hence the name "457." As mentioned above, salary deferral contributions may be either "traditional" before-tax or "Roth" after-tax salary deferrals – regardless of whether they are allocated to your 403(b) or 457 account. However, there are some differences between the two types of salary deferral accounts. See the section titled "In-service Withdrawals" and the section titled "Benefit Payments from the Plan" in this brochure for more information.

Your Employee Salary Deferral Contributions are deposited into the Parkland Supplemental Retirement Plan after each payroll period.

You can increase or decrease the percentage of your Employee Salary Deferral Contributions at any time via **MillimanBenefits.com** or the toll-free telephone hotline. After the Parkland Benefits Department processes your request, it is effective on the next available payroll.

If you contributed money to another employer's retirement plan during the same year you contribute to the Parkland Supplemental Retirement Plan, your maximum annual limit may be affected. Please contact the Benefits Service Center for assistance.

Employee After-Tax Contributions

You may also make Employee After-tax Contributions to the Parkland Supplemental Retirement Plan, up to 75% of your pay. These are ***after-tax contributions*** because they are deducted ***after*** federal income taxes are withheld.

Your combined Employee Salary Deferral Contributions ("traditional" before-tax and "Roth" after-tax combined) and your Employee After-tax Contributions may not exceed 75% of your pay. Once you reach the IRS maximum annual salary deferral contribution limit previously described, but wish to continue contributions up to the 75% of pay plan limit, contributions will continue, but will then be automatically converted to after-tax contributions.

Although there are some similarities between these employee after-tax voluntary contributions and the Roth 403(b) and 457(b) salary deferral contributions due to their after-tax nature, there are important differences in the annual limits, withdrawal availability and some of the tax aspects. Consult your professional tax adviser for details.

Employer Matching Contributions

To encourage you to save for your future financial security, Parkland matches a portion of your Employee Salary Deferral Contributions and/or your Employee After-tax Contributions.

You will be eligible to receive Employer Matching Contributions after completion of one year of service. However, if you are classified as "part-time without benefits," you are not eligible for Employer Matching Contributions.

For every dollar that you contribute up to 6% of your pay, Parkland contributes one dollar ($1.00).

Employer Matching Contributions are calculated each pay period and deposited into the Parkland Supplemental Retirement Plan after each payroll period.

Parkland may also elect to make a year-end true-up Matching contribution each year. A true-up Matching contribution is based on an annual calculation intended to ensure that those who contribute unevenly during the year on a per payroll period basis still receive the full match amount for the entire year by applying the Matching contribution formula on an annual basis, comparing the annual calculation to the sum of the year-to-date per payroll period Matching contributions allocated to your account, and then, if necessary, allocating an additional Matching contribution so that you receive the full Matching contribution for the year. You must be employed on the last day of the plan year (December 31) in order to receive the true-up Matching contributions for that year.

Forfeitures from a terminated participant's Employer Matching Contributions account are used to meet Parkland's obligation to make future contributions to the plan.

Rollover Contributions

If you have a balance in an eligible retirement plan with a previous employer or a deductible IRA account, you can roll over that money to the Parkland Supplemental Retirement Plan *immediately*. If you choose to roll over your money, you can immediately take advantage of the loan and withdrawal options described later in this brochure. Special rules apply to Rollover Contributions.

To obtain information about rollover contribution rules or to make a Rollover Contribution, request a Rollover Contribution Form through **MillimanBenefits.com** or the telephone hotline.

Your Investment Options

Available Investment Options

Parkland has an investment committee that works with an investment adviser to select the array of funds available in the Parkland Supplemental Retirement Plan. The selection of funds is intended to provide a variety of investment options to meet the various savings and investment goals of all participants. You can find additional fund information at **MillimanBenefits.com** and in your participant enrollment materials.

Your Investment Elections

You direct the investment of all money in your accounts. Your job is to allocate your assets in the plan fund options most appropriate for your needs. You determine how your contributions are invested; you can allocate all of your contributions into one investment fund or divide them (in whole percentages) among any combination of the funds.

Consider your tolerance for risk and your time horizon before allocating your assets. For help in determining your investment risk tolerance and time horizon, use the *Investor Profile Quiz* through **MillimanBenefits.com**.

Make investment changes through **MillimanBenefits.com** or the telephone hotline. Any change to your existing investments generally will be initiated on or before the next business day. Any investment changes for future contributions are effective when contributions are next deposited into the plan. In unusual circumstances, redemptions and/or purchases may be temporarily suspended as permitted by federal securities laws, including the Investment Company Act of 1940.

Future and existing balance elections must be made separately. If you change your existing fund choices ***and*** you also want to change your future contribution investment elections, you must ***separately*** change your investment elections for future contributions.

REMEMBER:
Investment changes should be made from a *long-term retirement planning perspective.*

Loans

Using **MillimanBenefits.com** or the telephone hotline, you can elect to borrow from your investment funds in the Parkland Supplemental Retirement Plan. You can set the amount of your loan and the repayment schedule that's best for you through a process called *loan modeling*. After you enter various loan amounts and repayment frequencies, the loan modeling process calculates your loan payments.

You may request a:

- **General purpose loan** for any reason. You have up to five (5) years to repay this loan.
- **Primary residence loan** to purchase your primary residence. You have up to twenty (20) years to repay this loan. The plan administrator may request proof of purchase for your primary residence. When you apply for a loan, you will be provided a list of required documentation.

Loan Amount

The minimum amount you may borrow is $1,000.

The maximum amount is 50% of your total vested account balance (including the Roth portion of your account, but excluding your Employee Before-tax Mandatory Contributions account, if any) or $50,000, whichever is less. The $50,000 may be reduced if you have previously received a loan from the Parkland Supplemental Retirement Plan.

You may have no more than ***one (1) outstanding loan*** at any time.

Interest Rate

The interest rate you pay on a loan is the prime rate (as quoted in the *Wall Street Journal* on the day the loan is requested) plus 1%. The interest is paid back to your account(s) as you make repayments.

Loan Fees

There is a loan setup fee of $50, which is deducted from the requested loan amount. All costs to set up a loan are charged directly to your account.

Loan Funding and Repayments

Your loan is funded on a pro-rata basis from your vested account balance, with the following exceptions:

- Your Roth salary deferral account, if any, is used last for funding.
- Employee 457 Salary Deferral Contributions, Employee After-tax Contributions, and Employee Before-tax Mandatory Contributions accounts, if any, will not be used for funding your loan.

You repay your loan through mandatory payroll deductions. Your loan payments are reinvested according to your investment elections for future contributions.

You may prepay your outstanding loan at any time with a single lump-sum payment.

Upon leaving Parkland, you may repay your outstanding loan by the end of the calendar quarter following the calendar quarter in which your last payment was made. If you do not repay the loan within this period, the outstanding loan balance is considered a distribution and is taxable to you.

If you are on military leave, your loan payments will be suspended during your leave (or until your fifth anniversary of commencement of military service, if earlier) without your loan being in default. While you are on active military duty, the interest rate on your loan will not exceed 6%, compounded annually.

In-service Withdrawals

You can request an in-service withdrawal through **MillimanBenefits.com** or the telephone hotline.

Rollover Account Withdrawal

You may withdraw money you transferred from a previous employer's plan or an IRA into your Rollover Contributions account at any time.

Employee After-Tax Withdrawal

You may withdraw your Employee After-tax Contributions and related earnings at any time. You may roll over your Employee After-tax Contributions to an IRA or other eligible retirement plan that accepts rollovers of after-tax contributions. If you do not roll over the withdrawal, the earnings portion is subject to taxation.

Age 59½ Withdrawal

If you have attained age 59½ and are 100% vested in all accounts, you may request a withdrawal from any of your accounts (except your Employee Before-tax Mandatory Contributions account and your Employee 457 Salary Deferral Contribution account) for any reason.

Financial Hardship Withdrawal

You may apply for a financial hardship withdrawal from your Employee Salary Deferral 403(b) Contributions account and the vested portion of your Employer Matching Contributions account made to the Parkland Supplemental Retirement Plan if you:

- Have incurred a severe financial hardship,
- Have taken all other loans and withdrawals available to you, but
- Have not attained age 59½.

Financial hardship withdrawals will be approved for:

- Unreimbursed medical expenses for you, your spouse, your children or other dependents, or your named primary beneficiary.
- Payment for the next 12 months of room and board, tuition or educational fees for post-secondary education for you, your spouse, your children or other dependents, or your named primary beneficiary.

- Costs directly related to the purchase (excluding mortgage payments) of your primary residence.
- Payment of amounts necessary to prevent eviction from or foreclosure on your primary residence.
- Payment of burial or funeral expenses for your deceased parents, spouse, children or other dependents, or your named primary beneficiary.
- Payment of expenses for the repair of casualty damage to your principal residence.

You may withdraw only the amount needed to pay your hardship expenses. However, the amount of an immediate and heavy financial need may include any amounts necessary to pay taxes or penalties that may result from the distribution.

A financial hardship withdrawal cannot be rolled over to an IRA or to any other eligible retirement plan.

Unforseeable Emergency Withdrawal

You may apply for an unforeseeable emergency withdrawal from your Employee 457 Contributions account if you, your spouse, your dependents, or your named beneficiary incur a severe financial hardship.

Unforeseeable emergency withdrawals will be approved for:

- Payment of expenses for you, your spouse, your dependent, or your named beneficiary as a result of a sudden and unexpected illness or accident
- Payment of expenses you incur as a result of a loss of property due to casualty or natural disaster (including the need to rebuild a home due to damage not covered by insurance)
- Payment of burial or funeral expenses for your spouse, your dependent, or your named primary beneficiary
- Events that arise from circumstances beyond your, your dependents' or your named primary beneficiary's control, as approved by the plan administrator.

An unforeseeable emergency must cause a hardship that cannot be relieved through reimbursement or compensation by insurance, liquidation of your assets (unless such liquidation would cause the participant severe financial hardship), or a cessation of all Employee 457 Contributions to the Parkland Supplemental Retirement Plan. Payment of college expenses or the purchase of a home do not qualify as an unforeseeable emergency.

You may withdraw only the amount needed to pay your unforeseeable emergency expenses. However, the amount of the unforeseeable emergency need may include any amounts necessary to pay taxes or penalties that may result from the distribution. *However, special rules apply to Roth after-tax monies. Consult your professional tax adviser for details.*

Qualified Reservist Distribution

Effective July 1, 2008, the Parkland Supplemental Retirement Plan will allow qualified reservist distributions. You may qualify to receive a qualified reservist distribution from your 403(b) Salary Deferral Contributions account if you were ordered or called to active military duty for more than 179 days (or for an indefinite period) after September 11, 2001. A qualified reservist distribution must be

made during the period of your active duty. Please contact the Benefits Service Center for more information about qualified reservist distributions.

Tax Treatment of In-service Withdrawals

If you do not roll over a withdrawal to an IRA or to another eligible retirement plan, the taxable portion of the withdrawal becomes ordinary income to you for the year in which you receive the distribution. In-service withdrawals that are not financial hardship withdrawals are subject to 20% mandatory withholding. If you have not reached age 59½, the withdrawal may also be subject to an additional 10% nondeductible early distribution penalty tax. Withdrawals from your Employee Before-tax 457 contributions account are generally not subject to the additional 10% early distribution penalty tax. *However, special rules apply to Roth after-tax monies. Consult your professional tax adviser for details.*

Processing Fee

When you make an in-service withdrawal, a $35 processing fee is deducted from your distribution.

Benefit Payments from the Plan

When You Leave the Company

When you terminate employment with Parkland, you may receive 100% of your Employee Salary Deferral Contributions, Employee After-tax Contributions, Employee Mandatory Before-tax Contributions and Rollover Contributions account balances, plus the vested portion of your Employer Matching Contributions account.

Account Balances Greater than $1,000

If the value of your vested account balances (a combination of your vested benefits in each of the Supplemental Retirement Plans) is greater than $1,000, call the telephone hotline or log on to **MillimanBenefits.com** to request your distribution electronically, without having to complete a paper form (a "paperless" distribution request). You must submit a completed distribution request before payment can be made. After receipt of the distribution request, your Parkland Supplemental Retirement Plan payment check will be mailed generally within seven business days. If you do not submit a completed distribution request, you will be treated as deferring your Parkland Retirement Plan payment until required by law (see "Deferred Payment" below).

Refer to the "Paperless Payments" section above for more information about paperless payments.

Account Balances of $1,000 or Less

Your vested account balances will be payable as soon as possible following the date on which you last performed service with Parkland. If the value of your vested account balances (a combination of your vested benefits in each of the Supplemental Retirement Plans) is $1,000 or less, a Benefits Distribution Notice will be mailed to you as soon as administratively feasible after your date of termination from employment providing you with options and a stated due date to submit a completed distribution request. Call the telephone hotline or log on to **MillimanBenefits.com** to request your distribution electronically, without having to complete a paper form (a "paperless" distribution request). After receipt of the distribution request, your Parkland Supplemental Retirement Plan payment check will be mailed generally within seven business days.

If you do not submit a completed distribution request by the stated due date in the Benefits Distribution Notice, your vested account balance will be distributed to you in a lump-sum payment.

Refer to the "Paperless Payments" section above for more information about paperless payments.

Vesting

Vesting in your Employer Matching Contributions account is based on your service with Parkland:

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

You become 100% vested if you are employed when you reach your normal retirement date (age 65), or if you become disabled (as defined by this Parkland Supplemental Retirement Plan) or die while employed, even if you have not yet completed six years of service.

For vesting purposes, your years of service are calculated from your original date of hire and include any years of service you were outsourced to Perot Systems, Inc. if you were rehired by Parkland on November 1, 2006.

Distribution Options

Cash Distribution

The normal form of benefit is one lump sum payment in cash. However, effective July 1, 2008, partial payments are also available, but not more often than twice within a 12 consecutive month period. The trustee/custodian is required by the IRS to withhold 20% of the taxable portion of any eligible rollover distribution if it is not directly rolled over (transferred) to an IRA or an eligible retirement plan. If you elect to receive a payment and have not reached age 59½, all or a portion of the payment may be subject to an additional 10% nondeductible early distribution penalty tax. Refer to the *TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS* (included in this brochure as Appendix A) for more information.

Installment Payments

If your total vested account balance (a combination of your vested benefits in each of the Supplemental Retirement Plans) is at least $20,000, you may elect payments in a series of monthly, semi-annual or annual installments. Installments may be made as a fixed dollar amount or over a fixed period of time (but not to exceed the lesser of 25 years or your life expectancy).

Direct Rollover

You will have the option of transferring your cash distribution to an IRA or to another eligible retirement plan. *However, special rules apply to Roth after-tax monies. Consult your professional tax adviser for details.*

If your spouse is your beneficiary, and receives a distribution due to your death, your spouse has the same rollover rights as a plan participant. Effective July 1, 2008, non-spouse beneficiaries receiving death benefit distributions also have limited rollover rights which allow them to make a direct rollover of all or

a portion of the distribution to an "inherited IRA," established for the purpose of receiving the distribution. Refer to the *TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS* (included in this brochure as Appendix A) for more information.

Deferred Payment

When you terminate employment with Parkland, you are entitled to receive the full value of your vested plan accounts. If you do not elect immediate payment of your vested plan accounts, you are considered to have *deferred* (or delayed) plan payments until the earlier of the date you:

- Request a distribution or
- Are required by law to begin plan payments. Under current law, plan payments must begin no later than April 1 of the calendar year following the calendar year in which you reach age 70½, or terminate employment with Parkland, if later.

Processing Fee

A $20 processing fee will be deducted from your distribution (other than any installment payments).

A $10 processing fee will be deducted from each installment payment.

Due to the complexities of income tax laws, you should consult a professional tax adviser before you receive a distribution from the Parkland Supplemental Retirement Plan.

General Information

Name of Plan: Parkland Supplemental Retirement Plan

Type of Plan

The Parkland Supplemental Retirement Plan refers collectively to three plans: a defined contribution plan that is intended to qualify for favorable tax treatment under Internal Revenue Code Section 401(a) (the Dallas County Hospital District 401(a) Supplemental Retirement Plan), an Internal Revenue Code Section 403(b)(7) plan (the Dallas County Hospital District 403(b) Supplemental Retirement Plan) and an Internal Revenue Code Section 457(b) plan (the Dallas County Hospital District 457(b) Supplemental Retirement Plan).

The 401(a) qualified defined contribution plan applies to your Employee After-tax Contributions and Parkland's Employer Matching Contributions. The 403(b)(7) plan applies to your Employee Salary Deferral 403(b) Contributions and Employee Before-tax Mandatory Contributions applicable to part-time, temporary or seasonal employees. The 457 plan applies to your Employee Salary Deferral 457 Contributions.

Effective Date

The 401(a) plan was restated in its entirety effective January 1, 2014, and was most recently amended effective January 1, 2017. The 403(b) plan was restated in its entirety effective January 1, 2014. The 457(b) was restated in its entirety effective January 1, 2014.

Plan Sponsor

The Parkland Supplemental Retirement Plan is sponsored and maintained by:

Parkland Health & Hospital System
5200 Harry Hines Blvd.
Dallas, TX 75235
(214) 590-8330

Plan Administrator

The plan administrator is the plan committee responsible for the operation and administration of the plan. This includes establishing the rules necessary to administer the plan, keeping employee records, communicating with participants, determining eligibility, determining benefit amounts, supervising benefit payments, informing the members of all changes or amendments to the plan, bringing the plan into conformity with governmental laws and regulations, and making available to all participants reports and documents as prescribed by applicable law. The plan administrator has the exclusive discretionary authority to interpret, construe and enforce all plan provisions, and its decisions are final and binding. If you wish to take legal action against the plan, you may have legal process served on the plan administrator or on the plan's trustees. If for any reason you wish to contact the plan administrator, you may do so at the following address:

The Plan Committee
5200-1 Harry Hines Blvd.
Dallas, TX 75235
(214) 590-8330

Although Parkland is responsible for the administration of the plan, Milliman, Inc. (Milliman) has been retained to assist in the daily administration of the Parkland Supplemental Retirement Plan. Milliman is responsible for the recordkeeping, accounting, toll-free telephone and web access features of the Parkland Supplemental Retirement Plan.

Plan Expenses

All publicly traded mutual funds, including the ones utilized by the Parkland Supplemental Retirement Plan, have expenses associated with their management and operations. These mutual fund management fees are automatically reflected in the share price you receive on any purchase or sale of a fund; they are not deducted from your plan account.

The Parkland Supplemental Retirement Plan is charged transactional fees for distributions and loans. While Parkland may pay a portion of these fees, the remainder is charged directly to the Parkland Supplemental Retirement Plan. In addition, there is a $6.63 monthly fee ($79.56 annually) that will be deducted from your Parkland Supplemental Retirement Plan account if you have an account balance on the last day of the month. For additional information regarding plan expenses, please refer to your Participant Statement.

Funding

Plan benefits are provided both from your contributions and Parkland's contributions. Your Employee 457 Contributions, your Employee After-tax Contributions, and Employer Matching Contributions are paid into a trust fund set up solely for the participants in the Parkland Supplemental Retirement Plan. Your Employee Salary Deferral 403(b) Contributions and the Employee Before-tax Mandatory Contributions (applicable to part-time, temporary or seasonal employees) are paid into a custodial account as required by Internal Revenue Code Section 403(b)(7). These contributions, together with investment earnings, are used to provide your plan benefits.

Charles Schwab Bank, the trustee and custodian for the Parkland Supplemental Retirement Plan, maintains a master trust account to hold the assets of both the trust fund and the custodial accounts.

Trustee and Custodian

The trustee and custodian for the Parkland Supplemental Retirement Plan, Charles Schwab Bank, holds and invests the assets. The trustee is subject to strict rules concerning the administration of the funds and their investments to assure — as much as possible — that the funds are handled with care, skill, prudence and diligence for the good of all participants in the Parkland Supplemental Retirement Plan. You may contact Schwab at the following address:

Charles Schwab Bank
211 Main Street, 14th Floor
San Francisco, CA 94105
(877) 319-2782

Participating Employers

A complete list of participating employers in the Parkland Supplemental Retirement Plan may be obtained by participants and beneficiaries upon written request to the plan administrator.

Plan Year

The plan year is the 12-month period used for maintaining the plan's financial records. The plan year begins each January 1 and ends each December 31.

Future of the Plan

Parkland reserves the right to amend, modify or terminate the Parkland Supplemental Retirement Plan, in whole or in part, at any time at its option.

A decision to change or terminate the Parkland Supplemental Retirement Plan may be due to business conditions, changes in the law governing such plans, or any other reason.

If the Parkland Supplemental Retirement Plan is terminated or partially terminated, or if employer contributions are permanently discontinued, the plan committee will determine the value of your accounts and you will receive a single sum payment of that amount. If the Parkland Supplemental Retirement Plan is terminated, the plan administrator will determine the timing of the disposition of assets to plan participants and their beneficiaries.

Benefits under the Parkland Supplemental Retirement Plan are not insured by the Pension Benefit Guaranty Corporation (PBGC), a government agency which insures pension plans. The Parkland Supplemental Retirement Plan is not insured by the PBGC because it is exempt from this requirement. Any benefits payable by the Parkland Supplemental Retirement Plan are based on amounts contributed and investment results which cannot be determined in advance. Your benefits depend solely on the amounts in your plan accounts and are not guaranteed under federal law.

No Guarantee of Employment

This Parkland Supplemental Retirement Plan does not constitute an employment contract between you and Parkland. It does not guarantee you the right to be continued in Parkland's employment, nor does it limit Parkland's right to discharge any employee.

Upon termination of employment, no employee will have the right to or interest in any of the Parkland Supplemental Retirement Plan's assets except for the benefits to which he or she is entitled.

Reinstatement of Your Vesting Service

As explained earlier, if you leave Parkland prior to becoming fully vested in your plan accounts and you receive or are deemed to have received a full distribution of your vested benefits, you will forfeit the nonvested portion of the balance in such accounts. However, if you subsequently are reemployed by Parkland, the following applies:

- If you terminated on or after your normal retirement age, after becoming disabled (within the meaning of the plan) or after becoming 100% vested, you will continue to be 100% vested in any new Parkland matching contributions after you perform an hour of service.
- If the preceding paragraph does not apply, your prior vesting service will be reinstated provided that your reemployment occurs before 12 months have elapsed and you have not taken a distribution of your accounts.
- If neither of the preceding paragraphs apply, your prior vesting service will not be reinstated upon reemployment.

Notification of Address

You should notify Parkland's Human Resource Records Department of any change in your address. This will help ensure proper receipt of any plan-related mailings.

Nontransferability of Benefits

Your benefits under the Parkland Supplemental Retirement Plan may not be alienated; that is, sold, used as collateral for a loan (other than a loan from your account in the plan), given away or otherwise transferred prior to being paid to you. Also, your creditors (other than the IRS) may not attach, garnish or otherwise interfere with your benefits under the plan.

However, the Parkland Supplemental Retirement Plan may be required by law to recognize obligations that you incur as a result of court-ordered child support, alimony, or marital property rights. The plan administrator will review a *domestic relations order* (a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your benefits under the Parkland Supplemental Retirement Plan to your spouse, former spouse, or child) to determine its validity. If the plan administrator finds that the domestic relations order applies to one or more of your account balances, all or a portion of your benefits may be used to satisfy the obligation. You will be advised of the plan administrator's findings.

A domestic relations order will not fail to be a qualified domestic relations order solely because the order is issued after, or revises, another domestic relations order or qualified domestic relations order or solely because of the time at which the order is issued, including issuance after the participant's death.

The costs associated with the administration of a domestic relations order purporting to be a QDRO will be charged to the individual Plan accounts of the affected Participant and/or the alternate payee(s). Unless otherwise provided by the terms of a QDRO, the costs will be charged proportionately to the Plan accounts of both the affected Participant and the alternate payee(s), as follows:

If the Model QDRO provided by Milliman, Inc. is used, a fee of $500 will be charged for review and processing of the QDRO, with the affected Participant and alternate payee(s) plan accounts being charged

proportionately. A Model QDRO may be requested by calling the telephone hotline at 1-800-995-2608 or by logging onto MillimanBenefits.com. If the Model QDRO provided by Milliman, Inc. is not used, a fee of $1,250 will be charged for review and processing of the QDRO, with the affected Participant and alternate payee(s) accounts being charged proportionately.

You and your beneficiaries may obtain a copy of the plan's domestic relations order procedures, without charge, by contacting the plan administrator.

Claims Procedures

Your Plan benefits will be paid to you (or your beneficiary) without the need of a formal claims process.

See the sections titled "Account Access" and "Benefit Payments From The Plan" in this brochure for details about payment requests from the Plan.

If Your Claim is Denied

A claim for benefits might be denied in whole or in part if:

(a) the plan administrator does not believe a participant is entitled to a benefit; or

(b) the plan administrator disagrees with the amount of benefit to which the participant believes he/she is entitled.

If this happens to you, the plan administrator should notify you in writing of the reasons for the denial within 90 days of the date you make your claim. The notice of denial should:

- explain the specific reason why your claim for benefits is being denied, and specify the Parkland Supplemental Retirement Plan provisions upon which the denial is based.
- if the denial is the result of you filing an incomplete claim, provide a description of any additional information needed to perfect your claim and an explanation of why it is necessary.
- explain the claim review procedures and the time limits applicable to such procedures.

If you don't receive notice of denial from the plan administrator within 90 days, you will be deemed to have exhausted all administrative remedies and may file suit in state court.

Review of Denial

If your claim has been denied, you may request a review of the denial. You have 60 days after receipt of the written notice of denial to request a review. This request must be in writing and may be made to the plan administrator. If you wish, you (or your representative) may submit issues, comments, documents, records, and other information relating to your claim for benefits. You may also request, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim.

Your claim for review must be given a full and fair review that takes into account all comments, documents, records, and other information you submit relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination. A review of the denial

should be made in writing by the plan administrator within 60 days after your request is received. The decision should:

- be written in a manner you can easily understand.
- specify the Parkland Supplemental Retirement Plan provisions upon which the decision is based.
- tell you the results of the review and include the specific reason for denial, if applicable.
- contain a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.
- contain a statement describing any voluntary appeals procedures offered by the Parkland Supplemental Retirement Plan.

NOTE: The 90-day and 60-day deadlines may be extended under special circumstances. You will be told of the extension in writing before the end of the 90-day or 60-day periods. The extension notice will state why the extension is needed and the date you may expect a decision. The 90-day deadline may be extended for up to an additional 90 days. The 60-day deadline may be extended for up to an additional 60 days.

APPENDIX A

TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS

This Tax Notice Applies to Distributions from Section 401(a) Plans, Section 403(a) Annuity Plans, Section 403(b) Tax Sheltered Annuities and Section 457 Governmental Plans

You are receiving this notice because all or a portion of a payment you are entitled to receive from an employer plan is eligible to be rolled over. Rollover options will vary depending on whether or not the payment is from a designated Roth account. This notice is intended to help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to both payments from the plan that are NOT from a designated Roth account (a type of account with special tax rules in some employer plans), as well as payments from the plan that ARE from a designated Roth account. If you will receive payment from both types of accounts, the plan administrator or the payor will tell you the amount that is being paid from each account.

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover of payments NOT from a designated Roth account affect my taxes?

You will be taxed on a payment from the plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (generally, distributions made before age 59½) unless an exception applies. However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

How can a rollover of payments from a designated Roth account affect my taxes?

After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10% additional income tax on early distributions (generally, distributions made before age 59½) will also apply to the earnings (unless an exception applies). However, if you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions.

If the payment from the plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution from a designated Roth account in the plan is a payment made after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the plan for at least 5 years. In applying the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a direct rollover to a designated Roth account in the plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the plan or, if earlier, to the designated Roth account in the other employer plan.

What types of retirement accounts and plans may accept my rollover that is NOT from a designated Roth account?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

What types of retirement accounts and plans may accept my rollover from a designated Roth account?

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457 plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spousal consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

How do I do a rollover of payments NOT from a designated Roth account?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

<u>If you do a direct rollover</u>, the plan will make the payment directly to your IRA or to another employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

How do I do a rollover of payments from a designated Roth account?

There are two ways to do a rollover. You can either do a direct rollover or a 60-day rollover.

If you do a direct rollover, the plan will make the payment directly to your Roth IRA or to a designated Roth account in another employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit (generally within 60 days) into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

If you do a direct rollover of only a portion of the amount paid from the plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings.

If you do not do a direct rollover and the payment is not a qualified distribution, the plan is required to withhold 20% of the earnings for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Required minimum distributions after age 70½ (or after death);
- Hardship distributions;
- ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the plan;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution; and
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if S corporation stock is held by an IRA).

The plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on any early payment from the plan that is NOT from a designated Roth account (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. If a payment is from a designated Roth account but is not a qualified distribution and you are under age 59½, you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over (including amounts withheld for income tax), unless one of the exceptions listed below applies. This 10% tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be at least age 50 in the year of the separation;
- Payments made due to disability;
- Payments after your death;
- Payments of ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the plan;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution;
- Payments for certain distributions relating to certain federally declared disasters; and
- Phased retirement payments made to federal employees.

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from a traditional IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. If you receive a payment from a Roth IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from IRAs, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

Consequences of Failing to Defer Receipt of Distribution

Generally, you may not be forced to take a distribution from a plan until you reach the later of age 62 or the plan's normal retirement age (although certain exceptions may apply in the case of small balances). Until that time, you may choose to defer receipt of a distribution. Unless rolled over (refer to the "General Information About Rollovers" section above), distributions of previously untaxed amounts will be subject to federal income tax and, potentially, the additional 10% income tax described above. Such distributions may also be subject to state and local income tax and federal and state withholding requirements.
Failing to defer receipt of a plan distribution may cause you to have too little money on which to retire. Be sure that taking a distribution now, with potentially significant tax liability and the potential loss of future tax deferred growth of your plan benefit, will not harm your retirement security and force you to postpone your retirement. Refer to your plan's summary plan description ("SPD") for more information about the effect of deferring distributions, which, depending on the type of plan, could include: (i) the financial effect of deferring distributions, (ii) investment options available under the plan if distributions are deferred, and (iii) any fees that may apply if distributions are deferred.

Also you should be aware that some of the investment options available under the plan may not be generally available on similar terms outside of the plan, and fees and expenses outside the plan may be different from fees and expenses that apply to account balances under the plan. Depending on the plan, additional fees and expenses may apply to account balances of participants who are no longer employed by the plan sponsor. Refer to your plan's SPD for an explanation of how to obtain more information on the plan, including the plan's investment options and applicable fees and expenses.

If your payment NOT from a designated Roth account includes after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after- tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

If your payment NOT from a designated Roth account includes employer stock that you do not roll over

If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the plan. If you do a rollover for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or employer plan. The plan administrator can tell you the amount of any net unrealized appreciation.

If your payment from a designated Roth account includes employer stock that you do not roll over

If you receive a payment that is not a qualified distribution and you do not roll it over, you can apply a special rule to payments of employer stock (or other employer securities) that are paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock included in the earnings in the payment will not be taxed when distributed to you from the plan and will be taxed at capital gain rates when you sell the stock. If you do a rollover to a Roth IRA for a nonqualified distribution that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the distribution), you will not have any taxable income and the special rule relating to the distributed employer stock will not apply to any subsequent payments from the Roth IRA or employer plan. Net unrealized appreciation is generally the increase in the value of the employer stock after it was acquired by the plan. The plan administrator can tell you the amount of any net unrealized appreciation.

If you receive a payment that is a qualified distribution that includes employer stock and you do not roll it over, your basis in the stock (used to determine gain or loss when you later sell the stock) will equal the fair market value of the stock at the time of the payment from the plan.

If you have an outstanding loan NOT from a designated Roth account that is being offset

If you have an outstanding loan from the plan, your plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers) by the applicable loan offset rollover deadline.

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including your extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates or because you sever from employment. If you plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover.

If you have an outstanding loan from a designated Roth account that is being offset

If you have an outstanding loan from the plan, your plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. If the distribution attributable to the offset is not a qualified distribution and you do not roll over the offset amount, you will be taxed on any earnings included in the distribution (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over the earnings included in the loan offset to a Roth IRA or designated Roth account in an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers). You may also roll over the full amount of the offset to a Roth IRA.

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete you rollover. A qualified loan offset occurs when a plan loan in good standing is offset because your employer plan terminates or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover.

If you were born on or before January 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution of a payment NOT from a designated Roth account that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. If you were born on or before January 1, 1936, and receive a lump sum distribution of a payment from a designated Roth account that is not a qualified distribution and that you do not roll over, special rules for calculating the amount of the tax on the earnings in the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If your payment is from a governmental section 457(b) plan

If the plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the plan even if you are under age 59½ (unless the payment is from a separate account holding rollover contributions that were made to the plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences include that you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rules under "If your payment NOT from a designated Roth account includes employer stock that you do not roll over, "If your payment from a designated Roth account includes employer stock that you do not roll over" and "If you were born on or before January 1, 1936" do not apply.

If you are an eligible retired public safety officer and your payment is used to pay for health coverage or qualified long-term care insurance

If the plan is a governmental plan, you retired as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments NOT from a designated Roth account, as well as nonqualified distributions from a designated Roth account, paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of $3,000 annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

If you roll over your payment NOT from a designated Roth account to a Roth IRA

If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publications 590-A, Contributions to Individual Retirement Arrangements (IRAs) and 590-B, Distributions from Individual Retirement Arrangements (IRAs).

In general, you cannot roll over a payment from the plan that is NOT from a designated Roth account to a designated Roth account in another employer's plan. However, if the plan allows "in-plan Roth rollovers," you may be able to roll over certain payments NOT from a designated Roth account to a designated Roth account in the plan. Refer to the next section immediately below for the special rules that apply if the plan allows "in-plan Roth rollovers."

If the plan allows "in-plan Roth rollovers": Consequences if you roll over your payment NOT from a designated Roth account to a designated Roth account in the same plan

The rules explained in this section apply if the plan allows "in-plan Roth rollovers" for distributions made after September 27, 2010. An "in-plan Roth rollover" is a distribution from an individual's plan account, other than a designated Roth account, that is rolled over to the individual's designated Roth account in the same plan.

If you roll over a payment from the plan to a designated Roth account in the plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10% additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover).

If you roll over the payment to a designated Roth account in the plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both after you attain age 59½ (or after your death or disability) and after you have had a designated Roth account in the plan for a period of at least 5 years. In applying this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional tax on early distributions (unless an exception applies).

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, whether the payment from a designated Roth account is a qualified distribution generally

depends on when the participant first made a contribution to the designated Roth account in the plan. Also, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse. If you receive a payment from the plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to a traditional or Roth IRA, you may treat the traditional or Roth IRA as your own or as an inherited traditional or Roth IRA.

A traditional IRA you treat as your own is treated like any other traditional IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your traditional IRA do not have to start until after you are age 70½.

If you treat the traditional IRA as an inherited traditional IRA, payments from the traditional IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited traditional IRA. If the participant had not started taking required minimum distributions from the plan, you will not have to start receiving required minimum distributions from the inherited traditional IRA until the year the participant would have been age 70½.

A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies).
If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 70½.

If you are a surviving beneficiary other than a spouse. If you receive a plan payment because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited traditional or Roth IRA. Payments from the inherited traditional or Roth IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited traditional or Roth IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a plan payment under a qualified domestic relations order (QDRO), you generally have the same options and the same tax treatment that the participant would have (for example, you may roll over the payment as described in this notice). However, payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments NOT from a designated Roth account for the year are less than $200, the plan is not required to allow you to do a direct rollover of such payments and is not required to withhold for federal income taxes. Likewise, if your payments from a designated Roth account for the year are less than $200, the plan is not required to allow you to do a direct rollover of such payments and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed $5,000 (determined, if elected by the plan administrator, by not including any amounts held under the plan as a result of a prior rollover made to the plan). In some plans, unless you elect otherwise, a mandatory cashout of more than $1,000 (determined separately for payments NOT from a designated Roth account and payments from a designated Roth account) may be directly rolled over to a traditional or Roth IRA as appropriate that is chosen by the plan administrator or the payor.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

FOR MORE INFORMATION

You may wish to consult with the plan administrator or payor, or a professional tax advisor, before taking a payment from the plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.