403(b)(9) Retirement Plan Administration Manual

GuideStone
Retirement Plans

Do well Do right.

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Introduction

You have adopted the GuideStone Financial Resources 403(b)(9) Retirement Plan (the "Plan") for eligible employees. This defined contribution plan is designed as a "church plan" under IRS Code section 414(e) and as an *Internal Revenue Code* section 403(b)(9) (the "Code") retirement income account, and, as such, it is exempt from certain provisions of the Code and ERISA.

This *403(b)(9) Retirement Plan Administration Manual* offers guidance to you for administering the Plan accurately and efficiently. You should check this manual at least quarterly for updates and/or revisions.

Important note: Nothing in this manual should be construed as overriding Plan or *Adoption Agreement* provisions. Any conflict between this manual and the Plan (including any rules or procedures established by GuideStone to administer the Plan) shall be resolved in favor of the Plan, not this manual. Call your relationship manager at GuideStone if you have any questions about the information in this manual.

How to use this manual

The manual provides guidelines that you should follow to ensure that you and GuideStone can fulfill your respective administrative duties under the Plan. The manual can be an effective training tool for persons who become responsible for the administration of the Plan as well as a reference guide for those who are already familiar with its operation.

Because the purpose of the manual is to describe the procedures for all employers, it does not contain any procedures that are specific to an individual employer (e.g., internal procedures for reconciling contributions to payroll records). You should develop and maintain written desk procedures that describe other step-by-step procedures you follow in addition to the procedures contained in this manual.

The 403(b) regulations state that a 403(b)(9) plan must be in writing. To accurately administer the Plan, it is extremely important that you know and understand its provisions. The provisions of your Plan are written in two places: the *Basic Plan Document* and your *Adoption Agreement* (and in some cases, your written internal policies and procedures). It is important that your practices and procedures conform to your Plan documentation. Please log into Employer Access for the latest copy of the *Basic Plan Document* and *Adoption Agreement*.

Always make sure your Plan documentation is accurate and complete. Keep original documents in a master file, but maintain copies of all Plan documentation as a working file for day-to-day administration of the Plan.

The master file should contain:

- Copy of current *Basic Plan Document*
- Original of your current *Adoption Agreement*
- Original of your *Recordkeeping Services Agreement*
- Copy of *Trust Agreement*
- Copy of current *Plan Summary*
- Copy of *Information Sharing Agreement*, including all prior versions of each of these documents you have adopted
- Resolutions or special amendments prepared by GuideStone for the Plan, if any
- Any other important Plan information:
    - Letters to or from GuideStone regarding the Plan, if any
    - Written confirmations of interpretations of provisions, if any

REMEMBER:

Basic Plan Document + *Adoption Agreement* + *Recordkeeping Services Agreement* +

Trust Agreement + Employer's policies & procedures (if applicable) = Plan

The *Adoption Agreement* alone does NOT constitute your Plan

Here are some things you should keep in mind when you consider making changes to your Plan:

- Review all provisions of your *Adoption Agreement* at least annually to determine if there are additional changes you may want or need to make.
- Avoid changing your *Adoption Agreement* to address situations affecting only a limited number of employees.
- Contact the relationship manager responsible for handling your account and discuss the changes under consideration.

If you decide that you need to amend your Plan:

- Select an effective date that is prospective and return all documents in advance of the effective date. GuideStone cannot make changes in its recordkeeping system until all documents have been fully executed.
- Identify the date of the meeting at which the amended *Adoption Agreement* will be adopted.
- If documents are needed in advance of the meeting, identify the date when documents must be ready.
- Allow time for documents to be prepared and sent to you.

General administrative responsibilities

Both the employer and recordkeeper/trustee of a plan have administrative responsibilities. The *Recordkeeping Services Agreement* addresses specific administrative responsibilities of the employer and GuideStone that involve plan administration.

Employer responsibilities

The employer is responsible for monitoring the Plan administration for compliance purposes with regard to contribution limits, Plan loans, hardship withdrawals and transfers or exchanges. The employer is further responsible for remitting contributions "within a period that is not longer than is reasonable for the proper administration of the Plan." These duties may NOT be delegated to the participant.

The duties of the employer are further outlined in your *Recordkeeping Services Agreement*. Be sure to read your *Recordkeeping Services Agreement* to be aware of your responsibilities.

Some examples of Plan administration activities associated with these duties include, but are not limited to, the following:

- Notifying participants of any eligibility requirements for participating in the Plan.
    - For NQCCO employers (discussed more fully on page 8): An annual notice must be given to employees explaining their right to participate in the Plan. The plans of NQCCO employers are subject to nondiscrimination testing and are generally plans of hospitals, colleges and universities.
- Explaining the Plan to all employees and answering their questions about the Plan.
- Enrolling participants in the Plan.
- Maintaining participants' *Salary Reduction Agreement* forms, *Enrollment Applications* and other important papers relating to participation in the Plan.
- Withholding contributions from participants' compensation as requested and remitting them to GuideStone in a timely manner.
- Verifying and adjusting retirement remittance statements and submitting contributions to GuideStone.
- Notifying GuideStone promptly in the event of a participant's death, disability, termination or retirement.
- Responding to requests for information from GuideStone about the Plan or participants.
- Keeping Plan administration consistent with Plan provisions and making timely amendments.

GuideStone responsibilities and services

The *Recordkeeping Services Agreement* outlines the specific duties, responsibilities and services provided by GuideStone. Some examples of Plan administration activities associated with these duties and services include, but are not limited to, the following:

- Establish and maintain participant accounts.
- Invest participant and employer contributions in Plan funds, as directed by the participant.
- Prepare and distribute *Quarterly Account Statements* to participants.
- Assist employers with annual nondiscrimination testing, upon request.
- Prepare and distribute written information for participants, participants' spouses and their attorneys in the event of death, divorce or bankruptcy.
- Calculate benefits and communicate with participants and employers regarding benefit amounts.
- Establish procedures to administer distribution of participants' accounts (including in the event of death or divorce).
- Establish procedures for providing information about the effect of bankruptcy on a retirement account.
- Make administrative rules in accordance with the Plan.
- Resolve or otherwise decide matters not specifically covered under the terms and provisions of the Plan.

An employer's status

Church

For purposes of Code section 403(b), a church includes a convention or association of churches or an elementary or secondary school that is controlled, operated or principally supported by a church or by a convention or association of churches.

Qualified church-controlled organization

A "qualified church-controlled organization" (QCCO) means any church-controlled, tax-exempt organization described in Code section 501(c)(3) which does not:

- Offer goods, services or facilities to the general public for sale (except for items sold at a nominal charge that is substantially less than cost).
- Normally receive more than 25% of its support from receipts from admissions, sales of merchandise, performance of services or furnishing of facilities, or from governmental sources.

Non-qualified church-controlled organization

A church-controlled, tax-exempt organization is generally a "non-qualified church-controlled organization" (NQCCO) if it offers its services to the general public **and** receives more than 25% of its support from receipts from admissions, sales of merchandise, performance of services or furnishing of facilities, or from governmental sources. A NQCCO must comply with retirement plan nondiscrimination requirements in order for its Plan to maintain its tax-favored status. An employer's designation as an NQCCO for the purposes of Code section 403(b) does not affect the organization's status as a Code section 501(c)(3) tax-exempt organization, the availability of minister's housing allowance or other such privileges the organization enjoys.

Determining your status as a church, QCCO or NQCCO

Employers that are eligible for a church plan must comply with the nondiscrimination requirements unless they determine that they are a church or QCCO. Only organizations that are churches or QCCOs for the purposes of Code section 403(b) are exempt from compliance with the retirement plan nondiscrimination requirements. The employer must make the determination using a reasonable, good faith interpretation of the guidance provided in Code section 3121(w). GuideStone has several tools, including a *Status Certification Form*, which you may use to help determine your status as a church, QCCO or NQCCO.

If your organization restructures or reorganizes or if it changes those whom it serves or the sources of its income, the status may change. If this happens, you should complete a new *Status Certification Form*. If your status changes, you should notify GuideStone immediately so that we can work with you to avoid potential problems.

Eligibility

When you adopt your 403(b) Plan, you must determine the eligibility requirements unique to your organization. These requirements are described in detail in the Plan.

If you have determined your status as a church or QCCO, you may have different eligibility provisions than employers whose status is a NQCCO.

First, your Plan will identify which employees are eligible employees for the purpose of receiving employer contributions. This also tells which employees, if any, are excluded from receiving such contributions. Typical eligibility requirements include age and service minimums.

Next, the Plan will describe what is sometimes called the "begin participation date." This is the date when an employee will become a participant once eligibility is met. (See "Enrolling participants in the Plan" for more detailed information on participation dates.)

If your organization is a NQCCO, your Plan's eligibility for employer contributions and tax-paid contributions are identical. If your organization is a church or QCCO, the Plan may prohibit employee tax-paid contributions until the time the employee is eligible for employer contributions. Most employees are immediately eligible to make their own voluntary tax-sheltered and Roth contributions to the Plan. If your Plan restricts employee tax-sheltered or Roth contributions, there will be a paragraph that describes the restrictions.

Lastly, if you have made any modification to how service is measured or determined for purposes of eligibility (including counting service with certain related employers), a description of the modification will be set out in the *Adoption Agreement*. Plans of employers who have made no service modifications will not contain such a subparagraph.

Key point for NQCCO employers

NQCCO employers are subject to nondiscrimination testing and, therefore, must satisfy the "Universal Availability" requirement. Universal Availability provides that if any employee is eligible to make elective deferrals under your Plan, all employees must be eligible to defer into the Plan immediately, unless statutorily excluded from the Plan. As a part of the Universal Availability requirement, you must demonstrate that all employees have been informed, at least annually, of their ability to make or change their deferral elections.

Although this Code section requires that generally "all" employees must have this right, there are some statutory exclusions and a minimum annual contribution of $200 that you may use to restrict this right. However, in order to apply the exclusions or minimum contribution, your *Adoption Agreement* must specifically include such a provision.

Your Plan specifies the permissible statutory exclusions. After reading the *Basic Plan Document*, check your *Adoption Agreement* to see which statutory exclusions, if any, you have chosen to include in your Plan.

If your retirement Plan is audited and your organization is a NQCCO, the IRS will determine whether the employer meets the Universal Availability requirement for salary reduction contributions (including Roth contributions). To make this determination, the IRS will want to know whether "meaningful notice" has been given to employees to tell them they are eligible to make salary reduction contributions. The IRS has not elaborated on what "meaningful notice" means, but has indicated that simply informing an employee of their right to make salary reduction contributions if they come by the Human Resources office does not constitute meaningful notice. The IRS will want to make sure that your Plan makes salary reduction contributions universally available to employees. They may ask to see posters or payroll stuffers notifying employees of their ability to make salary reduction contributions. The IRS has stated they will interview employees to determine whether they are aware of their ability to make salary reduction contributions to the Plan.

You should establish practices that ensure that all employees are informed of this right upon being hired. It is best to ask employees to provide their signature, perhaps on a form you create, indicating they have been informed of and understand their right to make such contributions. You should maintain this written documentation in the employees' files. Failure to meet the retirement plan nondiscrimination requirements can result in significant consequences to you.

Enrolling participants in the Plan

General information

Among your duties as Plan Sponsor is the need to properly notify employees of their rights and obligations under the Plan. You should generally fulfill this requirement at the time you hire and/or enroll employees in the Plan and annually thereafter if the Plan is subject to nondiscrimination testing, such as plans of hospitals, colleges and universities.

If your Plan has a waiting period, determine when new employees are likely to satisfy the eligibility service requirements of your Plan. Develop a tickler system for reminding yourself to notify the employee at that time that he or she is now eligible to receive employer contributions. This is important whether your Plan has matched or non-matched contributions. The three most common "begin participation date" provisions are:

> "… first day in which" the person meets the eligibility requirements of the Plan.
>
> "…first day of the month following the month" the person meets the eligibility requirements of the Plan.
>
> "…first day of the month coinciding with or next following the month" the person meets the eligibility requirements of the Plan.

To apply these "begin participation dates," first determine the specific date the employee has met the eligibility requirements of the Plan.

Below are examples, assuming the Plan has a one year of service eligibility requirement to receive employer contributions and no further modifications to service in the *Adoption Agreement* have been made. (For examples regarding eligibility service using the Counting Hours method, see Appendix A.)

Illustration 1 ("first day in which")

An employee will enter the Plan on the same date the employee meets the eligibility requirements of the Plan. Thus, this Plan potentially has 365 days in which any given employee may be eligible to enter the Plan.

> **Examples:**
> John Doe meets eligibility on March 6. He enters the Plan March 6.
> John Doe meets eligibility on May 1. He enters the Plan May 1.

Illustration 2 ("first day of the month following the month")

An employee will enter the Plan on the first day of the next month in which the employee meets the eligibility requirements of the Plan. Thus, this Plan potentially has 12 months in which any given employee may be eligible to enter the Plan.

> **Examples:**
> John Doe meets eligibility on March 6. He enters the Plan April 1.

John Doe meets eligibility on May 1. He enters the Plan June 1.

Illustration 3 ("first day of the month coinciding with or next following the month")

An employee will enter the Plan either on the first day of the month if it coincides with the date they meet eligibility or on the first day of the next month if it does not. Thus, this Plan has potentially 12 months in which any given employee may be eligible to enter the Plan.

Examples:
John Doe meets eligibility on March 6. He enters the Plan April 1.
John Doe meets eligibility on May 1. He enters the Plan May 1.

As noted in the previous section, most employers provide that employees are immediately eligible to make tax-sheltered contributions (including Roth contributions). The plan entry date is generally the first pay period after satisfying that requirement. If your employer is a NQCCO, it appears that the IRS will not allow a plan entry date of more than 60 days following eligibility to make tax-sheltered contributions (including Roth contributions) to the Plan.

Employer and/or participant responsibilities

- As part of new employee orientation, provide the employee with the GuideStone 403(b)(9) Retirement Plan Enrollment Kit, which includes the following:
  - *Enrollment Application*
  - *Salary Reduction Agreement*
  - *Fund Choices* brochure
  - *Inbound Rollover Application*
  - *Plan Summary*
- Review key provisions of the Plan with the employee. Check the *Adoption Agreement* or internal policies and procedures for the following provisions:
  - Ability of all employees to make contributions to the Plan immediately (Check the *Adoption Agreement* or internal policies and procedures for any limitations.)
  - Eligibility requirements for receiving employer and tax-paid contributions
  - Vesting provisions, whether 100% vested immediately or subject to a schedule
  - In-service withdrawal provisions
  - Hardship withdrawal provisions
  - Termination withdrawal provisions
  - Availability of loans
- Instruct the employee to complete the *Salary Reduction Agreement*. This form is only necessary if the employee wishes to make employee contributions. This is a contract between you and the employee and must be kept in the employee's file.
- Instruct the employee to complete the *Enrollment Application*. If the Plan provides a non-match employer contribution, it is important to ensure that the employee returns the application in a timely fashion. If the employee fails to complete the form on time, you must complete the application for the participant based on Plan defaults and begin making contributions.

Listed below is the information required to complete an *Enrollment Application*:

- Designate an investment allocation. If a participant does not designate an investment allocation at enrollment, the participant's contributions will be placed in the default fund.
- Complete the contribution instructions on the employee's *Enrollment Application*.
- Sign and date the employee's *Enrollment Application* in the "Employer Verification" section of the application.
- Keep the completed *Enrollment Application* in the employee's file and send a copy of the application to GuideStone via mail, fax, Employer Access or EDT, as applicable.
- Also, if the Plan counts prior denominational service, verify the employee has indicated all years and months of such service.
- Inform employees to contact GuideStone if there are any discrepancies on the enrollment confirmation that we mail to them at their home address.

Note: If an employee who has completed an *Enrollment Application* to make voluntary contributions later becomes eligible for employer contributions, it is not necessary to complete another application. In such circumstances, you should take the following steps:

- If the Plan has matching employer contributions:
  - Inform the employee he or she has become eligible for an employer-match contribution and describe the matching provision.
- Explain if it is an equal match up to a set percentage, whether the employee must contribute a minimum amount, whether it is according to a schedule, etc.
- Confirm whether the employee wishes to change his or her current contribution.
  - If appropriate, have the employee complete a new *Salary Reduction Agreement*.
  - Change the contribution statement to reflect the increased employee contribution (if applicable) and the new employer contribution.
- If the Plan has non-match employer contributions:
  - Inform the employee they have become eligible for an employer non-match contribution and describe the provision.
- Explain the percentage of compensation, whether it is based on a schedule, etc.
  - Change the contribution statement to reflect the new employer contribution.

GuideStone responsibilities

- Process the *Enrollment Application* upon receipt of the application or via electronic submission via Employer Access. Or, if the participant is already enrolled, update the contribution source type and amount.
- Mail a confirmation letter to the employee.

Beneficiary designation form

The *Basic Plan Document* contains the Plan definition for beneficiary.

- Participants can make or change a beneficiary designation by visiting *www.MyGuideStone.org/Beneficiary*.
- Failure to designate a beneficiary will result in their beneficiary falling under the Plan default of spouse and then estate.
- Failure to designate a beneficiary may result in additional legal paperwork and delay of benefits for non-spouse beneficiaries.

Note: The beneficiary designation will be effective upon the receipt and approval of GuideStone. In addition, the form must have the notarized consent of the participant's spouse to designate a primary beneficiary other than or in addition to the spouse.

The marriage of a participant automatically invalidates a prior beneficiary designation. The spouse of a participant is the primary beneficiary under the Plan unless the participant completes a new beneficiary designation naming or adding someone else with the notarized consent of the spouse.

Plan investments and funds

See the *Basic Plan Document* and *Adoption Agreement* (or internal policies and procedures) for Plan investment election provisions.

Initial investment elections

Participants make all Plan investment choices when they first enroll in the Plan. They have the option to invest in any one or a combination of funds offered under the Plan. (If a participant fails to make an investment election, all contributions made on their behalf will be placed in the default fund).

Changes to investment elections

Future contributions

From time to time, participants may want to change the investment fund or combination of funds for future contributions to the Plan. You should inform participants that **changing the allocation of future contributions does not automatically change allocations of accumulated funds**.

You, as the employer, may not submit allocation change requests for a participant. GuideStone does not accept requests for allocation changes with a future effective date or a retroactive date.

Accumulated funds

A participant may make changes in the investment of accumulated funds at any time by requesting a fund exchange or a reallocation of funds. You should inform participants that **changing the allocation of accumulated funds does not automatically change allocations of future contributions**.

- Fund exchange

A fund exchange is an exchange a participant makes from one investment to one or more investments. **Example**: Participant A wants to exchange 10% of the accumulations in the Growth Equity Fund to be placed in the International Equity Fund.

- Reallocation of funds

This term is used to describe the action a participant makes to completely change the fund or funds in which his plan accumulations are placed. It involves an exchange of 100% of the participant's accumulations to one or more investments. **Example**: Participant A's accumulations can be described as follows: 52% in the Growth Equity Fund, 28% in the Value Equity Fund, 16% in the Money Market Fund and 4% in the International Equity Fund.

The participant decides to reallocate his accumulations so that 50% is in the Growth Equity Fund, 25% is in the Value Equity Fund, 15% is in the Money Market Fund and 10% is in the International Equity Fund.

You, as the employer, may not make changes in the investment of accumulated funds for a participant.

GuideStone accepts exchange and reallocation requests on a whole percentage basis only.

Allocation change, fund exchange or reallocation

Participants may request allocation changes to future contributions, fund exchanges or reallocations. GuideStone does not charge fees for fund exchanges. There are various methods participants may use to make such changes. These include:

- *My*GuideStone™ through *www.MyGuideStone.org*
- **1-888-98-GUIDE** (1-888-984-8433); speak with a customer relations specialist
- Fax to 1-866-692-6327, Attn: Customer Service Center
- Email to *info@GuideStone.org*
  Mail written request to 2401 Cedar Springs Road, Dallas, TX 75201-1498,
  Attn: Customer Service Center

Note: GuideStone cannot guarantee trade dates for written requests sent by mail or fax; however, such requests will be processed when received on a timely basis and in good order. GuideStone will not be responsible for undelivered mail or faxes.

Requirements for processing exchanges and allocations

Make sure your employees are aware of the following requirements for processing exchanges and allocation changes. GuideStone has adopted industry standards in imposing these requirements.

- No future or backdated requests will be accepted.
- Request must be received by the designated cutoff time established by GuideStone to receive same-day Net Asset Value (NAV).

Note: Requests received after the cutoff will be processed with the next business day's NAV.

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Remitting contributions

See the *Basic Plan Document* and your *Adoption Agreement* (or internal policies and procedures) for Plan provisions regarding employer and participant contributions.

Here are several things you need to know regarding remitting contributions to GuideStone:

- Remit contributions correctly in reference to the contribution amount, type (i.e., employee non-match or employer match) and pay period.
- Remit contributions as soon as possible following the payroll(s) for which the contributions are applicable and in accordance with the remittance method you use. (GuideStone currently offers several options for remitting contributions. See the section that immediately follows for a description of these methods.)
    - In accordance with the final Code section 403(b) regulations, all participant deferrals should be remitted to the Plan "within a period that is not longer than is reasonable for the proper administration of the plan." As an example, the final Code section 403(b) regulations provide that participant deferrals should be remitted to the Plan within 15 business days following the month they are withheld from the participant's compensation.
- Do not remit contributions based on compensation not yet earned.

Contribution remittance methods

The following remittance methods are available for employers to utilize when sending payments to GuideStone.

Employer Access Program

GuideStone offers a free online service that employers can use for remitting contributions. This same service can also be used for processing enrollments, account maintenance and updating employment status. A GuideStone administrator will issue the employer an employer number and security code to register online. By registering, you are authorizing GuideStone to allow your authorized employees (security administrators) to use the Employer Access Program. A security administrator can then grant viewing and/or updating authority to other users at the administrator's discretion.

Administrators may access this service from the website, *www.GuideStone.org*. The following features are available to help with the day-to-day administration:

Retirement:

- Employee maintenance (address, phone, email, etc.)
- Employee enrollments and terminations
- Contribution processing (ACH or check payment method) and history
- View participant activity history and account summary
- Downloadable forms
- View asset account information
- Run employer reports
  View *Plan Administration, Self-Audit Manuals* and *Plan Documents*

For more information about Employer Access, please contact the Customer Service Center at **1-888-98-GUIDE** (1-888-984-8433).

Electronic Data Transfer (EDT)

EDT enables you to extract contribution, enrollment and termination data from your payroll system and send the data electronically to GuideStone. We recommend this method for employers who have more than 100 participants and make frequent changes to their statement.

If you select this method, GuideStone will send you an instruction manual on how to use EDT for remitting contributions. Contact GuideStone if you need a manual.

Payroll feeds

GuideStone can receive contributions and participant information using a payroll feed, which allows our recordkeeping system to interact with your payroll system. Payroll feed is similar to EDT in how we receive the information from the employer payroll system. In addition, it also allows for GuideStone to submit any changes back to the employer's payroll system that may have been received directly from a participant's online activity.

Remitting payment

Automated Clearing House (ACH)

ACH is an electronic funds transfer GuideStone initiates at a designated time for payment of contributions. You can set up ACH through Employer Access at any time or contact GuideStone if you need assistance.

Wire transfer

A wire transfer is a payment from the employer's bank to GuideStone's bank.

Year-end contributions

For account statements

In order for participants to receive an accurate *Annual Statement*, GuideStone must receive November payroll period remittances by mid-December. This allows time to apply contributions to accounts and make needed changes before the final cutoff at year end. The *Annual Statement* reflects only contributions actually credited through the last working day of the year.

For maximum contribution limits

GuideStone must receive December contributions and post them to participants' accounts no later than January 31 of the following year to ensure they count as current-year contributions for purposes of maximum contribution limits calculations and do not negatively impact current-year contribution limits. Employee contributions should always be contributed as soon as administratively feasible.

Contributions after termination (five-year, post-employment contributions)

Employers may contribute on behalf of participants in a 403(b) plan for up to five years after the year in which the participant separates from service. There are several requirements that employers must meet in order to provide for these types of contributions:

- The participant must have a current-year contribution limit calculation (tax calculation).
- The contributions must be 100% vested.
- The employee must not be carried on the employer's payroll for any reason during the time contributions continue.
- The employer cannot give the participant an option of taking the contributions in cash instead of making contributions to the Plan.
- Contributions may only be made until December 31 of the year containing the fifth anniversary of termination. If the participant dies prior to the end of the contribution period, contributions must stop as of the date of the participant's death.
- You cannot use electronic remittance. Contribution notices will be mailed monthly, and remittance must be separate from other contributions.

If you are an NQCCO, these types of contributions may impact nondiscrimination testing if the participant is a Highly Compensated Employee in the year of termination.

If you have a situation where this type of contribution can meet a need, please contact your relationship manager to discuss your particular situation.

Contribution source

Contribution sources describe the type of contribution made to the Plan and the tax implications on the contribution. GuideStone establishes all the source types applicable to your Plan when your Plan is set up in our system.

It is very important that you remit contributions that accurately identify the amount associated with each source type and that you do not combine more than one source type under a single source type. Below are examples of source types used by GuideStone to administer the Plan:

- Employee tax-sheltered
- Employer
- Employee tax-paid
- Employee Roth

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Maintenance of participant and/or employer information

Participant indicative data

The participant should promptly notify GuideStone of changes to any of the following participant records:

- Address
- Phone number
- Email address
- Marital status*
- Name change*

* A participant's marital status affects plan administration with respect to various records and forms. Please advise participants that Plan records must accurately reflect their marital status since it directly affects their beneficiary information and requests for withdrawals from the Plan. GuideStone's legal department requires complete copies of a divorce decree, marital property settlement, marital dissolution settlement and/or death certificate.

Employment status

You should promptly notify GuideStone of changes in the employment status of participants. Changes in employment status may include the following:

- Change from part-time to full-time status or vice versa if the status affects participant's participation in the Plan
- Change in status due to employee meeting eligibility requirements
- Rehire
- Termination of employment
- Transfer within employer (i.e., When an employee switches from one employer to another for contribution purposes. This is especially important if the employer has employees in both a not-for-profit entity and a for-profit entity and/or has multiple plans or multiple related employers.)

Important note: If the Plan has a vesting schedule, it is especially important for the employer to notify GuideStone promptly when participants terminate so GuideStone may remove non-vested amounts from participants' accounts. Not doing so can mislead participants regarding the value of their account.

Employer changes

Notify GuideStone immediately of changes or possibilities of changes in the following:

- Employer name
- 501(c)(3) status
- Organization or corporate structure

Changes in any of the above can impact your Plan or plans of related employers or other entities. Organizational or structural changes can include mergers, acquisitions, spin offs, etc. Such changes frequently require Plan amendments and can affect the administration of the Plan. You may need to submit a new *Status Certification Form*. New related organizations that wish to participate in your Plan may need to submit other information so that GuideStone can determine their eligibility to participate.

If you confront reorganizations and restructuring, you should contact your relationship manager at GuideStone for more information.

Vesting

See the *Basic Plan Document* and your *Adoption Agreement* or internal policies and procedures for Plan provisions regarding vesting.

Vesting is the process by which a participant gains ownership, or rights, to the employer contributions made to the participant's account. All participant contributions (tax-sheltered, tax-paid, Roth, rollover and transfer contributions, and earnings on the contributions) are always 100% vested. Participants in plans that have vesting schedules forfeit non-vested amounts, including earnings, when they terminate service. GuideStone tracks the forfeited amounts separately.

One of your most important duties is described in Attachment E of the *Recordkeeping Services Agreement:*

> "In addition to notification of Severance from Employment, the Sponsoring Employer shall promptly provide any related information necessary to enable GuideStone to (a) maintain accurate and up-to-date records of vested percentages and (b) process forfeitures of non-vested amounts on a timely basis if vesting is applicable."

Failure to notify GuideStone that a participant has terminated causes non-vested amounts to remain on the participant's account. These amounts continue to accrue earnings. The participant can, therefore, easily be misled into thinking his accumulations are greater than they actually are when vesting is later applied.

Service for purposes of vesting is defined in the *Basic Plan Document* and your *Adoption Agreement*.

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Distributions

In-service withdrawal

See the *Basic Plan Document* and your *Adoption Agreement* for Plan provisions regarding in-service withdrawals.

An in-service withdrawal is a distribution of amounts to a participant while the participant is still working. The amount that a participant may withdraw is limited both by law and Plan provisions.

Participants interested in withdrawing funds while still in service should contact GuideStone and request a *Withdrawal Application*.

General information

Contributions to the Plan are intended to stay in the Plan until a qualifying age or event. The IRS places restrictions and penalties on early distributions. GuideStone withholds a mandatory 20% for federal tax purposes on any tax-sheltered accumulations withdrawn that are not directly rolled over to another retirement plan or IRA. However, participants may owe more or less than amounts withheld depending on their personal tax liability. A participant may also be subject to a 10% penalty for amounts withdrawn prior to attaining age 59½. See the section in this manual entitled "Penalty tax on early withdrawals" for specific information, including a list of exceptions to the penalty tax.

Tax-sheltered amounts may be rolled directly to another employer-sponsored retirement plan, such as a 401(k) or another 403(b) plan or to an IRA. In addition, amounts may be transferred to another 403(b) financial institution. See "Rollovers, exchanges and transfers" for more specific information.

Check your *Adoption Agreement* to see which amounts, if any, your Plan permits participants to withdraw while they are in service.

- Many employers choose to allow participants to withdraw the balance of:
    - Participant's tax-sheltered contributions
    - Participant's Roth contributions
    - Participant's tax-paid contributions, subject to legal restrictions
- Some employers may also restrict participants from withdrawing the balance of:
    - Participant's tax-sheltered, Roth and/or tax-paid contributions which receive a matching contribution
- Some plans do not permit in-service withdrawals

If your *Adoption Agreement* provides for amounts listed below to be withdrawn, here is some additional information that you will find helpful about amounts available for withdrawal:

Participant tax-paid contributions and earnings

- If such contributions were made prior to January 1, 1987, the participant may withdraw only the tax-paid contributions (tax-free distribution).
- If such contributions were made on or after January 1, 1987, the participant must also withdraw earnings on a pro-rata basis.

Participant tax-sheltered contributions, Roth elective deferrals and earnings

- If contributions were made prior to January 1, 1989, both contributions and earnings accumulated through January 1, 1989 may be withdrawn.
- If contributions were made on or after January 1, 1989, contributions and earnings may not be withdrawn unless the participant is at least age 59½, has a severance from employment, is eligible to receive a qualified reservist distribution, dies, becomes disabled or can meet the eligibility requirements for a financial hardship.

How to request an in-service withdrawal

- Instruct the participant to call GuideStone at **1-888-98-GUIDE** (1-888-984-8433) to verify the amounts available for withdrawal.
- Assist the participant in completing a *Withdrawal Application*.
- Ensure that married participants have received notarized spousal consent, if applicable.
- Complete the "Employer Verification" section of the application.
- Send the completed form to GuideStone.

Participants may indicate on the application the amount of taxes they want withheld. GuideStone is required to withhold 20%, or participants may elect additional amounts be withheld. Be advised there is a 10% penalty for amounts withdrawn prior to age 59½. Refer to the section in this manual entitled "Penalty tax on early withdrawals" for more information, including exceptions to the penalty tax. GuideStone is not required to withhold the 10% penalty. Participants are responsible for paying this amount when they report their taxes.

Hardship withdrawal

See the *Basic Plan Document* and your *Adoption Agreement* for Plan provisions regarding hardship withdrawals.

In certain circumstances and in accordance with Plan provisions, participants may be eligible for a hardship withdrawal.

The Plan identifies the elements necessary for a financial hardship to exist:

> **"**Safe harbor — distributions deemed necessary to satisfy financial need. A financial hardship will be deemed to exist only if (1) the distribution is not in excess of the amount of immediate and heavy financial need of the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated as a result from the distribution; and (2) the Participant has obtained all distributions, other than hardship distributions, and all loans currently available under this Plan and all retirement plans of the Church..."

Note: Participants may be required to take a loan before they are eligible for a hardship withdrawal from the Plan (unless repayment of the loan creates further hardship).

General information

Amounts available for a hardship withdrawal are limited by law and Plan provisions. Participants must provide evidence of one or more of the following situations:

- **Medical expenses:** Medical expenses include expenses incurred by the participant, the participant's spouse, dependent(s) or primary beneficiary for medical care.
- **Purchase of principal residence:** Expenses related to the purchase of the participant's principal residence (excluding mortgage payments).
- **Prevention of eviction or foreclosure:** Expenses related to preventing eviction from the participant's principal residence or foreclosure of the mortgage on the participant's principal residence.
- **Educational expenses:** Limited to expenses related to the payment of the current semester or incurred in the next 12 months, for tuition and fees, related educational fees, and/or room and board expenses for post-secondary education for the participant, participant's spouse, children, dependent(s) or primary beneficiary.
- **Burial or funeral expenses:** Expenses related to burial or funeral for the participant's deceased spouse, parents, children, dependents or primary beneficiary.
- **Casualty and disasters:** Expenses related to repairs resulting from damage to the participant's principal residence that would qualify for the casualty deduction.

Participants in need of a hardship withdrawal should request the *Certification of Financial Need Worksheet* and the *Withdrawal Application* from their employer. These forms provide more information to participants regarding required documentation. Participants must include all documentation when they send the application to GuideStone.

Participants may indicate on the application the amount of taxes they want withheld. GuideStone will withhold 10% unless the participant elects to have zero withheld, or participants may elect additional amounts be withheld. Be advised there is a 10% penalty for amounts withdrawn prior to age 59½. Refer to the section in this manual entitled "Penalty tax on early withdrawals" for more information, including exceptions to the penalty tax. GuideStone does not withhold the 10% penalty. Participants are responsible for paying this amount when they report their taxes.

Participants who take a hardship withdrawal may not make any contributions (tax-sheltered, Roth or tax-paid) to the Plan for six months following receipt of the withdrawal. Participants that receive employer contributions will continue to have those amounts credited to their accounts unless they are matching contributions.

How to request a hardship withdrawal

- Instruct the participant to call GuideStone at **1-888-98-GUIDE** (1-888-984-8433) to verify the amounts available for withdrawal.
- Assist the participant in completing a *Withdrawal Application* and a *Certification of Financial Need Worksheet*. (Instruct the participant to send required documentation (i.e., forms, medical bills) to GuideStone. If urgent, advise the participant to send this material via overnight or expedited mail.)

- Counsel the participant regarding the tax implications of the withdrawal. It is possible that the withdrawal may move the participant into a higher tax bracket or that insufficient withholding could incur a penalty for under-withholding.
- Ensure that married participants have received notarized spousal consent, if applicable.
- Complete the "Employer Verification" section of the application.
- Resume contributions to the Plan after the participant's suspension period has ended. GuideStone will notify you when the six-month suspension period has expired.

Termination withdrawal

See the *Basic Plan Document* and your *Adoption Agreement* for Plan provisions regarding termination withdrawals.

A termination withdrawal is a distribution of amounts to a participant who has terminated service with the employer and not reached retirement age (generally defined as a termination of service on or after attaining age 55) of the Plan.

Important note for employers: The GuideStone 403(b)(9) Retirement Plan provides that participants who terminate service on or after attaining the early retirement date are "retiring," not terminating, and different Plan provisions are applicable (i.e., GuideStone processes distributions for such participants as "retirement income" and not "termination withdrawals").

The amount that a participant may withdraw at termination of employment may be limited by Plan provisions.

The following are amounts you may make available for withdrawal upon termination, if your *Adoption Agreement* so provides:

- Participant's tax-paid contributions account
- Participant's tax-sheltered contributions account
- Participant's Roth contributions account
- Vested portion of the participant's employer contributions account

General information

Generally, GuideStone withholds a mandatory 20% on any taxable accumulations withdrawn (unless the participant elects a direct rollover). A participant may also be subject to a 10% penalty for amounts withdrawn prior to age 59½. Please see "Penalty tax on early withdrawals" for specific information, including exceptions. Tax-sheltered dollars can be directly rolled over to another employer-sponsored retirement plan or an IRA.

Termination withdrawals, unless restricted by your *Adoption Agreement* provisions, are eligible for any of the payment options described in the *Basic Plan Document* and your *Adoption Agreement*.

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Note: If a participant has a total account balance of less than $1,000 in the Plan, the entire account may be distributed to the participant without the participant's consent.

How to request a termination withdrawal

- Instruct the participant to call GuideStone at **1-888-98-GUIDE** (1-888-984-8433) to verify amounts available for withdrawal.

Important note for employers whose plans have vesting schedules: According to the *Recordkeeping Services Agreement*, you are responsible for verifying vested percentages in the participant's Employer Contributions Account. It is extremely important that you promptly confirm participants' dates of termination, so that non-vested amounts are removed timely from participants' accounts.

You should also understand that participants who terminate service on or after attaining age 55 have met requirements of the Plan for attaining the early retirement age. Many vesting schedules accelerate for early and/or normal retirement, and amounts that otherwise would be non-vested become 100% vested.

- Assist the participant in completing a *Withdrawal Application*.
- Ensure that married participants have received notarized spousal consent, if applicable.
- Complete the "Employer Verification" section of the application.
- Instruct the participant to send the application to GuideStone.

Penalty tax on early withdrawals

If a participant receives a payment before reaching age 59½ and does not roll it over, then, in addition to the regular income tax, the participant may be required to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax does not apply to the payment if it is:

- Paid to the participant because the participant separates from service with the employer during or after the year the participant reaches age 55.
- Paid because the participant retires due to disability.
- Paid to the participant from the Plan as equal (or almost equal) payments over the participant's life or life expectancy (or the participant and participant's beneficiary's lives or life expectancies). The payments must begin after separation from service to avoid the 10% early distribution tax.
- Paid directly to the government to satisfy a federal tax levy.
- Used to pay for certain medical expenses.
- In certain cases, made to an alternate payee because of a qualified domestic relations order ("QDRO").
- Paid to the beneficiary or estate on or after the participant's death.
- Made from elective deferral contributions as a result of a qualified reservist distribution.

The 10% early distribution tax only applies to taxable distributions. Distributions of Roth or after-tax contributions, as well as distributions taken as minister's housing allowance, will be excluded from the 10% penalty.

See IRS *Form 5329* and instructions for more information on the additional 10% tax.

Early and normal retirement income

See the *Basic Plan Document* and your *Adoption Agreement* for Plan provisions regarding early and normal retirement income.

Participants are eligible for early retirement income upon attainment of early retirement date (age 55) and termination of employment or normal retirement income upon attainment of normal retirement date (age 65 or older) and termination of employment.

How to request early or normal retirement income

- Contact GuideStone for a *Retirement Income Estimate* and *Retirement Income Application* to send to the participant, or the participant can log into *My*GuideStone and select the "Retirement Income" link.
- Follow the instructions on the *Retirement Income Application* to assist participants in completing the form. Ensure that the participant signs the form and, if required, obtains spousal consent and employer verification.
- Mail the completed application to GuideStone.

Note: If any additional contributions are paid after an annuity is established, those contributions will be distributed to the participant.

> **Example**: If a participant retires as of November 1 and sets up income, but was still working up until that time, a contribution for the month of October is due. If GuideStone receives paperwork and sets up income before receiving the final contribution from the employer, the participant will be sent a single sum payment for the amount of the final contribution instead of setting up income for the additional amount.

Limited retirement income

In addition to an early or normal retirement income, some employers have included in their plans an additional retirement option that permits certain participants an opportunity to choose what is referred to as a "limited retirement income."

General information

Generally, to be eligible for limited retirement income, participants must have attained at least age 59½ and be 100% vested in their Employer Contributions Account on the basis of completed years of service. Some employers may have included other eligibility requirements for this option (e.g., different age, exclude participants who are Highly Compensated Employees, etc.). Note that this limited retirement income differs from other retirement income in that participants are not required to terminate service in order to receive this limited retirement income.

How to request limited retirement income

- Request from GuideStone a *Retirement Income Estimate* and *Retirement Income Application* to send to the participant.
- Follow the instructions on the *Retirement Income Application* to assist participants in completing the form.
- Ensure that the participant signs the form and, if required, obtains spousal consent.
- Complete the "Employer Verification" section of the application.
- Forward the completed application to GuideStone.

Disability retirement income

See the *Basic Plan Document* for Plan provisions regarding disability retirement income. Your *Adoption Agreement* will permit or not permit a disability retirement income.

General information

Participants must be totally disabled as defined under the Plan and provide medical proof of such disability in order to receive disability retirement income. In some cases, Plan provisions may restrict participants from receiving any disability retirement income or may delay participants from receiving disability income from the Plan until coverage for employer-provided, long-term disability insurance ceases.

Check your *Adoption Agreement* to see which payment options, if any, your Plan limits.

How to request disability retirement income

- Notify GuideStone as soon as possible when a participant meets the Plan definition of disabled (see the *Basic Plan Document* for definition) and include their last day of work. Keep in mind that payments for a disability:
  - Cannot be effective more than 90 days prior to the date GuideStone is notified.
  - Are not paid for the first five months of disability. This is sometimes called the "waiting period."

Note: Payments may be paid for the current month (1) when employers notify GuideStone after the participant has already satisfied the waiting period and (2) if GuideStone approves the participant's disability claim.

- Request that GuideStone send a *Retirement Income Application* and *Attending Physician's Statement* to the participant.
- Inform participants that their disability retirement income may not be payable until disability payments under a separate disability income program provided by the employer ceases. Also, inform participants if you will continue to make employer contributions to their retirement account while disability income is being paid. (Check your *Adoption Agreement* for special provisions regarding disability retirement income.)

- Encourage participants who have disability income under a separate long-term disability income program provided by you to defer disability retirement income from the Plan until age 65 or until the income under the separate long-term disability income program stops.
- Instruct participants who elect to begin receiving disability retirement income from the Plan to complete and return the *Retirement Income Application*. Participants must check the appropriate box in section 1 of the application indicating they are applying for disability retirement income. The employer must complete the "Employer Verification" section of the application.
- Inform participants who elect to defer receiving a disability retirement income that accumulations will remain in the Plan and participants will continue to receive *Quarterly Account Statements* as long as GuideStone has a valid address for the participant.
- Send the completed application and physician statement to GuideStone.
- Delete the participant's name from the retirement remittance bill if no further contributions will be made on the participant's behalf.

Death benefit

Beneficiaries and/or joint life applicants may be eligible for beneficiary income upon the death of the participant.

General information

Upon the death of the participant, beneficiaries and/or joint life applicants may be eligible for beneficiary income. Please notify GuideStone when a death has occurred. GuideStone must receive a copy of the death certificate before a beneficiary estimate can be prepared and beneficiary income can be paid from the Plan. All income is reported on a *Form 1099-R* for federal income tax purposes. The beneficiary receives a *Form 1099-R* for any payments they receive.

As a practical matter, in most cases, beneficiaries of participants contact GuideStone directly upon the death of the participant. However, you may want to notify GuideStone for processing status.

How to request death benefits

- Notify GuideStone of the participant's date of death.
- Delete the participant's name from the contributions remittance, noting the reason as "death."
- GuideStone will contact the beneficiary and answer any questions, or you may meet with the beneficiary to explain the options when a participant dies prior to receiving benefits. Be sure to discuss:
  - Beneficiary income is payable as a single sum, systematic withdrawal or life income annuity. Subject to IRS guidelines and Plan provisions, the beneficiary may elect any of the forms of payment.
  - There are certain legal restrictions on deferral of beneficiary benefits. Have the beneficiary contact GuideStone if the beneficiary wants to defer payment.
  - All income is reported on a *Form 1099-R* for federal income tax purposes. The beneficiary receives a *Form 1099-R* for any payments they receive. Inform

the beneficiary that failure to report this income can result in adverse tax consequences. GuideStone sends beneficiaries a *Form 1099-R* at year-end.
  - Housing allowance is not allowed on beneficiary income.
  - If deferring receipt of the retirement account, the beneficiary should name his/her own beneficiary(ies) by visiting *www.MyGuideStone.org/Beneficiary*.
  - Inform the beneficiary to contact GuideStone for a *Beneficiary Income Estimate* and *Beneficiary Income Application* if this information is not already available.
- The beneficiary completes the *Beneficiary Income Application* and sends the form to GuideStone.

Required minimum distributions (RMDs)

See the *Basic Plan Document* for Plan provisions regarding required minimum distributions (RMDs).

Federal law requires participants to begin receiving a minimum amount from their retirement plan by April 1 of the calendar year following the calendar year the participant reaches age 70½ or retires, whichever is later. GuideStone uses the acronym "RMD" to refer to this type of distribution.

General information

Participants who are currently employed may be able to delay required distributions. (Employment generally means that a participant is receiving compensation, reported on a *W-2*, from the employer maintaining the Plan with GuideStone.) Participants who determine that they are eligible to delay required distributions may simply sign and return a delay form **each year** to GuideStone. GuideStone includes this form in a notification letter it sends each year to affected participants. Participants who fail to return the delay form by the date specified in the annual notification letter will receive a distribution of the required minimum amount.

Corrections to a payment can only be made if the calendar year is current. If the payment was issued in a previous calendar year, corrections cannot be considered unless GuideStone has made an error. GuideStone 403(b)(9) Retirement Plan participants may only delay RMDs for the Plan maintained by their current employer. RMDs are complex, so GuideStone encourages employers and participants to check with our Benefits area for more detailed information and guidance. If a participant has more than one plan with GuideStone (i.e., worked for more than one GuideStone 403(b)(9) Retirement Plan employer or participated in both the GuideStone 403(b)(9) Retirement Plan for Southern Baptist Churches and the GuideStone 403(b)(9) Retirement Plan), the RMD rules apply to each plan separately.

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How to request an RMD

- Assist participants in completing the *Required Minimum Distribution Application* or *Delay of RMD* form. GuideStone will mail these forms at certain points throughout the year.
- Forward the completed application to GuideStone no earlier than six months before the payment date.
- If delaying an RMD, instruct the participant to return the completed delay form to GuideStone each year until distributions begin.

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Rollovers, exchanges and transfers

See the *Basic Plan Document* for Plan provisions regarding rollovers, exchanges and transfers. Rollovers, exchanges and transfers are complex transactions. In accordance with the 403(b) regulations, GuideStone has established procedures for administering rollovers, exchanges and transfers.

Note: These rules can change when the IRS issues revenue rulings, procedures and/or regulations affecting rollovers, exchanges and transfers or when new legislation is passed. For this reason, it is a good idea to check with GuideStone for help with this process.

Rollovers

Generally speaking, the Plan provides that participants may make participant rollovers and/or direct rollovers to the Plan in accordance with the rules and procedures established by GuideStone and in accordance with applicable law. The law allows rollovers between 403(b) and 401(k) plan assets, as well as certain IRAs. This means that 401(k), other 403(b) and IRA monies can be rolled into an employee's GuideStone 403(b) account. These amounts are then held in the Plan in the participant's rollover contributions account. Roth elective deferral rollovers are allowed for plans that have Roth elective deferral contributions, and these rollovers will be held in the participant's Roth rollover contributions account.

The Plan also provides that participants may make direct rollovers out of the Plan to another eligible retirement plan in accordance with applicable law and the rules and procedures established by GuideStone.

Because rollovers are complex, it is best to check with (or have the participant check with) GuideStone before starting the rollover process.

Exchanges

Exchanges can be broken down into two categories according to the IRS 403(b) regulations.

Investment exchanges involve a participant moving money from one vendor (contract) to another vendor (contract) where the receiving vendor in the exchange has a payroll slot (they are actively receiving contributions from the employer's payroll). With these exchanges, employer approval and information sharing is required, but a separate written *Information Sharing Agreement* is not required. The IRS feels that payroll slot vendors will have an agreement to share information in their service agreement or other documents.

> **Example**: Your Plan allows employees to have their contributions sent to GuideStone or Vendor X. A participant who is currently using Vendor X would like to move a portion or all of his money to GuideStone, which is actively receiving contributions. This is an **investment exchange**. You would be required to share information in the event the participant has money with both vendors. No *Information Sharing Agreement* would be required.

Contract exchanges involve a participant moving money from one vendor (contract) to another vendor (contract) where the receiving vendor involved in the exchange does not have a payroll slot, (e.g., a discontinued vendor). With these exchanges, employer approval and a written *Information Sharing Agreement* is required.

> **Example**: Your Plan allows employees to have their contributions sent to GuideStone or Vendor X. A participant who is currently using Vendor X would like to move a portion or all of his money to Vendor Y. Vendor Y is not an option for employees to have their contributions sent to on a monthly basis. This is a **contract exchange**. You would be required to approve this exchange and share information. A written *Information Sharing Agreement* would be required.

Plan-to-Plan Transfers

Transfers involve (1) an employee moving money from your Plan to a completely unrelated employer's plan of an employer at which the employee is or was an employee or (2) an employee moving money from one 403(b) plan to another 403(b) plan of the same employer. In this instance, the money is moving out of the Plan and, if moved to another employer's plan, no information sharing or oversight is required. If allowed in your *Adoption Agreement*, plan-to-plan transfers can be made while the employee is still in service without regard to any distribution restrictions.

Limiting exchanges, transfers and rollovers

Your Plan has the ability to not allow exchanges, transfers and the rollover of employer money. If GuideStone is your only vendor and you do not allow **contract exchanges** or transfers, your Plan will experience very little impact from these rules. Current employees would still have the ability to do a rollover to another provider with any amount available to them while in service (limited by law and Plan provisions). Former employees would also be able to roll over to another provider. Former employees can usually move their entire vested account balance, although a few plans do restrict employer dollars from being removed prior to retirement.

Information sharing

One of the primary issues surrounding exchanges involves information sharing. The IRS asserted in their 403(b) regulations that retirement plan oversight is the responsibility of the employer. This means that in situations where multiple vendors are a part of the Plan, the employer will be responsible for sharing information with each vendor to ensure compliance. For example, an employer has multiple vendors and only allows one Plan loan per employer Plan. The employer is responsible for making sure that an employee seeking to take out a Plan loan with one vendor does not already have a loan with another vendor within the Plan. In some situations, this information sharing requires a signed *Information Sharing Agreement*. Below is an outline of the process involved with information sharing.

Participants, employers and Plan providers have more steps to complete if your organization makes contributions to more than one investment provider or allows Plan participants to move money from one 403(b) investment provider to another while in service. (These new rules do not apply to rollovers between retirement plans.)

Money can still be moved, but there is now a new wrinkle. To perform a contract exchange, the employer and the provider receiving the 403(b) money must enter into an agreement to exchange required information related to compliance with the 403(b) requirements. An exchange will no longer be allowed between providers with which an employer has no formal relationship.

A plan-to-plan transfer occurs between two unrelated employers' 403(b) plans or between 403(b) plans of the same employer. For example, a participant may elect to transfer money from a former employer's 403(b) plan into his/her new employer's 403(b) plan.

Activity	Information Sharing Requirement
Contributions to more than one provider	Employer must ensure coordination of information between vendors
Investment exchange	Employer must ensure coordination of information between vendors
Contract exchange	Written *Information Sharing Agreement* required
Plan-to-plan transfer	Information sharing not required
Rollover	Not affected by new 403(b) regulations

Your decisions may present some new accountabilities and challenges. You may need to:

- Establish an *Information Sharing Agreement* documenting responsibility for sharing information if you allow Plan participants to move money within your single 403(b) Plan from one investment provider with a payroll slot to a vendor who does not occupy a payroll slot.
- Provide written consent when participants request certain types of Plan distributions, such as a hardship withdrawal or Plan loan.

Again, plans that use GuideStone as their sole provider will see minimal impact from this information sharing requirement.

How to request rollovers and transfers to GuideStone

- Instruct the participant to call GuideStone at **1-888-98-GUIDE** (1-888-984-8433) to request the appropriate paperwork.
- Assist the participant in completing the appropriate application for the distributing institution as well as for GuideStone.
- Instruct the participant to send the application to GuideStone.
- Follow up with the resigning institution to confirm that the funds have been released.

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How to request rollovers and transfers from GuideStone

- Instruct the participant to call GuideStone at **1-888-98-GUIDE** (1-888-984-8433) to verify amounts available for rollover or transfer and to request the appropriate paperwork.
- Assist the participant in completing the appropriate application.
- Ensure that married participants have received notarized spousal consent, if applicable.
- Instruct the participant to send the application to GuideStone.

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Loans

See the *Basic Plan Document* and your *Adoption Agreement* for Plan provisions regarding loans. GuideStone determines the terms, conditions and limitations regarding loans that are necessary for administration and to comply with applicable law.

Participant loans are available on a plan-by-plan basis. Participants may have only one outstanding loan per plan unless your Plan allows more. Participants with vested balances in more than one plan may have more than one loan.

If GuideStone is not the sole investment provider under the Plan, the employer is required to sign off on all Plan loans. This requirement is to make sure a participant does not already have a loan exceeding the $50,000 limit with another vendor in the Plan or from another plan of the employer.

Minimum amount

The minimum loan amount is $1,000.

Maximum amount

The maximum loan amount is the lesser of:

- 50% of the participant's vested account balance on the date of the request or
- $50,000 minus the highest outstanding loan balance(s) for loan(s) made from all plans maintained by the employer during the previous 12-month period.

Interest rate

The interest rate for loans is the prime rate plus one percentage point. GuideStone uses the prime rate published in *The Wall Street Journal's* "Money Rates" column. The interest rate remains fixed for the term of the loan.

Terms of the loan

There are two types of loans: regular loans and principal residence loans.

- The terms of a regular loan may be for any time period from one to five years, including partial years.
- The terms of a principal residence loan may be for any time period up to 10 years.

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Loan fees

Participants must pay two fees: a loan origination fee and an annual maintenance fee. GuideStone deducts the origination fee and first year's maintenance fee from the participant's retirement account at the time the loan is issued. GuideStone deducts the annual maintenance fee from the participant's retirement account on the anniversary date of the loan.

Method of request

Participants may submit loan requests in two ways:

- By calling GuideStone at **1-888-98-GUIDE** (1-888-984-8433) — A customer relations specialist will model a loan for participants and then send the appropriate paperwork based on the modeled loan.
- Via GuideStone's participant website at *www.GuideStone.org* — Participants model the loan themselves, and the loan documentation will be sent to the "My Messages" section of their *My*GuideStone account.

Loan models and paperwork are based on current Plan account balances on the date of the request. Any transaction resulting in a change to these balances may affect the amount available for loan and invalidate outstanding paperwork. It is recommended that a participant refrain from initiating further account activity until the loan is completed. Once received, participants cannot change or alter loan documents. Loan paperwork must always have original signatures.

GuideStone cannot process a loan until it receives completed paperwork. Participants cannot change or alter loan documents. Any changes or modifications require the issuance of new paperwork at the current interest rate and based on the account balance on the new request date. Participants should confirm that GuideStone's records regarding their marital status are correct before requesting a loan model. Loan paperwork is accepted for processing at GuideStone via fax, email or mail.

Terminating employment does not release participants from the terms of their loan agreement. The participant's obligation to repay the loan remains the same. Account balances of participants who terminate and request a partial or complete withdrawal will not include the amount of the outstanding loan balance. Further, in the case of a complete withdrawal, the loan balance will remain due and payable according to the terms of the loan and repayment schedule. Participants who default on loan repayments are subject to applicable taxes and/or penalties.

General information regarding issuing a loan

GuideStone distributes the loan amount from the participant's account in proportion to the most recent investment allocation on file with GuideStone at the time of the loan and not from any specific fund choice.

GuideStone will distribute the loan as soon as administratively feasible after verifying the application. The standard processing time is five to seven business days.

GuideStone transmits the loan amount by Electronic Funds Transfer (EFT) to the participant's bank or financial institution.

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Loan repayments

GuideStone's rules and procedures require participants to repay loans only via ACH payments deducted from a participant's checking or savings account. (GuideStone cannot debit a participant's business account.)

Participants may prepay loans in full at any time without penalty or fee by cashier's check or money order. GuideStone will return partial payments without crediting amounts to the outstanding balance of the loan.

Upon the death of a participant, the loan is immediately due and payable. Beneficiaries may pay off the loan balance with the account balance or let the loan default. A defaulted loan is treated as a deemed distribution and reportable as taxable income in the year of the default.

GuideStone allocates loan repayments to a participant's account according to the participant's current plan investment allocation election.

Missed loan payments

GuideStone allows a cure period as permitted under IRS Reg. 1.72(p)-1 Q&A 10(a). This cure period, essentially a repayment grace period, ends on the last day of the calendar quarter following the quarter in which the full amount due for the quarter was not paid. When a participant fails to make a scheduled payment, GuideStone sends a notice to the participant. The notice indicates the first missed payment, the amount due and information about the cure period. GuideStone applies any payments received after the notice to the first missed payment. When payments become three months in arrears, GuideStone sends a *Warning Notice of Default* notifying the participant they have entered the cure period and the ACH draft has been turned off. At the end of the cure period, if the loan has not been brought to a current status, a *Notice of Deemed Distribution* letter is sent notifying the participant that the cure period has ended and the loan is now a deemed distribution.

Loans in default

In a default situation, the entire outstanding loan balance is deemed a distribution and is reportable as taxable income in the year of default. In such a situation, participants may also incur early distribution penalties.

Note: Participants who have defaulted on a Plan loan are not eligible for future loans from the Plan, with exceptions of events leading to foreclosure or paying off the previous defaulted loan.

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Correcting mistakes

The following section provides important information on how to handle mistakes/errors that may occur. Immediately contact GuideStone for guidance when a correction may be necessary.

Return of contributions

Retirement plan problems can be corrected, but it's easier to correct problems before an audit. If plans are not corrected, participants could lose the tax benefits of participation. The sooner problems are found and fixed, the better. The IRS offers some different options for correcting retirement plan problems through its Employee Plans Compliance Resolution System (EPCRS).

In addition, the IRS has created a checklist of common problems along with ways to fix these problems. With Revenue Procedure 2013-12, the IRS has included corrections for 403(b) plans in EPCRS.

EPCRS offers three options for correcting retirement plan problems. The first and best option is the Self-Correction Program (SCP). The IRS is not involved if SCP is used, but not all errors can be corrected using SCP. The second best option is the Voluntary Correction Program (VCP) with IRS approval. With VCP, you submit your proposed correction to the IRS along with a fee. The last option is correction under the Audit Closing Agreement Program (Audit CAP). When a plan is under audit, correction options are limited and sanctions are involved. That's why we hope you will use this manual to find any problems before an audit.

To qualify for SCP, you must decide that:

1. You had a written 403(b)(9) plan in place by 12-31-2009;
2. The error is not egregious and is not related to the diversion or misuse of the plan;
3. You have established practices and procedures (formal or informal) reasonably designed to promote compliance, and the operational failure occurred from an oversight or mistake in applying them;
4. The operational failure is not directly or indirectly related to an abusive tax avoidance transaction as identified by the IRS and
5. The error qualifies as either an insignificant or significant operational failure as identified by the IRS.

Here are some factors to consider in determining whether an operational failure under a plan is insignificant:

a) Whether other failures occurred during the period being examined (for this purpose, a failure is not considered to have occurred more than once merely because more than one participant is affected by the failure);
b) The percentage of plan assets and contributions involved in the failure;
c) The number of years the failure occurred;
d) The number of participants affected relative to the total number of participants in the plan;
e) The number of participants affected as a result of the failure relative to the number of participants who could have been affected by the failure;
f) Whether the correction was made within a reasonable time after discovery of the failure and
g) The reason for the failure (for example, data entry error, transposing numbers or minor arithmetic errors).

In limited cases, plan problems can be corrected under SCP even if they are not insignificant. However, correction of significant operational failures must be completed or substantially completed by the last day of the second plan year following the year the failure occurred. In the case of an operational failure of the Actual Contribution Percentage Test (explained later), the employer has until the last day of the third plan year following the year of the failure.

When an error occurs, notify GuideStone to request that the contributions and any earnings or losses be returned to the employer (or to the participant in the case of tax-paid contributions) or applied to a suspense account to be used for future employer contributions.

In the event you submitted contributions for a participant by mistake, notify GuideStone to request that the contributions and any earnings or losses be returned to you or applied to the appropriate asset account. In order to correct the account, a *Self-Correction Program Form* (if refunding contributions to the employer's suspense account) or a *Mistake of Fact Authorization* form (if refunding contributions to the employer) must be completed and returned to GuideStone as documentation of the correction. Please contact GuideStone to receive the proper form. The following information needs to be provided before GuideStone can proceed with the correction:

- Participant's name
- Social Security number
- Contribution type to be changed
- Amount to be refunded
- Payment period end date of amount to be refunded
- Original signature of authorized officer and/or participant
- Date of signature

Redesignation

It is important to pay careful attention and to correctly identify the contribution source type you remit to the Plan. On rare occasions, situations can occur when contributions you remit are incorrectly identified. In order to correct the account, a *Change in Records* form must be completed and returned to GuideStone, or the **employer** must contact GuideStone in writing. Please contact GuideStone to receive this form. The following information needs to be provided before GuideStone can proceed with the correction:

- Participant's name
- Social Security number
- Contribution type
- Amount to be redesignated by contribution type
- Payment period end date of amount to be redesignated
- Original signature of authorized officer and/or participant
- Date of signature

Note: For contributions made after December 31, 1994, the employer must confirm that participants have written *Salary Reduction Agreements* and provide copies to GuideStone upon request. If the participant's contribution was not properly reported on the employee's *Form W-2*, then you will need to make the necessary corrections to the *Form W-2* and notify the participant.

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Audit/correction

From time to time, employers or participants request an audit of contributions to accounts. An audit is a detailed listing of all of the activity (contributions, distributions, exchanges and post dates, as well as payroll end dates, if applicable) on the participant's account for a given time frame. Generally, GuideStone does not conduct audits of accounts involving trade dates of more than 120 days from the request because audits result in significant breakage (the difference between the current day's NAV and the prior trade date, creating either a gain or loss) and incur costs for processing corrections that affect all participants.

To help prevent audits:

- Explain to participants that contributions are trailing (i.e., reported on participant's pay stub in the month before they are remitted to GuideStone).
- Advise participants to review their quarterly e-statements and report discrepancies as soon as possible.

Requests for audits beyond the 120-day period will incur a fee. The fee will be $75 per hour, which includes research and processing time. The fee will be deducted from the account of the participant or employer asset account depending on who is requesting the audit. In the event an account balance is not sufficient to cover the fee, GuideStone will invoice the employer or participant. The fees must be paid prior to correction processing.

GuideStone researches and/or considers circumstances of disputes that are within 120 days from the availability of the quarterly e-statement on which the discrepancy appears. Each dispute is considered on a case-by-case basis. GuideStone may or may not make corrections that cause up to 120 days of breakage.

The following information is required before GuideStone can process the audit:

- Employer name
- Time frame
- Canceled checks
- Participant's name
- Participant's address
- Participant's phone number
- Participant's Social Security number
- Other documentation relevant to the request (e.g., *Salary Reduction Agreement*)

The following types of corrections may incur fees:

- Contributions posted to wrong source
- Contributions posted to the wrong investment
- Computation of earnings for missed contributions
- Contributions posted to wrong employer
- Contributions posted to wrong participant
- Redesignations and back-dated contributions
- Self-Correction Program or Mistake of Fact corrections
- Make-up contributions

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Account statements

GuideStone's *My*GuideStone website provides participants daily access to all activity concerning their accounts. Encourage participants to use this service.

Participant quarterly account statements

Quarterly Account Statements show all activity concerning a participant's retirement account during the preceding quarter. Activities that appear on a participant's *Quarterly Account Statement* include:

- Contributions/credits
- Distributions/debits
- Exchanges
- Loans
- Investment gains/losses

Quarterly Account Statements are available to participants online. They may access the statements by logging into their account via *My*GuideStone and selecting the "View and Print eStatements" Quick Link. Participants who are unable to receive electronically delivered statements and want to continue receiving *Quarterly Account Statements* may request paper statement delivery by contacting GuideStone Customer Relations at **1-888-98-GUIDE** (1-888-984-8433) Monday through Friday, 7 a.m. to 6 p.m. CST.

Instruct participants who believe their *Quarterly Account Statement* contains errors to promptly call GuideStone's toll-free number, **1-888-98-GUIDE** (1-888-984-8433). GuideStone will assume that account statements are correct unless notified by the employer or participant within 120 days from the date of the accounting statement. If notified within 120 days, GuideStone will research any request or proposed discrepancy and make any correction it determines necessary or appropriate. In addition, participants can view their account activity daily by accessing their account online at *MyGuideStone.org*.

Note: *Quarterly Account Statements* do not show defined benefit plans. Participants in a deferred compensation plan will receive a separate statement showing the activity on those accounts. The fourth quarter accounting statement will be an *Annual Statement*, which the participant will receive in the mail. If a participant would prefer to receive the *Annual Statement* electronically, they may contact a GuideStone customer relations specialist to make that change.

Employer account statements

Employers who have trust asset accounts or participants with deferred compensation plans (i.e., 409A, 457(f), 457(b), etc.) receive a *Quarterly Account Statement* from GuideStone. Activities that appear on an employer's accounting statement include:

Trust asset account

- Forfeitures
- Contribution payments
- Exchanges
- Adjustments

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Deferred compensation plans (these are sorted by participant)

- Contributions
- Earnings
- Withdrawals

Tax information

Tax-sheltered contributions

Participants must sign written *Salary Reduction Agreements* with you in order to make tax-sheltered contributions to the Plan. Participants pay no federal income tax on the money at the time it is put into the Plan. Any federal income tax due is payable when amounts are distributed from the Plan. You do not report participants' contributions made by salary reduction as taxable income in Box 1 of *Form W-2*. You must report participants' tax-sheltered contributions in Box 12 of *Form W-2*.

Roth elective deferrals

Participants must sign written *Salary Reduction Agreements* with you in order to make Roth elective contributions to the Plan. Participants pay applicable taxes on the money at the time it is put into the Plan. If the employee makes a qualified distribution, the contributions and earnings are withdrawn tax-free. A qualified distribution means the funds must be held for a five-year period dating from the earlier of the first year you contribute to any Roth 403(b) option in your employer's Plan or, if a Roth rollover contribution is made, the first year you make a designated Roth contribution to the other applicable retirement plan, whichever is earlier. In addition, a distribution is not qualified unless you have reached age 59½ or are disabled or is made to your beneficiary(ies) after your death.

Housing allowance

Eligible ministers may designate all or a portion of their income as housing allowance. It is the minister's and his employer's responsibility to determine eligibility for housing allowance and to adhere to all applicable laws and regulations regarding such designation. The amount a minister can claim as housing allowance must be the lesser of:

- The amount designated
- The actual housing expenses
- The annual fair market rental value of your home, furnished, plus utilities

At retirement, eligible, retired Ministers for Tax Purposes may ask GuideStone to designate all or a portion of their retirement income as housing allowance. A housing allowance can be designated for a payment only when that payment relates to contributions made as a result of earnings from service as a minister. Each minister must decide if he is a Minister for Tax Purposes and how much he can exclude from income as a housing allowance.

GuideStone reports the total distribution on the minister's *Form 1099-R*, but the portion of the retirement income claimed as housing allowance is not reported as taxable income on the *Form 1099-R*. This creates a difference between the gross amount, taxable amount and tax-paid amounts of which ministers need to be aware and resolve on their tax returns. If a minister asks GuideStone to designate more than he can exclude from income as a housing allowance, he must report the excess to the IRS.

Ministers who receive retirement income but continue their service in the ministry may have to pay SECA taxes on the part of their retirement payments designated as housing allowance. Ministers must comply with other IRS rules about the housing allowance. We encourage ministers to consult with an accountant or attorney who is familiar with unique issues surrounding ministers' taxes.

Ministers can request to make or change a housing allowance designation at any time by completing a form. All requests for changes will apply to future payments only and cannot be retroactive. If participants have additional questions on minister's housing allowance, they may access (and print) the annual *Ministers' Tax Guide* from GuideStone's website, *www.GuideStone.org*, or call GuideStone at **1-888-98-GUIDE** (1-888-984-8433) to request a copy.

Withholding

Participants may roll over eligible distributions to an IRA or to another employer-sponsored retirement plan that accepts rollovers. GuideStone is required by law to withhold, for federal income tax, 20% of the taxable distribution for any portion of the distribution paid directly to the participant that can be classified as an eligible rollover distribution.

GuideStone may distribute all or any portion of a participant's eligible income as either a:

- Direct rollover (check made payable to appropriate plan)
- Roth IRA conversion (check made payable to IRA provider)
- Distribution (check made payable to the participant)

Below is helpful information to those participants who are considering the differences between these options.

Direct rollover (check made payable to appropriate plan):

- Subject to taxes later when the participant withdraws the money from the receiving institution.
- Participants receive a *Form 1099-R* from GuideStone and report the rollover when filing their taxes for the previous year (reportable on IRS *Form 1040*, but not taxable).

Roth IRA conversion (check made payable to IRA provider):

- Reportable as taxable income at the time of the conversion.
- Qualified distributions are tax-free at retirement.

Distribution (check made payable to the participant):

- GuideStone must withhold 20% of eligible rollover distributions for federal income tax.
- Participants must pay taxes in the current year unless they roll the distribution over to another financial institution and report the distribution as a rollover on *Form 1040*.
- Participants who receive checks made payable to them who roll the money over to another financial institution must complete the rollover within 60 days of receipt of the check.
- GuideStone reports the gross amount of the participant's distribution on a *Form 1099-R*.

Note: Distributions to participants who are not yet age 59½ may be subject to an additional 10% excise tax (note exceptions below). Participants pay this when they file their federal income tax.

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Exceptions to the 20% mandatory income tax withholding

Participants may **not** roll over the following distributions, and they are **not** subject to the mandatory 20% withholding:

- Payments that will last for a period of 10 years or more
- Required Minimum Distributions
- Hardship withdrawals
- The portion of a distribution claimed as minister's housing allowance
- Distributions to correct excess deferrals, excess contributions or excess aggregate contributions

Participants need to keep in mind that distributions are generally taxable income and thus affect the amount of federal income tax the participant must ultimately pay.

Exceptions to the 10% excise tax

Generally, taxable distributions from retirement plans prior to age 59½ are subject to 10% excise tax. This 10% early distribution tax does not apply to distributions that are:

- Distributed to the participant because the participant separates from service during or after the year the participant reaches age 55.
- Distributed to the participant after age 59½.
- Distributed to the participant due to disability as defined by the IRS.
- Distributed as substantially equal, periodic payments over participant's life or lives of beneficiaries if the payments begin after participant separates from service.
- Distributed directly to the government to satisfy a federal tax levy.
- Distributed for certain medical expenses that could be deducted in that year.
- Distributed to an alternate payee because of a qualified domestic relations order ("QDRO").
- Distributed to a beneficiary or estate after participant's death.
- Distributed to correct excess deferrals, excess contributions or excess aggregate contributions.
- Distributed from elective deferral contributions as a result of a qualified reservist distribution.

The 10% early distribution tax only applies to taxable distributions. Qualified Roth distributions or distributions of after-tax contributions, as well as distributions taken as minister's housing allowance, will be excluded from the 10% penalty.

State income tax withholding

Depending on the participant's state of residence for tax purposes, some distributions from the Plan may be required to have state income tax withholding. GuideStone will accommodate state income tax withholding on distributions where such withholding is required. The amount will be credited against the participant's state income tax.

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Form 1099-R

GuideStone reports all of the retirement distributions from the Plan to participants on a *Form 1099-R*, mailed no later than the last day of January of the year following the year of distribution. GuideStone also reports defaulted loans "deemed a distributable event."

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Maximum contribution limits

Maximum contribution limits calculations

There are legal limits on the amount of contributions that may be made to the Plan. Upon request, GuideStone assists participants and employers in determining these amounts on an annual basis for the current year and/or next year. GuideStone refers to such calculations as maximum contribution limits calculations. There is no charge to the employer or participant for this service. Sometimes the result of such a calculation calls for a corrective distribution to the participant. When this occurs, GuideStone can assist participants and employers in taking corrective action.

Limits are calculated based upon compensation, years of service, age, prior years' salary reduction contributions and employer contributions. The limitations are different for each participant. For calculation purposes only, all employer contributions are considered fully vested. Generally, maximum contribution limits calculations are performed to maximize salary reduction contributions. If a participant wants to maximize different types of contributions, GuideStone can perform separate calculations for each type.

Participants may call GuideStone's toll-free number, **1-888-98-GUIDE** (1-888-984-8433), to request a maximum contribution limits calculation. GuideStone will send participants the appropriate form(s) to complete and process the request upon receipt of the completed form(s).

There are two contribution limits that participants may not exceed

- 415(c) annual addition (referred to as the basic limit) — the **lesser** of:
  - 100% of includable compensation as defined in *Internal Revenue Code* section 403(b)(3) or
  - $53,000 (indexed amount for 2015)
- 402(g) General Limit — $18,000 (indexed amount for 2015)

The 402(g) General Limit is the limit on salary reduction contributions (including Roth elective deferrals). As a rule, there is only one General Limit on salary reduction contributions per participant, no matter how many employer plans in which a participant makes salary reduction contributions (including Roth elective deferrals). (Employers who sponsor 457(b) plans should note, however, that salary reduction contributions to such plans do not count toward this limit.) A participant may be able to contribute more than the General Limit on salary reduction contributions provided that the participant has completed 15 or more years of paid, full-time denominational service (or its equivalent). They should have a maximum contribution limits calculation performed to determine their eligibility for this special catch-up contribution.

Code section 414(v) catch-up contributions for ages 50 and over

Individuals who have attained age 50 or over in a tax year and want to maximize salary reduction contributions may make an additional salary reduction contribution up to $6,000 for 2015. This limit may be indexed in $500 increments.

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Special limit

Participants may find another special limit available to church plan participants especially advantageous. This special limit is $10,000, available any tax year as long as the participant has not yet reached the $40,000 lifetime cap. (See the chart that follows for more details.)

Determining if a participant is within the limits

Both the employee and the employer are ultimately responsible for determining if the participant is within the limits, but GuideStone helps employers by making calculation services available free of charge. Participants may lose certain tax advantages related to their retirement account, and you may encounter payroll tax problems if participants exceed limits for contributions to the Plan.

You must withhold proper amounts from participants' salaries for federal income tax. If participants exceed contribution limits, then the excess becomes taxable income to the participant. When this occurs, you can inadvertently become subject to penalties for failure to withhold amounts for federal income tax and FICA on the excess contributions.

Free maximum contribution limits calculation service

GuideStone offers participants three ways to take advantage of this free service by calling our toll-free number, **1-888-98-GUIDE** (1-888-984-8433):

- Request and complete the *Maximum Contribution Limits Worksheet* for each participant and send it by:
  - Mail: GuideStone Financial Resources
    2401 Cedar Springs Road, Dallas, TX 75201-1498
    Attn: Compliance Department
  - Fax: 1-866-692-6327, Attn: Compliance Department
  - Email: *info@GuideStone.org*
- If a participant meets certain basic qualification requirements, a customer relations specialist will set up a call-back request with a compliance specialist to perform a maximum contribution limits calculation over the phone.

Telephone calculations

Participants who can answer "true" to the following statements are eligible for an over-the-phone (basic) maximum contribution limits calculation with a compliance specialist:

- I am considered a full-time employee by my employer for the entire year (January through December) for which I want to maximize contributions.
- I have not received "unusual" compensation this year, such as severance pay, gifts or bonuses.
- I have never received a distribution (loans are not distributions), a withdrawal or retirement income, nor have I had a QDRO established from my account.
- I will work for only one employer during the tax year and will receive only one *W-2* from an employer.
- Other than a tax-deductible or Roth IRA, I have participated only in retirement plans offered through GuideStone and expect to participate only in GuideStone plans for the year in which I want to maximize contributions.

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- I am not receiving any type of executive benefit arrangement from my employer.
- I am not participating in the Ministers and Chaplains Plan (for self-employed ministers and ministers at for-profit organizations with no retirement plan).
- I do not work for an employer that is one of several employers under a corporate structure (e.g., a subsidiary of a hospital).
- I have never contributed over the General Limit on salary reduction contributions.

Maximum Contribution Limits Summary

Contribution	When applicable	Advantages
402(g) General Limit	Every year	Available each year
Basic Limit	Every year	Available each year (generally the highest option)
$10,000 Limit	Each year that includable compensation is less than $10,000 and lifetime cap of $40,000 has not been reached	Provides a larger contribution limit whenever includable compensation is less than $10,000
Age 50 catch-up contributions	Beginning in the tax year you turn age 50 and each year afterwards	Permits additional contributions up to $6,000 (indexed) for 2015 above your limit

More information on contribution limits can be found here: *GuideStoneRetirement.org/Individual/ContributionLimits.*

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Nondiscrimination testing

What is nondiscrimination testing?

If you have completed the *Status Certification Form* and determined that you are a non-qualified church-controlled organization (NQCCO), you must annually ensure that your Plan is in compliance with various nondiscrimination requirements to which 403(b) plans are subject. You may meet these requirements by submitting data about your Plan to GuideStone and having GuideStone perform the various applicable tests. GuideStone refers to this process as NDT or nondiscrimination testing.

Important note: Only the plans of NQCCO employers must meet these requirements.

What is the purpose of such testing?

The NDT requirements are a series of requirements designed to ensure that your 403(b) Plan does not unlawfully favor, either in operation or design, employees whom the law determines are Highly Compensated Employees (HCEs). NDT requirements may vary depending on the types of contributions provided for under the Plan. Here are the different types of contributions NDT examines: participant tax-paid, participant required, employer non-match and employer match. The tests also analyze and/or test such things as coverage requirements, compensation, etc.

Where can I get information and/or help on testing?

GuideStone's Compliance Department is dedicated to helping you meet testing requirements for your Plan. They will provide annual updates of any changes in testing requirements and respond to questions you may have.

General information that employers subject to testing need to know

As mentioned above, since testing is designed to ensure that plans do not unlawfully favor HCEs, you must know how employees are classified and described for purposes of testing.

Employee classifications

- Highly Compensated Employee (HCE) — Employees who received compensation in excess of $115,000 (indexed amount for 2014) for the preceding Plan year. For the purpose of making this determination, compensation includes elective deferrals (i.e., by salary reduction) to the retirement plan, 457(b) and other plans, such as cafeteria plans (i.e., Code section 125 plans) and qualified transportation fringe benefits. It does not include housing allowance or elective deferrals to an unfunded deferred compensation plan or a nonqualified deferred compensation plan.
- Non-Highly Compensated Employee (NHCE) — Employees who receive less compensation than that identified for the relevant Plan year for an HCE.

- Statutory exclusions — Employees who meet one of the statutory exclusions specifically included in the employer's *Adoption Agreement*. Excludable employees are **not included** in NDT.
- Non-excludable ineligible employees — Employees who **are** included in NDT even though they are **not eligible** to participate in the retirement Plan due to Plan provisions (e.g., employees classified as adjunct faculty).

Major tests

There are three major nondiscrimination tests:

1. **Coverage test**: Compares the number of NHCEs benefiting under the Plan to the number of HCEs benefiting to ensure the Plan's coverage meets ratio requirements.

Example: A college has 10 HCEs and nine of those HCEs benefit under the retirement plan. The college also has 300 non-excludable NHCEs and 100 of those NHCEs benefit. This means that 90% of the HCEs benefit and only 33% of the NHCEs benefit. For this plan year, the plan may fail to satisfy the coverage test.

2. **General nondiscrimination test**: Requires a plan to provide that contributions or benefits do not unlawfully discriminate in favor of HCEs. The general nondiscrimination test actually contains two main parts: the Amount Test and the Availability Test.

- **Amount test** — Requires that the value of contributions or benefits under a plan do not unlawfully discriminate in favor of HCEs. This test looks at employer non-match contributions and employee required salary reduction contributions (i.e., contributions that participants make by an irrevocable *Salary Reduction Agreement* as a condition of employment).

Example: A college's plan provides for matched contributions based on a service schedule with participant's matching contributions decreasing and the college's contributions increasing as service increases. The college's contributions eventually become non-matched as participants make no contributions to get the highest percentage of employer contribution. The college has only one HCE who is eligible for the non-match contributions. If only a small percentage of NHCEs are eligible for the non-match contributions, the plan may fail the Amount Test in that year.

- **Availability test** — Requires that all features (other than the contributions or benefits) must be available to a nondiscriminatory group of employees.

Example: A college adds a new provision to its *Adoption Agreement* and grandfathers current employees so that the new provision does not apply to them. As the grandfathered employees terminate, particularly if the college has only one HCE and he or she is in the grandfathered group, the plan may fail the Availability Test.

3. **Actual Contribution Percentage test (ACP):** Tests employer matching contributions and participant tax-paid contributions to make sure that the average contribution percentage for eligible HCEs does not exceed the average contribution percentage of all other eligible employees by more than a specified percentage. The test calculates the percentage for each employee by dividing the employer matched contributions and/or the employee tax-paid contributions, if any, by the employee's testing compensation. The test then averages the percentages for all HCEs and NHCEs. The difference must fall within applicable ranges.

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Example: The ACP for ABC Hospital's HCEs is 9%. The ACP for NHCEs is only 3%. In this instance, ABC Hospital would fail the ACP test.

Statutory exclusions

There are certain groups of employees that employers may lawfully exclude from the Plan without impacting the nondiscrimination tests. Commonly referred to as "statutory exclusions," these groups of employees can be made based on age, service and other categories.

Statutory exclusions must appear in the Plan in order to exclude such groups from receiving employer contributions as well as from making their own tax-sheltered contributions.

Note: Some employers may want only to exclude such groups from receiving employer contributions.

Deadlines

GuideStone has established various deadlines to ensure that employers can meet legal and Plan deadlines for testing:

February 1	Employer submits data for plans with matching contributions.
March 15	Employer submits data for plans with non-match contributions. GuideStone distributes checks for plans with ACP failure.
October 15	Plans with non-match contributions can make *Adoption Agreement* changes and/or make additional contributions (in case of testing failures).
Annually	NQCCO plans must make employees aware of their right to participate in the plan and provide an effective opportunity to make elective contributions (typically in November or December).

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How to get help

Listed below are some common areas of questions, along with the divisions or departments at GuideStone to which you can direct any questions this manual may not address.

You may call GuideStone's toll-free number, **1-888-98-GUIDE** (1-888-984-8433). If the call center is unable to answer your question or transfer your call directly to the requested service area, your message will be forwarded to the appropriate person to return your call within one to two business days. You may also call (or write, as noted below) directly to the appropriate area identified below.

Information or questions on:	Contact:
Account statements……………………………………	**Retirement Operations** Pre-retirement Administrator
Bankruptcy…………………………………………….	**Legal Services** (via letters only) Attorney
Retirement income estimates……………………….	**Benefits** Benefits Administrator
Contribution statements … ………………………..	**Retirement Operations** Pre-retirement Administrator
Contribution limits calculations……………………..	**Compliance** Compliance Specialist
Death benefits.………………………........................	**Benefits** Survivor Specialist
Disability retirement income………………………..	**Benefits** Benefits Administrator
Divorce, pre-retirement……………………………....	**Retirement Operations** Pre-retirement Administrator
Divorce, post-retirement…………………………….	**Benefits** Supervisor

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Eligibility/participation……………………………..	**Retirement Operations** Pre-retirement Administrator
Loans………………………………………………..	**Benefits** Loan Administrator
Plan design changes………………………………...	**Implementation & Client Support** Implementation & Client Support Specialist
Retirement application………………………………	**Benefits** Benefits Administrator
Retirement check……………………………………	**Benefits** Benefits Administrator
Nondiscrimination testing…………………………...	**Compliance** Compliance Supervisor
Adoption Agreement interpretation and changes………	**Benefit Solutions & Services** Relationship Manager or Implementation & Client Support Specialist
Vesting questions, pre-retirement……………….……...	**Retirement Operations** Pre-retirement Administrator
Vesting questions, post-retirement…………………...	**Benefits** Benefits Administrator
Withdrawals…………………………………………	**Benefits** Benefits Administrator

Appendix A

Eligibility service scenarios using Counting Hours

Below are general examples of plans that have eligibility service provisions in their plan and use the Counting Hours method.

Eligibility service scenarios

A good rule to keep in mind is that, generally speaking, all service counts.

Here are some general statements on service:

- If a person has an employer contributions account balance from previous service for the employer, he will be immediately eligible for the Plan upon rehire.
- If a person meets eligibility and then terminates service but is gone less than five years, he too will be immediately eligible upon rehire.
- If a person leaves in his first year of hire and is rehired within that same year, the computation period is still measured from date of hire to first anniversary. It is as if no break occurred.
- If a person leaves in the first year of hire and is rehired after the initial computation period but before a one-year break in service, it is possible the person will be immediately eligible or eligible as of the first day of the first Plan year next occurring.

Below are eligibility scenarios, all of which assume the Plan has a one-year of eligibility service requirement and uses Counting Hours. They also assume that there are no other *Adoption Agreement* modifications affecting service (such as denominational service).

Caution: These examples are not relevant for plans that have eligibility requirements of less or more than one year of eligibility service and use Counting Hours.

Example 1:

- John Doe is hired on November 5, 2008.
- On November 5, 2009, his first anniversary, John has completed 1,000 actual hours of work.

Conclusion: He has met the eligibility service requirements of the Plan. (See the *Basic Plan Document*.)

Example 2:

- John Doe is hired on November 5, 2008.
- On November 5, 2009, his first anniversary, John has completed 999 actual hours of work.

Conclusion: He has **not** met the eligibility service requirements of the Plan. (See the *Basic Plan Document*.)

Note: The first Plan year "beginning after his employment commencement date" is 2008.

- If John has completed at least 1,000 actual hours of work on January 1, 2009, he will have met the eligibility service requirements of the Plan.
- If John has not completed at least 1,000 actual hours of work on January 1, 2009, the employer will check on January 1, 2010 and so on.

Example 3:

- John Doe is hired on November 5, 2008.
- On August 10, 2009, before completing a year, John quits. At the time John quits, he has already completed 1,000 actual hours of work.
- On November 5, 2009, his first anniversary, John is **not** employed by the employer.
- On December 10, 2009, before a one-year break in service has occurred, John is rehired by the employer.

Conclusion: When he is rehired on December 10, 2009, John is eligible to participate in the Plan, as he has met eligibility requirements. (See the *Basic Plan Document.*)

Note: Recall that John's original employment commencement date is November 5, 2008. His computation period for measurement of eligibility service is November 5, 2008 to November 5, 2009. He had already completed 1,000 actual hours of work, and if he had been employed on his first anniversary date, he would have met the eligibility requirements of the Plan.

If John had not completed 1,000 actual hours of work, he would not have met the eligibility requirements of the Plan and would not have been eligible immediately upon rehire. However, the employer would next look at John's eligibility on the first Plan year commencing after his employment commencement date, i.e. 2009. Thus, on January 1, 2010, the employer will determine if John completed 1,000 actual hours of work for that computation period. (See the *Basic Plan Document.*)

Example 4:

- John Doe is hired on November 5, 2003.
- On November 5, 2004, his first anniversary, John has completed 1,000 actual hours of work and has met eligibility service requirements of the Plan.
- On December 6, 2006, John quits. He does not withdraw his vested employer contributions account from the Plan but leaves his accumulations in the Plan to continue to accrue earnings.
- On September 9, 2008, John is rehired. John has incurred a one-year break in service.

Conclusion: John is immediately eligible for the Plan since the eligibility service has been reinstated. (See the *Basic Plan Document.*)

Example 5:

- John Doe is hired on June 7, 2001, as an employee who is classified as support personnel. The employer's Plan excludes employees classified as support personnel from participation in the Plan. He works 40 hours a week and completes more than

2,000 hours a year.
- On September 2, 2009, John is promoted to a position that is not classified as support personnel.

Conclusion: John is immediately eligible for the Plan.

Note: John's eligibility service with the employer is measured from his original employment commencement date, not from the date he was a member of a covered employee group. (See the *Basic Plan Document*.)

Example 6:

- John Doe is hired on November 5, 2003.
- On November 5, 2004, his first anniversary, John has completed 1,000 actual hours of work and has met the eligibility service requirements of the Plan.
- On December 6, 2005, John accepts a position as support personnel. The employer's Plan excludes employees classified as support personnel from participating in the Plan. John **is no longer eligible to receive employer contributions** to his account. However, his service with the employer continues to accrue.
- On March 5, 2008, John quits. He does not withdraw his vested employer contributions account from the Plan but leaves his accumulations in the Plan to continue to accrue earnings.
- On September 9, 2009, John is rehired for a position that is not excluded from the Plan. Thus, John has had a one-year break in service.

Conclusion: John is immediately eligible for the Plan since the eligibility service he had is reinstated. (See the *Basic Plan Document*.)

Note: Employers must carefully review each specific situation, relying on specific facts and in accordance with Plan provisions.

For breaks of at least one year where eligibility requirements have been met

Regardless of how long such an employee has been gone, when rehired, if the employee has an employer contributions account balance in the Plan from prior service, they will be immediately eligible for the Plan. Even if such an employee has no account balance in the Plan from prior service, and without even reviewing their service records, if they have been gone for less than five years, they will be immediately eligible for the Plan. If such an employee has no account balance in the Plan from prior service, determine the number of years they have been gone, then compare it to the number of years of prior service they had (or five, if greater). If they have been gone more than five years but less than the number of years of prior service, they will be immediately eligible for the Plan.