



# **403(b) RETIREMENT PLAN**

## **SUMMARY PLAN DESCRIPTION**

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## ARTICLE 1

### INTRODUCTION

Traverse City Area Public Schools (TCAPS, "Employer") has established a 403(b) plan. It is maintained for the exclusive benefit of eligible employees and their beneficiaries. This description of the plan has been prepared to explain the provisions of the plan. You should read all parts of this description so that you understand the ways in which the plan may benefit you.

A summary cannot include all details of the plan document or the administration and operation of the plan. If there is any omission or ambiguity in this summary plan description or any conflict between this summary and the terms of the plan, the provisions of the actual plan document will control. Therefore, if you have questions or if you want to know how a plan provision applies to you, please be sure to ask.

## ARTICLE 2

### GENERAL INFORMATION

The basic information for the plan is set forth below.

2.1 Plan Name.

Traverse City Area Public Schools 403(b) Plan

2.2 Employer.

Traverse City Area Public Schools  
412 Webster Street  
Traverse City, MI 49686  
(231) 933-1700

2.3 Employer Taxpayer Identification Number.

38-6001332

2.4 Plan Number.

002

2.5 Type of Plan.

403(b)

2.6 Type of Administration.

The plan is self-administered by Traverse City Area Public Schools.

2.7 Plan Year.

January 1 – December 31

2.8 Custodian/Insurer.

Schedule A is a list of permitted Investment Providers (Custodians/Insurers) approved by the District. A summary of basic information regarding the providers may be attached.

2.9 Service of Legal Process.

Service of legal process may be made upon the Employer or the Investment Provider/Custodian or insurer.

## ARTICLE 3

### ELIGIBILITY/PARTICIPATION

#### 3.1 Eligibility.

To participate in the plan, you must be an Employee receiving compensation for personal service in Covered Employment.

Covered employment excludes: (i) an independent contractor; (ii) a student incidentally employed as a part of their education program; (iii) a student who is enrolled and regularly attending classes at the employer; (iv) a nonresident alien receiving no earned income from services within the U.S.; (v) an individual who is not classified as an Employee; or (vi) or an elected or appointed official unless the office is one which requires training or experience in the field of education.

#### 3.2 Entry Into the Plan.

You will become a participant in the plan: (i) as to Participant Elective Deferrals on the first administratively feasible payroll after you are employed in covered Employment and complete a 403(b) participation agreement; or (ii) if you are an Employee who remains employed on January 1, 2009, who has previously made or received contributions to a 403(b) investment vehicle sponsored by the Employer. As to Employer Contributions, if any, you will become a Participant when you are designated to receive a contribution by the District.

#### 3.3 Participation Upon Reemployment.

If your employment terminates and you later are reemployed by the Employer, you may become a participant by meeting the entry requirements in 3.2(i) above.

## ARTICLE 4

### CONTRIBUTIONS TO THE PLAN

#### 4.1 Nonelective Contributions.

The Employer is not required to make contributions. The Employer, however, may make a nonelective contribution to the plan and decide the Employees to receive a nonelective contribution and the amount to be contributed for each participant.

#### 4.2 Elective Contributions.

You may elect to have your compensation reduced and have the amount of this reduction contributed to the plan on a pre-tax basis. Once you decide how much you want to save, that amount will automatically be deducted from your paycheck and forwarded to an investment provider who will maintain separate contribution accounts for you. Because your contributions are not subject to federal or state income taxes, you will have an immediate reduction in taxes. However, you must continue to pay social security and Medicare taxes based on your total compensation.

Alternatively, you may designate all or a portion of your elective contributions as “Roth” contributions. Designated Roth contributions are elective contributions made on an after-tax basis. That is, they are included in your gross income for the year in which they are contributed and you will pay the federal and state taxes on them now instead of later. If you designate Roth contributions, they will be credited to a separate Roth contributions account maintained for you.

Your initial election and/or Roth designation is effective as soon as possible after you become a participant in the plan. You may change your election and/or Roth designation, make a new election or designation, or discontinue your contributions at any time. The revised election will take effect for the first administratively practicable payroll period following your filing of the revised election with the Employer.

Your contributions are subject to the following three limits:

Basic Limit. Your elective contribution may not exceed 100% of your gross W-2 pay or \$17,500 (2014) and as adjusted for inflation.

<u>Year</u>	<u>Amount</u>
2014	\$17,500



403(b) Special Catch Up. If you have 15 Years of Credited Service with the employer, you may contribute an additional amount equal to the least of \$3,000, \$15,000 reduced by amounts contributed in prior years under this catch up, or \$5,000 multiplied by your Years of Credited Service reduced by amount contributed in prior years.

Age 50 Catch Up. If you attain age 50 in the calendar year of the contribution, you may contribute an additional amount of \$5,500 (2014) and as adjusted for inflation.

<u>Year</u>	<u>Amount</u>
2014	\$5,500

Contributions made will be first treated as a Basic Contribution, then as a Special Catch Up (if available) and then as an Age 50 Catch Up (if applicable). The Employer may modify your election or designation to contribute to conform to required limits or to limit the contribution to your available pay.

#### 4.3 Rollovers/Transfer.

If you receive, or are eligible to receive, a distribution from a qualified retirement under Code Sections 401(a) or 403(a), a Code Section 403(b) plan, or a governmental 457(b) plan, or if you have rolled over a previous distribution to an IRA under Code Section 408(a) or 408(b) to which you have made no other contributions, you may roll over or transfer your prior retirement benefits to this plan.

If you want to transfer Roth contributions and earnings held under another eligible plan to this plan, the transfer must be made by direct rollover. You cannot indirectly roll over amounts attributable to Roth contributions under another plan. You can, however, indirectly transfer the earnings on your Roth contributions made under another plan. But, as stated above, any such indirect rollover must be made within 60 days of the date you receive the distribution. You cannot roll over any amounts from a Roth IRA to this plan.

Before you transfer or roll over assets to or from this plan, you should talk to your own independent adviser about the requirements, time limits, and tax consequences.

#### 4.4 Make-Up Contributions.

If you return to work for the Employer from a qualifying military leave within a specified time period, you may be eligible to make up, or be allocated, contributions missed due to your absence. For more information, contact the Employer.

## ARTICLE 5

### ACCOUNTS AND ALLOCATION

#### 5.1 Separate Accounts.

A separate bookkeeping account will be established for you by your investment provider for each type of contribution.

#### 5.2 Allocation of Contributions.

The amount of elective contributions that you elect will be allocated to your elective contributions account as soon as administratively feasible. You are not required to designate any of your elective contributions as Roth contributions. However, if you choose to do so, the amount you designate will be allocated to your Roth contribution account.

(a) Allocation of Earnings and Losses. Since you direct the investment of your account into investment vehicles that you select, the earnings, losses and adjustments in value of your investment vehicle are credited to your account.

(b) Expenses. If your Employer pays plan related administrative expenses, these expenses may be charged to your account (either in proportion to the balances of all participants' accounts, or as an equal dollar amount for each participant).

Certain expenses attributable only to your account may be charged only to your account. For example, if you divorce and the plan receives a proposed "Qualified Domestic Relations Order" (see Section 7.5) awarding a portion of your account to your former spouse, expenses related to the approval and processing of the order may be charged to your account. Your account will bear all expenses attributable to the investments that you select.

(c) Maximum Allocations. The total of all contributions (excluding additional elective contributions made after age 50) and forfeitures allocated to your account each plan year cannot be more than 100% of your compensation (after reduction for Social Security and Medicare taxes) or, if less, \$46,000 (adjusted annually for cost of living increases).

## ARTICLE 6

### VESTING

#### 6.1 General Rule.

You are 100% vested in your deferral and rollover contributions accounts. Vesting for Employer nonelective contributions is determined under the schedule setting forth your contribution.

## ARTICLE 7

### DISTRIBUTION OF BENEFITS

#### 7.1 Time of Distribution.

(a) Age 59½. You may request the payment of all or a portion of your account balance, except your designated Roth contribution account, before your employment terminates if you are at least 59½ years old. Even if you request and receive a distribution of your account balance after you attain age 59½, you will still continue to be eligible for contributions until your employment terminates.

(b) Death. Your beneficiary may request payment of your vested account balance after your death.

(c) Disability. You may request the payment of your account balance when your employment terminates due to disability. Disability is defined as your inability to engage in any substantial gainful activity because of a medically determinable physical or mental impairment, which can be expected to result in death or be long, continued or indefinite in duration.

(d) Hardship. In the event of financial hardship, you may request a distribution from your elective contributions account, but not your designated Roth contribution account, in order to alleviate the hardship. "Financial hardship" means an immediate and heavy financial need which cannot be satisfied out of other resources which are reasonably available to you. A distribution will be made on account of an immediate and heavy financial need of yours only if the distribution is on account of:

(i) Costs directly related to the purchase of your principal residence (excluding your mortgage payments).

(ii) Tuition, related educational fees and room-and-board expenses for the next 12 months of post-secondary education for you, your spouse, your children or your dependents.

(iii) Uninsured medical expenses previously incurred by you, your spouse, or your dependents, or expenses necessary for these persons to obtain medical care.

(iv) Payments necessary to prevent eviction from your principal residence or foreclosure on the mortgage of your principal residence.

(v) Burial or funeral expenses for your parents, spouse, children or your dependents.

(vi) Expenses in excess of \$100 for the repair of a casualty (i.e., damage caused by a sudden, unexpected or unusual incident such as a fire, flood, storm or vandalism) to your principal residence; or

(vii) Written documentation of an unusual financial burden due to immediate and heavy financial need which is approved by the Investment Provider.

The amount of the hardship distribution cannot include earnings credited to your elective contributions account.

Before you can receive a hardship distribution, you must certify that the amount is not available from other resources without increasing the hardship. If you receive a hardship distribution, you may not make elective contributions for six months after the hardship distribution.

(e) Permissive Service Credit. You may request payment of your vested account balance for a permissive service credit under Section 7.2(d).

(f) Termination of the Plan. Generally, you will receive a distribution of your account balance upon the termination and liquidation of the plan.

(g) Qualified Domestic Relations Order. If the plan receives a Qualified Domestic Relations Order (QDRO) the Custodian or annuity provider may distribute benefits to the alternate payee as set forth in the QDRO.

(h) Required Beginning Date. Your attainment of the Required Beginning Date.

(i) Rollover Account. Your request for a distribution to a rollover account. If the rollover account was established by a transfer of a 403(b) account, the distribution may only be made for the reasons listed above.

(j) Severance From Employment. Your severance from employment. A severance from employment means that you cease to be an Employee of the public school.

## 7.2 Method of Distribution.

You (or your beneficiary) may elect to receive payment in one or a combination of the following methods:

(a) Lump-Sum Payment. A single lump-sum payment.

(b) Rollover. A direct transfer of funds to another plan.

(c) Transfer. A direct transfer to another 403(b) plan or a qualified retirement plan sponsored by an Employer or former employer.

(d) Service Credit. A direct transfer to MPSERS (defined benefit government plan) to purchase service credit.

Payment will be made as soon as administratively feasible after receipt of a request for distribution that conforms to the plan and the investment provider's requirements.

### 7.3 Electing Time and Method of Distribution.

Requests for benefit payments must be made in writing to the Investment Provider.

(a) Lifetime. If your employment terminates for any reason other than death and you do not request the earlier payment of your benefit, distribution will be made without your consent as soon as administratively feasible after you attain age 70½ or, if later, you sever from employment. With your consent, payment may be made as soon as administratively feasible following a distributive event.

(b) Exceptions.

(i) Small Balance. If your vested account balance is \$1,000 or less, it will be paid to you in a lump sum without your consent. If you have made designated Roth contributions, your designated Roth contributions account will be considered separately for purposes of determining whether your vested account balance is over \$1,000.

(ii) Death. If you die and your beneficiary requests payment of your vested account balance payment usually will begin as soon as administratively feasible. Even if your beneficiary does not request distribution, in most cases benefits must be distributed no later than the fifth year following your death unless the beneficiary is your spouse.

(iii) QDRO. Payment will be made to your spouse under the terms of a QDRO, whether or not you have attained age 50 and even though you continue to be an Employee.

(c) Deferral. You may elect to defer distribution after termination of employment, until the time of your retirement.

#### 7.4 Designation of Beneficiary.

The plan provides that benefits payable after your death will be made in the following order: to your spouse, to your children (and if deceased, their children), to your parents, and then to your brothers and sisters. If you do not want this order of distribution, you should name a beneficiary to receive any remaining benefits after your death. You can designate a beneficiary by completing and signing a form furnished or approved by the Investment Provider. Your will is not a beneficiary designation for the plan.

#### 7.5 No Assignment of Benefits/Qualified Domestic Relations Order.

As a general rule, your vested account balance cannot be sold, used as collateral for a loan, given away or otherwise transferred. In addition, your creditors may not attach, garnish or otherwise interfere with your account.

However, there is an exception to this general rule. The law requires a distribution from your vested account for court-ordered property settlement in divorce or separation, child support or alimony payments if the Investment Provider is presented with a "Qualified Domestic Relations Order." The Investment Provider will determine whether a domestic relations order is "qualified."

#### 7.6 Taxation of Distributions.

When you receive a distribution from the plan, it will normally be subject to income taxes. You may reduce or defer the tax due on the distribution by rolling over or directly transferring all or a part of the distribution to an individual retirement account (IRA), a governmental 457(b) plan, a 403(b) plan or a qualified 401(a) or 403(b) retirement plan.

Since they are contributed on an after-tax basis, in most cases you will not be taxed on designated Roth contributions when they are distributed from the plan. However, if the distribution is not a "qualified" Roth distribution, the income on your contributions will be taxable when distributed, unless you roll over the distribution to a Roth IRA or another retirement plan that is authorized to accept rollovers of Roth contributions.

A "qualified" distribution of Roth contributions is generally a distribution that is made (i) after a 5-year participation period and (ii) after you attain age 59 1/2 or, if earlier, the date you die or are disabled. For this purpose, you are considered disabled if you are unable to engage in any substantial gainful employment because of a mental or physical impairment that is expected to result in death or to be of long-term and indefinite duration.

The 5-year participation period begins on the first day of the calendar year in which you make your first Roth contribution and ends on the last day of the calendar year that is five years later. For example, if you make your first Roth contribution under this plan on June 3, 2015, the applicable 5-year participation period begins on January 1, 2015, and ends on December 31, 2019. If you make a direct rollover of Roth contributions from another plan to this plan, the applicable 5-year participation period will begin on the first day of the calendar year in which you made the first Roth contribution under the other plan, if earlier.

When you request a distribution, you will receive a more detailed explanation of the tax options. The tax rules, especially those applicable to designated Roth contributions, are very complex and you should consult with qualified tax counsel before electing the method of distribution.

#### 7.7 Penalty Taxes.

Under most circumstances, if you receive a distribution before you reach age 59½ and do not roll over the distribution to an IRA or another retirement plan, you may be required to pay an excise tax of 10% of the amount distributed. If distributions are required at age 70½, and you do not receive at least the required minimum amount of distribution, you will be required to pay a tax equal to 50% of the amount that should have been distributed. You should notify the Investment Provider when you reach age 70½.

#### 7.8 Withholding.

Federal law requires that 20% be withheld on any distribution eligible for rollover but not rolled over directly to an IRA or another qualified retirement plan. A notice that further explains rollovers and withholding will be provided to you when you are eligible to receive a distribution from the plan.



ARTICLE 8  
ADMINISTRATION OF THE PLAN

8.1 Overview.

Responsibility for the administration of the plan and investments is shared by the Employer and the Investment Providers. Each person is responsible for the exercise of the duties assigned to it, but not for the duties assigned to the other fiduciaries.

8.2 Employer Responsibilities.

The Employer is responsible for providing participant information, transmitting contributions, determining eligibility, interpreting the plan, prescribing procedures and forms for administering the plan, and preparing reports and disclosures to participants and the government.

8.3 Investment Provider.

The Employer has an agreement with each investment provider assigning several administrative duties and powers to the investment provider. These include:

- Determining contribution limits and the permissibility of rollover contributions.
- Distributing excess contributions by April 15 of the year following the contribution.
- Maintaining separate account for each type of contribution and earnings, losses and adjustments in value.
- Assuring that distributions conform to the plan and that you receive required minimum distributions.
- Providing required tax notices and making and reporting all required tax withholdings.
- Providing the employer with an annual aggregate accounting and cooperating with tax and financial audits and corrections.
- Providing acceptable forms for participation, contributions, distributions, beneficiary designations.

#### 8.4 Claims and Appeals.

If you submit a claim under the plan, you must do so in writing to the Investment Provider. An application for benefits is a claim and must be submitted on the forms provided for that purpose. The Investment Provider will inform you of the approval or denial of your claim within 90 days of its receipt, unless you are notified prior to that time that an extension (not to exceed an additional 90 days) is necessary. If your claim is denied, you will receive written notification including: (a) the reason for the decision; (b) the section of the plan on which the decision is based; (c) a description of any additional material that you could present to prove your claim; (d) an explanation of why the additional material is needed; and (e) an explanation of the steps you must take to appeal the denial of your claim, including a statement of your right to bring civil suit in the event of a denial on appeal.

You (or your representative) have the right to appeal for a full and fair review of the denial of your claim within 60 days of receiving notification of the denial. A full and fair review affords you (or your representative) the right to submit written statements, records, or other information relating to your claim and the right to reasonable access to, and copies of, all documents, records, and other information relevant to your claim, at no cost.

The Investment Provider will inform you of the approval or denial of your appealed claim within 60 days of receipt of your appeal, unless you are notified that an extension (not to exceed an additional 60 days) is necessary. If your claim is again denied, you will receive written notification including: (a) the reason for the decision; (b) the section of the plan on which the decision is based.

ARTICLE 9  
INVESTMENTS

9.1 Authorized Investments.

Your contributions are paid to the investment provider that you selected to be invested in a custodial account or a 403(b) annuity contract. If you choose to invest in a 403(b) custodial account, the account may be invested only in registered investment companies (mutual funds). You may select only one authorized Investment Provider at a time.

9.2 Participant Direction.

You must direct the investment of your accounts. Basic information regarding the investment providers may be attached. The investment provider maintains custody of your accounts. The terms of investment (procedures, expenses and other requirements) are governed by the terms of the investment vehicle that you select. By directing the investment of your accounts, you are undertaking the responsibility for the success or failure of your investment choices.

9.3 Loans to Participants.

You may request a loan from the plan on or after March 1, 2010. If you apply for a loan, you will be given a copy of the loan procedures for the plan which explains the rules and limits on loans in further detail. You may have only one loan outstanding at a time. Your loan will be evidenced by a written promissory note providing for the payment of principal and interest in level amounts. The loan cannot be more than the lesser of one-half of your account balance or \$50,000 reduced by the highest outstanding loan balance during the one-year period before the date of the loan. The term of the loan cannot be more than five years unless the proceeds are used to acquire or construct your residence. If you fail to repay any part of the loan, the Investment Provider may deduct the balance, including any unpaid interest due on the loan, from your account.

9.4 Investment Provider Responsibilities.

Unless responsibility is delegated to another provider, the investment provider is responsible for investing plan assets, preparing annual aggregate and individual valuations and accounts of the assets of the fund, and making distributions.

## ARTICLE 10

### AMENDMENT AND MERGER

#### 10.1 Amendment.

The Employer has the right to amend the plan at any time but an amendment cannot retroactively reduce your benefits or vested percentage.

#### 10.2 Merger.

The plan can be merged or consolidated with another plan as long as your account balance is not reduced by the merger.

#### 10.3 Termination.

The Employer has the right to terminate the plan.

#### 10.4 Distribution.

If the Employer decides to stop making contributions permanently, the funds may remain in the investment vehicle to be distributed when you become eligible. Generally, if the plan is terminated, your account will be distributable to you.

SCHEDULE A

DESIGNATED INVESTMENT PROVIDERS

MRIC Core Vendors:

AIG Retirement (VALIC)  
The Legend Group (Williams and Company)  
Paradigm Equities (MEA Financial Services)  
Midwest Capital Advisors  
Plan Member Services  
Waddell & Reed

TCAPS Wildcard Vendors

403bASP  
Hemming & (only agents: Meghan Dykstra, Dawn Hemming)  
Edward Jones (only agent: Gregory Williams)  
GLP & Associates, Inc. (only agent: Cathleen Marsh)