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Exchange Retirement Plan

for

Eligible Civilian Employees of the Army and Air Force Exchange Service

June 2024

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EXCHANGE
ARMY & AIR FORCE EXCHANGE SERVICE

Incorporated Change 1, 14 August 2024

Updates to this Publication

This revision incorporates Change Number 1, 14 Aug 2024.

- A ~~strikethrough~~ shows deleted information.
- An underscore shows new or revised information.

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Exchange Retirement Plan
for Eligible Civilian Employees
of the Army and Air Force Exchange Service

To All Regular Full-Time Employees

1. The original Retirement Plan was adopted effective June 1, 1946. Changes and improvements have been made over the years and are incorporated into this document.

Changes to the Retirement Plan since 1978 are as follows:

a. Effective January 1, 2000, the Plan was updated to eliminate the spousal remarriage rule. The remarriage rule required that annuity payments cease upon the remarriage of a widow/widower who is receiving a survivor annuity, if such remarriage occurs before age 60.

b. Effective July 1, 2000, the Plan was amended to provide for assignments under a Qualified Domestic Relations Order (QDRO).

c. Effective March 15, 2003, the Plan definition of compensation was revised to include lump-sum merit increases in the definition of High-3 compensation for retirement purposes as a result of the Exchange Market-Based Pay Program.

d. Effective April 28, 2003, the Plan was amended to include the portability provisions between Non-appropriated Fund (NAF) and NAF agencies for reasons other than a transfer of function, as required under Department of Defense (DoD) 1401.01-M, Personnel Policy Manual for Non-appropriated Fund Instrumentalities (NAFIs). Additionally, the Plan was amended to include the portability provisions between Appropriated Fund (APF) and NAF agencies, as specified in Public Law 104-106, Section 1043, and Public Law 107-107, Section 1131, which modify the rules specified in Public Law 101-508, Section 7202, Portability of Benefits for NAF Employees Act of 1990, and Deputy Assistant Secretary of Defense Memorandum of April 16, 1991, promulgating Appendix F, DoD 1401.01-M.

e. Effective January 1, 2004, the period that rehired associates have to purchase prior creditable service for retirement purposes was changed to “within five years of reemployment to full-time employment status.”

f. Effective September 1, 2007, for participants who join the Plan on or after this date, the definition of High-3 Average compensation was changed to exclude Vacation Leave.

g. Effective October 1, 2009, the Basic Plan benefit was extended to include the Executive Management Program (EMP) supplemental deferred compensation benefit, not to exceed the Internal Revenue Code (IRC) Section 415 limit, measured at time of retirement. The portion of any EMP benefit in excess of the IRC Section 415 limit will be a benefit from the EMP plan (refer to Appendix 1, Executive Management Program for Eligible Civilian Employees).

h. Effective August 16, 2011, the contributions by each Participant shall be eight tenths of one percent (.8%) of the Participant’s compensation for the year.

i. Effective January 1, 2014, the Plan was changed to recognize marriages of the same sex.

j. Effective March 23, 2023, prior military service time that counts towards Creditable Service was increased from five years to seven years.

k. Effective July 18, 2024, an EMP Early option was added under Involuntary Early Retirement. This allows for EMP associates who have worked for 20 or more years to retire with PMO approval.

2. The information contained in this booklet explains and illustrates your Retirement Plan. The terms and conditions of the Plan are set forth in the full text of the Plan. If there is any conflict between this summary and the Plan document, the terms and conditions of the full text will govern.

Summary Plan Description

3. **About This Booklet** – Your Retirement Plan provides substantial benefits in the event of your retirement, death or disability. These benefits have a potential value far in excess of the value of your own contributions to the Plan. To learn how you qualify for these benefits and how much you can expect to receive, you should read this booklet. We also suggest you share this booklet with your family members.

4. This booklet is a summary of the provisions of the Retirement Plan in effect as of August 2024. ~~November, 2020~~. The summary is not meant to interpret, extend or change the actual legal provisions of the Plan, but only to provide a guide for your convenience. The provisions of the legal documents of the Retirement Plan will control in all cases.

How You Participate in the Plan

5. All regular full-time (RFT) civilian Exchange employees assigned to exchanges in the United States (U.S.) and those RFT civilian Exchange employees assigned to exchanges overseas that are U.S. citizens, non U.S. citizen nationals or permanent residents of the U.S., and paid through the U.S. dollar payroll system, are eligible to participate and required to do so. All employees who were eligible on January 1, 1967 became participants on that date; all later eligible employees became participants immediately upon employment.

6. Currently, you pay 8.45% of your basic annual pay, through payroll deduction, toward the cost of your participation in the Retirement Plan, Social Security and Medicare. The majority of this payment goes to Social Security. **For example:** In 2024 ~~2020~~, 6.2% of your pay goes to Social Security (Federal Insurance Contributions Act [FICA]), 1.45% goes to Medicare and only 0.8% goes to the Retirement Plan. Almost all of the cost of the Retirement Plan is borne by the Exchange.

7. If your employment category changes from RFT to another category, you will be ineligible to continue participation.

What Determines the Amount of Your Pension?

8. **The amount of your pension is determined by a formula that takes into account three things:**

a. **Your High-3 Average Compensation** – This is your highest average rate of basic annual pay during any 36 consecutive months for which you made contributions to the Plan. Your rate of annual pay for this purpose excludes bonuses, overtime pay and other forms of pay in excess of your basic pay. It includes vacation leave payments (up to the maximum accrual allowable for retirement purposes) for participants who had Credited Civilian Service for any period before September 1, 2007; lump sum merit payments received after March 15, 2003; and lump sum promotion payments received after January 1, 2005 during the last 36 months of employment.

b. **Credited Service** – This consists of certain periods, as listed below, plus “Credited Civilian Service.” Credited Civilian Service is the number of years you contributed to the Exchange Retirement

Plan, plus any period as an eligible employee that you were not required to make contributions to the Exchange Plan. The other periods, which would count towards total Credited Service, are as follows:

(1) Up to seven years of Creditable Military Service (see Explanation of Terms).

(2) Unused sick leave at the date your employment ends.

(3) Creditable Prior NAFI Service and Creditable Prior Bookstore Service (see Explanation of Terms).

(4) Creditable Army and Air Force Motion Picture Service (AAFMPS) (see Explanation of Terms).

(5) Any period spent in an internment camp between December 1, 1941 and December 31, 1946 as a Japanese-American after reaching age 18.

Note: There will be no duplicate credit for a single period of service.

c. **Your Social Security Benefit** – In general, you can receive this annual amount at age 62, your normal retirement age.

(1) If you retire before age 62, the amount is figured as if you were age 62 at the time of retirement. If your employment ends before you reach retirement age, the amount is figured as the amount payable at age 62 if you continue working at the same pay until then and with no change in the Social Security law.

(2) If you retire after age 62, the amount is figured at your actual retirement date. However, if you retire later than your 65th birthday, the amount is figured at age 65.

(3) The Social Security Benefit used in determining your pension does not take into account any amount that your spouse or other dependents may receive from Social Security. Your Social Security Benefit is used in determining your pension regardless of whether you actually receive the benefit. However, if you do receive a Social Security Benefit and the amount (figured as an age 62 benefit) is smaller than the amount used in your pension calculation, you should ask the Exchange to refigure your pension. The adjustment applies to the first payment after you attain age 62 or on the first of the month after you provide the actual award to Headquarters (HQ) Employee Benefits, if not provided when first eligible.

Pension Formula for a Normal Retirement, Age 62

9. For each year of your Credited Civilian Service, you receive pension credit equal to a percentage of your High-3 Average Compensation; this is reduced by a percentage of your Social Security Benefit. This amount is paid to you as a lifetime income starting at your Normal Retirement at age 62.

1.50% of your High-3 Average Compensation for each of the **first 5** years of Credited Service,

plus

1.75% of your High-3 Average Compensation for each of the **next 5** years of Credited Service,

plus

2.00% of your High-3 Average Compensation for **each remaining year** of your Credited Service,

but no more than

80% of your High-3 Average Compensation,

less

2.5% of your age 62 annual Social Security Benefit for **each year** of your Credited Service (maximum 40 years).

10. **A Special Reduction** may apply if you have Creditable Prior Bookstore Service, Creditable Prior NAFI Service, or if you receive Workers' Compensation (see the Explanation of Terms for definitions).

Example of Formula – Normal Retirement, Age 62	
Credited Service	**30 years**
High-3 Average Compensation	**$ 30,000**
Annual Social Security Benefit	**$ 10,500**
1.50% x $30,000 x 5 years + 1.75% x $30,000 x 5 years + 2.00% x $30,000 x 20 years = Formula Total	$ 2,250 + $ 2,625 + $ 12,000 = $ 16,875
Note: (1.50% x 5 years) + (1.75% x 5 years) + (2.00% x 20 years) = 56.25%. Therefore, this does not exceed 80% of the High-3 Average Compensation.	
Formula Total – Minus: Exchange Social Security Offset Payment (paid until 62): < 2.5% x $10,500 x 30 years > = Permanent Annual Pension Benefit (lifetime)	$ 16,875 – $ 7,875 = $ 9,000
Income *Before* Age 62:	
Permanent Annual Pension Benefit (lifetime) + Exchange Social Security Offset Payment (paid until 62) = Total Before 62	$ 9,000 + $ 7,875 = $ 16,875
Income *After* Age 62:	
Permanent Annual Pension Benefit (lifetime) + Social Security = Total After 62	$ 9,000 + $ 10,500 = $ 19,500

Estimating Your Own Normal Retirement Pension

11. **Follow these steps to estimate your own normal retirement pension:**

Step 1 Take **1.50%** times your estimated High-3 Average Compensation and multiply by your **1st 5** years of Credited Service.

Step 2 Take **1.75%** times your estimated High-3 Average Compensation and multiply by your **2nd 5** years of Credited Service.

Step 3 Take **2.00%** times your estimated High-3 Average Compensation and multiply by your years of Credited Service **in excess of 10** years.

Step 4 Combine Steps 1, 2 and 3 above. The result should be **no more than 80%** of your estimated High-3 Average Compensation.

Step 5 Subtract **2.50%** of your estimated annual Social Security Benefit at age 62 multiplied by the number of years of your Credited Service **up to 40** years.

12. This is the estimated amount of your Exchange pension payable for your lifetime if you retire at age 62. To determine your total retirement income, add this amount to your estimated annual Social Security Benefit.

13. You can also estimate your Exchange pension by using the Retirement Calculator in Employee Self Service (ESS) on the Exchange portal site.

Minimum Pension

14. Regardless of the form in which you receive your pension, the total paid to you, your spouse or other beneficiaries will never be less than the total of your own contributions with interest to the date your pension begins, or the date of your death, if earlier.

A Word About Social Security

15. As in many pension plans, the Exchange Pension Plan formula takes into account the amount of income you can receive from Social Security. This is because the Exchange contributes to your pension plan, as well as Social Security and Medicare, throughout your career. Your Exchange pension does not reduce in any way the benefits you can receive from Social Security.

16. In addition to your own Social Security Benefit, which is called a “primary” benefit, your spouse, when he/she becomes eligible, may receive half the amount you are receiving based upon your earning record. Social Security also pays substantial income benefits in the event of your death or permanent and total disability.

17. You and the Exchange fund Social Security benefits through equal contributions. In 2024 ~~2020~~, you pay 6.2% of your earnings to Social Security and the Exchange contributes another 6.2%.

18. To receive help in estimating the Social Security Benefit that will be taken into account in determining your Exchange pension, you should contact your nearest Social Security office or go online to the Social Security website at www.ssa.gov. If you are age 62 to 65, ask them to compute the benefit that will be payable to you at your attained age. If you are over age 65 at retirement, your computed social security benefit at 65 is used in your retirement calculation. If you retire early, the Exchange will estimate your Social Security offset based on the assumption that you were age 62 when you retired.

19. Your local Social Security office or the Social Security website at www.ssa.gov can provide you with other information about Social Security benefits, as well as Medicare.

Cost-of-Living Adjustments

20. From time-to-time, Cost-of-Living Adjustments (COLAs) will be made in your pension (or your survivor’s pension). These adjustments are tied to the COLA provisions of the Civil Service Retirement Act, as amended. If you receive both a Permanent Annuity and a Temporary Annuity (see page 19), COLAs will apply to each separately.
Note: COLAs apply only to pension amounts you are currently receiving. If you have a vested

pension (see page 8) that has not yet begun, the only COLAs that will apply are those that become effective after the date you start receiving your pension.

When You Can Retire and Receive Benefits

21. You can retire on any of the following dates and receive Plan benefits. If you retire on the first day of the month, your annuity starts as of that date. If you retire on any other date, your annuity starts as of the first day of the next month.

22. Five years of Credited Civilian Service are the minimum you must have in order to receive benefits based on more than your own contributions. If, at the date of your termination, your employment is terminated for cause, benefits will be limited to those described in the section entitled, "If Your Employment Ends Before You Qualify for Retirement" (see paragraph 28c); neither Deferred Retirement, Normal Retirement, Voluntary Early Retirement, Involuntary Early Retirement nor Optional Early Retirement Benefits will apply. Also, if you retire before age 62 and are disabled at the time, you will receive a disability benefit instead of an early retirement pension, with the exception of retiring under the Voluntary Early provision, as described below. If you are receiving Workers' Compensation benefits, your retirement payments will be reduced so the total of your retirement and workers' compensation payments do not exceed 90% of your High-3 average compensation (page 20).

23. **Normal Retirement** – This is the day of the month that coincides with your 62nd birthday or, if later, your completion of five years of Credited Civilian Service. The benefit payable is the full amount determined under the Plan formula. There is no mandatory retirement date for Exchange employees, so you may work beyond your Normal Retirement Date, if you wish.

24. **Deferred Retirement** – This can be the first day of any month after your Normal Retirement Date. There is no mandatory retirement age. If you continue to work after reaching your Normal Retirement Date, you will continue to contribute and to earn credit under the Plan, subject to the Plan maximum. When you retire, your benefit will take into account your earnings and service up to your actual retirement date. However, the Social Security Benefit used in determining your pension will be no greater than the amount you could have received at age 65.

25. **Voluntary Early Retirement** – This can be the first day of any month when you have:

- Reached age 55 and completed 30 years of Credited Civilian Service;

or

- Reached age 60 and completed 20 years of Credited Civilian Service.

a. The benefit is the full amount determined under the formula without any reduction for age or Social Security benefits before age 62. After you reach age 62, your benefit is reduced by the Social Security offset in the Plan formula. The portion of your pension that ends at age 62 because of the Social Security offset is called your "Temporary Annuity," while the portion that you receive after age 62 is called your "Permanent Annuity."

b. If you take Voluntary Early Retirement and are eligible for Social Security disability benefit purposes at the time you retire, the Social Security offset will be applied as soon as Social Security benefits become payable.

26. **Optional Early Retirement** – This may be the first day of any month when you have both reached age 52 and completed five years of Credited Civilian Service. Retirement under this provision can only be made with the approval of the Exchange. The benefit is determined in the same way as for Voluntary Early Retirement, except a lifetime reduction in your benefit applies if you choose to start receiving your pension before age 62. This reduction is at the rate of 4% per year between the dates your pension starts and the first of the month concurrent with, or prior to, age 62. For example if your pension begins at age 52, the reduction is 40% (4% times the 10-year difference between ages 52 and 62).

Example of an Optional Early Retirement	
If your Pension starts at age 52:	
a. Amount Payable from age 52 to 62:	
Pension Determined By Formula	$ 18,000
Less 40% Reduction for Early Start	– $ 7,200
Your Pension Payable from age 52 to 62	= $ 10,800
b. Amount Payable from age 62 for Life:	
Amount Payable from age 52 to 62	$ 10,800
Less Social Security Offset	– $ 6,000*
Your Pension Payable at age 62	= $ 4,800
* *Example only for purposes of illustration.*	

The amount payable only to age 62 ($10,800) is composed of two amounts:

- Your "Temporary Annuity" ($6,000) payable to age 62.
- Your "Permanent Annuity" ($4,800) payable on a permanent basis.

27. **Involuntary Early Retirement**

a. This occurs when the associate's service is involuntarily terminated (except for cause) after completing 25 years of credited service, or after attaining 50 years of age and completing 20 years of credited civilian service. If the IER occurs before attainment of age 55, the amount of the annuity is reduced by 2% per year in which the retirement date precedes age 55. An involuntary termination occurs when:

(1) The termination is against the associate's will and without his/her consent, for a reason other than cause; or

(2) In the event of termination which results from the associate's refusal to accept a demotion or from declination of a transfer to another position or location not within reasonable commuting distance. The involuntary termination will be deemed to occur when the associate resigns after receipt of the demotion or transfer, even though the resignation is effective before the effective date of the demotion or transfer; or

(3) The associate's resignation is accepted by designated authority in response to an official announcement that a segment of the work force, of which the associate is part, must be reduced (curtailment of the work force). Affected associates must meet the age and credited service requirements under the basic plan for IER.

(4) See "Involuntary Termination of Employment" in the Explanation of Terms, page 19.

b. You are not eligible for Involuntary Early retirement if:

(1) the involuntary termination of employment is due to a termination against your will or without your consent;

(2) or if the involuntary termination results from your refusal to accept a demotion or transfer to another position or location not within reasonable commuting distance;

(3) you are out on disability and could be eligible for a disability retirement annuity instead. If it is determined you are not totally and permanently disabled, an Involuntary Early Retirement may be accepted.

c. EMP Associates are also eligible for two different retirements under the Involuntary Early Retirement (IER) umbrella:

(1) EMP Select Out Retirement applies to EMP associates with 20 or more years of creditable civilian service, granted EMP status on or after 21 July 1970. The Director/CEO may request such retirement for the purpose of honorably retiring an EMP associate who has served in a satisfactory manner for a long time, but who can no longer meet or fulfill the purpose and obligations of the EMP. The amount of the annuity is reduced by 2% per year in which the retirement date precedes the date the associate is eligible for Voluntary Early Retirement. EMP Select Out Retirement is not an action entitling an associate to file a grievance or appeal.

(2) EMP Early Retirement applies to EMP associates with 20 or more years of creditable civilian service and are under the age of 62. The associate may request the retirement, subject to PMO approval. The amount of the annuity is reduced by 2% per year in which the retirement date precedes the date the associate is eligible for Voluntary Early Retirement. EMP Early Retirement is not available if the associate is pending termination for misconduct or delinquency and does not apply for refusal to accept demotion or transfer.

d. However, if an Involuntary Early Retirement is available to you because of a Reduction-in-Force (RIF) or in lieu of a RIF situation, you may resign and receive an Involuntary Early Retirement, if accepted by the designated authority, and you have not been approved for a disability retirement annuity at the time of the Involuntary Early Retirement offer.

e. The benefit is determined in the same way as for Voluntary Early Retirement, except a lifetime reduction applies if you start receiving your pension before age 55. The reduction before age 55 is at the rate of 2% per year between the date of your retirement and age 55. For example: If your pension begins at age 48, the reduction is 14%.

f. You can estimate your Exchange Voluntary/Optional Early/Involuntary Early Retirement pension by using the Retirement Calculator in ESS on the Exchange portal.

If Employment Ends Before You Qualify for Retirement

28. **If Your Employment Ends:**

a. **Before you complete three years of Credited Civilian Service**, your contributions are refunded to you without interest.

b. **After three or more years of Credited Civilian Service**, but before you become **"vested"** at five years, you can request the return of your contributions with interest, which is figured at the rate set forth in the Plan at 3%. If you prefer, however, you can leave your money in the Plan and receive a pension at retirement based only on the amount of your contributions. You can have this pension begin when you reach age 62, or you can choose to have it start at a reduced amount on the first day of any month between ages 52 and 62.

c. **After you have at least five years of Credited Civilian Service**, you are **"vested"** and you have a permanent right to receive a pension (Terminated Vested Pension) based on both your contributions and those the Exchange makes to the Plan. This right cannot be taken away from you.

29. You can have your Terminated Vested Pension begin on the first of the month after you reach age 62, or you can have it start at a reduced amount on the first day of any month between ages 52 and 62.

30. The amount of your Terminated Vested Pension is determined in the same manner as a regular retirement pension, except for the following differences:

a. Only your Credited Civilian Service is counted, not any Creditable Military Service, time spent as a Japanese-American internee or unused sick leave credit.

b. The Social Security offset will be determined under the provisions of the Social Security Act in effect when your employment ends, but on the assumption that you continued in employment at your present rate of compensation until age 62.

Example of Your Terminated Vested Pension if You Terminate Employment at Age 35:

Your Pension determined under the formula...... $ 8,000
Social Security offset at age 62 .... $ 5,600 *

* *Example only for purposes of illustration.*

31. **If Your Pension Begins at Age 52** – If you start receiving your pension on the first of the month after you reach age 52, a reduction of 40% or $3,200 will apply (4% x 10-year difference between ages 52 and 62 x Pension from Formula). You will receive the remaining 60% or $4,800 annually ($8,000 – $3,200) until age 62. At age 62, the Social Security offset will apply, and will reduce your pension to zero.

32. **If Your Pension Begins at Age 62:**

a. You can receive $2,400 annually for life ($8,000 less the $5,600 Social Security

offset). b. Your Terminated Vested Pension will be smaller than if you had continued to

work until
retirement because it will be based on fewer years of Plan participation, and on earnings at the date your employment ends, rather than on earnings at retirement.

Note: COLAs apply only to pension amounts you are currently receiving. If your vested pension has not yet begun, the only COLAs that will apply are those that become effective after the date you start receiving your pension.

33. You will normally receive your pension in the form of a lifetime income just for yourself. However, you may choose at any time before the start of your pension to provide for "Contingent Annuity" (see Explanation of Terms, page 17).

34. Instead of receiving a pension at retirement, you may choose at the time your employment ends, or any time thereafter, to receive a return of only your own contributions with interest. If you do this, however, you give up the value of the pension that comes from Exchange contributions.

35. If you die after your employment with the Exchange ends, but before you have begun to receive your Terminated Vested Pension, your own contributions with interest will be returned to your beneficiary. This is true even if you have named a Contingent Annuitant.

Reemployment

36. If your employment ends and you are later reemployed in an eligible category, you will again be covered under the Exchange Retirement Plan as soon as you are reemployed.

37. You will receive full credit upon reemployment as a RFT employee for all previous Credited Civilian Service, if your previous contributions remain on deposit in the Plan. Effective January 1, 2004, you must repay the amount you withdrew, plus interest, within five years of your reemployment to full-time

employment status. If you die before repayment is made, your widow or widower may make the repayment in a single sum. Military service during the period you were on military leave without pay (LWOP) will count to the extent described under Credited Civilian Service (see Explanation of Terms, page 18).

Special Disability Benefit

38. You can receive a disability retirement benefit if you become Totally and Permanently Disabled (see Explanation of Terms, page 20) while you are an actively employed participant in the Plan and you have at least five years of Credited Service on the date you become disabled.

39. Disability benefits apply only to disabilities beginning before age 62. If you become disabled after that date, your retirement will be a Normal Retirement.

40. Before your disability benefit will be approved, you must have used up all your sick leave. When approved, your disability benefit will be retroactive to the first of the month after you are no longer in a pay status.

41. The amount of your disability benefit will be the greater of the two options, below, less any amount received as a Social Security Disability Benefit:

a. The benefit determined under the formula without reduction for age;

or

b. The lesser of the following two amounts:

(1) 40% of your High-3 Average Compensation.

(2) The benefit determined under the formula, but with your Credited Civilian Service increased by the number of years between the date your employment ended because of disability and age 60.

Example of a Disability Benefit	
Age When Your Disability Occurs	**50**
Credited Service at Date of Disability	25 years
High-3 Average Compensation	$ 30,000
Annual Social Security Disability Benefit	$ 13,500 *
* *Example only for purposes of illustration.*	
The disability benefit is the greater of 1 or 2, less any amount received as a Social Security Disability Benefit:	
1. The regular formula without age reduction:	
1.50% x $30,000 x 5 years	$ 2,250
+ 1.75% x $30,000 x 5 years	+ $ 2,625
+ 2.00% x $30,000 x 15 years	+ $ 9,000
= **Total**	= $ 13,875
2. The lesser of:	
a. 40% x $30,000	$ 12,000
b. Regular formula using credited service projected to age 60 (35 years)	
1.50% x $30,000 x 5 years	$ 2,250
+ 1.75% x $30,000 x 5 years	+ $ 2,625
+ 2.00% x $30,000 x 25 years	+ $ 15,000
= **Total**	= $ 19,875

42. In this case, your annual Exchange disability benefit prior to Social Security offset is $13,875. However, since you are eligible for an annual disability benefit from Social Security of $13,500, your final Exchange disability benefit is reduced to $375($13,875 – $13,500).

43. Your disability benefit will be reduced dollar-for-dollar by any income you receive from Social Security, excluding dependents' benefits. In the event this results in a reduction of your Exchange disability benefits to zero, you will not receive an Exchange pension until you reach Normal Retirement, unless your Social Security benefits stop. At that time, you will receive a Normal Retirement benefit under the provisions of the Exchange Retirement Plan in effect when you became disabled, adjusted by any COLAs that have since become effective.

44. This reduction for Social Security disability benefits will not begin unless and until Social Security benefits have been awarded to you. **If benefits are retroactive, you must repay the excess payments you received from this plan.**

45. If you are eligible for Workers' Compensation, the amount of your disability benefit will be limited to 90% of your High-3 Average Compensation minus the sum of any disability benefits for which you are eligible under the Social Security Act of the Longshoremen's and Harbor Workers' Compensation Act.

46. If your disability benefit from Social Security or Workers' Compensation stops, the adjustment to your Exchange disability benefit will be restored. No actions will be taken for increases in your income resulting from amendments to these acts that become effective after your Exchange disability benefit begins. **If you are initially denied a Social Security disability benefit and then later receive it retroactively, the reduction in your Exchange disability benefit will be retroactive.**

47. When you reach age 62, your disability benefit will be recomputed as a Normal Retirement pension under the provisions of the Retirement Plan that were in effect when you became disabled. For special rules that apply if you recover from your disability before age 62, see Totally and Permanently Disabled in the Explanation of Terms (page 20).

48. If, at some time before you reach age 60, the Exchange determines you are no longer Totally and Permanently Disabled, your benefit will stop. You must apply for reemployment with the Exchange. If there is no reemployment available to you, you can apply for an Involuntary Early Retirement pension if you fulfilled the requirements for that type of retirement at the time you became disabled.

49. There are exceptions to the reemployment rule: If you met the age and Credited Civilian Service requirement for Optional Early Retirement at the time you became disabled, you may request and will be granted conversion to that retirement category without first applying for reemployment. The period you were on disability is not counted in determining your retirement benefit.

50. Special rules apply to a surviving Spouse's Benefit elected by an employee receiving a Disability Benefit (see the explanation of Spouse's Benefit, below, and Special Rules for Disability Benefits, page 14).

Benefits Payable Upon Your Death

Pensions for Survivors if You Die After Retirement

51. **Spouse's Benefit:**

a. If you are married at the date of your retirement and chose to set up a spousal annuity, your pension will be reduced automatically by 10% in order to provide an income for your spouse in the event he/she lives longer than you do. Your pension will be restored to the full amount as of the first of the month following your divorce, annulment or your spouse's death. If you should remarry, payment is made to the new spouse only if you were married at least 12 months before the date of your death, or if you are the parent of a child born of the current marriage. You may elect not to have a reduction apply, in which case no income will be payable to your spouse from the Retirement Plan upon your death. You may elect to have the reduction apply to only part of your benefit (except in the case of disability retirement, which must be 100% of the base), in which case the benefit for your spouse will be reduced.

b. Your spouse's benefit is payable starting the first of the month following the date of your death (or if you die on the first of the month, that date) and continues for the remainder of your spouse's life.

c. The amount of the spouse's benefit is 55% of your pension under the formula (or 55% of the portion of your pension to which you elected to apply the spouse's benefit, if you choose the base to be less than 100% of your pension).

Example of a Spouse's Annuity		
If you retire at age 61 and your spouse is age 56:		
	Your pension determined under the formula before offset (which is the basis for your spouse's annuity prior to your attaining age 62)	$ 30,000
–	Minus Social Security Offset at Age 62 (Temporary Annuity)	– $ 18,000 *
=	**Your Permanent Lifetime Annuity** (this is the basis for your spouse's annuity after you attain age 62)	= $ 12,000
–	Minus 10% Reduction to Provide for Spouse's Annuity	– $ 1,200
=	**Your Permanent Net Annual Annuity**	= $ 10,800
	* *Example only for purposes of illustration.*	

d. The amount used in determining your spouse's annuity is $12,000 if you die after attaining age 62. The spouse receives 55% of $12,000, or $6,600 annually (subject to COLAs).

e. Should you die before attaining age 62, your spouse will receive 55% of $30,000 (your permanent lifetime annuity of $12,000 plus $18,000 temporary annuity) until he/she attains age 60, and then $6,600 annually for the remainder of his/her lifetime.

f. If you take Voluntary Early Retirement and are also disabled for Social Security disability income purposes at the time you retire, and if you are still eligible for the Social Security Benefit at the time of your death (should it occur before you are age 62), your spouse's benefit will be immediately reduced by 55% of the Social Security offset which is applied to your pension. However, this is true only if your spouse is eligible for immediate payment of a widow's or widower's Social Security Benefit. Otherwise, because of the Social Security offset, the reduction will be delayed and applied when your spouse becomes eligible at age 60.

g. Whenever Workers' Compensation is payable, there is a limit on the spouse's benefit (see "Workers' Compensation" in the Explanation of Terms, page 20).

52. **Benefit for Child or Other Named Survivor:**

a. If you are **unmarried** at retirement and, in the event of your death, want to provide income to a child or other person to whom you have an obligation, you can voluntarily choose to have your pension reduced to provide such income. The reduction will be 10% of your pension, plus 5% for each full five years by which you are older than your named survivor, but not more than 40% of your pension.

Important Note: You cannot make any changes regarding a Survivor's Benefit after you retire, unless you marry or remarry, or your named survivor dies before you. It is very important that you consider your election carefully.

b. The benefit is payable starting the first of the month following the date of your death (or if you die on the first of the month, that date) and continues for the remainder of your named survivor's life.

Example of a Child's Annuity	
If you retire at age 62:	
Your pension determined under the formula before offset – Minus Social Security Offset = Pension payable at age 62	\$ 30,000 – \$ 18,000 = \$ 12,000
Child's age = 16	
Calculate reduction based on age difference: 10% + (9* x 5%) = 10% + 45% = 55% But, maximum reduction limit = 40% * *Difference in ages = (62 – 16) = 46, divided by 5 = 9.2, rounded down to 9.*	
Apply maximum reduction: 40% x \$12,000	\$ 4,800
Pension payable at age 62 – Minus the 40% maximum reduction = Your Reduced Pension	\$ 12,000 – \$ 4,800 = \$ 7,200
Child's Annuity After Your Death: \$7,200 x 55%	**\$ 3,960**

c. You can choose more than one child to receive equal shares of income after your death, in which case the reduction for the age difference between you and the children will be based on the average age of the children. When a named survivor dies, you may either assign the remaining named survivor(s) that percentage of the annuity, which would have been paid to the deceased named survivor (with no restoration of the reduction in your annuity). You could also make no changes to the initially established percentage allocations of the annuity, which will be paid to the living named survivor(s) when you die.

d. If all named survivors die before you die, the amount of the reduction will be restored on the first of the month following the death of the named survivor(s).

Another Example of a Child's Annuity	
If you retire at age 60:	
Your pension determined under the formula before offset – Minus Social Security Offset at age 62 = Your pension payable at age 62	\$ 30,000 – \$ 18,000* = \$ 12,000
* *Example only for purposes of illustration.*	
Income between age 60 retirement, to age 62: Temporary annuity (no reduction for survivor annuity) + Permanent annuity (\$12,000 less \$4,800, the 40% survivor annuity reduction) = Total until age 62	 \$ 18,000 + \$ 7,200 = \$ 25,200
Income after age 62: Permanent annuity (\$12,000 less the 40% survivor annuity reduction)	 \$ 7,200
Child's annuity after your death, anytime after retirement: \$7,200 x 55%	**\$ 3,960**

e. In this case, you receive a Temporary Annuity of \$18,000 payable until age 62. This Temporary Annuity is not affected by your election of a survivor's annuity for a child.

f. The 40% reduction, as computed in the previous example, applies only to your Permanent Annuity of $12,000. Therefore, you receive a Permanent Annuity of $7,200 for life, plus a Temporary Annuity of $18,000 until age 62. The named survivor's annuity will be limited to $3,960 annually.

53. **Benefit if You Marry or Remarry After Retirement:**

a. If you marry or remarry after retirement you can voluntarily elect, within one year of your marriage, to have a reduction in your pension. This is to provide your new spouse with future income from the Plan if he/she lives longer than you do. If you were married at the time of retirement, you can do this for a subsequent spouse only in the same percentage that you elected for the first spouse.

b. The percentage that your future pension will be reduced is 10%, plus an added percentage based on the length of time you have already been receiving your pension (not counting time when your pension was reduced for a survivor annuity). This added reduction is 0.5% for each year or part of a year for the first five years, 1% for each year or part of a year for the next five years, and 2% each year or part of a year thereafter.

c. **For example:** If you married after being retired on full pension for ten full years, the reduction would be 17.5% (10% plus 2.5% for the first five years, plus 5% for the next five years). The amount and duration of the spouse's benefit is the same as for the spouse's benefit described earlier; i.e., 55% of your pension determined under the formula. Payment is made to the spouse only if you were married at least 12 months before the date of your death, or if you are the parent of a child born of the current marriage.

d. If, as an unmarried person, you elected a benefit for a child, children or other person, and later marry, you can elect within one year of your marriage to have a spouse's benefit in place of your previous election. An appropriate adjustment in the reduction of your benefit will be made.

54. **Special Survivor Benefit Rules for Disability Benefits** – Special rules apply to a survivor's benefit if you receive a disability benefit.

a. You cannot choose a reduced spouse's benefit. It must be the full benefit, or none at all.

b. You cannot elect a survivor's benefit for someone other than a spouse.

c. Under the spouse's benefit, the 10% reduction for coverage applies before your benefit is reduced by Social Security disability benefits.

d. Your surviving spouse's benefit will be 55% of the amount you were entitled to receive before the offset for Social Security disability benefits was applied. The amount of your spouse's Social Security widow/widower or mother/father income benefit (excluding children's benefits) will then be subtracted, with this exception; during the period your surviving spouse is not eligible to receive Social Security Benefits because he/she is employed, and under age 60, the surviving spouse's benefit will not be reduced.

e. When your surviving spouse reaches age 60, a Social Security offset equal to the Social Security Benefit that would have been payable if your spouse had been age 60 at the time of your death will always be applied.

55. **Adjustment if Your Marriage Ends or Your Spouse Dies** – Before the adjustment in your pension can be discontinued, you must provide proof of the dissolution of your marriage or your spouse's death.

56. **Adjustment if Your Named Survivor Dies** – Before the adjustment in your pension can be discontinued, you must provide proof of the death of your named survivor.

Pensions for Survivors if You Die While Employed

57. If you die during the period when you are employed by the Exchange and are making contributions to the Retirement Plan, one of the following three death benefits will apply:

a. **If Eligible for Retirement (except Optional Early Retirement)** – If you meet one of the following sets of requirements:

(1) You are age 62 or more with five or more years of Credited Civilian Service;

or

(2) You are age 50 or more with 20 or more years of Credited Civilian Service;

or

(3) You are any age with 25 or more years of Credited Civilian Service.

Provided you are married on the date of your death, then your spouse may be eligible for a lifetime annuity. This annuity will be determined as though you had retired on the day before your death and as though the survivor's benefit (see page 11) were applicable.

b. **If Not Eligible for Retirement or If Only Eligible for Optional Early Retirement** – If you are not eligible for retirement, but qualify for Optional Early Retirement;

or

You have at least 18 months of Credited Civilian Service at your death

and

you have been married at least one year or are the parent of a child born of the current marriage, then your surviving spouse may be eligible to receive a pension for life. During the period before your surviving spouse reaches age 60, the amount of the pension will be offset by the widow/widower or mother/father benefit that your spouse can receive from Social Security (excluding children's benefits), unless the Social Security Benefits are not being paid because your spouse is working. This could result in your spouse not receiving any income under the Exchange Plan, if Social Security pays a substantial benefit.

The amount of the spouse's benefit before the Social Security offset is 55% of your pension determined under the formula, but not less than 55% of the smaller of the following two amounts:

- 40% of your High-3 Average Compensation;

or

- The pension benefit determined under the formula, but with your Credited Civilian Service increased by the number of years between the date of your death and age 60.

If Workers' Compensation is payable to your spouse, there is a limit on the amount payable from the Retirement Plan (see Workers' Compensation in the Explanation of Terms, page 20).

c. **Lump-Sum Death Benefit:**

(1) Payment of any lump sum due will be made to your spouse if you die while you are an active employee; otherwise, to your designated beneficiary.

(2) Any balance remaining to your credit, after all persons to whom pension income under the Plan is payable have died, will be payable to the designated beneficiary in a lump sum.

(3) You have the opportunity to sign a "Designation of Beneficiary" form when you become a Retirement Plan participant. This form is available electronically through the Exchange eBenefits website, through ESS or https://exchangebenefits.ehr.com. You should check your beneficiary choices from time to time to be sure they still reflect your wishes. You can update your beneficiaries online at any time.

Cash Settlement of Small Pensions

58. If your pension is less than $600 a year, you may be paid a cash settlement instead of a pension.

Qualified Domestic Relations Order

59. The Exchange will accept and process QDROs against the Exchange Retirement Plan if the QDRO is a Qualified Order, as defined under the Basic Retirement Plan for employees of the Exchange.

60. QDROs can be processed against Plan benefits for active employees or employees who have already retired. Send requests to process a QDRO to

QDRO Service Center
DEPT: QQP
P.O. Box 981924
El Paso, TX 79998
Attn: AAFES QDRO Team

Phone: 1-855-481-2661
Email: WTWQDRO@wtwco.com

61. After the QDRO is finalized and meets the qualification requirements, the Exchange will authorize the applicable assignment of benefits and will notify the payment provider when benefits payments are due.

Retirement Portability Provisions

62. Retirement Plan participants who move to an Appropriated Fund (APF) retirement covered position on or after December 28, 2001, and without a break in service of more than one year, may elect to continue coverage in the Basic Retirement Plan following the move.

63. Prior to December 28, 2001, Retirement Plan participants who moved to an APF retirement covered position were required to be vested in the Basic Retirement Plan in order to continue participation.

64. Exchange Plan participants who were vested in the Plan and who moved prior to August 10, 1996 were eligible for retroactive retirement coverage elections under Section 1043 of Pub. L. 104-106. Those elections should have been made by August 11, 1997; however, waivers of this deadline are authorized for employees who did not receive notice and counseling.

Future of the Plan

65. The Exchange hopes and expects to continue the Retirement Plan indefinitely. Every effort has been made to design the Plan so it will meet future conditions. To protect employees and the employer

against unforeseen conditions, the right to change or discontinue the Retirement Plan is necessarily reserved by the Exchange. Changes to, or discontinuance of, the Retirement Plan will not affect the retirement pension paid to you from your contributions, and contributions made by the Exchange for you, before the date of such change or discontinuance, except to meet the requirements of the Internal Revenue Service of the United States.

Your Rights Under the Plan

66. This Plan is not a contract and does not give you any job rights or any right or claim to a retirement benefit, unless you have specifically earned the right to such benefit under the terms of the Plan.

67. Your contributions, and the Exchange contribution toward Plan costs, are held by investment managers, banks and insurance companies, in accordance with legal contracts. These legal contracts govern the investment of Plan assets and payment of Plan benefits.

68. Unless otherwise provided by law, the benefits under this Retirement Plan are not assignable. But, if your employment ends, you may elect to have your contribution with credited interest, that is otherwise returnable to you, assigned to another party.

Explanation of Terms

Annuity – An annuity is an annual income in a specified amount. It is the same thing as a pension.

Army and Air Force Motion Picture Service – Credited Civilian Service under the AAFMPS Plan will be treated as though it were Exchange service, provided you became an employee of the Exchange at the time of the merger of AAFMPS with the Exchange or within 90 days thereafter.

Contingent Annuity – If you terminate employment and are vested, you may choose to provide a Contingent Annuity instead of the regular lifetime pension for just yourself. Under a Contingent Annuity, you receive a reduced pension during your lifetime, and upon your death a person you name (your “Contingent Annuitant”) starts receiving a pension, which continues for his/her remaining lifetime. The reduction in your pension depends on the age difference between you and your Contingent Annuitant, and on the amount of pension you want your Contingent Annuitant to receive. You can name anyone you wish as a Contingent Annuitant. If your Contingent Annuitant dies before your pension begins, you may cancel your election, or make a new election. If your Contingent Annuitant dies after your pension begins, but before your death, you will continue to receive a reduced pension, but no benefits will be payable beyond your lifetime, except under the Lump-Sum Death Benefit provisions on page 15.

Creditable Military Service – In determining your Credited Service, up to seven years of active and honorable U.S. military service will be counted, with the following two exceptions:

a. Military service in which you are entitled to receive military retired pay, unless:

(1) Retired pay is due to a service-connected disability incurred in combat with an enemy of the United States.

(2) Retired pay is due to a service-connected disability caused by an instrument of war, and incurred in the line-of-duty during a period of war.

(3) Retired pay is due under the provisions of Chapter 1223 of Title 10, United States Code (pertaining to retirement from Reserve components of the Armed Forces).

b. Two-week reserve duty (annual training), and other periods where you are on Active Duty Training (ADT) or Inactive Duty Training (IDT), count as though you had remained on the job.

Creditable Prior Bookstore Service – If you transferred to the Exchange when it took over operational control of a bookstore activity, you receive credit under this Plan for prior service with Army Bookstores as a regular full-time NAFI civilian employee (under the same rules as for Exchange employees) if that service was credited for retirement under the NAFI Retirement Plan for Bookstore Employees.

Creditable Prior Non-appropriated Fund Instrumentality Service – If you received credit as a regular full-time service and as a civilian employee under the retirement plan of another DoD NAFI and you were subsequently hired by the Exchange within 90 days after termination, then your service credit under the prior NAFI Plan will count as Credited Civilian Service under the Exchange Plan in the same manner as for Exchange employees. There will be an offset to your Exchange pension annuity for the amount that is or would have been paid under the prior NAFI plan at normal retirement (or age 62), regardless of whether you receive a prior NAFI pension or if you withdrew contribution from a prior NAFI Retirement Plan.

Credited Civilian Service

a. This is the time, only in the Exchange Plan, used for determining whether you have completed the requirements for receiving a pension. It includes all your time as an Exchange Retirement Plan contributor, plus any period you were not required to make contributions (see page 2 for details).

b. **Other periods that may be included in the retirement participation calculation include:**

(1) Periods a RFT associate is on approved LWOP, provided the associate deposits in the Exchange retirement fund a sum equal to the amount the associate would have contributed had the associate been in a pay status.

(2) If an associate is hired under the associate reinstatement program and returns to RFT status, the associate may deposit a sum equal to the amount of time from separation to reinstatement based on the associate's rate of pay at the time of separation.

(3) If a RFT associate is converted to a RPT or Intermittent (INT) job due to RIF, then converted back to RFT within three years, they may purchase retirement participation credit for the period of time they were in the RPT/INT category.

(4) If the associate does not make the redeposit within one year of returning to work, he/she will be assessed interest under the provisions of the retirement plan. If the associate does not make a deposit for the period of non-contribution, that period will not be creditable for retirement purposes.

(5) Any period you are granted LWOP by the Exchange during a period of active, honorable U.S. military service will be considered to be continuous Exchange civilian employment, provided you return to work within the required time period. Such service is not counted, therefore, as part of the seven years of Creditable Military Service.

Credited Service – This is the total service time determining the amount (the formula) of your pension. It includes Credited Civilian Service plus certain other periods, such as Creditable Military Service and unused sick leave (see pages 2 and 3 for details).

Interest – Interest is credited on your contributions at the rate of 2% per year up to December 31, 1966, and at 3% per year after that.

Involuntary Early Retirement – Involuntary Early Retirement requires Involuntary Termination of Employment and one of the following:

- 25 years of Credited Civilian Service;

or

- Age 50 and 20 years of Credited Civilian Service (see page 7 for details).

Involuntary Termination of Employment – An Involuntary Termination occurs when:

a. The termination is against your will and without your consent, for a reason other than cause (charges of misconduct or delinquency);

or

b. In the event of termination which results from your refusal to accept a demotion or from declination of a transfer to another position or location not within reasonable commuting distance. The involuntary termination will be deemed to occur when you resign after receipt of notice of the demotion or transfer, even though the resignation is effective prior to the effective date of the demotion or transfer;

or

c. You are an EMP associate with 20 or more years of creditable civilian service and are under the age of 62. The request for retirement is subject to PMO approval.

or

d. Your resignation is accepted by the designated authority in response to an official announcement that a segment of the workforce, of which you are part, must be reduced.

Lump-Sum Death Benefit – A refund of all or a portion of your contributions with interest will be made if, following payment of all benefits due you and your survivors in the form of monthly income, such benefits have not, in total, equaled the amount of your contributions with interest. For example: If your contribution with interest totaled $3,000 and payments of income benefits under the Plan to you and your survivors totaled $2,000, a refund of $1,000 would be due (see page 15 for further details).

Normal Retirement – Normal Retirement under the Plan requires you have five years of Credited Civilian Service and reach age 62. Retirement at this date is not mandatory (see page 6 for details).

Optional Early Retirement – Optional Early Retirement under the Plan must be approved by the Exchange and requires you have five years of Credited Civilian Service and reach age 52 (see pages 6 and 7 for details).

Panamanian Exchange Service – As a result of the Panama Canal Treaty, effective October 1, 1979, non-U.S. citizens in Panama are covered by Panamanian Social Security and not by the Exchange Retirement Plan. However, if a Panamanian Exchange employee had at least 20 years of Credited Civilian Service as of 1 October 1979, and left his/her contributions in the Retirement Plan, he/she may elect Voluntary Early Retirement when the age requirements of 55 or 60 are met. The pension payable in such case will be determined as of October 1, 1979, and will include the lesser of unused sick leave and vacation leave accrued on 1 October 1979, or on the date of retirement.

Permanent Annuity – Under the Retirement Plan, this refers to the portion of your pension that is payable after the Social Security offset. If you retire before age 62, you receive both a Permanent Annuity and a Temporary Annuity that lasts just until age 62.

Qualified Domestic Relations Order – A QDRO is a legal document that creates or recognizes the existence of an alternate payee's (typically, a divorced spouse's) right, or assigns to an alternate payee the right, to receive all or a portion of the benefits payable to an employee under the Plan.

Spouse – Spouse as used herein means a member of a formal relationship resulting from a legal union between two persons that is treated as a marriage under the laws of the state in which the legal union was enteredFor example: A formal statement of common law marriage accepted as a legal relationship in a particular state will qualify the common law spouse as a "spouse" for purposes of the Exchange Retirement Plan. All references in this Plan to the term "spouse" shall mean a spouse as defined herein.

Temporary Annuity – Under the Exchange Retirement Plan, this refers to the portion of your pension that is payable only until the date the Social Security offset begins. The Temporary Annuity is not a vested benefit.

Totally and Permanently Disabled

a. "Totally and Permanently Disabled" as applied to you means "the inability of the Employee to engage in any and every gainful occupation in which he/she might reasonably be expected to engage with due regard to the Employee's education, training, experience or prior economic status," provided that you shall not be deemed to be Totally and Permanently Disabled for the purpose of the Plan if the disease or injury which caused the disability is the result of vicious habits, intemperance or willful misconduct on your part within the five-year period immediately prior to becoming disabled.

b. When you retire with a disability benefit and are no longer Totally and Permanently Disabled, the administrative actions to be taken will be those established by the Human Resources (HR) Directorate and incorporated in existing administrative policies.

Vesting or Vested Benefit – Vesting is the process by which a Plan participant earns a permanent right to receive a pension benefit (see the description of vested benefits in paragraph 28c).

Voluntary Early Retirement – Voluntary Early Retirement under the Plan requires that you voluntarily leave your job and you meet one of the following requirements:

- Age 55 and 30 years of Credited Civilian Service;

  or
- Age 60 and 20 years of Credited Civilian Service (see page 6 for details).

Workers' Compensation – There is a limit on the amount of income you can receive under the Exchange Retirement Plan and Workers' Compensation in combination. This limit applies if you receive a monthly income from Workers' Compensation for an occupational injury or disease connected with your employment with the Exchange, and at the same time receive any type of pension from the Exchange Retirement Plan. Lump-sum settlements from Workers' Compensation are not applied in computing the limit.

Example: Suppose you are disabled by an accident on the job at age 60 after 30 years of service, and your average earnings were $30,000 for the last three years. Your pension benefit under the formula before the Social Security offset would be $16,875 a year (see below). If you are receiving a Workers' Compensation benefit of $14,400 a year, your total income before the Social Security offset would be $31,275, but the Retirement Plan limits you to 90% of your High-3 Average Compensation, or $27,000. Because $14,400 is payable from Workers' Compensation, only $12,600 is needed from the Plan to bring you to the $27,000 limit. Therefore, your Exchange pension before the Social Security offset will be reduced to $12,600.

High-3 Average Compensation	$ 30,000
Your Pension Determined Under the Formula (30 years service)	$ 16,875
<u>Annual Workers' Compensation Benefit</u>	+ <u>$ 14,400</u>
Total of Both Benefits	= $ 31,275
Limit on Benefits ($30,000 High-3 x 90%)	$ 27,000
<u>Minus: Workers' Compensation Benefit</u>	– <u>$ 14,400</u>
Pension Benefit is limited to	= $ 12,600 *

* In lieu of $16,875

The amount of income your surviving spouse (or another person you have named to receive a pension) can receive from the Retirement Plan and Workers' Compensation in combination is limited to 49.5% of your High-3 Average Compensation. This limit is applied before any reduction for Social Security widow's or widower's benefits.

Questions and Answers

The following are answers to some of the most frequently asked questions:

1. What affects the rate of Retirement Plan contributions?

Answer: Plan contributions are determined by comparing:

- **The Plan Obligations** – this is all expected future pensions

against

- **The Plan Assets** – this is money available to pay those pensions. The money comes from your contributions, Exchange contributions and the earnings from investing those contributions.

  Your age is considered when the Exchange calculates the Plan's obligation to you. In a very basic example, this is the product of your expected pension (based on the formula on page 4) multiplied by the number of years you're expected to live during retirement. Your expected lifetime is based on age-related actuarial tables.

2. Do I make contributions while absent on authorized sick or vacation leave?

Answer: **Yes.** If you are receiving salary or wages from the Exchange, you make Retirement Plan contributions at the usual rate.

3. If I terminate my service and subsequently become reemployed, do I lose credit for my previous period of employment?

Answer: Your credit for all previous RFT employment may be reinstated. If you had withdrawn your own contributions when you previously terminated, they must be re-deposited with interest within five years from the date of reemployment in an eligible category (currently RFT). Otherwise you will not receive credit for previous employment.

4. What does the Exchange do with the contributions to the Plan?

Answer: They are deposited with investment managers selected by the trustees.

5. May I borrow on my contributions?

Answer: **No** – Never.

6. May I withdraw my contributions?

Answer: Only if you terminate your employment.

7. Has the Exchange made contributions for the Social Security portion of my total retirement?

Answer: **Yes.** The Exchange matched your Social Security contributions for the period of your civilian service at the Exchange.

8. How does my Exchange retirement income compare with that which I could purchase otherwise?

Answer: Generally, the Retirement Plan provides more income because you have the advantage of the Exchange contributions as well as your own.

9. Is the Social Security Offset applied at age 62 even if I decide to have my Social Security benefits start at a later date?

Answer: Yes. The Exchange uses the age 62 benefit in the calculation; therefore, the retiree is not penalized on the amount they receive from the Plan.

10. Is there any penalty or reduction in my retirement income if I retire before age 62?

Answer: For Voluntary Early Retirement at age 55 after 30 years of Credited Civilian Service, or at age 60 after 20 years of Credited Civilian Service, there is no reduction even though you have not reached age 62.

Optional Early Retirement and Involuntary Early Retirement are reduced as follows:

- **For Optional Early Retirement**, the amount will be reduced at the rate of 4% per year, for each year your retirement pension commencement date precedes your Normal Retirement date.

- **For Involuntary Early Retirement** (under an announced curtailment of the workforce by the Exchange Director/Chief Executive Officer [CEO]) before age 55, the amount is reduced by 2% per year for each year your retirement date precedes age 55. Otherwise, the 2% per year reduction applies to the age that you need to qualify for Voluntary Early Retirement.

11. When is the earliest that I can retire?

Answer: Your eligibility for retirement is usually based on a combination of age and the number of years you have been contributing to the Plan. Generally, for a full pension:

- You can retire at age **55** if you have been contributing for at least **30** years;

or

- You can retire at age **60** if you have been contributing for at least **20** years;

or

- You can retire at age **62** if you have been contributing for at least **5** years.

You can retire at earlier ages, but your pension in those cases is subject to penalty (see the full details in "When You Can Retire and Receive Benefits" on pages 6 and 7).

12. How are my COLAs computed?

Answer: Annual COLAs for retired employees and survivors are usually effective December 1. The method of computation is the same as under the Civil Service Retirement Act, as amended, subject to changes made by Congress at any time. This is as follows: The December 1 increase is determined by the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), published for the preceding calendar year. Pensions are increased by no more than the actual percentage rise in the CPI-W, adjusted to the nearest one-tenth of one percent. If at any time there is no increase, or if the percentage represents a drop in CPI-W, there is no change in the amounts of pensions. The initial increase after retirement is determined according to how many months you were retired prior to December 1.

For example: If the CPI-W increased by 4%, and you retired on June 1, you will receive a COLA of 2%. This is because you were retired for the months of June, July, August, September, October and November, a total of six months, or one half of the COLA period.

13. Could there be a decrease in my annuity because of COLAs?

Answer: No.

14. Is the COLA part of my basic retirement annuity?

Answer: **No.** The COLA is not a vested benefit.

15. What happens to my contributions if I terminate my employment with less than three years of service?

Answer: You will receive a lump-sum return of your contributions.

16. If I die as an active participant, what happens to my contributions?

Answer: If you are:

- Single, married for less than one year or married more than one year and a participant less than 18 months, your beneficiary receives your contributions plus interest, if applicable.

- A participant with at least 18 months of service, married for at least one year and eligible for retirement, your spouse receives an annuity computed in accordance with the prescribed formula.

17. If I die after I retire, are there any further benefits?

Answer: Please see the section "Benefits Payable Upon Your Death." There will only be further benefits at the time you die:

- If you were married and elected to have your spouse receive a benefit; in that case your spouse will receive benefits according to the Plan formula.

- If you were not married and elected a named survivor (e.g., child) to receive a benefit; in that case your named survivor will receive benefits according to the Plan formula.

- If you did not elect any spouse or survivor benefit, and also received less in annuity payments than your contributions to the Plan. For example: If your total contributions equaled $5,000 and you only received $1,000 from your contributions in your annuity payments, the difference of $4,000 would be paid to your beneficiary.

18. What is the difference between a beneficiary and a survivor?

Answer:
- A **beneficiary** is not entitled to any pension benefits relating to your employment, but is entitled to the excess of your contributions plus interest over the retirement benefits you or your survivor have already received at the time of your death.

- A **survivor** is entitled to benefits according to the Plan after you die.

19. Who may I name as my beneficiary for my contributions?

Answer: Any living person or organization.

20. What happens if the person(s) I name as beneficiary die(s) before I do?

Answer: If the beneficiary/beneficiaries are not living at time of your death, any lump-sum payment due will be paid, in accordance with your will, to your estate or a designated line of succession.

21. **May I change my beneficiary?**

Answer: **Yes**, by completing a new beneficiary designation form online through the eBenefits system. Active associates can reach eBenefits through the ESS website. Active and retired associates can also visit eBenefits through https://exchangebenefits.ehr.com. If you are retired and need assistance with this site, please contact the HQ Exchange Benefits Branch at 1-800-519-3381.

22. **What assurance do I have that my retirement pension will be paid?**

Answer: The Personnel Policy Manual (DoD 1401.01-M) of the Office of the Assistant Secretary of Defense mandates that DoD NAF agencies, such as the Exchange, offer a Retirement Plan to eligible participants and provide a certain level of funding for such a Plan. In addition, the policy mandates certain accounting standards, independent reviews, investment and annual reporting rules.

23. **Is it possible that less money will be returned to me than I contributed to the Retirement Plan?**

Answer: **No.** You and your beneficiary will get back all of your contributions, plus credited interest, if applicable.

24. **Is military service included in my pension calculation?**

Answer: **Yes**, Up to seven years with certain exceptions.

Appendix 1

Executive Management Program For Eligible Civilian Employees

Table of Contents

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Appendix 1
Executive Management Program For Eligible Civilian Employees

Introduction

This annex provides Executive Management Program (EMP) members the principal features of the EMP Supplemental Benefits Plan. As it is only a summary, the provisions of the official plans and official contracts issued by the Fund Administrator will control in all cases.

The non-vested, forfeitable benefits, as described in this Booklet for EMP Employees, include the Supplemental Deferred Compensation (Retirement) Plan, Supplemental Group Life (Survivor Benefits) and Supplemental Accidental Death Insurance.

> **Part I is an explanation of the Supplemental Deferred Compensation Plan. The benefits described in Part I apply only to members of the Revised EMP (date of program revision was 10 December 1969).**
>
> **Part II is an explanation of the Supplemental Group Life (Survivor Benefits) and Supplemental Accidental Death Insurance. The benefits described in Part II apply to all members of the EMP who are enrolled in the Exchange Basic Life Insurance Plan.**

To qualify for entrance into and retention in the Revised EMP, employees who have attained the required executive grade level must accept and continuously fulfill rigorous standards of employment. Among those rigorous standards are:

a. Acceptance of assignment to any worldwide Exchange location at any time and for any tour of duty deemed appropriate by the Employer, even though separation from families may be required because of lack of authorization for, or inadvisability of, dependent accompaniment.

b. The member's continuous development and improvement of his/her executive ability.

c. Acceptance of employment termination for retirement, without recourse to the normal employee grievance procedure, at the option of the Employer at any time after completion of at least 20 years of service.

These non-vested, forfeitable benefits are in recognition of the Revised EMP employee obligations, as well as the lesser obligations of the employee still holding status in the EMP as in existence prior to 10 December 1969.

In the case of members of the Revised EMP, these benefits supplement those currently published in the Retirement Annuity Plan Booklet, or as it may be changed in the future. In the case of members of either the original EMP or the Revised EMP, these benefits also supplement those described in the currently published Basic Life Insurance Summary Plan Description, or as they may be changed in the future. Members are strongly encouraged to gain a thorough understanding of these booklets.

Part 1

Revised Executive Management Program Supplemental Deferred Compensation Plan

Effective Date

A1-1. The Supplemental Deferred Compensation Plan was originally established in 1958. The current program was approved by the Exchange Board of Directors (BoD), effective 10 December 1969 and amended over the years. It supplements the Basic Retirement Annuity Plan as currently published, or as it may be further amended.

Definitions

A1-2. **As used in this Booklet, special meaning terms and words are defined as follows:**

Basic Plan – The Retirement Annuity Plan for all eligible employees of the Army and Air Force Exchange Service, effective 1 June 1946, as currently amended.

Credited Civilian Service – As explained in the Basic Retirement Plan Booklet.

Credited Service – As explained in the Basic Retirement Plan Booklet.

Fund Administrator – The agency holding the contract for administering the Fund, receiving the periodic employer payments into the Trust, and paying Supplemental Deferred Compensation to retired members.

"He" and similar variations – Encompasses the masculine (he) or feminine (she) pronouns and variations thereof according to the member's gender, unless the context indicates otherwise.

High-3 Years Average Compensation – As explained in the Basic Retirement Plan Booklet.

Member – An employee who is a member of both the Basic Plan and the Revised EMP. To receive deferred compensation benefits under the Supplemental Plan, the member must qualify under the criteria set forth in the following section, entitled "Eligibility for Supplemental Deferred Compensation."

Revised Executive Management Program – The new EMP set forth in Army Regulation (AR) 215-8/Department of the Air Force Instruction (DAFI) 34-110(I), *Army and Air Force Exchange Service Operations*.

Spouse, Surviving Spouse – The member's wife or husband; or widow or widower.

Supplemental Plan – The Supplemental Deferred Compensation Plan applicable to members of the Revised EMP. (This plan was formerly referred to as the Retirement Income Plan.)

Eligibility for Supplemental Deferred Compensation

A1-3. A member is eligible for deferred compensation under the Supplemental Plan upon meeting any one (or more) of the conditions set forth in subparagraphs a, b or c, below. Benefits payable under the Supplemental Plan before COLA, when combined with benefits payable under the Basic Plan (before reduction for Social Security offset), may not exceed 75% of the High-3 average salary.

a. The member has voluntarily terminated employment for one of the following reasons and receives an immediate annuity under the Basic Plan:

- Normal Retirement
- Voluntary Early Retirement
- Deferred Retirement (after attaining age 62, with at least five years of Credited Civilian Service)
- Disability Retirement

b. The member has been terminated involuntarily (against his/her will and without his/her consent) for reasons other than cause or a declination of a transfer after completing at least 20 years of Credited Civilian Service. Persons retired under this provision will be assessed a 0.1667% per month penalty for each month the involuntary retirement date precedes the date the employee would have become eligible for Voluntary Early Retirement, either by age or years of service, whichever is longer. This is known as the EMP Select Out option.

c. The member has 20 years or more of service and has requested PMO approval to retire early. Persons retired under this provision will be assessed a 0.1667% per month penalty for each month the involuntary retirement date precedes the date the employee would have become eligible for Voluntary Early Retirement, either by age or years of service, whichever is longer. This is known as the EMP Early Out option.

d. The member has offered his/her resignation, after completing at least 25 years of Credited Civilian Service, or after completing at least 20 years of Credited Civilian Service and attaining 50 years of age. This is known as the Curtailment option. The following conditions also apply:

(1) The person's resignation must be in response to an announcement by the Exchange Director/CEO that the segment of work force of which he/she is a part must be reduced.

(2) The announcement must state that members who meet the age and Credited Civilian Service requirements may resign and receive Supplemental Deferred Compensation according to this Plan.

(3) The employee's resignation under these circumstances must be accepted by the Director/CEO.

(4) Employees retired under this provision will be assessed a 0.1667% per month penalty for each month the involuntary retirement date precedes attainment of age 55.

A1-4. Supplemental Deferred Compensation is not payable if termination occurs under other conditions, such as:

- Voluntary Termination before being eligible for Voluntary Early Retirement under the Basic Plan
- Optional Early Retirement under the Basic Plan
- Involuntary Termination prior to completion of at least 20 years of Creditable Civilian Service
- Involuntary Termination for cause or declination of a transfer, regardless of age and amount of Credited Civilian Service

Amount of Supplemental Deferred Compensation

A1-5. The yearly amount of retirement income payable to the member under this Plan will equal paragraph a, minus paragraph b, plus paragraph c:

a. Two and a half percent (2.5%) of the member's High-3 average compensation multiplied by the number of years of his/her credited service.

b. The amount of annuity provided for the member under the Basic Plan before reduction for either Social Security offset or survivor annuity, if applicable.

c. Ten percent (10%) of the base amount elected under this Plan for survivor's income.

A1-6. The amount payable under this Plan before COLA, together with the amount payable under the Basic Plan (before reduction for the Social Security offset), cannot exceed 75% of the High-3 average compensation.

a. The Social Security offset is 2.5% times the Social Security award times the credited service, except:

b. The max Social Security offset is calculated at 75% of the Social Security award for those paid at 75% of the high three average compensation and do not elect a spousal annuity.

c. The max Social Security offset is calculated at 83.333% of the Social Security Award for those paid at 75% of the high three average compensation and elect a spousal annuity.

A1-7. The following examples illustrate the method of computing retirement income under the Supplemental Plan and are intended to help members make an estimate of the Supplemental Retirement Income.

Example 1 – A Simple Calculation

John Doe retires at age 62. His High-3 average compensation is $90,000. He has 20 years of credited service at retirement. He **does not** elect retirement income with a provision for Survivor Income.

In this example, Supplemental Retirement Income is simply the difference between 2.5% per year of credited service, and the Basic Plan Formula benefit (before offset for Social Security and survivor annuity, if applicable).

	Begin with 2.5% x 20 years (50%) x $90,000		$ 45,000
–	Subtract Basic Plan Formula Benefit	–	$ 32,625
=	Supplemental Income	=	$ 12,375

Notice the features of the calculation:

a. While the actual Basic Plan benefit payable is reduced to allow for Social Security and Survivor Annuity, if applicable, it is the Basic Benefit **before offset** that is used in the Supplemental calculation.

b. The Basic Plan Formula benefit of $32,625 was calculated according to the Basic Plan (before offset for Social Security and Survivor Annuity, if applicable) as follows:

	5 years x 1.50%	=	7.50%			
+	5 years x 1.75%	=	8.75%			
+	10 years x 2.00%	=	20.00%			
=	20 years Total	=	36.25%	x $90,000	=	$ 32,625

There is a limit of 75% of High-3 average annual salary, but John Doe's Supplemental calculation does not exceed the limit since the total Supplemental calculation gave only 2.5% x 20 years or **50%** of the High-3 average.

Example 2 – Effect of Electing Survivor Income

Using the same John Doe as in Example 1, the Supplemental Benefit with Survivor Income is $12,375 reduced by 10% for the Survivor Option, which comes to $11,137:

	Supplemental Income before Reduction		$ 12,375
–	Subtract 10% Reduction	–	1,238
=	After Reduction	=	$ 11,137

In this case, the surviving spouse would receive an income under the Supplemental Plan, in addition to his/her Survivor Annuity under this Basic Plan.

Example 3 – Effect of 75% Maximum When Survivor Income Not Elected

Using the same data as in Example 1, except that John Doe has 32 years of credited service; the calculation is as follows, assuming the survivor income **is not** elected:

Step 1 – Calculate the Supplemental Benefit:

	Begin with 2.5% x 32 years x $90,000	= $ 72,000
–	Subtract Basic Plan Formula Benefit [(1.5% x 5 yrs) + (1.75% x 5 yrs) + (2% x 22 yrs)] x $90,000	– $ 54,225
=	Supplemental Plan Income	= $ 17,775

Step 2 – Test for 75% Maximum:

	Basic Plan Formula Benefit	$ 54,225
+	Supplemental Plan Income	+ $ 17,775
=	Total	= $ 72,000
–	Less maximum allowed by Plan (75% x $90,000)	– $ 67,500
=	Excess over 75%	= $ 4,500

Step 3 – Adjust any excess over 75%:

	Supplemental Income before adjustment	$ 17,775
–	Less the excess over 75%	– $ 4,500
=	Adjusted Supplemental Income	= $ 13,275

Special Rules

A1-8. On an Involuntary Retirement upon or after completing at least 20 years, but less than 25 years Credited Civilian Service, special rules apply. These rules are:

a. No benefits will be paid under the Basic Plan until age 62. Consequently, the Supplemental Deferred Compensation will be payable during the interim without reduction for Basic Plan Annuity.

b. At time of employment termination for retirement under the above circumstance, the member's Basic Plan annuity, to become payable at age 62, will be computed and recorded. The Social Security offset, also to become applicable at age 62, will be computed as though the member were then age 62, and recorded.

c. Payment of the Supplemental Plan Deferred Compensation under this circumstance is predicated on commencement of payment of the Basic Plan retirement annuity at age 62. Accordingly, the retired member may not withdraw his/her contributions nor commence receiving an annuity from the Basic Plan prior to age 62. Doing so would result in immediate cancellation of his/her Supplemental Deferred Compensation payments.

d. At age 62, upon commencement of payment of the Basic Plan annuity, the Supplemental Deferred Compensation payments will be appropriately reduced.

Payment of Supplemental Deferred Compensation

A1-9. **Deferred Compensation** – Payment of Supplemental Deferred Compensation will commence as of the first day of the month following the month during which the member is terminated under a qualifying condition; payment is expected to continue until the member's death.

A1-10. **Disability Compensation** – In the case of termination for disability, payment of Supplemental Disability Income will begin as of the first day of the month, as approved by the Employer as a consequence of the member's valid application, or as a consequence of a unilateral disability determination by the Employer. Supplemental Disability Income payments will continue until the earlier of (1) the member's death, or (2) the date he/she ceases to be eligible for Disability Annuity payments under the Basic Plan.

Benefits Payable Upon Your Death: Supplemental Plan Income for Survivors if You Die While Employed

A1-11. **Eligibility**

a. When the Surviving Spouse Annuity is determined payable following a member's Death in Service, as described in the Basic Retirement Plan Booklet, a Survivor Income will be payable under this Plan, if supported by the member's amount of credited service.

b. If Supplemental Plan Income is payable to the surviving spouse of a member who dies before retirement, the income will continue until the earlier of (1) the spouse's death, or (2) the date the spouse ceases to be eligible for Survivor Annuity under the Basic Plan.

A1-12. **Amount**

a. In determining any amount payable to the survivor, multiply 2.5% of the member's High-3 average compensation times the number of years of his/her credited service. Multiply the result by 55%. If that amount exceeds the Surviving Spouse's Annuity payable under the Basic Plan, prior to the Social Security offset, as described in the Basic Retirement Plan Booklet, the difference will be payable in monthly installments to the survivor.

b. If the Spouse's Annuity payable under the Basic Plan, prior to the Social Security offset, equals or exceeds the result of the above calculation, no income will be payable under the Supplemental Plan.

c. As a practical matter, because of the provisions of the Basic Plan, in most cases, Supplemental Income will not be payable to the survivor of a deceased member who had less than 16 years of credited service. For those with more than 16 years of credited service, it usually will be payable. The amount will increase as credited service increases – up to a maximum of 30 years. In no event will the yearly total of the Basic Plan Annuity to the survivor plus Supplemental Deferred Compensation from the plan exceed 55% of 75% of the member's annual salary derived through the High-3 average compensation method. Under no circumstances will Deferred Compensation under this plan be payable after the member's death to anyone other than the surviving spouse.

Benefits Payable Upon Your Death:
Supplemental Plan Income for Survivors if You Die After Retirement

A1-13. **Eligibility**

a. The spouse must have been married to the member at the time the member began receiving Supplemental Deferred Compensation under this Plan.

b. The member must have elected or accepted Supplemental Deferred Compensation with a provision for Survivor Income under this Plan.

c. Under no circumstances is Survivor Income under this Plan payable after the member's death to anyone other than the surviving spouse.

A1-14. **Amount.** The member must elect as the base for Survivor Income either all or none of his/her retirement income under the Supplemental Plan. The amount payable to the eligible surviving spouse will be 55% of the base amount elected.

A1-15. **Special Rules.** If the member qualifies for Deferred Compensation under the Supplemental Plan before the Basic Plan Retirement Annuity is payable, special rules apply. These rules are:

a. At time of termination for retirement, the member must make an irrevocable, written election specifying the election of Basic Plan Retirement Annuity and Supplemental Plan Deferred Compensation; in each instance – with, or without, survivor benefit.

b. The election may be for all, none or any portion of the Basic Plan annuity. Application of this election becomes effective at age 62 when Basic Plan annuity payments commence.

c. The election must be for either all or none of the Supplemental Deferred Compensation payable at age 62 (after commencement of annuity payments under the Basic Plan).

d. If a survivor benefit is provided for under the conditions stipulated in subparagraphs a, b or c, above, the total base amount elected will be applied to the entire Supplemental Deferred Compensation payable to the member until he/she attains age 62 (rather than to the equivalent, lesser lifetime Basic Plan annuity applicable at age 62 – after the Social Security offset – plus the Supplemental Deferred Compensation then payable).

e. If the member dies before attaining age 62, the eligible Surviving Spouse Income will be 55% of the base amount elected by the member at the time of retirement for both Basic and Supplemental Plans combined.

f. In the interim between the member's retirement and age 62, the total amount payable to the member is greater than the total amount payable under both the Basic and Supplemental Plans after age 62. This is because the Social Security offset under the Basic Plan comes into effect at age 62. The member may elect the Survivor Annuity option on this excess (temporary) portion, in which case a 10% reduction will also be applied to this portion. If the member should die before attaining age 62, the eligible Surviving Spouse Income will include 55% of the base amount elected on this temporary portion, but this portion of the Surviving Spouse Income will be payable only until the surviving spouse attains age 60.

Cost-of-Living Adjustments

A1-16. The income payable under the Supplemental Plan will be increased at the same time and by the same percentage as provided under the COLA provisions of the Basic Plan. As in the Basic Plan, the percentage amount will be the same as that provided for under the COLA feature of the Civil Service Retirement Act, as amended. Such increases adjust for increases in the CPI-W. The Survivor Income is also subject to these adjustments. The initial Survivor Income Benefit payment will reflect the compounded percentage COLAs which had been applied to the member's income from the date he/she commenced receiving it; future COLAs will be applied as well.

Contract

A1-17. Member's rights and benefits under the Supplemental Plan outlined in this booklet are governed by the official Plan document and by the Contract between the Employer and the Fund Administrator.

A1-18. All rights created under this Plan shall be mere unsecured rights of the members against the Exchange. The rights of the members under this Plan may not be anticipated, pledged, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal process.

A1-19. This booklet outlines the principal features of the Contract and the Plan; its interpretation is subject in every respect to the terms of both.

Method of Funding

A1-20. The Employer contributes 100% of the funding to the Plan. These funds are held in a Supplemental Plan Trust and a Basic Plan Trust. Members are not required or permitted to make contributions to the Supplemental Plan. Effective November 1, 2009, the Basic Retirement Plan benefit is extended to include the EMP Supplemental Deferred Compensation benefit, not to exceed the IRC Section 415 limit, measured at time of retirement. The portion of any EMP benefit in excess of the IRC Section 415 limit will be a benefit from the EMP Plan.

Future of the Supplemental Plan

A1-21. The Employer (the Exchange) intends to continue the Supplemental Plan indefinitely. However, the Employer reserves the right to change, suspend or end the Supplemental Plan at any time. Benefits are non-vested and forfeitable.

Part 2

Supplemental Group Life (Survivor Benefits)
and
Supplemental Accidental Death Insurance

Effective Date

A1-22. The Supplemental Group Life (Survivor Benefits) Insurance Plan became effective on 1 June 1968; the Supplemental Accidental Death Plan became effective on 1 July 1961. Both Plans are supplements to the Exchange Basic Life Insurance Plan; the principal features of which are set forth in the most recent edition of the applicable Summary Plan Descriptions.

A1-23. Supplemental Life (Survivor Benefits) and Supplemental Accidental Death Benefits are underwritten by the Aetna Life Insurance Company.

Eligibility

A1-24. A participant in the Exchange Basic Life Insurance Plan is eligible for Supplemental Group Life (Survivor Benefits) and Supplemental Accidental Death Insurance only if he/she satisfies one of the requirements set forth in subparagraphs a, b or c below, and **is not** excluded by d:

a. Is a member of the Revised EMP, as defined in **Part I** under Definitions.

b. Is a member of the EMP in existence prior to the revision referred to in subparagraph a above, even though not a member of the Revised Program.

c. Is granted EMP status in the future.

d. If he/she is both disabled and away from work on the first day Supplemental Insurance would become effective, the insurance becomes effective only upon his/her return to work on a full-time basis.

Beneficiary Designation

A1-25. You are encouraged to maintain beneficiary designations for all Plans which provide a benefit upon your death. You may review and make changes to beneficiaries at any time on the eBenefits system. Active associates can reach eBenefits through the ESS website. Active and retired associates can also visit eBenefits through https://exchangebenefits.ehr.com. Retirees who need assistance with this site may contact the HQ Benefits Branch at 1-800-519-3381.

Supplemental Life (Survivor Benefits) Insurance

A1-26. Active EMP employees who are participants in the Exchange Basic Life Insurance Plan are provided with Supplemental Life (Survivor Benefits) Insurance coverage. Upon their death, while in service, a Survivor Benefit will be payable as determined below, in one sum or in installments:

a. If the Survivor Benefit is payable in installments, the monthly amount shall be one-twelfth of the applicable Annual Survivor Benefit shown in the Schedule of Insurance. These benefits shall be payable during the entire applicable Benefit Payment Period determined from said schedule; except that, in the event of death of a designated beneficiary after one or more installments have become payable, the present value of the unpaid installments due that beneficiary will be paid in one sum to the deceased beneficiary's estate.

b. If all or a portion of the Survivor Benefit is payable in one sum, the amount of the lump sum payment shall be the present value of that portion of all installments payable in one sum, calculated at the applicable rate of interest on the date the lump sum payment becomes due. The "applicable rate of interest" will be the rate of interest used in determining reserves according to the applicable statutory requirement for the benefits payable to a given individual.

c. The whole or any part of any Survivor Benefit payable shall be paid to the beneficiary in one sum, if the beneficiary is a corporation, partnership, association, institution, trustee, fiduciary or the Employee's estate.

d. The whole or any part of any Survivor Benefit payable shall be paid to the beneficiary in one sum of the amount due the estate of a beneficiary whose death occurs after installment payments have commenced but before all installments are paid; otherwise;

e. The whole or any part of any Survivor Benefit payable shall be paid to the beneficiary in monthly installments, if the beneficiary is other than as provided in subparagraphs c and d, above. The first installment shall become due and payable as of the first day of the calendar month following the Employee's death. Subsequent installments shall be payable as of the first day of each subsequent calendar month. However, no installment shall be payable after the earlier to occur of (1) the death of all designated beneficiaries, or (2) the end of the applicable Benefit Payment Period determined from the Schedule of Insurance. If all designated beneficiaries die before the end of the applicable Benefit Payment Period, the present value of all unpaid installments will be paid to such beneficiaries' executors or administrators.

A1-27. The annual amount and period of time over which payments are made are determined by the age attained by the member at time of death, according to the following Schedule of Insurance:

Schedule of Insurance		
Member's Age at Time of Death	**Period (Years) for which Benefits Will be Paid**	**Annual Payment as Percentage of Basic Life Insurance Benefit Applicable to Member**
Under 35	18	25.00%
35-39	15	
40-44	10	20.00%
45-49	7	15.00%
50-54	5	12.50%
55-59	3	
60 or more	2	

Supplemental Accidental Death Insurance

A1-28. EMP members who are participants in the Basic Life Insurance Plan are provided with Supplemental Accidental Death insurance. The coverage equals the amount of Accidental Death (Principal Sum) insurance coverage provided by the Basic Life Insurance Plan, or 200% of the annual rate of basic earnings. This benefit is payable to the designated beneficiary in case of accidental loss of life sustained within 90 days following an accident, including loss of life resulting from an occupational accident, provided the accident occurred while the member was covered by the Basic Life Insurance Plan and had EMP status.

A1-29. **Excluded is loss of life because of, or contributed to by:**

a. Bodily or mental infirmity.

b. Disease, ptomaine or bacterial infections.

c. Medical or surgical treatment (unless made necessary by an injury covered under the Plan).

d. Suicide or attempted suicide (sane or insane), or intentionally self-inflicted injury.

e. War or any act of war, declared or undeclared.

Duration and Termination of Coverage

A1-30. Coverage will continue as long as the member retains status in the EMP and remains enrolled in the Basic Life Insurance Plan. Coverage will immediately cease if a member ceases to participate in the Basic Life Insurance Plan or no longer holds status in the EMP, regardless of the reason. If death occurs within 31 days after coverage ceases, the Supplemental Group Life (Survivor Benefits) will be payable to the designated beneficiary. An employee who is no longer covered may, upon proper application directly to the insurance company, and upon paying the first premium due, convert, also within the first 31-day period, the commuted value of his/her Supplemental Group Life (Survivor Benefits) Insurance to an individual life insurance policy. A medical examination will not be required; the premiums charged will be at the insurance company's regular rates. If desired, a preliminary period of not more than one year of term insurance coverage may be obtained; otherwise, only a regular whole life or an endowment plan is available under this conversion possibility.

Future of the Supplemental Group Life (Survivor Benefits) and Accidental Death Insurance Plan

A1-31. The Employer and the Insurance Company administering the Plan reserve the right to change or discontinue the Plan at any time.

Appendix 2

Glossary of Acronyms

ACRONYM	DEFINITION
A	
AAFMPS	Army and Air Force Motion Picture Service
ADT	Active Duty Training
AFI	Air Force Instruction
APF	Appropriated Fund
AR	Army Regulation
B	
BoD	Board of Directors
C	
CEO	Chief Executive Officer
COLA	Cost-of-Living Adjustment
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
D	
DoD	Department of Defense
E	
EMP	Executive Management Program
ESS	Employee Self Service
F	
FICA	Federal Insurance Contributions Act
H	
HQ	Headquarters
HR	Human Resources Directorate
I	
IDT	Inactive Duty Training
INT	Intermittent
IRC	Internal Revenue Code
L	
LWOP	Leave Without Pay
N	
NAF	Non-appropriated Fund
NAFI	Non-appropriated Fund Instrumentality

ACRONYM	DEFINITION
Q	
QDRO	Qualified Domestic Relations Order
R	
RFT	Regular Full-Time
RIF	Reduction-in-Force
RPT	Regular Part-Time
U	
U.S.	United States