

401(k)
Retirement Savings
Plan

October 2017



EXCHANGE
ARMY & AIR FORCE EXCHANGE SERVICE

401(k) Retirement Savings Plan For Employees of the Army and Air Force Exchange Service

Summary Plan Description

Why Plan for Retirement

1. Each of us dreams about the golden years of retirement; to realize that dream you must plan ahead and start saving now.

How Much Do I Need in Retirement?

2. One general rule of thumb is most people will need at least **80%** of their pre-retirement income. Retirement income may consist of several sources such as Social Security, pension, 401(k) investments, and personal savings.

Start Saving Now!

3. Now is the time to develop a savings plan for retirement! Without neglecting everyday obligations, it is important to make savings a part of your normal routine. Start saving **now**, to support your retirement years!

The Origin of the Retirement Savings Plan

4. On 1 January 1980, the Army Air Force Exchange Services (AAFES) created the Employee Savings Plan to permit active, regular full-time (RFT) employees to save **after-tax earnings** on a sheltered basis in a retirement plan. These after-tax contributions were invested in guaranteed investment contracts with Aetna Life Insurance Company, which served as the investment manager and record keeper for the plan. Interest earnings are not taxed until withdrawn by the participants.

5. From 1982 through 1986, the plan also contained the Deductible Retirement Account (DRA) feature. This allowed employees to contribute **before-tax earnings** to the plan, just as for an Individual Retirement Account (IRA). The Tax Reform Act of 1986 created changes in the federal tax code. It prevented contributions to the DRA after 15 April 1987. However, prior contributions are maintained in the plan.

6. Effective 28 October 1989, the Exchange discontinued operation of the Employee Savings Plan and implemented the Retirement Savings Plan (the "Plan") under Section 401(k) of the Internal Revenue Code. All contributions made to the revised plan are made with **before-tax earnings** to give a tax advantage to participating employees. Contributions are invested with Fidelity Investments, a nationally known family of mutual funds. As previous Employee Savings Plan and DRA deposit year contracts with Aetna mature, these funds will be placed in similar contracts at Fidelity. The record keeping functions for the Employee Savings Plan and DRA transferred to Fidelity on 1 January 1990.

7. Effective 01 May 2013, participation was no longer completely voluntary. The Exchange added an Automatic Contribution Arrangement for all hired or rehired eligible regular part-time (RPT) and RFT employees. These employees have 30 days to opt out of the automatic enrollment. If no action is taken after 30 days, employees are automatically enrolled with a 3% savings election and an investment election equal to the Fidelity Freedom Fund based upon the employee's age.

8. Effective 01 September 2015, the Exchange implemented a Roth 401(k) as an option for employees to save on an after-tax basis.

What is a 401(k) Plan?

9. Section 401(k) of the Internal Revenue Code allows employers to offer a plan that helps you prepare for retirement in a unique way. Deferring a percentage of your salary when you save through the 401(k) Plan. Money is automatically deducted from your paycheck, and put aside, by the Exchange, in an individual account set up for you; in trust, under a retirement plan. When you put aside part of your pay in the 401(k) Plan, you may elect to contribute to the traditional pre-tax 401(k) and/or make contributions after taxes to the Roth 401(k). If you elect to make contributions on a pre-tax basis, you delay paying federal income tax, and in most cases, state and local income taxes, on that portion. The amount you invest in your 401(k) will be excluded from your annual taxable income reported on your W-2 Wage and Tax Statement. You will not pay tax on any money you contribute to the Plan, or on any earnings, until you receive the funds in your account at retirement (or later), or when you terminate employment with the Exchange. (Tax-free rollover provisions may be available under these circumstances. See Internal Revenue Service [IRS] Publication 590 for details.) This means your money can go to work for you immediately, helping to accumulate earnings for your future while tax payments are deferred.

10. Unlike a traditional 401(k) where you save on a pre-tax basis, Roth contributions from your payroll check are made after taxes. It does not reduce the taxable income reported on your W-2 Wage and Tax Statement. However, interest earned on Roth contributions generally grow tax free as long as the distribution is made after a 5-taxable-year period of participation and if the distribution is made on or after the date the participant attains 59 ½, made after the death of the participant or the participant is disabled. Contributions to the Roth 401(k) are subject to the same contribution limits as the traditional 401(k). Participants may participate in the Roth 401(k) only, the traditional 401(k) only, or both. In all cases the total annual contributions cannot exceed the dollar limitation contained in Section 402(g) of the Internal Revenue Code adjusted for cost of living.

Who is Eligible to Participate in the 401(k) Plan?

11. To be eligible to participate in the Plan, you must:

a. Be a RFT or RPT civilian employee of the Exchange assigned to an Exchange facility and

- (1) A U.S. citizen, or
- (2) A non-U.S. citizen national, or
- (3) A permanent resident of the U.S., and
- (4) Paid on the U.S. dollar payroll system.

b. Eligible participants who live in Puerto Rico may contribute to the traditional 401(k) but are prohibited by Puerto Rico tax law from making contributions to a Roth 401(k).

12. Participants who are converted to an ineligible employment category must remain in the Plan, but will not be allowed to contribute while in an ineligible category.

The Plan's Record Keeper

13. Fidelity Investments is the record keeper for the Exchange's 401(k) Plan. Fidelity administers almost all aspects of the plan to include the enrollment process, processing changes to savings percentages, selection of investment options, loans and withdrawals.

Access Your Account

14. Access your Exchange 401(k) account information two ways:

a. Use Fidelity's NetBenefits online at www.401k.com to:

- (1) Review account balance,
- (2) Get fund information, **and**
- (3) Perform investment transactions
- (4) Change your saving percentage
- (5) Request a distribution

Note: For assistance with enabling internet access to your account, use the New User Registration option on NetBenefits or call the Fidelity Online Retirement Service Center at 1-800-581-5800.

b. Call Fidelity

(1) In the 50 states and Puerto Rico (Toll-free): **1-800-835-5098**

(2) Overseas: First, get an AT&T Direct Access Number by visiting www.att.com/traveler, calling 1-800-331-1140 for a list of country codes, or by asking the local operator. After you dial your AT&T Direct Access Number, enter **877-833-9900** to reach the Fidelity Retirement Benefits Line.

Note: Both numbers allow direct access to a customer service representative during normal business hours (8:30 a.m. to 8:00 p.m. EST), and fully functional, automated voice response system (VRS) after business hours.

15. Fidelity no longer sends quarterly statements to participants unless otherwise notified. Please call Fidelity if you prefer to receive quarterly statements. Online statements are available at any time through NetBenefits.

How to Change Your Savings Percentage

16. For eligible RFT or RPT employees, enrollment occurs automatically with a 3% savings deferral rate after 30 days of hire. Employees must contact Fidelity Investments to change their savings percentage or to opt out of the plan.

Note: All employees enrolling in the 401(k) Plan will need to complete a BENEFICIARY DESIGNATION on [eBenefits](#) or through [Employee Self-Service \(ESS\)](#). If you have questions about the eBenefits website, please contact the Human Resources Support Center (HRSC) at 1-800-508-8466 from 6:00 a.m. to 7:00 p.m. Central Standard Time (CST), Monday through Friday, or contact your local servicing Human Resources Office.

How Much Can You Save?

17. You can contribute any whole percentage between 1% and 99% of your basic regular earnings. Your earnings for this purpose exclude bonuses, overtime pay, and other forms of pay in excess of your basic pay. Vacation and sick leave payments are included. All contributions must be made through payroll deduction. The Internal Revenue Code does not permit lump-sum contributions to a 401(k) Plan.

Note: If you are retiring and want to make changes to your deduction on the last paycheck, make changes the pay period before your retirement date.

18. Contributions made to the Plan are set aside in a separate trust which is maintained for the exclusive benefit of Plan participants. As permitted by federal tax law, there is a maximum 401(k) contribution you can make in a calendar year. For example: The maximum annual 401(k) contribution for plan participants in 2017 is \$18,000. This amount is subject to change each year by the IRS. Once you have contributed the maximum allowed annual contribution established by the IRS, your contributions will automatically stop. Your contributions will start again with the first payroll of the next year.

Workers Age 50 and Older “Catch-Up” Contributions

19. Beginning in 2002, workers age 50 and older (as of the end of the taxable year) are allowed to make an additional contribution via salary reduction (elective deferral) to the 401(k) Plan. This is in addition to the annual limit identified above. For example: A 50-year-old in 2017 may contribute \$18,000 plus the “catch-up” of \$6,000 for a total of \$24,000. The “catch-up” contribution begins once the maximum contribution limit for the year has been reached. You must set up a separate deferral (contribution percentage) for the “catch-up” contribution. You will have one percentage for the annual limit, and a second one for the “catch-up” contribution.

Your Right to Contributions

20. You are 100% vested in, or have an ownership right to, the current value of your account. However, this does not mean you may withdraw your contributions and any gains credited to your account whenever you wish. (See [Borrowing from the Plan](#) and [Withdrawals](#) later in this booklet.)

Your Investment Choices

21. You have a variety of investment options from which to choose, each with varying risks and returns, giving you the flexibility to develop an investment plan for any time of your life. A list of investment options is available by visiting the Fidelity website or by calling Fidelity Investments.

The Prospectus – Information about the Funds

22. A prospectus is a document that reveals how the fund would invest your money. A prospectus is designed to help you make an informed decision about whether a fund is a good match for your personal investment objectives and preferences.

a. **What a Prospectus tells you about the fund:**

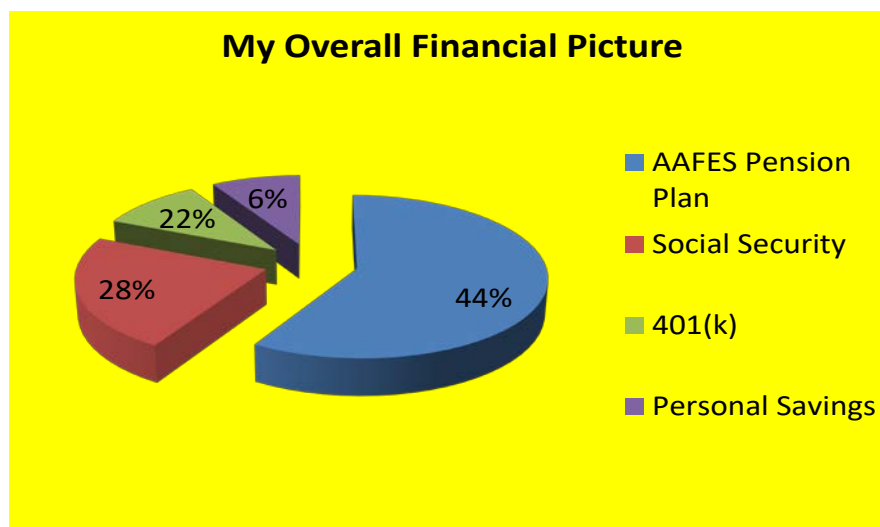
- Investment objectives, strategies, and risks – Fund aiming for high growth and willing to take risk, or is it more conservative with less risk?
- Fund performance – Calendar year returns over the last one-, five-, and 10 year periods.
- Fees and expenses – What will it cost you?
- Services and account features – How often can you exchange shares?
- Fund management – Introduces you to individuals responsible for managing the fund.
- Financial highlights – Performance for past five years - dividend and capital gains income.
- Getting more information – Reference where you can get additional information.

b. Prospectuses are available through Fidelity Investments. Consult the prospectus on each fund for details on the funds, their past performance, and other information. Read it carefully before making your investment choices.

Your Overall Financial Picture

23. You should keep a perspective on your overall financial picture and where your 401(k) Plan fits into your strategy in preparing for your future. Then, choose the investments appropriate for you.

Example:



Note: The Fidelity website offers several tools and an abundance of learning opportunities to assist you with planning and education for retirement.

a. **Tools**

- **Preparing for Retirement** - assists you with planning to meet your retirement expenses.
- **Investing for the Future** - quickly assess your portfolio and investment strategy to see if you are on target for your retirement goals
- **Monitoring Your Total Finances** - use calculator programs to explore a variety of what-if situations about your personal finances.

b. **Learning**

- **Retirement Checkup** - assists you with reviewing your financial progress towards retirement.
- **e-Learning** - these workshops teach the fundamentals of saving for retirement.
- **About Your Strategy** - assists you with fine-tuning your retirement planning.
- **About 401(k)s** - provides information on how the 401(k) Plan works.
- **Changing Jobs** - what you can do with your monies when you change jobs.
- **Retiring** - provides information on how you can keep your savings on track when you retire.
- **Stages Online** - Fidelity magazine covering different topics about financial planning

Changing Your Investment Strategy

24. When your investment goals change, you may:

a. Transfer part, or all, of your existing account balances. However, there may be fees that apply. Fees vary depending on the fund. Not all funds charge this fee. Check a fund's prospectus for more details.
OR

b. Change the way you invest future contributions, so new money deducted from your pay goes to work for you according to your new goals. There is no limit on the number of investment allocation changes you can make.

Note: To help protect the interests of all shareholders, the prospectus for most mutual funds in our plan states the fund may temporarily or permanently terminate the exchange privilege of any participant who, in the plan administrator's opinion, has a pattern of short-term or excessive trading, or whose trading has been or may be disruptive to the fund. For these purposes, the Plan administrator may consider an investor's trading history in the fund or other plan funds and accounts under common ownership or control. In addition, each prospectus states the fund may refuse any exchange purchase (into the fund) for any reason. An exchange is defined in the prospectus as "the redemption of all or a portion of the shares of one fund and the purchase of shares of another fund."

If You Need Early Access to Your Money

25. The federal government considers the 401(k) Plan as primarily a retirement plan.
26. You have two options to access your money before retirement:
- Loans
 - Withdrawals
27. Because of the tax-favored status of the plan, the IRS requires the plan to impose severe restrictions on withdrawals.

Borrowing from the Plan Gives You Some Access to Your Funds

28. You may apply for a Plan loan against your 401(k) contributions. Savings plans and DRA balances are not available for loans. These restrictions apply to 401(k) loans:
- a. The minimum loan available is \$500.
 - b. The maximum loan amount is the smaller of:
 - (1) \$50,000 reduced by the highest outstanding loan balance you had during the 12-month period preceding the date on which the loan is to be made; or
 - (2) 50% of the net credit balance in the participant's 401(k) Contribution Account.
 - c. You must repay all loans within five years, except a loan for the purchase of a home, which may be extended to seven and one-half years.
 - d. Repayments are made through biweekly payroll deductions. Lump-sum repayments are allowed to retire the balance of the loan. No partial payments, other than fixed biweekly payroll deductions, are accepted.
 - e. Only one loan can be outstanding at a time.
 - f. The rate of interest will be the Prime Rate on corporate loans at large U.S. money center commercial banks as last published in Reuters, preceding the date the loan is approved by Fidelity, plus 1%. The rate remains fixed for the life of your loan.
 - g. You, the borrower, will be charged a loan set-up fee and an annual fee for servicing the loan.. These fees are subject to change. Fidelity will disclose the fee schedule at the time of your loan request.
 - h. The funds you designate will be liquidated by the Investment Manager to provide the capital for the loan. Your payback of the loan, including interest, is credited directly to your account, according to your current investment mix.
 - i. If you are on leave without pay (LWOP), you must continue to make regular loan repayments. A loan is considered in default when payments are 90 days delinquent. In the case of a delinquent loan, it is treated as a withdrawal and subject to penalties and taxes ([see paragraph 48](#)).
 - j. If you terminate your employment or retire with an outstanding loan balance, the loan must be paid in full, or the balance is charged to you as a taxable distribution ([see paragraph 48](#)).

29. Loans from the 401(k) are granted for one or more of these reasons only:
- a. Medical expenses incurred by the participant, the participant's spouse, and dependent children under age 20 or attending college, parents, or parents-in-law.
 - b. Purchase or renovation of a principal residence for the participant.
 - c. Payment of expenses (including tuition, room and board) for post-secondary education for the participant, his spouse, or dependent children.
 - d. The need to prevent the eviction of the participant from his principal residence or foreclosure on the mortgage of the participant's principal residence.
 - e. To pay expenses associated with the funeral costs of the participant's spouse or dependents, parents, or parents-in-law.
 - f. To pay expenses associated with the divorce of the participant.
 - g. To pay expenses associated with the legal adoption of a child.

How to Apply for a Loan

30. Contact Fidelity Investments via phone or on-line to apply for a Loan.

Withdrawals from the 401(k) Plan

31. To withdraw your 401(k) contributions (\$500 minimum), you must prove a financial hardship exists.

Note: Current tax law will not allow you to withdraw earnings on your contributions while you are an active employee.

32. Financial hardship means you have an immediate and heavy financial need that cannot be met from any other resource. **ALL** of the following requirements must be satisfied:

- a. You have obtained all nontaxable loans available from retirement plans offered by the Exchange.
- b. You have obtained all withdrawals available from both Employee Savings Plan and the DRA.
- c. The money to be withdrawn is not in excess of the amount necessary to meet this need.

33. All employees requesting a withdrawal must contact Fidelity Investments. To make a withdrawal you must give Fidelity satisfactory evidence that the withdrawal is to alleviate your financial hardship for one of these reasons:

- a. Unreimbursed medical expenses incurred by you, your spouse, or a dependent.
- b. Purchase (excluding mortgage payments) of your principal residence.
- c. Payment of tuition for the next semester or quarter of post-secondary education for you, your spouse, or your dependents.

d. Prevention of eviction from your principal residence or foreclosure of a mortgage on your principal residence.

e. Burial or Funeral Expenses.

Note: The IRS has not provided any other allowable reasons for withdrawal from the 401(k) while still employed.

34. If you are granted a withdrawal, your contribution to the Plan is automatically suspended for a period of six months.

35. If you make a hardship withdrawal, the IRS will charge you a 10% penalty plus ordinary income tax on the amount of the withdrawal, unless you are at least age 59½.

Note: Allow at least 30 days from the time your request is received by Fidelity for the processing of your withdrawal from the 401(k). You MUST select the fund or funds from which you want to make the withdrawal.

Withdrawals from the Savings Plan or Deductible Retirement Account

36. If you have funds available for withdrawal from Employee Savings Plan and/or DRA, they must be utilized first, before making any 401(k) hardship withdrawal requests. Contact Fidelity to request a withdrawal from your Savings Plan and/or DRA.

37. Allow at least 30 days from the time your request is received by Fidelity for the processing of your withdrawal. You MUST select the fund or funds from which you want the withdrawal.

38. If you make a hardship withdrawal, the IRS will charge you a 10% penalty plus ordinary income tax on the amount of the withdrawal, unless you are at least age 59½.

Borrowing or Assigning Plan Funds

39. You may borrow or withdraw plan funds only according to this summary plan description.

40. Except to the extent required by law, you may not assign, pledge as collateral, or give away any benefit from plan funds before the benefit is actually paid to you.

When Can You Receive Your Contributions from the 401(k), the Employee Savings Plan, or the DRA?

41. You, or your beneficiary, can receive the full value of your plan accounts if your employment with the Exchange ends because you:

- a. Retire under the provisions of the AAFES Basic Retirement Plan
- b. Terminate employment with the Exchange
- c. Become permanently disabled, or
- d. Die.

Distribution Methods

42. Your distribution from the plans is not automatic. You, or your beneficiary, must contact Fidelity. Different rules apply depending upon whether you retire with an immediate annuity from the AAFES Basic Retirement Plan or you terminate your employment.

43. You or your beneficiary may receive the value of your Employee Savings Plan account as a single lump-sum payment. The previously untaxed portion of your distribution may be eligible for rollover to an IRA.

44. If you retire and your account balance is greater than \$1,000, your money stays in the Plan. However, you may contact Fidelity to request:

- Rollover to an IRA,
- Systematic withdrawals,
- Partial withdrawals (partial withdrawals are subject to a fee per withdrawal), **or**
- Total withdrawal.

45. No further contributions are permitted after you retire. IRS rules state that by April 15th of the year after you reach age 70½, you must start taking Minimum Required Distribution (MRD). Contact Fidelity to arrange for your MRD. If you do not request a MRD by that time, the Plan Administrator will request it for you.

Note: These rules apply to the Employee Savings Plan, the DRA, and the 401(k) Plan. You may cash-out any one of the three plans exclusive of the other plans.

46. If your employment with the Exchange is terminated and your account balance is greater than \$1,000, the money stays in the Plan. However, you may request *from Fidelity*:

- Rollover to an IRA **or**
- Total withdrawal.

47. If your account balance is less than \$1,000 and you fail to contact Fidelity to request a rollover or total withdrawal within 60 days after the date of your termination, the Plan Administrator will have a forced-distribution sent to your last known address in the Exchange Personnel Management Information System.

What If You Are Converted to an Ineligible Status or Reemployed?

48. If you are converted for any reason to an ineligible employee category, your 401(k) funds must be retained in the Plan. You will not be permitted to make any contributions while in an ineligible status, but will be permitted to make loans and hardship withdrawals like any other active employee participant.

49. Your Employee Savings Plan and DRA accounts may also be maintained in the Plan if you are converted to an ineligible category. This is voluntary and you may withdraw those funds at your option. (See [paragraph 36](#) through [paragraph 38](#)).

50. If you are reinstated as an RFT or RPT employee, you will automatically be reenrolled into the Plan at the automatic enrollment default percentage, which is currently 3%. You may contact Fidelity Investments to change the savings percentage or to opt out altogether. If you are reinstated in an ineligible category (Temporary Full-Time [TFT], Intermittent [INT], or Temporary Part-Time [TPT]), your funds will stay in the Plan, but you will not be able to make further contributions until becoming an RFT or RPT employee again. The withdrawal and loan rules applicable to RFT or RPT employees also apply to ineligible employees with accounts maintained by the Plan.

Information on Taxes

51. 401(k) Plan contributions made on a pre-tax basis into the traditional 401(k) plan reduce wages for federal tax purposes. Roth contributions do not reduce wages for federal tax purposes.

52. 401(k) contributions made on a pre-tax basis into the traditional 401(k) plan also reduce taxable wages for most state and local income taxes. Roth contributions do not reduce taxable wages for state and local income taxes.

53. All 401(k) contributions are subject to Federal Insurance Coverage Act (FICA) taxes.

54. A 10% penalty is charged by the IRS against the previously untaxed amount of any withdrawal from the 401(k), the Employee Savings Plan, or the DRA made before the age of 59½. There are exceptions when the penalties may not apply:

a. If you retire or otherwise terminate your employment at age 55 or later under one of the provisions of the Exchange Retirement Plan.

b. If you receive a lump-sum distribution from the Plan due to termination of Exchange employment and rollover the previously untaxed portion of your distribution to an IRA within 60 days after receiving the proceeds.

c. If you become permanently disabled.

d. If payments are made to your beneficiary after your death.

e. If the distribution was made on account of medical expenses which would be considered deductible for Federal income tax purposes.

Note: This information is not intended to be tax advice. These are the rules in effect as of the date of this publication. Consult your tax advisor as the rules may change.

Plan Expenses

55. Every dollar contributed to the Plan is invested in your behalf. The LOAD (sales charge or commission), normally associated with Fidelity's mutual funds, is waived for participants in this Plan.

56. The Exchange is responsible for Plan record keeping and administrative costs. The borrower is responsible for loan processing charges which are deducted from the borrower's account.

57. Management fees and brokerage costs for the respective funds are netted against the overall financial returns. This is the standard procedure for all mutual funds.

Qualified Domestic Relations Order

58. Effective 1 July 2000, the Exchange accepts and processes Qualified Domestic Relations Orders (QDROs) against the 401(k) Retirement Savings Plan.

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

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

Willis Towers Watson QDRO Service Center
P.O. Box 712728
Los Angeles, CA 90071
Phone: 1.855.481.2661
Email: TWQDRO@towerswatson.com

61. After the QDRO is finalized and meets the qualification requirements, the Exchange will authorize the applicable assignment of benefits with Fidelity Investments.

General Information

62. The Exchange reviews the Plan regularly and intends to maintain the Plan continually. Plan provisions may change to comply with government regulations and for other reasons. This brochure presents the highlights of the Plan. If a conflict arises, the official Plan document, not this brochure, is the final authority. This booklet is neither a legal plan document nor an implied or expressed contract or guarantee of continued employment.

Note: The Exchange assumes no responsibility for capital loss due to investment in this Plan.

Your Address

63. Keep in mind that Fidelity sends other types of correspondence to the home address shown in your Official Personnel File (OPF). **It is important to keep your address current.** To update, go to [Employee Self-Service](#) or contact the appropriate Human Resource Support Center at:

CONUS (AK, HI, PR)	800-508-8466	LOCAL NUMBER	214-312-6190
BELGIUM	0800-725-53	GERMANY	0800-181-3536
ITALY	800-839-031	TURKEY	DSN 312-967-6029
JAPAN	00531-13-1131	KOREA	00308-13-1567
NETHERLANDS	0800-022-1848 OR 9614	NORWAY	800-14-110
PORTUGAL	800-813-249	UNITED KINGDOM	0808-234-7313

Information about the Plan

Plan Name	401(k) Retirement Savings Plan for Employees of AAFES
Plan Sponsor	Army & Air Force Exchange Service ATTN: FA-T P. O. Box 650428 Dallas, TX 75265-0428
Employer ID #	75-1232789
Effective Date	28 October 1989
Type of Plan	Defined Contribution Retirement Plan
Type of Administration	Self-Administered
Plan Administrator (HQ AAFES)	Treasurer
Trustees (HQ AAFES)	Chief Operating Officer (COO) Executive Vice President/Chief Financial Officer (EVP/CFO) Executive Vice President, Chief Human Resources Officer (EVP/CHRO) Trustee-at-Large (Selected by the COO)
Agent for Legal Process Service (HQ AAFES)	AAFES General Counsel
Plan Year	Calendar Year Ending 31 December