# 403(b) Savings Plan

## Summary Plan Description (SPD)

BaylorScott&White HEALTH

Updated as of December 2023

# 403(b) Retirement Plans Table of Contents

**Introduction ........ 3**

**Section 1: Eligibility and Participation ........ 4**

Who Is Eligible to Participate in the 403(b) Plan? ........ 4

When Am I Eligible to Participate in the 403(b) Plan? ........ 4

**Section 2: Contributions to the 403(b) Plan ........ 5**

What Types of Contributions May Be Made to the 403(b) Plan? ........ 5

Are Catch-up Elections Available in the 403(b) Plan? ........ 5

What Are the Plan Contribution Limits? ........ 5

How Is My Compensation Determined? ........ 6

How Do 403(b) Plan Pre-Tax Contributions Reduce My Taxes? ........ 6

How Do 403(b) Plan Roth After-Tax Contributions Affect My Taxes? ........ 6

Can I Convert My Pre-Tax Contributions to Roth Contributions? ........ 6

Can I Change My Contributions Elections? ........ 7

**Section 3: Plan Accounts and Investments ........ 8**

How Are Contributions to the 403(b) Plan Held and Accounted For? ........ 8

What Investment Options Are Available to Invest My Contributions? ........ 8

What are the 403(b) Plan's Rules Regarding Voting Rights for the Funds in My Plan Accounts? ........ 8

What If I Have Questions About the Investment Options Available In the 403(b) Plan? ........ 8

How Often Can I Change My Investment Directions? ........ 9

Who Is Responsible for Investment Losses? ........ 9

**Section 4: 403(b) Plan Distributions ........ 10**

Vesting ........ 10

Hardship Withdrawals ........ 10

Loans ........ 11

Termination From Employment Distributions ........ 11

**Section 5: Federal Income Tax Consequences ........ 13**

**Section 6: Miscellaneous ........ 14**

What About Amendment or Termination of the 403(b) Plan? ........ 14

Are My Benefits Under the 403(b) Plan Insured? ........ 14

May There Be an Assignment of 403(b) Plan Benefits? ........ 14

What is a Qualified Domestic Relations Order (QDRO) and How Does It Affect 403(b) Plan Benefits? ........ 14

Do I Have Special Rights Upon Returning From Military Service? ........ 14

**Section 7: Administrative and ERISA Information ........ 15**

Administrative Facts ........ 15

ERISA Information ........ 17

**Appendix A ........ 18**

Participating Employers ........ 18

**Appendix B ........ 19**

Loan Administration Policy ........ 19

# Introduction

Baylor Scott & White Holdings maintains the Baylor Scott & White Health 403(b) Savings Plan (the "403(b) Plan") to assist Participants in saving for the future. The actual 403(b) Plan is a complex legal document that has been written in a technical manner intended to meet the requirements of the Internal Revenue Code. This Summary Description ("SPD") of the 403(b) Plan has been prepared to explain and summarize the major provisions of the 403(b) Plan currently in effect and to answer some of the questions you might have pertaining to the 403(b) Plan.

To become a Participant in the 403(b) Plan, you must be a "Covered Employee" (as described in Section One of this SPD) and meet the 403(b) Plan's eligibility requirements.

Once you become a Participant, certain Plan Accounts will be maintained under the 403(b) Plan for you. All records of the 403(b) Plan are based on the Plan Year, which is January 1 through December 31. Your Plan Accounts are adjusted to reflect contributions, gains, and losses. Empower ("Empower") is the recordkeeper for this 403(b) Plan and provides various administrative services to the Plan. All of these features are explained further in the following pages.

You will not pay federal income taxes on your pre-tax contributions, including earnings, until these amounts are actually distributed to you. If you make Roth after-tax contributions, the contributions will be subject to federal income taxes when made, but you will not pay federal income taxes when such amounts are distributed to you if certain conditions are satisfied. See Section Five of this SPD for more information on the tax consequences of your contributions.

You should take the time to review this SPD carefully. Your benefits under the 403(b) Plan can play an important role in your (and your family's) financial future. You should understand the benefits available and the choices you can make under the 403(b) Plan.

This SPD is only a summary and does not cover all the 403(b) Plan provisions and is not the official text of the 403(b) Plan. A summary cannot explain how each 403(b) Plan provision might apply in every situation, nor can it explain all the conditions and exceptions that might apply to the 403(b) Plan provisions that are covered. If you have any questions about the 403(b) Plan that are not addressed in this SPD or you would like to review the 403(b) Plan document and its related custodial account agreement, please contact the Plan Administrator at the address listed in Section Seven of this SPD. **In the event of any inconsistency between the information in this SPD and in the 403(b) Plan itself, or to the degree the 403(b) Plan contains more complete or detailed information or rules, the provisions of the 403(b) Plan will apply.**

Neither the 403(b) Plan nor this SPD alters in any way your at-will employment relationship with Baylor Scott & White Health or its affiliates. The Baylor Scott & White employers current participating in the Plan are listed in **Appendix A**. They are referred to in this SPD as Participating Employers or an Employer.

# Section 1: Eligibility and Participation

## WHO IS ELIGIBLE TO PARTICIPATE IN THE 403(B) PLAN?

You are eligible to participate in the 403(b) Plan if you are a "Covered Employee."

You are a Covered Employee if you are a practicing physician, as defined by the Plan, and you are employed by a Participating Employer. See **Appendix A** for the list of Participating Employers. The Plan defines a practicing physician as any physician or health care provider (other than an Advanced Practice Professional) who is active in the direct provision of patient care (as determined by the Plan Administrator). Participating Employers are generally limited to certain Baylor Scott & White organizations within the Central Texas region.

### *Eligibility Prior to January 1, 2015*

Before January 1, 2015, all employees of Participating Employers were generally eligible to participate in the 403(b) Plan. If you participated in the 403(b) Plan before January 1, 2015, but are no longer eligible to participate, you are no longer eligible to make 403(b) Plan contributions. You are, however, eligible to make employee 401(k) pre-tax and Roth after-tax contributions into the Baylor Scott and White Health Retirement Savings Plan. Refer to the SPD for the Baylor Scott & White Health Retirement Savings Plan for more information. If this applies to you, your 403(b) Plan Accounts will remain in the 403(b) Plan until you are eligible to take a distribution (as described in Section Four of this SPD). While your 403(b) Plan Accounts remain in the 403(b) Plan, you will continue to have access to loans and hardship withdrawals (see Section Four of this SPD) and investment election changes (see Section Three of this SPD).

## WHEN AM I ELIGIBLE TO PARTICIPATE IN THE 403(B) PLAN?

As a covered employee, you are eligible to participate in the Baylor Scott & White Health 403(b) Savings Plan after completing one full work day.

Once you have become a Participant in the 403(b) Plan, you will remain a Participant for as long as a Plan Account is maintained under the 403(b) Plan for your benefit. However, contributions into the 403(b) plan can only be made while you are a covered employee.

# Section 2: Contributions to the 403(b) Plan

## WHAT TYPES OF CONTRIBUTIONS MAY BE MADE TO THE 403(B) PLAN?

The 403(b) Plan provides for employee pre-tax contributions, Roth after-tax contributions and Catch-Up Contributions (both pre-tax and Roth).

As explained in Section One of this SPD, effective January 1, 2015, you are a "Covered Employee" under the 403(b) Plan only if you are a practicing physician. If you are a practicing physician and make Contributions to the 403(b) Plan, you are also eligible to receive an Employer matching contribution under the Baylor Scott & White Health 401(k) Retirement Savings Plan equal to 100% of your 403(b) Plan employee contributions (both pre-tax and Roth combined, but excluding Catch-Up Contributions), but not exceeding 5% of your Compensation. Refer to the SPD for the Baylor Scott & White Health 401(k) Retirement Savings Plan for more information.

Subject to certain maximum contribution limitations imposed by the Internal Revenue Code, if you are a Covered Employee you may elect to make payroll deduction employee pre-tax or Roth after-tax contributions to the 403(b) Plan in an amount up to 50% of your Compensation from an Employer. In addition, if you have attained or will attain age 50 before the close of a calendar year, you may make payroll deduction Catch-Up Contributions to the 403(b) Plan for such year.

You have the choice of treating your contributions (including Catch-Up Contributions) as pre-tax or Roth after-tax contributions or a combination of the two. Pre-tax contributions will reduce your current taxable compensation (see "How Do 403(b) Plan Pre-Tax Contributions Reduce My Taxes?" below), while Roth after-tax contributions are contributed to the 403(b) Plan from amounts that have already been treated as taxable income in the year in which you contribute a portion of your Compensation to the 403(b) Plan (see "How Do 403(b) Plan Roth After-Tax Contributions Affect My Taxes?" below). The benefit of making Roth contributions comes when you take a payout from the 403(b) Plan – when both the original contributions and the earnings on those contributions are not subject to federal income tax if you meet certain requirements for a qualified payout.

We encourage you to enroll in the Plan as soon as possible after you begin employment with us. Call Empower at 1-844-722-BSWH(2794) or go online to **www.BSWHRetirement.com** to make elections regarding your Plan participation.

Before January 1, 2015, the 403(b) Plan also permitted a Participant to make a Rollover Contribution to the 403(b) Plan of an eligible rollover distribution from another tax-qualified plan. If you made a Rollover Contribution to the 403(b) Plan before January 1, 2015, your Rollover Account will remain in the 403(b) Plan until you are eligible to take a distribution (as described in Section Four of this SPD).

## ARE CATCH-UP ELECTIONS AVAILABLE IN THE 403(B) PLAN?

Yes. Catch-up contributions are intended to help employees age 50 or older who want to increase their savings as they approach retirement age. If you are eligible, this provision allows you to make additional pre-tax or Roth contributions either after you have first met your combined pre-tax and Roth contribution limit or in conjunction with your standard pretax and Roth contributions. To be eligible for this higher contribution limit, you must:

- Be at least age 50 by the end of the calendar year. You may elect catch-up contributions at any time during the calendar year in which you turn age 50 or older.
- Defer the maximum amount allowed by the IRS for standard pre-tax and Roth contributions before the end of the calendar year. Failure to meet the standard IRS contribution limit will result in a portion or all Catch-up contributions being re-allocated as standard contributions.

Catch-up contributions are not eligible for the Baylor Scott & White matching contribution.

Please visit the **IRS website** for the most current information regarding the annual retirement limits.

## WHAT ARE THE PLAN CONTRIBUTION LIMITS?

The IRS sets limits on the amount of pre-tax and Roth contributions you may make each year under all tax qualified retirement plans. These limits may change each calendar year. Please visit the **IRS website** for the most current information regarding annual retirement limits.

If you participated in another employer's 401(k) plan and this Plan during the same calendar year and the combination of pre-tax and Roth contributions to both plans exceeds the maximum IRS contribution dollar limit, you should request that the excess amount be returned to you from one of the plans. To request a refund from the Plan, you should submit your request no later than March 15th of the following year. Otherwise, the excess will be taxable income to you in the year of the contribution and in the year of any distribution. Keep in mind that you will also forfeit any matching contributions attributable to the excess contributions distributed to you.

If you wish to have excess contributions refunded to you from the Plan, please call Empower at 1-844-722-BSWH (2794).

## HOW IS MY COMPENSATION DETERMINED?

For purposes of making contributions to the 403(b) Plan, your Compensation is generally your base pay attributed to your Primary Role. Compensation includes your regular base salary or base hourly wages, physician salary, physician income balance, paid time off, sick pay, bereavement pay, jury duty pay, occupational injury pay from the Baylor Scott & White Occupational Injury Plan, modified duty pay, taxable short-term disability pay from the Baylor Scott & White Welfare Benefit Plan, commissions, retroactive pay increases, lump sum merit awards, education or orientation pay, inclement weather pay, compensation received from the Baylor Safe Choice program, committee or administrative pay, and similar amounts that may be determined to be a component of base pay. Eligible Pay also includes pre-tax contributions you make for Baylor Scott & White's health and welfare benefits. Compensation does not include bonuses, incentive pay, overtime pay, shift differentials or pay received in other roles, such as Secondary Role(s).

## HOW DO 403(B) PLAN PRE-TAX CONTRIBUTIONS REDUCE MY TAXES?

Your Employee pre-tax contributions and pre-tax Catch-Up Contributions reduce the amount of your Compensation that is subject to current-year federal income taxes. Since your taxable Compensation is reduced, you save on current-year federal income taxes.

**Note**: While employee pre-tax contributions and pre-tax Catch-Up Contributions reduce the amount of your Compensation that is subject to current-year federal income taxes, they do not reduce the amount of your Compensation that is subject to current-year federal employment taxes (Social Security FICA and Medicare taxes).

## HOW DO 403(B) PLAN ROTH AFTER-TAX CONTRIBUTIONS AFFECT MY TAXES?

Your Employee Roth after-tax contributions and Roth after-tax Catch-Up Contributions are deducted from your Compensation after federal employment taxes and income taxes are withheld, and do **not** reduce the amount of your Compensation that is subject to current- year federal income taxes.

However, your employee Roth after-tax contributions, including Roth after-tax Catch-Up Contributions, and the related investment earnings (if you meet certain conditions) are not subject to federal income taxes when distributed to you. This means that the earnings on the employee Roth after-tax contributions and Roth after-tax Catch-Up Contributions may never be subject to federal income tax. See Section Five of this SPD for more information about the tax consequences when you receive a distribution from the 403(b) Plan.

## CAN I CONVERT MY PRE-TAX CONTRIBUTIONS TO ROTH CONTRIBUTIONS?

You may convert your pre-tax contributions to Roth contributions, also referred to as an "in-plan Roth conversion". This is a rollover to a Roth Account from your Pre-Tax Contribution Account. The amount you elect to rollover will be considered taxable income to you in the year in which the rollover occurs. Please contact Empower for additional information.

***Example:***

Sue, a Covered Employee earning $250,000 per year, elects to have 4% of her Compensation, or $10,000, contributed to the 403(b) Plan as Employee pre-tax contributions. As a result of this election, Sue will reduce her pay subject to federal income taxes by $10,000. If Sue is in the 28% tax bracket, this reduction could save Sue up to $2,800 on current-year federal income taxes (28% x $10,000 = $2,800).

In addition, the investment earnings on your 403(b) Plan pre-tax contributions and pre-tax Catch-Up Contributions, including dividends and capital gains, are not subject to income taxes until distributed to you. *See **Section Five** of this SPD for more information about the tax consequences when you receive a distribution from the 403(b) Plan.*

## CAN I CHANGE MY CONTRIBUTIONS ELECTIONS?

You may change the amount you contribute to the Plan at any time using one of the following methods:

- PeoplePlace > Retirement,
- Visit **www.BSWHRetirement.com**,
- Call Empower at 1-844-722-BSWH(2794) or
- Download the Empower app via Apple App Store or Google Play

Your election change will be processed as soon as administratively possible after you submit the change. Depending on when you submit the change, your new election will typically be reflected on your next regular paycheck or the following paycheck. In some instances, a banking or nationally recognized holiday or unforeseeable event may delay the updating of your contribution. If your Compensation changes during the year, the dollar amount of your contribution amount automatically changes because the contribution is a percentage of your pay.

# Section 3: Plan Accounts and Investments

## HOW ARE CONTRIBUTIONS TO THE 403(b) PLAN HELD AND ACCOUNTED FOR?

All of the contributions you make to the 403(b) Plan will be credited to one or more separate accounts established in your name (your "Plan Accounts"). Your Plan Accounts may include the following:

- a Pre-Tax Contribution Account (for amounts attributable to employee pre-tax contributions and Catch-Up Contributions)
- a Roth (after-tax) Contribution Account (for amounts attributable to employee Roth contributions and Catch-Up Contributions), and
- a Rollover Account if you made a pre-2015 Rollover Contribution.

The amounts credited to your Plan Accounts are held by Empower Trust Company, LLC in a tax-qualified custodial account established for your benefit.

## WHAT INVESTMENT OPTIONS ARE AVAILABLE TO INVEST MY CONTRIBUTIONS?

The amounts credited to your Plan Accounts will be invested in accordance with your directions among the investment options currently available under the 403(b) Plan. You can obtain information about the investment options currently available under the 403(b) Plan by logging onto **www.BSHWRetirement.com** or calling Empower at 1-844-722-BSWH(2794).

If you do not make an investment election for the amounts credited to your Plan Accounts, the amounts credited to your Plan Accounts will be invested in a default fund, which is the Target Date Fund closest to the year in which you will attain age 65.

Normally, on each business day on which the New York Stock Exchange is open for trading, your Plan Accounts will be valued to reflect the contributions, distributions, income, expenses, gains and losses attributable to your Plan Accounts.

## WHAT ARE THE 403(b) PLAN'S RULES REGARDING VOTING RIGHTS FOR THE FUNDS IN MY PLAN ACCOUNTS?

Shares of mutual funds held in your Plan Accounts will be voted on your behalf by the Plan Administrator. In making voting decisions on the fund shares, the Plan Administrator will vote the shares in the long-term, economic best interests of 403(b) Plan Participants.

## WHAT IF I HAVE QUESTIONS ABOUT THE INVESTMENT OPTIONS AVAILABLE IN THE 403(b) PLAN?

When you begin participating in the 403(b) Plan, you will be provided with information about the investment options available under the 403(b) Plan, including an explanation of their investment objectives and policies. You will also receive an annual statement that describes the 403(b) Plan's investment options and related information such as investment performance and expenses.

If you have any questions about the investment options available under the 403(b) Plan or you would like more detailed information concerning any specific investment option, you should log on to the website at **www.BSHWRetirement.com** or call Empower at 1-844-722-BSWH(2794).

Empower provides registered associates to answer investment- related questions from 8:00a.m. to 7:00 p.m. Central time. These associates can help you understand available investment options and basic retirement investment planning concepts. Additionally, the associates are able to execute transactions such as loan issuances, withdrawals, fund exchanges, and contribution allocation changes.

Participants have the ability to schedule one-on-one conversations to discuss their specific financial circumstances and obtain guidance with a:

- Retirement Plan Advisor at no cost or
- Certified Financial Planner potential fees for this service

If you prefer the flexibility and convenience of an automated network, the voice response system is available 24 hours a day, 7 days a week to accommodate and confirm your transactions. (You must use a touch-tone telephone and the personal identification number provided to you upon enrollment to access the voice response system.) During normal business hours you may transfer directly to an Empower associate should you wish to discuss 403(b) Plan or investment -related questions.

You may also establish an online account with Empower to access your Plan Accounts at any time day or night. You can check your account, or carry out important transactions, such as increasing your contributions, or changing investment options. Go to **www.BSWHRetirement.com** and follow the prompts.

You will receive a Plan statement following the end of each calendar quarter, which will reflect all of the contributions, earnings, investment exchanges, and distributions applicable to your Plan Accounts during the quarter.

## HOW OFTEN CAN I CHANGE MY INVESTMENT DIRECTIONS?

The general rule is that you may change your investment directions with respect to your future 403(b) Plan contributions or existing Plan Account balances at any time as long as you act in accordance with the investment fund prospectus.

If you wish to make a change in investment directions, you should contact Empower directly through one of the following methods:

- Access the website at **www.BSHWRetirement.com** and follow the instructions to log on and access your account.
- Call Empower by dialing 1-844-722-BSWH(2794).

## WHO IS RESPONSIBLE FOR INVESTMENT LOSSES?

The 403(b) Plan is designed to be a plan described in Section 404(c) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). As such a plan, you are responsible for directing the investment of the amounts credited to your Plan Accounts, and the 403(b) Plan fiduciaries are not responsible or liable for any losses that result from your investment directions or from investment in the Plan’s Target Date Fund if you do not make investment elections.

# Section 4: 403(b) Plan Distributions

## VESTING

### *Are My 403(b) Plan Accounts Vested?*

Your employee contributions credited to the Plan Account are 100% vested (non-forfeitable) at all times.

### *When Will I Be Entitled to Distributions Under the 403(b) Plan?*

You will become entitled to receive amounts from your Plan Accounts when you are no longer employed by an Employer or a company controlled by an Employer. A transfer of employment between an Employer and an affiliated company does not constitute a severance from employment entitling you to a distribution from the 403(b) Plan.

Prior to terminating employment, you may be eligible for an in-service distribution. If you made a pre-2015 Rollover Contribution, you may request a distribution of any portion of your Rollover Account or Roth Rollover Account at any time. Also, if you have attained at least age 59 ½, you may request a distribution from your Pre-Tax Account, Roth Account, or Roth Rollover Contribution Account.

In addition, you may be eligible to receive a hardship withdrawal from your Plan Accounts.

## HARDSHIP WITHDRAWALS

### *What Does the 403(b) Plan Mean by Hardship?*

If you are employed (or on an approved leave of absence) and have a financial hardship, you may be eligible for a hardship withdrawal from your Plan Accounts. The term "hardship" means an immediate and heavy financial need for funds. You will be considered to have a hardship only if you have one or more of the following financial needs:

- Medical expenses incurred by you, your spouse or your dependents.
- Costs directly related to the purchase of your principal residence (excluding mortgage payments).
- Tuition and related educational fees for the next 12 months of post- secondary education for you, your spouse, children or dependents.
- Payments necessary to prevent eviction from your principal residence or the foreclosure on the mortgage on your principal residence.
- Payments for burial or funeral expenses for your deceased parent, spouse, children or dependents.
- Expenses for the repair of damage to your principal residence if certain casualty tax deduction requirements are met.

***Important!*** A 10% early withdrawal penalty tax might apply to any hardship withdrawal you receive before age 59½.

### *What Other Conditions Apply to Hardship Withdrawals?*

To be eligible for a financial hardship withdrawal, you must first:

- Take any other available loans (including commercial loans) or demonstrate that you have attempted to obtain this type of loan, and
- Withdraw any Roth after-tax and rollover contributions.

If you have a deferral election in place it will continue to be deducted from your paycheck. If you would like to make a change to your deferral election, please login to your Empower account.

### *How Much May I Withdraw as a Hardship Withdrawal?*

A hardship withdrawal may not exceed the amount that is necessary to relieve your hardship need (plus any amount necessary to pay income taxes or penalties reasonably expected to result from the withdrawal).

### *How Do I Apply for a Hardship Withdrawal?*

In order to request a hardship withdrawal, you must contact Empower directly through one of the following methods:

- Access the website at [www.BSHWRetirement.com](www.BSHWRetirement.com) and follow the instructions to log on and access your account.
- Call Empowers by dialing 1-844-722-BSWH(2794).

### *Will I Be Subject to Taxes on Any Hardship Withdrawals From the 403(b) Plan?*

Hardship withdrawals taken from your Plan Accounts are subject to federal income tax, and may also be subject to a 10% early withdrawal penalty tax. It is important that you discuss your decision with your tax advisor to ensure you understand the ramifications of taking a hardship withdrawal from the 403(b) Plan.

## LOANS

### *Can I Borrow From My 403(b) Plan Accounts?*

While the Plan is designed to help you save for long- term financial needs, you may take a loan from your Plan Account for any reason if you need the money today. Loans can be directly deposited into your bank account. Loans requested on or after September 1, 2021 will have the following origination and maintenance fees:

- Loan initiation fee - $50 per occurrence
- Loan maintenance fee - $25 annually ($6.25 quarterly per loan)

#### Loan Amounts

You may have no more than one (1) outstanding general purpose loan and one (1) outstanding residential loan. This is a combined limit on loans from this Plan, the Baylor Scott & White Health Retirement Savings Plan, and the Baylor Affiliated Services Retirement Savings Plan.

The minimum loan amount is $1,000. The maximum amount you are permitted to borrow is the lesser of (1) 50% of your vested Account balance or (2) $50,000, reduced by your highest outstanding Participant loan balance in the last 12 months (considering loans from this Plan, the Baylor Scott & White Health Retirement Savings Plan, and the Baylor Affiliated Services Retirement Savings Plan). This means that any prior loan may limit how much you may borrow until it has been repaid in full for more than 12 months.

#### Requesting a Loan

You may request a loan by visiting **www.BSWHRetirement.com** or calling Empower at 1-844-722-BSWH(2794). After your loan is processed, your investments will be redeemed proportionately across all your investment choices to fund the loan.

If you request a residential loan, the loan requirements are as follows: (1) You qualify for a personal principal residence loan if the loan is used to acquire a residence which you, within a reasonable time, will occupy as your principal personal residence. (2) You must occupy the residence for the majority of the time (second homes do not qualify). (3) A loan in connection with re-financing of your residence or a home equity loan will not qualify as a personal residence loan. The Plan may request you to provide documentation at any time that will validate the residential loan you received was for your primary residence. This loan is for a maximum of a 10-year period.

Residential loans require the following documents; (1) A paper application with the Participant's signature. (2) A signed purchase contract dated within the last 60 days or, if building, a copy of the builder's contract dated within the last 180 days of receipt of the loan application. The contract should reflect the Participant's name as the buyer, address of the residence being purchased, purchase price, amount of down payment and/or closing costs, a closing date no more than 6 months in the future, and signatures of both buyer and seller. (3) A Good Faith Estimate in addition to the signed purchase contract or builder's contract if the loan request includes closing costs/settlement charges and those costs/charges are not reflected on the purchase contract or builder's contract. The documentation should reflect the closing costs or settlement charges, the Participant's name as the borrower, and the address of the residence being purchased.

For more detail on loans, please reference **Appendix B**.

## TERMINATION FROM EMPLOYMENT DISTRIBUTIONS

### *When Will My 403(b) Plan Accounts Become Distributable?*

The amounts credited to your Plan Accounts will become available as soon as administratively practical after your employment with an Employer or a company controlled by an Employer ends. All termination dates must be submitted by your manager. Call 1-844-722-BSWH(2794) or go online to **www.BSHWRetirement.com** to request payment from the Plan.

#### Account Balances of $1,000 of less

If the total amount credited to your Plan Accounts does not exceed $1,000, the total vested amount will be distributed to you as soon as practicable after your termination of employment unless you elect to make a rollover by the stated deadline.

#### Account Balances of $1,001 up to $5,000

If the total vested amount credited to your Plan Accounts is more than $1,000 but not more than $5,000, and you do not make an election by the stated deadline to choose either a lump sum distribution or a direct rollover to another tax-qualified plan or individual retirement account, then your distribution will be automatically rolled over to an IRA established in your name for your benefit with Millennium Trust Company, LLC. Your IRA will be invested automatically in a FDIC-insured interest-bearing bank demand account, which is a fund designed to preserve principal and provide a reasonable rate of return consistent with liquidity. A Welcome letter will be mailed to you at the time your IRA is established and will include a fee schedule as well as an IRA Adoption Agreement that you will need to complete. You will be responsible for paying all of the fees and expenses associated with the Millennium Trust Company, LLC IRA. The fees and expenses will be comparable to the fees and expenses charged by Millennium Trust Company, LLC for other IRAs. For additional information on Millennium Trust Company, LLC and the associated fees and expenses, call 1-877-682-4727. Consult your tax advisor before you request a withdrawal from your IRA.

### Account Balances of more than $5,000

If your vested Account balance is more than $5,000 and you are eligible for a distribution following the end of employment, you may choose any of the following:

- Leave your money in the Plan (but no later than April 1 after the year in which you reach age 72)
- Roll your distribution directly or indirectly into another employer plan or IRA at any time
- Receive a partial distribution of a portion of your vested Account balance in any amount you choose (subject to a minimum established by the Plan Administrator)
- Receive a single lump-sum distribution, or
- Receive monthly, quarterly, or annual calculated installment payments for a specified period of time. You may choose any payout period (but not longer than your life expectancy or the joint life expectancy of you and your beneficiary) and the amount of each installment is calculated by taking your vested Account balance at time of payment and dividing by the number of remaining payments you elected to receive. The amount of each payment will vary based on earnings or losses. If you die before receiving all payments, your beneficiary will receive the remaining payments. You may not change your payout period or the payout amount after installment payments begin.

## *What Happens to My 403(b) Plan Accounts if I Die?*

If you die prior to receiving the amounts credited to your Plan Accounts, such amounts will be paid to your 403(b) Plan beneficiary or beneficiaries. If you are married, your 403(b) Plan beneficiary automatically is your spouse unless you designate another beneficiary with the written consent of your spouse. You should designate your beneficiary through one of the following methods:

- Access the website at **www.BSHWRetirement.com** and follow the instructions to log on and access your account.
- Call Empower at 1-844-722-BSWH(2794).

If you do not designate a beneficiary, revoke a beneficiary designation without designating a new beneficiary, or your beneficiary does not survive you, then any portion of your Plan benefits remaining will be payable to your spouse, but if you are not married at the time of your death, then to your estate.

In the event any portion of your Plan Account becomes payable to a minor child or individual who is legally incapacitated, the distribution will be made to that person's legal representative.

# Section 5: Federal Income Tax Consequences

Under the present provisions of the Internal Revenue Code, your 403(b) Plan pre-tax contributions and the earnings on those contributions are not immediately taxable to you. These amounts will be taxable income to you or your beneficiaries only upon receipt of 403(b) Plan distributions (different tax rules apply to Roth contributions and their earnings). Alternatively, you may be able to defer paying taxes on certain 403(b) Plan distributions by rolling them over to another qualified plan, qualified annuity plan, eligible 457(b) plan or 403(b) plan, or to a traditional Individual Retirement Account ("IRA") that accepts rollover contributions.

Roth after-tax contributions are not subject to federal income taxes when distributed to you because they were taxed in the year in which you made the contribution. The earnings on Roth after-tax contributions are also tax-free upon distribution if you receive a "qualified distribution" from your Roth after-tax contributions account.

In order to be a "qualified distribution," the distribution must occur after one of the following:

(1) your attainment of age 59 ½, (2) your disability, or (3) your death. In addition, the distribution must occur after the expiration of a 5-year participation period. The 5-year participation period is the 5-year period beginning on the first day of the calendar year in which you first make a Roth After-Tax Contribution to the 403(b) Plan (or to another 403(b) plan or 401(k) plan if such amount was rolled over into the 403(b) Plan before 2015) and ending on the last day of the calendar year that is 5 years later. It is not necessary that you make a Roth After-Tax Contribution in each of the 5 years.

If a distribution from your Roth After-Tax Contribution account is not a qualified distribution, the earnings distributed with the Roth after-tax contributions will be taxable to you at the time of distribution (unless you roll over the distribution to a Roth IRA or other 403(b) plan or 401(k) plan that will accept the rollover).

The tax treatment of any taxable distributions from the 403(b) Plan may depend on your age when you receive the distribution. In some cases, there may be a 10% early withdrawal penalty tax on taxable amounts that are distributed.

You can obtain additional information concerning the federal income tax consequences of 403(b) Plan distributions by reviewing the 403(b) Plan's Special Tax Notice Regarding Plan Payments which is available from Empower or the Plan Administrator upon request.

**The tax rules governing 403(b) Plan distributions are complex, and the tax consequences and alternatives applicable to your 403(b) Plan distributions will depend upon your personal circumstances. You should consult your own personal tax advisor to determine the tax consequences and alternatives that apply to you.**

# Section 6: Miscellaneous

## WHAT ABOUT AMENDMENT OR TERMINATION OF THE 403(b) PLAN?

Baylor Scott & White Holdings currently intends to continue the 403(b) Plan indefinitely. However, Baylor Scott & White Holdings has the right to amend or terminate the 403(b) Plan at any time and for any reason. No such amendment or termination will reduce the amount credited to your Plan Accounts as of the date of such amendment or termination.

## ARE MY BENEFITS UNDER THE 403(b) PLAN INSURED?

No. The 403(b) Plan is a defined contribution plan and its benefits are not insured by the Pension Benefit Guaranty Corporation under Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or by any other insurer. Your 403(b) Plan benefits are determined solely on the basis of the value of the investments credited to your Plan Accounts.

## MAY THERE BE AN ASSIGNMENT OF 403(b) PLAN BENEFITS?

Generally, your rights and benefits under the 403(b) Plan cannot be assigned, sold, transferred or pledged by you or reached by your creditors or other parties, except under a qualified domestic relations order as explained in the next paragraph.

## WHAT IS A QUALIFIED DOMESTIC RELATIONS ORDER (QDRO) AND HOW DOES IT AFFECT 403(b) PLAN BENEFITS?

A qualified domestic relations order ("QDRO") is a decree or order issued by a court that requires a portion of your interest under the 403(b) Plan to be used to settle marital property rights or to pay child support or alimony payments to your spouse, former spouse, child or other dependent. The Plan Administrator is required by law to honor a QDRO. If the Plan Administrator receives a domestic relations order pertaining to your 403(b) Plan benefits and determines that it satisfies the requirements to be a QDRO, your 403(b) Plan benefits may be used to satisfy your obligations under the QDRO.

To obtain a sample Qualified Order draft, contact QDRO Consultants by calling 1-800-527-8481. Once your order is complete, return the order to QDRO Consultants for review of your domestic relations order to determine if it meets legal requirements. It is your responsibility to provide the QDRO in writing to QDRO Consultants using the contact information below.

***QDRO Consultants Co.***
3071 Pearl Road
Medina, OH 44256
Attn: Baylor Scott & White QDRO Compliance
Phone: 1-800-527-8481
Fax: 330-722-2735

You may request and receive a copy of procedures the Plan uses to evaluate and process QDROs at any time by contacting QDRO Consultants.

## DO I HAVE SPECIAL RIGHTS UPON RETURNING FROM MILITARY SERVICE?

Under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended ("USERRA"), you may be entitled to receive special contributions for periods you are absent from your job with an Employer for qualified military service (generally, service in the Army, Navy, Air Force, Marines and Coast Guard, including the Reserves, the Army and Air National Guards and the commissioned corps of the Public Health Service). You must give notice before leaving for military service, and must return to employment with an Employer within a specified period of time. If you are leaving an Employer for, or returning to an Employer from, qualified military service, please contact the Plan Administrator for more information concerning your 403(b) Plan benefits.

# Section 7: Administrative and ERISA Information

## ADMINISTRATIVE FACTS

### *Name of the 403(b) Plan*

Baylor Scott & White Health 403(b) Savings Plan

### *Name, Address and Telephone Number of Plan Administrator & Sponsor*

Baylor Scott & White Holdings is the Plan Administrator and Sponsor of the Baylor Scott & White Health 403(b) Savings Plan. The Baylor Scott & White Employee Benefits Administrative Committee handles day-to-day administrative matters. You may contact the Plan Administrator at the following address:

***Baylor Scott & White Health***
Attn: Retirement Department
301 N. Washington Avenue
Dallas, TX 75246

### *Employee Benefits Committees*

The Baylor Scott & White Employee Benefits Administrative Committee handles day-to-day administrative matters related to the Plans on behalf of the Plan Administrator. The authority and duties of the Plan Administrator and the Employee Benefits Administrative Committee are outlined in their Rules of Operation. **The Plan Administrator and the Administrative Committee have the discretionary authority to interpret the terms of the Plans, resolve all questions of fact and other uncertainties relating to the Plans, and decide benefit claims.**

The Finance and Investment Committee of Baylor Scott & White Holdings is responsible for determining how to invest Plan assets held in the Plans' trust accounts, including choosing and monitoring the investment funds available under the Plan.

The Committees may be contacted at the Plan Administrator's address listed above.

### *Plan Numbers*

**46-3130985** – The Employer Identification Number assigned to Baylor Scott & White Holdings by the Internal Revenue Service.

**005** – The Plan number used for reporting to the Department of Labor and the Internal Revenue Service.

**95863-01** – The number assigned by Empower for its recordkeeping purposes.

### *Type of Plan*

The Plan is an Internal Revenue Code Section 403(b)(7) custodial account, as maintained by a tax-exempt entity within the meaning of Internal Revenue Code Section 501(c)(3) and an ERISA section 404(c) plan.

### *Funding Medium*

Plan assets are held in a trust maintained by the Trustee. The assets of the trust are not commingled with Baylor Scott & White assets and are held exclusively to pay benefits and expenses. The Trustee is responsible for assets held in trust Accounts by the Plan.

### *Trustee*

***Empower Trust Company, LLC***
8515 East Orchard Road
Greenwood Village, CO 80111
800-838-5160
http://www.greatwesttrustco.com

### *Agent for Service of Legal Process*

Service of legal process can be made on the Plan Administrator or the Trustee at their addresses indicated above.

### *403(b) Plan Custodian & Recordkeeper*

Baylor Scott & White Holdings has a contract with Empower Annuity Insurance Company of America to assist with the operation of the 403(b) Plan.

Forms may be returned to:

***Empower***
8515 East Orchard Road
Greenwood Village, Colorado 80111

### *Plan Year*

For purposes of administering the 403(b) Plan, records are maintained on a calendar year basis.

### *Claims Procedure*

Your Plan benefits will be paid to you (or your beneficiary) upon request, if you are eligible for a distribution at that time. See the section titled "Termination from Employment Distributions" for details about how to request payment from the Plan.

Disagreements about benefit eligibility or payment amounts can occasionally arise. In most cases, they are resolved quickly by contacting Empower at 1-844-722-BSWH(2794), Monday – Friday, 8:00 a.m. – 7:00 p.m. and

Saturday, 8:00 a.m. – 4:30 p.m. If you cannot resolve the disagreement, you must use the formal claims procedures described in this Section and submit a written claim to the Plan Administrator describing the basis for your claim.

### If Your Claim Is Denied

Your request for your Plan benefits or for a re-determination of a decision made by the Plan Administrator will be considered a claim for benefits. A claim for benefits might be denied in whole or in part if:

- The Plan Administrator does not believe a Participant is entitled to a benefit; or
- The Plan Administrator disagrees with the amount of benefit to which the Participant believes he or she is entitled.
- If this happens to you, the Plan Administrator will notify you in writing of the reasons for the denial within 90 days of the date you make your claim. (See the "NOTE" below.) The notice of denial will:
- Explain the specific reason why your claim for benefits is being denied, and specify the Plan provisions upon which the denial is based.
- If the denial is due to an incomplete claim, provide a description of any additional information needed to complete your claim and an explanation of why it is necessary.
- Explain the claim review procedures and the time limits applicable to such procedures, including a statement of your right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination.

If you receive a notice of denial and do not submit an appeal by the stated deadline, the initial decision is considered final. If you do not receive notice of denial from the Plan Administrator within the initial or extended claims review period, you will be deemed to have exhausted all administrative remedies and may file suit in federal or state court. The administrative remedies under the Plan's Claims Procedures must be fully exhausted before a Participant can file suit against the Plan.

### Appeal of Denial

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

Your request for review must be given a full and fair review that takes into Account all comments, documents, records, and other information you submit relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. A decision will be made by the Plan Administrator in writing within 60 days after your request is received. The decision will:

- Be written in a manner you can easily understand.
- Specify the Plan provisions upon which the decision is based.
- Tell you the results of the review and include the specific reason for denial, if applicable.
- Contain a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.
- Contain a statement describing any voluntary appeals procedures offered by the Retirement Plan, and a statement of your right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination.

If you do not receive a decision on your request for review within the initial or extended claims review period, you can bring a civil action for the benefits under Section 502(a) of ERISA without waiting for a formal decision. The administrative remedies under the Plan's claims procedures must be fully exhausted before a Participant can bring a civil action against the Plan.

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

Any appeal procedures may be changed by governmental law or by the Plan Administrator. You will be notified of any significant change in a timely manner. If you have further questions or problems, contact the Plan Administrator or the Employee Benefits Administrative Committee.

## ERISA INFORMATION

As a Participant in the 403(b) Plan, you are entitled to certain rights and protections under the Employer Retirement Income Security Act of 1974, as amended (ERISA). ERISA provides that all 403(b) Plan Participants shall be entitled to:

### *Receive Information about Your 403(b) Plan and Benefits*

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the 403(b) Plan, and a copy of the latest annual report (Form 5500 Series) filed by the 403(b) Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration. Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the 403(b) Plan, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the 403(b) Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement from the Plan Administrator telling you whether you have a right to receive a benefit at normal retirement age (age 65), and if so, what your benefits would be at normal retirement age if you stop working now. If you do not have a right to a benefit, the statement will tell you how many more years you have to work to get a right to a benefit. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The 403(b) Plan must provide the statement free of charge.

### *Prudent Actions by Plan Fiduciaries*

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries," have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including an Employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

### *Enforce Your Rights*

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the 403(b) Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the 403(b) Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in federal court. If it should happen that Plan fiduciaries misuse the 403(b) Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

### *Assistance with Your Questions*

If you have any questions about your 403(b) Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

# Appendix A

## PARTICIPATING EMPLOYERS

**Baylor Scott & White Holdings** (physician employees who primarily perform their duties in the Central Texas division)

**Baylor Scott & White Health** (physician employees who primarily perform their duties in the Central Texas division)

**Baylor Scott & White – College Station**

**Baylor Scott & White – Marble Falls**

**Baylor Scott & White – Round Rock**

**Scott & White Memorial Hospital**

**Scott & White Clinic**

**Scott & White Hospital Brenham**

**Scott & White Hospital – Taylor**

**Hillcrest Baptist Medical Center**

**Hillcrest Family Health Center**

**Hillcrest Physician Services**

**Scott & White Continuing Care Hospital**

**Scott & White Health Plan**

**Baylor Scott & White Medical Centers – Capital Area** (Pflugerville, Austin Health, Buda)

# Appendix B

## LOAN ADMINISTRATION POLICY

A. **Loan Eligibility** – Only active employees who are participants may request a loan. The participant requesting a plan loan must have a minimum vested account balance of $2,000 to be eligible.

   Participants that have a loan defaulted or have a loan that has been deemed distributed at any time in the past may not be permitted to take a new loan unless the default balance, or the amount deemed distributed is repaid in full.

   Alternate payees and beneficiaries are not eligible to take out plan loans.

B. **Loan Initiation** – Loans are initiated when the participant applies for a loan via paper Loan Application, on the Participant Web site at www.BSWHretirement.com or the Voice Response System. The Promissory Note and Loan Check are combined into one document. By endorsing the check, the participant agrees to the terms of the Promissory Note and the repayment obligation.

C. **Loan Cost** – A loan origination fee in the amount of $50.00 shall be deducted from the total loan amount approved. If a participant requests their loan check to be sent express delivery, an additional $25.00 shall be deducted from the total loan amount approved. An annual maintenance fee of $25.00 per loan ($6.25 per quarter) will be debited from your plan account.

D. **Loan Maximum & Minimum Amounts** – The minimum loan amount that a participant may request is $1,000. Per IRS Regulations, the maximum loan amount that a participant may request is $50,000 or 50% of the vested account balance, whichever is less. The $50,000 maximum loan amount is reduced by the highest loan balance during the past twelve months, minus the participant's outstanding loan balance on the date a new loan is made.

   In applying these loan limits, all plans maintained by the employer are aggregated and treated as a single plan.

   The only acceptable security that can be used by a participant to secure a loan is with an irrevocable pledge and assignment of up to 50% of his or her nonforfeitable account balance. Loan distribution amounts will be prorated across all available money types and investment options.

E. **Number of Loans Permitted** – The number of loans a participant may have outstanding at one time is two (2), one general purpose and one principal residence, as long as the loan repayments are submitted via payroll deduction and are identified separately. Participants that may have more than one general purpose or principal residence loan with a prior recordkeeper will be required to pay off both loans prior to obtaining a new loan.

F. **Types of Loans Available** – A general purpose loan may have a term from twelve to sixty (12-60) months.

   A principal residence loan may have a term from sixty-one to one hundred twenty (61-120) months. This type of loan must be utilized for the purchase of a PRIMARY residence ONLY that will be used as the plan participant's PRIMARY residence, within a reasonable period of time.

G. **Refinancing a Loan** – Refinancing a loan is not permitted.

H. **Interest** – The interest rate is 1% over the Prime Rate published in the Wall Street Journal on the first business day of the month before the loan is originated. The interest rate is fixed for the life of the loan. The plan administrator may change the basis for determining the interest rate on future loans from time to time.

I. **Loan Repayment Procedures**

   - For loans on or after January 1, 2022, participants must agree to repay their loans through automatic deductions from a personal bank account (i.e., automated clearing house or "ACH" deduction).
   - For loans that were originated prior to January 1, 2022, and that remain outstanding as of that date, the participant may choose to continue to submit payments by payroll deduction or to initiate payments through ACH deduction. To change repayments from payroll to ACH, participants will need to contact Empower Retirement at 844-722-2794. Loan repayments will be allocated to the participant's account according to current allocation percentages for new contributions on the recordkeeping system.
   - Loan repayments must begin on time or the loan payments will be in arrears. If missed loan payments are not caught up in time, the loan may go into default. A loan default may result in adverse tax consequences to the participant.
   - Partial lump sum loan repayments are permitted in order to enable a participant to catch up on a past-due amount or to reduce the principal amount of the loan.
   - If payment is made by personal check, subsequent loans or distributions may be held for 15 calendar

days following the receipt of a personal check.

- If a participant remits a partial payment on the remaining loan balance, the payment will first be applied to the principal and interest payment amount due at the time of payment, and then to any principal and interest payments due within 60 days. Thereafter, any remaining amount from the partial payment will be applied toward outstanding principal. The borrower's scheduled payment amount will not change due to any partial payment; the partial payment will just mean that the loan will be fully paid off at an earlier date.

J. **Early Loan Payoff** – A loan can be paid in full at any time. If payment is made by personal check, subsequent loans or distributions may be held for 15 calendar days following the receipt of a personal check. The participant may obtain a loan payoff quote via the Participant Web site at www.BSWHretirement.com or the Voice Response System. The loan payoff quote is valid for 15 calendar days from the date it is obtained.

K. **Leaves of Absence** – Suspension of loan repayments during an approved leave of absence is permitted for a period not exceeding one (1) year, which occurs during an approved leave of absence either without pay from the employer or at a rate of pay that is less than the amount of the installment payments required under the terms of the loan.

   Participants will need to complete a Loan Payment Change Request form requesting payments be suspended. Upon return from leave participants must completed another Loan Payment Change Request form to start the loan payments up again.

   The loan may be reamortized when the participant returns from leave in order to enable the participant to repay the loan in full by the maturity date of the loan.

L. **Military Leave of Absence** – If a participant takes a military leave of absence, the interest rate on the loan may be reduced to 6%, if the interest rate on the loan is greater than 6% during the leave period. Upon the participant's return from military leave, the term of the loan may be extended by the term of the military leave, not to exceed five (5) years and the loan will be reamortized. Interest on the loan continues to accrue during the period of suspension.

M. **Death** – All outstanding principal and accrued interest shall be treated as a distribution from the plan if Empower Retirement is notified of a participant's death. A deceased participant's loan may not be transferred or assumed by the participant's beneficiary(ies).

   If a participant's loan has not been repaid as of the date of the participant's death, any distribution made from the deceased participant's plan account will be made net of any outstanding loan obligations. The amount of the outstanding loan as of the participant's date of death will be reported for federal income tax purposes as a distribution to the participant or to the participant's estate, as applicable.

N. **Severance from Employment** – Participants who leave service prior to the end of the loan term must continue to make loan payments to avoid default. Upon severance from employment any outstanding loan(s) will automatically be reamortized and loan coupons provided to the participant. Participants can contact Empower Retirement to set up ACH repayments if preferred over the mailing of checks with the loan coupons. Despite any grace periods permitted with respect to late loan payments, if a loan has not been fully repaid by the end of its original term, the outstanding balance will be treated as a 'deemed distribution'. The amount of the deemed distribution will be reported as a taxable distribution for income tax purposes. The participant's outstanding loan balance will be offset upon receiving any type of distribution after severance of employment.

O. **Default** – Loans are in arrears and delinquent when any payment is missed. A late loan payment notice will be issued after the end of the calendar quarter in which the payment is delinquent. If the loan is not paid up-to-date by the end of the calendar quarter after the calendar quarter in which a payment is first delinquent, the loan will be in default. In that event, the entire outstanding loan balance, consisting of the missed payments, remaining principal and all accrued, but unpaid interest, will be reported to the IRS as taxable income on a Form 1099-R for the year in which the loan was deemed distributed.

   Thereafter, the loan will be considered a deemed distribution. As required by federal tax regulations, a participant's deemed loan will remain in the investment account until a qualifying event occurs, even though income has been reported to the IRS. Loan payment may be made on a defaulted loan. Loan payments will be recognized as after-tax cost basis for the purposes of taxation at the time the participant takes a distribution.

P. **Changes In Law** – Future tax laws regarding plan loans will be incorporated into this Loan Administration Policy.

**The Loan Administration Policy has been developed to comply with the requirements of the Internal Revenue Code section 72(p) and the federal Treasury regulations thereunder, as amended from time to time.**

BaylorScott&White

HEALTH

Updated as of December 2023