



**U.S. ARMY NAF EMPLOYEE
401(k) SAVINGS PLAN**

April 2017

INTRODUCTION

This booklet is published by the US Army NAF Employee Benefits Office. It is intended to provide you with useful information about the U.S. Army NAF employee 401(k) Savings Plan. The information in this booklet is accurate as of the publication date. However, because applicable plan documents change from time to time, should the information in this booklet conflict with the provisions of the NAF Employee 401(k) Savings Plan document, the Plan document is the final authority. The full text of the Plan document can be found in the 401(k) Section of the NAF Benefits website, www.nafbenefits.com.

Should you have any questions concerning the 401(k) Savings Plan, please contact your servicing NAF Human Resources Office or forward your questions to this office to the Benefits Program Specialist at 210-466-1627.

You can access your own 401k details by going to Fidelity's website at www.401k.com. You will be prompted to set up your own user ID and password.

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JOINING THE 401(k) SAVINGS PLAN

WHO MAY PARTICIPATE

You may elect to participate in the Savings plan if you are in an “eligible class.”
You are eligible if you are:

- A regular fulltime or regular part time NAF employee working at least 20 hours a week

AND

- Working in one of the 50 United States, the District of Columbia, or Puerto Rico.

HOWEVER

- If you are working overseas, you must be a U.S. citizen or the spouse or child of a U.S. citizen.
- After 28 December 2001, participating employees of the U.S. Army NAF Retirement Plan who accept appropriated fund employment with one year of NAF separation may exercise their right to remain in the Army NAF Retirement Plan, in accordance with Public Law 107-107. Employees participating in the NAF Retirement Plan can also participate in the 401 (k) Savings Plan. Please see the Portability Handbook in the Portability Section of www.nafbenefits.com.

Note: Employees of the Army-Air force Exchange Service, “leased employees,” and military personnel may not participate in the 401(k) Savings Plan.

WHEN TO JOIN

- Anyone in an eligible class could join effective 1 January 1992.
- Effective 1 January 2016; all New Hire or Rehire employees are automatically enrolled at a 1% deferral or the deferral percentage of their choice.
- Employees may opt out of participation at any time. Deductions will begin at the beginning of a pay period.

HOW TO JOIN

You must fill out and sign a DA Form 3473 or DA Form 7426 (Portability Election) to join the Savings plan and an auto enrollment letter. These forms are available from your servicing Human Resources Office.

COST OF THE 401(k) SAVINGS PLAN

Your contributions to the 401(k) Savings Plan are tax deferred. This means you do not currently pay Federal income tax or state income tax (subject to the laws of the state where you reside) on your contributions. However, you do pay social security tax on your contributions. You may contribute as little as 1% of your salary and as much as 92% of your salary not to exceed the maximum contribution level for that plan year. Payroll must deduct social security and other mandatory deductions first.

Your contributions are withheld from your salary by payroll deduction. You determine how much you wish to contribute to the 401(k) Savings Plan and you may change your contributions as often as every bi-weekly pay period, if you wish.

If You Contribute	Your Employer Contributes
1%	1%
2%	2%
3%	2.5%
4-92%	3%

INVESTMENT OPTIONS AVAILABLE

Note: For detailed summaries of the Funds available, please visit www.401k.com

PARTICIPATION BEGINS

After your DA Form 3473 or DA 7426 is processed, you will see a deduction for 401(k) on your leave and earning statement. When you join the 401(k) Savings Plan, all of your contributions (100%) will be initially placed in the Fidelity Balanced Fund, the default fund. After you see the deduction for the 401(k) Savings Plan on your leave and earnings statement, you must call the Fidelity Investments toll free telephone line or access your account on line at www.401k.com to select the funds in which you wish to invest your contributions.

CHANGING YOUR INVESTMENT OPTIONS

You may change your investment options any business day from 8:30 a.m. to 8:00 p.m., Eastern Time by calling Fidelity Investments. All calls are toll free from anywhere in the world. Toll Free from CONUS 1-800-838-5093, from overseas call AT&T direct and then 877-833-9900. You may also change your investment options on line, 24 hours a day or get assistance on which funds you want your money invested in at www.401k.com. This site contains additional information on each fund and its historical rates of return.

CHANGING YOUR DEFERRAL PERCENTAGE

You may change your level of participation (the percent of pay you deposit in the Savings plan) at any time. To change your deferral percent, please visit your servicing Human Resources Office and complete a DA Form 3473 or DA Form 7426.

SUSPENDING PARTICIPATION

You may suspend your participation in the Savings plan and stop making contributions at any time by filling out a DA Form 3473 or DA Form 7426. Participation is automatically suspended if you terminate employment or if you become ineligible because of a change in employment status.

Suspension of participation also occurs when you enter a Leave Without Pay (LWOP) status. Upon returning to a pay status, your 401(k) contributions will continue. You cannot make up lost employee and employer contributions for periods of LWOP.

Suspension also occurs for six (6) months (with an additional 30 days grace period) after you receive a hardship withdrawal, which is explained later in this booklet.

VESTING

When you are vested you are entitled to the value of your employer's contributions to your account when you retire or terminate your employment.

You will be vested:

- After you have been employed as a U.S. Army NAF employee in a regular status for three (3) years, regardless of participation time.

- Upon your death, regardless of your age or the amount of time you have been employed as a regular U.S. Army NAF employee
- Upon approved disability, regardless of your age or the amount of time you have been employed as a regular U.S. Army NAF employee.
- Upon reaching age 62 (if still actively employed), regardless of the amount of time you have been employed as U.S. Army NAF employee.

TERMINATION OF EMPLOYMENT

Your employment may terminate in the following ways: You may resign, be terminated or affected by a reduction due to a business based action, or you may die.

If you are separated for any reason, you may:

- Request a lump sum payment of your entitlement to benefits. This payment is subject to 20% Federal withholding tax. If you have not yet reached the age of 59 ½, the IRS imposes an additional 10% penalty for early withdrawal.
- If your account balance is over \$1000.00, you may elect to delay receipt of a lump sum payment of your benefits. You will be assessed the annual record keeping fees (currently \$2.00 per quarter). Note: This fee is paid by the Plan only when you are an active employee.
- Rollover your funds to an individual IRA or to another employer's qualified Savings plan. This election is not subject to Federal withholding tax or penalties.

If you die while still employed, your designated beneficiary will receive a death benefit of 100% of the value of your account. If your spouse is your beneficiary, they are entitled to rollover the balance of your account into an individual IRA. The IRS does not permit non-spouse beneficiaries to rollover these funds.

ENTITLEMENT

- If you are vested, you are entitled to 100% of your contributions, those of your employer, investment earnings, and anything in your rollover account.
- If you are not vested, you are entitled to 100% of your contributions, investment earnings on your contributions, and anything in your rollover account. See the section entitled Rollovers. Note: Employer contributions and earnings are forfeited.

REQUESTING YOUR ENTITLEMENT

The only time you may request payment of your entitlement to benefits under the 401(k) Savings Plan is when you terminate your employment or retire. You may call Fidelity Investments to request a payout of your account, 30 days after you separate employment. Payouts cannot be processed prior to 30 days after separation.

MANDATORY DISTRIBUTION OF ENTITLEMENT

If you terminate employment and your account balance is less than \$1,000 (diminimus account balance), the IRS requires that your account balance be paid to you. Mandatory payout of diminimus accounts will occur during the month of November each year provided you have been separated more than 90 days prior to the payout date. You will be notified in writing of the impending payout and provided the option to roll over your account balance to avoid taxation on the distribution.

If you are retired, you must receive the IRS minimum required distribution (MRD) amount from your account by 1 April following the year in which you reach age 70 ½ or retire, whichever is later. Please contact Fidelity Investments by your 70th birthday to inquire on the amount you must have distributed to meet the IRS regulations. A 50% tax penalty is imposed by the IRS if you fail to meet this requirement. This provision does not apply to actively employed participants until they separate from regular employment.

Retirees approaching their 70th birthday who have not notified Fidelity of their election to withdraw or rollover their account balances will be notified of the requirement to receive their MRD, and the MRD will automatically be distributed by Fidelity Investments. This automatic feature of the Plan is designed to prevent the tax penalty imposed on Retirees who have attained age 70 1/2, but who have not commenced withdrawal of their account balance.

YOUR 401(k) SAVINGS PLAN ACCOUNT

If you join the 401(k) Savings Plan, the following accounts will be established:

- Your employee account, which will contain your contributions and your earnings from those contributions.
- Your rollover account, if appropriate, which will contain any rollover contribution or transfer from a former employer's qualified 401(k) Plan.

- **Your employer account, which will contain contributions made by your employer in your name and earnings from those contributions.**

If you participate in the 401(k) Savings Plan, you will receive a quarterly statement, which gives you a record of your account. This statement will include balances in your employee, employer and rollover accounts, as well as contributions, changes or transfer you have requested, hardship withdrawals, and earnings or losses. Your statement is also available from the NetBenefits website, www.401k.com. You can set up an email address with Fidelity and receive your statements electronically.

ROLLOVERS

If you had a qualifying 401(k) type Savings plan with a former employer, including the Thrift Savings Plan used by Federal employees, you may request that the value of that plan be transferred to the rollover account of your NAF 401(k) Savings Plan. The former employer's plan must be qualified, and be exempt from taxation under IRS rules in order to qualify for transfer to the 401(k) Savings plan.

If you terminate your NAF employment, you may elect to rollover your distribution to an IRA or other qualified plan, including the Thrift Savings Plan. Normally, rollovers are accomplished directly between plans, so that you don't actually take possession of the funds. However, if you do take possession of the funds from your 401(k) account, you must complete the rollover to another qualified plan within the time permitted by law (currently 60 days from the date payment is made) to avoid a 10% tax penalty. If you have reached age 59 ½, there is no 10% penalty when you receive your distribution, but the distribution is subject to federal, state and local taxes unless rolled over into an IRA or other qualified plan.

You should contact Fidelity for assistance in arranging a rollover.

FORFEITURE OF EMPLOYER ACCOUNT AND RESTORATION

- **If you terminate your employment, are not vested, and you withdraw your account balance, you forfeit your employer account.**
- **If however, you are reemployed in an Army NAF position before the end of five (5) years after your termination, your employer account will be restored.**

MAXIMUM CONTRIBUTIONS

By law, the IRS sets the maximum amount you may contribute to the 401(k) Savings Plan during any calendar year. This limit applies to all deferred contributions you make under this Savings plan and any other tax deferred plan in which you may participate during a calendar year. This amount is adjusted each year by the IRS. The current limit can be found on the NAF Benefits website, www.nafbenefits.com.

If your total deferred contributions exceed the limit in any calendar year, you are responsible for asking the Benefits Program Manager to return the excess contributions to you. Your request must be made in writing no later than 1 March following the year in which you made the excess contributions. Upon your written request, the Benefits Program Manager must return the excess contributions to you by 15 April. If you do not request that the excess contributions you will be taxed on the excess twice – once in the year of deferral and again when the excess is distributed from the Savings plan.

When electing a deferral percentage, you should keep the annual contribution limit in mind when deciding how much you will contribute to the 401(k) Savings Plan each pay period. You could lose the opportunity to receive some employer contributions if you reach the annual maximum too quickly. This is because, depending on how much you contribute, your employer contributes up to 3% of your basic pay each pay period to your account. If you reach the annual limit before the end of the year, your contributions and your employer contributions will stop. As a result, you will not get the full amount of employer matching contributions that you could receive if your own contributions had been slightly less each pay period, but had continued over every pay period throughout the entire year.

OVER 50 CATCH UP CONTRIBUTIONS

The Economic Growth and Tax Relief Reconciliation Act authorizes 401(k) Plan participants who are age 50 or older to make additional catch up tax deferred contributions to their plans. You are considered to be 50 years old if you attain that age anytime during the tax year. You may contribute \$6,000 over the IRS maximum of \$18,000 for a total of \$24,000, if you are age 50 or older.

HOW TO CALCULATE YOUR MAXIMUM DEFERRAL

It is to the employee's advantage to spread their contributions over the 26 or 27 pay periods in the year to achieve the maximum contribution at the end of the year. If you attain the maximum prior to the end of the year, contributions will automatically stop, as will the employer match for the remainder of the year. To maximize your investment, divide your deferral limit (\$18,000 for under 50; \$24,000 for 50 and over) by your annual salary and round down to the nearest whole percent. You should attempt to anticipate any cost of living increase or performance award. About mid-year, it would be wise to review your calculation and make any necessary adjustment to your contribution percentage, based on remaining salary, remaining pay periods, and the amount of the contribution limit still remaining.

YOUR BENEFITS UNDER THE 401(k) SAVINGS PLAN

Retirement

When you retire from NAF employment, you receive a benefit equal to 100% of your entitlement. Fidelity Investments will give you information about your benefit at that time. If you elect to leave your 401(k) Savings Plan contributions in the Plan with Fidelity Investments after you separate employment, you will be assessed the quarterly record-keeping fee (currently \$2.00 per quarter). The fee will be deducted from your account each quarter, as long as your account is open.

Disability

If you are disabled and provide supporting medical documentation by your attending physician to the NAF Employee Benefits Office, you may request a benefit equal to 100% of the value of your entitlement, regardless of how long you have been a regular U.S. Army NAF employee. You will receive payment in a lump sum. EBB Form 766R, which is available for your servicing Human Resources office or from the NAF Employee Benefits Office, must be used to provide the required documentation.

Death

If you die, your designated beneficiary will be entitled to 100% of your entitlement. If you have not designated a beneficiary, your account balance will be transferred to your spouse or if none, then your estate.

TAX ADVANTAGES

Under the 401(k) Savings Plan, you may elect to have your employer make a payroll deduction of a portion of your salary and contribute this amount directly to the 401(k) Savings Plan on your behalf. These contributions are not reported as taxable income for Federal income tax purposes on your W-2 Form. Most states, counties, and towns also defer your contributions from their income taxes; but some do not. Your contributions are not exempt from Social Security taxes. Your W-2 Form will show you if taxes are deferred by the state, county, city or town where you live.

Since these contributions reduce your W-2 earnings, the result is an income tax Savings for you. For example, if you earn \$30,000 a year, and put 10% of your pay into the 401(k) Savings Plan, you pay Federal income taxes on \$27,000 rather than \$30,000.

You do not pay tax on these contributions until you receive a distribution from the Savings plan, usually at retirement, a time when you may be in a lower tax bracket.

The contributions your employer makes to the 401(k) Savings Plan are also tax deferred and are not taxable to you until you receive a distribution. You are not entitled to your employer's contributions until you are vested.

A WORD ABOUT SOCIAL SECURITY

Your contributions to the 401(k) Savings Plan reduce your total taxable income. This means that Federal and, usually, state income taxes are reduced, but Social Security taxes are not affected. Even though pre-tax dollars are put into the Savings plan, they must be counted in determining your employer's and your Social Security FICA taxes. This allows employees to get credit for full salary toward their Social Security benefits at retirement or if disabled.

LOAN PROGRAM

You can borrow money from your 401(k) Savings Plan account. This process only takes a telephone call to Fidelity Investments on the toll free number. You must wait 6 months between paying off one loan and requesting another. If the loan ever defaults; you are required to wait 12 months before another loan is allowed. The 401(k) Savings Plan was designed to help you save for retirement. However, we realize there may be times when you need to obtain some of your money before you retire.

Who Can Take Out a Loan?

Any active, paid employee of the U.S. Army or Portability employee with retained NAF 401(k) benefits, who is participating in the U.S. Army NAF 401(k) Savings Plan is eligible to borrow from the Plan.

What Are the Rules to Borrow Money?

- You must have at least \$2,000 “vested” in your Plan account.
- Effective 1 January 2016, you are allowed one outstanding loan at a time.
- The smallest loan you may take out is \$1,000.
- The maximum you may borrow is 50% of the vested value of your account minus any outstanding loan amounts or \$50,000, whichever is less.
- You decide how much time you will need to repay your loan up to a maximum of five (5) years. If the loan is for the down-payment on your principal residence, you may take up to 15 years to repay the loan.
- The interest rate you will pay is the prime interest rate plus 1%.

Do I Need to Pay Back the Money I Borrow?

Yes, the IRS requires that you repay any money you borrow from your 401(k) Savings Plan Account. Loans will be repaid only by payroll deduction on the schedule that you arranged with Fidelity Investments, with the IRS guidelines.

Portability employees, whom elected to continue participation in the NAF 401(k) Savings Plan under Public Law Legislations, must make loan repayment by authorizing bi-weekly bank transfer of the required loan payments. Employees who have outstanding loans when they ported must contact the 401(k) Savings Plan Benefits Specialist in the NAF Employee Benefits Office to arrange for loan repayments to recommence by bank transfer. Loan repayment may not be made by payroll deduction for portability employees. If you terminate employment, you must pay the balance of any outstanding loan. If the loan balance has not been repaid by your termination date, periodic payments will be discontinued, and the loan will go into default.

Due to tax penalties for defaulting on a loan, it is important to repay any loans you take out. Additionally, repaying a loan makes sure that any money you borrow is returned to your account so that is available to earn more money when invested and ensures that all of your Savings are there when you need it at retirement. Should you default on a loan, the balance of the loan and the unpaid interest will be reported to the IRS as an early distribution and you will be liable for taxes plus a 10% penalty in the year of the default.

When Can I Request a Loan?

You can request a loan almost any time of the day or night. The toll free number is open to help you with automated service virtually 24 hours a day, seven (7) days a week. If you prefer to speak with a retirement services representative, call Monday through Friday between 8:30 a.m. and 8:00 p.m., Eastern Time. You may also arrange for a Loan on the Fidelity NetBenefits website, www.401k.com

Can I Still Contribute to the Plan While Paying Back a Loan?

Yes, you may continue to contribute to the Plan while you are paying back your loan. There is no participation penalty for loan withdrawals.

HARDSHIP WITHDRAWALS

Hardship withdrawals from our account are permitted under the IRS “Safe Harbor Rules.” The IRS recognizes the following hardships:

- Certain medical expenses for you, your spouse, or your dependent.
- Purchase (excluding mortgage payments) of your principal residence.
- Payment of tuition for the next semester or quarter of post-secondary education for you, your spouse, or your dependent.
- Payment to prevent eviction from our principal residence or foreclosure on the mortgage on your principal residence.
- Natural Disaster Relief (such as Katrina).

Hardship withdrawal should be last resort in the event of a personal financial crisis. The IRS imposes penalties for hardship withdrawals. Because it is a withdrawal, rather than a loan, the amount of the hardship withdrawal will be taxed in the current year and a 10% penalty will be imposed for early withdrawal (under age 59 ½). Additionally, the IRS requires that you have exhausted all other means of withdrawal, including maximum use of the loan program.

The IRS also requires that your participation in the 401(k) Savings Plan be suspended for six (6) months. After your 6 month suspension, you may resume contributions by visiting your HRO and enrolling in the plan again.

If you need to apply for a hardship withdrawal, contact Fidelity Investments on their toll free telephone number or apply online by accessing your account and completing the application.

PORTABILITY OF BENEFITS

NAF 401(k) Savings Plan is an integral part of the U.S. Army NAF Employee Retirement Plan. If you make an irrevocable election on the RI 38-134 to retain participation in the U.S. Army NAF Retirement Plan based on Public Laws 101- 508; 104-106; and 107-107, then you are also eligible to participate in the NAF Employee 401(k) Savings Plan. You are no longer eligible to participate in the Thrift Savings Plan again. As an Appropriated Fund employee, you must complete a new DA Form 7426 to participate in this optional benefit plan. Each time you move employment agencies or are appointed to a new position, you must re-enroll in 401(k) by completing a new DA Form 7426. For additional information, please see the Portability Section of the NAF Benefits website www.nafbenefits.com.

YOUR 401(k) SAVINGS PLAN

Your 401(k) Savings Plan is an important and valuable benefit provided by your employer. It is an integral part of your retirement planning and a valuable asset to help you achieve financial security in retirement.

We hope this booklet is helpful to you in managing this valuable benefit. Should you need additional information, please consult the 401(k) Section of the NAF Benefits website, www.nafbenefits.com. Visit your servicing Human Resources Office or call Fidelity Investments or the NAF Employee Benefits Office.

WHERE TO GET INFORMATION AND

ASSISTANCE

Fidelity Investments Toll free numbers

**From CONUS 1-800-835-5093
From overseas call AT&T Direct Access Code and
then 877-833-9900 NetBenefits website,
www.401k.com**

**U.S. Army NAF Employee Benefits Office
P.O. Box 340309
Joint Base San Antonio Fort Sam Houston, TX 78234**

**1-855-872-7704 or 210-466-1627 or DSN 450-1627
NAF Benefits Website, www.nafbenefits.com**