MCCS 401(K) SAVINGS PLAN

IRS LIMITS AND CONTRIBUTIONS:

Q: How much can an employee contribute for 2012?

A: An employee can contribute anywhere from 1-100% of their earnings before taxes. If you are enrolled in other benefits you should **not** defer 100% to avoid arrears of your other deduction requirements. If you defer at least 5 percent and are an active participant in the Group Retirement Plan, your employer match will also be 5 percent!

Q: What are the limits for 2012?

A: The IRS Limit for 401(k) contributions for 2012 is $17,000. This is only the employee contributions. For employees age 50 and over, they can contribute an additional $5,500, which is considered "catch-up" contributions. Our PeopleSoft system automatically allows for these additional contributions once an employee turns 50, so there is nothing additional that HQ needs to do.

Q: How do the Freedom Funds work?

A: The Freedom Funds are a series of funds that are already diversified for you according to your anticipated retirement date, and your age. Because they are already diversified for you, if an employee selects a Freedom Fund, they should not select any of the other investment options. So, on the form, if you select any investments on the left of the form, then no selections should be made on the investments to the right of the form, and vice versa.

BENEFICIARY FORMS:

All employees must complete a beneficiary form. This designates who should receive your account balance in the event that you should pass away. Your HR office will submit your Beneficiary form to Fidelity. You can also log onto the Fidelity website to update your beneficiary.

Q: Does my spouse need to notarize the form if they are the beneficiary to my 401(k) account?

A: No. IRS rules stipulate that if you are married and enrolled in a defined contribution plan, your spouse must be the designated beneficiary. If you decide to name someone other than a spouse, including children, your spouse must sign the form in front of a notary public. This says that the employee's spouse is aware that they have given up all rights to your 401k account in the event of the employees death. Fidelity will not accept the form otherwise.

ROLLOVERS:

Q: How does an employee rollover their Fidelity account into another employer plan IRA, or conduit IRA?

A: Upon termination, you can have your account balance transferred or "rolled-over" into another employer plan, IRA, conduit IRA or Roth IRA. You must contact Fidelity Investments to request the Rollover. It is your responsibility to contact the Financial Institution that you are transferring the money from, to make sure that all necessary forms are complete.

All terminated employees should contact Headquarters if they need forms completed for verification purposes.

How about rollover's to Thrift Savings Plan:

Many of our employees transfer their 401(K) accounts to TSP. Here are the steps necessary to request a rollover to TSP:

1. You complete a TSP-60 form and send it in to your local NAF MCCS HR office.
2. The local HR office sends the TSP-60 form to the Headquarters 401(k) point of contact (@ fax: 703-432-0436)
3. The 401(k) point of contact will validate the amount that you have in your Fidelity 401(k) account.
4. The form is signed by the Benefits Program Manager
5. The form is returned to your former NAF MCCS local HR office.
6. Local HR office will return the form to you.
7. In the meantime, you should contact Fidelity to request a rollover.
8. Fidelity will send the funds directly to you, and the check will say Payable to TSP, For the Benefit of: ___________
9. Attach the check, along with the completed TSP-60 form to TSP, and send it to TSP.

ROLL-IN'S

Q: What if an Employee wants to roll-in a 401(k), IRA, or conduit IRA into our 401(k) plan?

A: There is a roll-in form that the employee must complete. The roll-in form is located at the back of the Fidelity Enrollment Guides.

For TSP Roll-In's, the employee must complete a TSP-70 form. The local HR office sends the form to Headquarters for us to complete. We then send the form back to the local HR office, to give back to the employee. TSP forms can be found at www.tsp.gov.

Q: Can I rollover my Simplified Employee Pension (SEP) money into the NAF 401(k) Plan?

A: No, the SEP plans are considered IRA's that do not meet requirements of the NAF Plan.

LOANS

Q: Am I eligible to take a loan against my 401(k) ?

A: You can borrow from your 401(k) account even if you have suspended contributions to the Plan if you meet the following criteria: You are a current participant, are actively employed, and you have been enrolled in the Plan for at least one year, and you have at least $1,000 in employee contributions as a vested value of your Plan account, and if you don't have an outstanding loan, including a previous unpaid loan in default.

Q. How much can I borrow?

A: You may borrow up to 50 percent of your vested account balance. You can determine the amount you have available to borrow by contacting Fidelity via the VRU or the website. The minimum loan amount you can borrow is $500. Therefore, you must have at least $1,000 as a vested account balance. The maximum loan amount you can borrow is $50,000. You can never borrow more than 50 percent of your account balance, or more than $50,000.

Q: Do I need to contact my Human Resource office to apply for a loan?

A: No. All general purpose loans are pre-approved by Fidelity. You can apply for a loan online at www.401k.com, or by calling Fidelity at 800-890-4015.

Q. How long do I have to repay my loan?

A: Loans may be repaid in as little as 1 month, or as long as 60 months (5 years).

Q. How many loans can I have from my 401(k) account at one time?
A: You can only have one loan outstanding at a time. You will not be able to apply for a second loan until after the first loan has been repaid.

Q. Can I get a loan if I am in a non-pay status?
A: Yes. Plan provisions do not require you to be in a pay status. If you do apply for a loan while you are in a non-pay status, you are required to make payments. Depending on the duration of your non-pay status you may receive a convenient payment coupon book from Fidelity. Failure to make payments as required by the loan agreement will result in your loan balance being declared a taxable distribution. Notification will be sent to the IRS (a 1099 is issued).

Q. Will my loan request ever be denied?
A: There are a few reasons why a loan request may be denied: one year enrollment period not satisfied, vested account balance is less than $1,000, repayments are greater than 60 months, loan request is greater than $50,000, you have a prior loan outstanding

Q. Do I need a special reason to take a loan?
A: No, there are no specific qualifying reasons to take a loan. You may request a loan for any reason you like.

Q: Can I suspend my loan payments?
A: No, you cannot suspend loan payments. Your endorsement on the loan check authorizes your personnel office to activate payroll deductions.

Q: Can I prepay my loan?
A: Yes, but you must pay the full amount of the balance due; no partial payments are accepted. Contact Fidelity about your loan balance. This amount will include all unpaid principal and accrued interest. Your payment must be made by cashier's check or money order. Personal checks are not acceptable. A partial payment will not be accepted. A cashier's check or money order must be sent directly to Fidelity for processing.

Q: How can I avoid loan repayment problems?
A: When you receive your loan check, review the terms of your loan and be sure the frequency of payments (for example, 26 per year) is correct. Check your bi-weekly payroll earnings and leave statement to be sure loan payments are stated in the correct amount and check your statements periodically thereafter to be sure no errors are being made. Check your quarterly account statement to be sure your payments are being credited correctly. If your employment status changes, follow up with your personnel office. If you go into a leave without pay status, make sure you receive a payment book from Fidelity. If necessary, contact Fidelity at their toll free number. Repayments are the participant's obligation.

Q: What happens if I transfer to another MCCS activity?
A: When you change activities, you must inform your new personnel office that you have a 401(k) loan. Your new personnel office will then continue to take out an allotment for your loan payments. Check your earnings and leave statements and your quarterly account statements to make sure your payments are started promptly and are correct.

Q. What happens if I transfer to an appropriated fund (APF) position?
A: Provided a retirement portability election is made to retain NAF Retirement coverage, you must inform your new (APF) personnel office that you have a 401(k) loan. Your new personnel office will then continue to take out an allotment for your loan payments and send it directly to our MCCS Headquarters

office. MCCS Headquarters will submit the payments directly to Fidelity. Check your earnings and leave statements and your quarterly account statements to make sure your payments are started promptly and are correct. Repayments are ultimately the participant's obligation.

Q: What happens to my loan payments if I go into a nonpay status?
A: Because loan payments are made through payroll deductions, a period without pay will result in missed payments. Fidelity will send you a loan coupon payment book. If you do not make loan payment in 30 days, your loan will become a taxable distribution for the unpaid balance. This activity is reported to the IRS and you will have a tax consequence and penalty as If you made a withdrawal from the Plan. For plan purposes, your loan will still be considered outstanding.

Q: If I file for bankruptcy, do I still need to pay my loan?
A: Yes. A loan from your 401(k) falls under Federal regulations, and bankruptcy normally falls under State regulation. Therefore, Federal regulation overrules the State regulation.

Q: What should I do if my agency makes a mistake in my loan payments?
A: Sometimes payments are not started promptly, or an error is made in the amount of the payment after the loan is issued. As soon as you identify an error or missed payment on your bi-weekly payroll earnings and leave statement, or on your quarterly account statement, contact your personnel office to make the correction. Remember, repayments are your obligation, so prompt notification of any error will be easier to correct. Missed payments will result in a lump sum payroll deduction, or could be considered in default and taxable.

Q: What happens if I terminate my employment?
A: You will receive a Loan coupon book from Fidelity Investments to continue making your loan payments. Failure to repay your loan will be considered a taxable event and a 1099R will be issued for the current tax year.

Q. What happens if I retire and then am rehired as a flexible employee?
A: You will receive a Loan coupon book from Fidelity Investments to continue making your loan payments. You will no longer be eligible to have your loan payments deducted from your bi-weekly pay as a flexible status employee. Failure to make payments directly to Fidelity will be considered a taxable event and a 1099R will be issued for the current tax year.

Q: What happens if I am a reservist and get called into Active Military Status, and I have an outstanding loan?
A: The Uniform Services Employment and Reemployment Act of 1994 (USERRA), stipulates that the plan may allow suspension of participant loan repayments on outstanding loans during the qualified military service. Upon reemployment, the loan repayments must again commence in the same manner as the original loan but the repayment period can be extended for a period equivalent to the period of active military status. Loan repayments must include the interest accrued during the active military service. Proof of Active Military Status must be provided.

Q: What happens to my loan if I die?
A: The outstanding loan balance including any unpaid interest is reported as a taxable distribution to your beneficiary or estate. The beneficiary is given the opportunity to repay to avoid this situation. The distribution is not subject to an early withdrawal tax penalty.

Q: Is there a maximum bi-weekly amount for me to repay my loan?
A: No

Q: ***Is there a minimum bi-weekly repayment amount?***
A: Yes, the minimum loan repayment is $25.

Q: Is there a fee to take out a loan?
A: Yes, all loans are subject to a one-time $35 loan-processing fee and annual loan fee of $15 ($3.75 per quarter)

VI. Taxable Loan Distributions

Q: What is a taxable loan distribution?
A: When a loan is not repaid in full by the established deadline, the amount of unpaid principal and accrued interest must be reported to the Internal Revenue Service (IRS) as taxable income (that is, a taxable loan distribution) in the year the distribution is declared. This means that you will be liable for income taxes on the amount reported to the IRS and, depending on your age and employment status, you may also be liable for a 10 percent early withdrawal penalty. The appropriate tax form will be issued not later than January 31 of the following year the distribution is reported to the IRS. Note: when a taxable distribution is declared you will not receive any additional money. The taxable distribution accounts for the portion of your loan that you failed to repay.

Q: What are the circumstances under which a taxable loan distribution is declared?
A: A taxable distribution of the unpaid principal and accrued interest is declared if:
-You are in a non-pay status for 30 days and have not made payments to your personnel office, or
-You are a flexible employee, who has not had enough earnings, and you have not continued making payments to your local HR office
- You die before your loan is repaid.

Q: How does a taxable loan distribution affect my 401(k) account?
A: If a taxable distribution is declared while you are still employed, your loan balance is still considered outstanding and your account balance will still reflect the outstanding loan. If you terminate, the loan is deemed repaid.

Q: Does a taxable distribution affect my eligibility for another loan?
A: Yes, even though your loan default was reported to the IRS as a taxable distribution (via 1099R), your loan balance is still considered outstanding. You will not be eligible for another loan.
Issuance of a 1099R does not prohibit you from restarting loan payments. You can decide to repay your loan at any time. It is NOT mandatory that you restart loan payments, however you must remember that you will not be able to request another loan if your prior loan is outstanding.
If you elect to restart your loan payments, those payments will be considered “after tax” deposits to your 401(k) account, because they were already reported to the IRS. If you should terminate employment and request a lump sum distribution of your account, that portion of your account will not be subject to taxes again.

Q. How can I contact Fidelity?
A: Call 1-800-890-4015 for English, 00-539-111-877-833-9900 for Japan, or 1-800-587-5282 for Spanish, or visit www.401k.com