Savings Plan

The Savings Plan offers a convenient, tax-effective way to save and invest for the future. At retirement, Savings Plan benefits are designed to work together with the Pension Plan and Social Security benefits to provide retirement income.

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Highlights

The Savings Plan …

… Makes Savings Easy

You may save from 1% up to 75% (plus any catch-up contributions) of your eligible earnings on a pre-tax, Roth, or after-tax basis each year through convenient payroll deductions subject to certain other limits. Persons above a certain compensation amount are called “highly compensated employees” and can only contribute up to 16% of eligible earnings (plus any catch-up contributions), subject to certain other limits.

… Offers Matching Contributions to Increase Your Savings

When you contribute to the Savings Plan, the Company may make a matching contribution based upon every dollar you save up to 6% of your eligible earnings.

… Lets You Save Tax-Deferred

Your pre-tax contributions, Company matching contributions, and investment earnings are tax-deferred, which means you will not pay federal income taxes on these amounts until you take the money out of the Savings Plan.

… Gives You the Opportunity to Invest in Your Future

You can invest your savings and Company matching contributions in the investment funds made available under the Savings Plan.

… Provides 24-Hour Access to Account Information

The Savings Plan information line offers up-to-date information about your account 24 hours a day, 7 days a week, and our Internet access provides the same convenience.

… Allows You Flexibility Today

Although the objective of the Savings Plan is to help you save for the future, you have the flexibility to meet short-term needs through loan and withdrawal provisions.

What happens to your benefits when ...

For more information about what happens to your Savings Plan participation when certain changes or events occur, see “How Changes Affect Your Benefits” in the “About Your Benefits” tab.

Enrolling in the Savings Plan

Eligibility

You are eligible to enroll in the Savings Plan immediately upon hire. Your contributions will be deducted from your paycheck as soon as administratively possible following your enrollment in the Savings Plan.

When you begin work, you can review the Enrollment Guide online.

You can start participating in the Savings Plan during your first week of employment by logging on to the plan website at workplace.schwab.com and completing the online registration process to create your unique login ID and password, or by calling the Participant Services information line at 800-724-7526 to elect:

- the percentage you wish to save,
- how you want to save—on a pre-tax basis, an after-tax basis, a Roth basis, or a combination of all three,

  and
- your investment choices.

Your payroll deductions will begin as soon as administratively possible, generally within two pay periods.

Once you have enrolled, your contribution amount and investment choices will remain in effect until you make a change.

A few days after you enroll, a confirmation statement will be sent to your home. You should review the statement carefully to make sure your participation and election information is correct.

Automatic Enrollment

The Company understands the critical importance of saving for retirement, so an automatic enrollment feature is included in the Savings Plan for all salaried employees hired on or after April 1, 2012. You may enroll in the Savings Plan at any time beginning on your date of hire. However, if you are a salaried employee and you do not take action to enroll, you will be enrolled automatically 30 days following your date of hire, and a pre-tax contribution of 3% of your eligible earnings will be deducted from each paycheck and put into an account set up for you in the Savings Plan.

Unless you elect otherwise, your contributions will be invested automatically in the LifePath Index Portfolio fund that corresponds with the date on which you will reach age 65; this is the default investment for anyone who is enrolled automatically.

If you do not want to participate in the Savings Plan, you have 30 days following your date of hire to opt out of the Savings Plan or to elect a different contribution percentage. You may contact Participant Services to change your contribution percentage or investment election, or to stop your contributions at any time. If you are enrolled automatically and you take no action on your account, your contributions will also increase by 1% in January each year up to a maximum of 6% of your eligible earnings.

Remember, if you do not want to make contributions to the Savings Plan and you do not opt out of the Savings Plan within 30 days of your date of hire, a deduction will be taken from your check. This amount will remain in your account until you are eligible for a distribution under the rules of the Savings Plan. Contributions cannot be refunded.

Naming Your Beneficiary

Your beneficiary is the person you name to receive benefits from the Savings Plan if you die with a vested balance remaining in your Savings Plan account. Your beneficiary can be anyone you wish. However, if you have been married for at least 1 year, and you wish to name someone other than your spouse, you must have your spouse’s written and notarized consent.

Be sure to keep your beneficiary designation up to date. If you do not make a valid beneficiary designation, and if you have been married for at least 1 year at the time of your death, your spouse will receive the value of your vested Savings Plan account. If you are single and do not name a beneficiary, your vested Savings Plan account will be paid to your personal representative if one is appointed within 12 months of your death, or if none is appointed, to your heirs-at-law.

You may change your beneficiary at any time (subject to the spousal consent rules described above). Simply call the Participant Services information line or use the Internet to complete the form online or to print the form. Your beneficiary election will be effective when Participant Services receives your completed form.

The Savings Plan Information Sources

The Savings Plan makes saving easy. It lets you enroll and manage your account over the telephone through a voice response unit, by speaking with a Participant Services representative, or by using the Plan's website. By calling Participant Services, you can:

- enroll in the Savings Plan
- check your account balance and investment performance
- make investment elections
- transfer between investment funds
- change contribution percentages
- change investment elections
- request a loan or withdrawal
- update or change beneficiary information
- update or change personal information
- opt out of automatic enrollment

When you call Participant Services, you will need your web ID. If you do not have your web ID, you may speak to a Participant Services representative and provide the necessary security information.

You will use your web ID and password to access your account information. You may change your web ID and password to personalize them at any time. Your web ID and password are confidential and should be kept in a safe place. If you lose your web ID and/or password, you may call Participant Services or log on to the Internet site and request a reminder; a copy of the number will be sent through an email link or mailed to your home. For security reasons, you can never get your password over the phone.

Accessing the System

To log on to your account, go to workplace.schwab.com, click on Log In, enter your web identification and password, and again click on Log In. Every participant in the plan will be able to gain access to the plan, even if you do not have an account balance.

Working with the Plan

After you log on, the system immediately shows the market value of your account as of a particular date. Remember, our plan investment funds are valued daily, and the amount shown on the screen is the market value as of the close of business of the previous business day. This value is updated once a day, so the value you see in the morning will be the same value for that entire day.

To Reach Participant Services

In the United States:
800-724-7526

International:
330-908-4777

Telecommunications Device for the Deaf:
800-345-2550

Voice Response Unit:
24 hours a day, 7 days a week
(except for occasional maintenance periods)

Participant Services Representatives:
7 a.m.–11 p.m. Eastern time, Monday through Friday (except on days when the New York Stock Exchange is closed)

Internet Access:
To access the Savings Plan via the Internet, please visit: workplace.schwab.com.

Your Quarterly Statement

After the end of each calendar quarter, you will receive a Savings Plan statement that reports your account activity, total fund balances, and investment elections. You can use these statements to track the value of your savings under the Savings Plan. You also have access to your account statement at any time by visiting workplace.schwab.com.

Your Contributions

You can contribute to the Savings Plan in the following ways:

- pre-tax contributions from your eligible earnings,
- after-tax contributions from your eligible earnings,
- Roth contributions from your eligible earnings, *and*
- rollover contributions.

Your eligible earnings are:

$$\frac{\text{Straight-time earnings}}{\text{Straight-time hours}} \times \text{scheduled hours} = \text{eligible earnings}$$

Straight-time earnings include shift premiums and hourly cost of living adjustment but do not include overtime, vacation buy-out payments, and certain executive incentive payments.

Pre-Tax Contributions

Your pre-tax contributions are deducted from your eligible earnings before federal and, in most cases, state and local taxes are determined. (Social Security taxes are not affected.) By saving with pre-tax dollars, you reduce your current taxable income and, therefore, your current annual tax liability. The government allows this reduction in taxable income to encourage you to save for retirement. For this reason, withdrawals during your active career with the Company are restricted.

Roth Contributions

Your Roth contributions are deducted from your eligible earnings on an after-tax basis. Roth contributions and earnings grow tax free. Upon retirement, Roth contributions are distributed free from federal and most state income tax. Earnings on Roth contributions are also tax free if they are withdrawn after age 59½ and if your Roth account has been open at least 5 years.

Annual Contribution Limits

There is a limit on the amount of pre-tax and Roth contributions that you can make to all employer plans during any year. This combined annual limit is $18,000 for 2016. The pre-tax/Roth contribution limit, which is announced annually, will be adjusted for changes in the cost of living increases as determined by the federal government. Participants ages 50 and older during a particular year may be able to contribute additional amounts of pre-tax or Roth contributions called “catch-up contributions.” Call 800-724-7526 for assistance in determining whether you qualify to make an additional contribution and, if so, what the maximum amount of such a contribution will be.

If you are employed during the year by another employer and make pre-tax or Roth contributions to another employer’s plan, these contributions also count in the annual contribution limit. You are responsible to notify the Company that you have reached your limit. If you have exceeded the limit, you are responsible to request a distribution of the excess amount.

There also is a limit on the total amount of contributions including pre-tax, Roth, after-tax, matching contributions, and employee pension contributions that can be made to your account each year. This annual limit is $53,000 for 2016 (increased by $6,000 if you are eligible to make catch-up contributions) and will be adjusted for changes in the cost of living increases as determined by the federal government.

Additional limits may apply to highly compensated employees. You will be notified if these additional limits apply to you.

There is a limit on the amount of pre-tax and Roth contributions that you can make to all employer plans during any year.

Once you reach the annual pre-tax/Roth limit (adjusted if you are age 50 or older and eligible to make additional catch-up contributions), you may elect to stop making contributions. If you elect to stop your contributions, the employer match also will stop. If you do not stop making contributions when you reach this limit, your contributions automatically will be changed to after-tax contributions for the remainder of the year unless you take action to stop making contributions or reach your overall annual addition limit. Your contributions will revert to your original election of pre-tax or Roth contributions at the beginning of the new calendar year without filing a new election. However, if you are a highly compensated employee and have made a flat dollar catch-up election, you must make a new catch-up election at the beginning of the year. Company matching contributions will continue to be made as usual after the change to after-tax contributions.

After-Tax Contributions

Your after-tax contributions are deducted from your eligible earnings after income taxes are withheld and do not provide the advantages of deferring your taxes that are available through pre-tax contributions. Investment earnings on after-tax contributions, however, are tax-deferred until withdrawn from the Savings Plan.

In addition, after-tax contributions are subject to less stringent government withdrawal restrictions, as described later in this section.

Your Contributions (cont.)

Pre-Tax Savings vs. After-Tax Savings

Here is an example comparing pre-tax contributions with after-tax contributions.

Assume that you are married, earn $50,000 a year, claim two exemptions on your joint return, and elect to save 6% of your eligible earnings.

Assume also that your marginal tax rate is 15%, which means that for each dollar you save on a pre-tax basis, you save $.15 in taxes. Here is how it works:

	Pre-Tax Savings	After-Tax Savings
Eligible Earnings	$50,000	$50,000
Pre-Tax Contributions (6%)	– $3,000	– $0
Adjusted gross Income	$47,000	$50,000
Federal Income Tax*	$2,660	$3,110
After-Tax Contributions	– $0	– $3,000
Take-Home Pay	$44,340	$43,890
Difference	**$450**	

As you can see, by saving with pre-tax contributions, you can reduce your income taxes by $450 (15% × $3,000) in this example.

Therefore, you can invest the same $3,000 per year, but your take-home pay will be $450 higher.

**Taxes are estimated federal income taxes. Note that this example only takes federal tax savings into account. Depending on where you live, you may also save on state and local taxes.*

Contributions During and After Military Leave

If you receive differential pay while you are on military leave, you may continue to make contributions to the Plan from your differential pay.

When you return to work after you have been on military leave, you may be able to make contributions to the Savings Plan to make up for contributions you missed while you were on leave and may receive Company matching contributions on your make-up contributions.

Contact Participant Services for more information if you think this may apply to you. You may also contact the US Department of Defense, Employer Support of the Guard and Reserve, at 1-800-336-4590 or www.esgr.org about your military service rights and responsibilities under the Uniformed Services Employment and Reemployment Rights Act.

Rollovers to the Savings Plan

Generally, you may roll over amounts you receive from a tax-qualified plan of a former employer or from an Individual Retirement Account (IRA) to your Savings Plan account if the amounts you received qualify to be rolled over. After-tax and Roth amounts may be received by the Savings Plan only as a direct rollover from a tax-qualified plan of a former employer. When you request a withdrawal or receive a distribution from a tax-qualified plan of a former employer, you will receive information telling you that the amount qualifies or does not qualify to be rolled over. You will continue to defer current federal income taxes on the amount you roll over.

Any rollover must be made within 60 days of the date you receive a distribution from the other qualified plan (or conduit IRA). If you miss the deadline, you cannot roll your distribution into the Savings Plan, and you will have to pay taxes on the taxable portion of your distribution.

To make a rollover of a qualified distribution, you must submit a certified check or a check from your prior plan's trustee or custodian payable to the Plan, the distribution statement you received with your rollover check, and a completed rollover contribution form to Participant Services.

Call Participant Services to obtain the instructions and form for a rollover or print the form from the website.

Your Contributions (cont.)

The following comparison will give you an idea of the basic differences between the contribution sources available within the Savings Plan.

	PRE-TAX 401(k)	ROTH 401(k)	AFTER-TAX
Contributions	Made pre-tax	Made after-tax	Made after-tax
Any Investment Earnings	Taxes are deferred until distribution	No additional taxes[†] required if a qualified distribution	Taxes are deferred until distribution
Distributions	Both contributions and any investment earnings are taxed as income in year of distribution	Both contributions and any investment earnings are subject to no additional taxes and no penalties provided age 59½ is reached and contributions are held for at least 5 years[†]	Contributions are not taxed, and any investment earnings are taxed as income in year of distribution
Distribution Exceptions	If withdrawn before age 59½, distribution is subject to tax and 10% early withdrawal penalty	If withdrawn before 5 years or age 59½, investment earnings are subject to tax and 10% early withdrawal penalty	N/A
Company Match	Both contributions and any investment earnings are taxable at time of distribution	Both contributions and any investment earnings are taxable at time of distribution	Both contributions and any investment earnings are taxable at time of distribution
Loans	Allowed	Allowed	Allowed
Contribution Limit	Refer to the Annual Contribution Limits to determine the amounts you may contribute to the Savings Plan each year		
Catch-Up (Age 50 or older)	Refer to the Annual Contribution Limits to determine the catch-up amounts you may contribute to the Savings Plan each year		
Income Limits	None	None[‡]	None
70½ Minimum Distribution	Required	Required[§]	Required in regular salary deferrals and catch-up contributions
Investment Options	Same	Same	Same

[†]Provided you are age 59½ or disabled at the time of distribution and your initial Roth contributions were in the Savings Plan for at least 5 years.
[‡]Unlike Roth IRA, there is no upper income limit for Roth 401(k).
[§]A Roth 401(k) can be rolled over into a Roth IRA, which has no minimum distribution requirement. When a participant rolls a Roth 401(k) balance to a *new* Roth IRA, the 5-year qualification period starts over. This may affect the rollover decision. If the participant has an established Roth IRA, then the qualification period is calculated from the initial deposit into the IRA.

How Much You Can Save

You may contribute from 1% to 75% (or 16% for a highly compensated employee) of your eligible earnings each pay period, subject to the annual contribution limits. These limits may be increased by up to $6,000 a year as catch-up contributions if you are age 50 or older at any time during the year. You may save in 1% increments.

These percentages may be reduced for highly compensated employees to satisfy certain Internal Revenue Code tests. You will be notified of the restrictions for each year if they apply to you.

Your contributions up to 6% of eligible earnings may be eligible for Company matching contributions, as discussed later in this section. Any additional contributions are not eligible for Company matching contributions.

Changing Your Contributions

You can increase, decrease, or stop your pre-tax, after-tax, or Roth contributions at any time by calling Participant Services or through the website. The last election you make before the payroll system computes your contribution will override any previous elections. Changes will be sent to payroll on a weekly basis and will be effective as soon as administratively possible, generally within two pay periods.

You can suspend or resume contributions at any time. When you resume your contributions, cash deposits to make up for the period of suspension will not be permitted. All contributions must be made by payroll deduction.

Company Matching Contributions

The Company suspended the matching contribution to the Plan effective December 1, 2011, for non-Bargaining Unit Employees and effective April 1, 2012, for all Bargaining Unit Employees.

However, effective January 1, 2013, for Salaried Employees and April 1, 2013, for Bargaining Unit Employees, the matching contribution was reinstated. For each pay period after the effective reinstatement date, the Company will match a percentage of each dollar you save.

Employees who are scheduled to work on a full-time basis under the postdoctoral program (a “Postdoc Employee”) and who are hired on or after January 1, 2013, will not be eligible for a matching contribution. Certain named fellows will be eligible to receive matching contributions from the Company.

The Company will match your contributions up to 50% of your first 6% of eligible earnings.

Vesting

You are always 100% vested in your own contributions, as adjusted for investment earnings and losses on your contributions. Company matching contributions become 100% vested after you complete 3 years of Credited Service (as defined in the Glossary).

You also will become immediately 100% vested in all Company matching contributions, adjusted for investment earnings and losses, when you:

- reach age 65 while a Company employee,
- retire and are eligible to receive an immediate pension, *or*
- leave the Company because you are Totally Disabled, die, or are involuntarily terminated for reasons other than cause.

The Company Match	
Suppose an employee with $50,000 of eligible earnings contributes 6% of eligible earnings for a total savings of $3,000 per year (after the match reinstatement date). The Company matching contribution would be as follows:	
50% of first 6% of eligible earnings	$3,000 × 50% = $1,500
The company match would be: $1,500	

Your Investment Options

You may choose to have your contributions and Company matching contributions invested in any one or a combination of the Savings Plan's investment funds—in increments of 1%. The funds are valued at market daily. The Savings, Retirement, and Investment Committee may freeze or change the funds at any time.

Any investment involves some degree of financial risk. Actual investment results for your Savings Plan contributions will vary depending on the fund or funds in which they are invested. Investment information can be found online at workplace.schwab.com.

Before making any investment decision, you should also review the fund fact sheets.

Neither the Company, the Savings Plan, nor the Savings, Retirement, and Investment Committee makes any representation that the past performance of these funds is a guarantee or indicative of their future performance. The funds are not protected by any federal or state deposit insurance Plan. The Savings Plan is intended to constitute a plan described in section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA). Fiduciaries may be relieved of liability for any losses that are the result of investment instructions given by you or your beneficiary.

Investment Earnings

Investment earnings include interest, dividends, and market gains/losses resulting from your investments in any of the Savings Plan's funds. Returns you may earn on your investments are continually reinvested in the funds you have chosen.

Changing Your Investments

You may change your investment choice for future contributions—in 1% increments—at any time by calling Participant Services or going online to workplace.schwab.com. The last change you make before 4 p.m. Eastern time, or before the market closes if earlier, will override any previous changes made that day. Your changes will be effective with the next deposit of your contributions.

You can transfer existing balances at any time. Transfers completed before 4 p.m. Eastern time will be effective that day, assuming it is a business day and the New York Stock Exchange is open; otherwise, changes will be effective the next business and market trading day. Confirmation of your transaction will be mailed within 3 business days.

Reward vs. Risk

One way to think of the gain or loss potential of an investment is to think of the potential for reward or the level of risk it offers. Generally, investments with more risk to principal have the potential to yield higher returns over a longer period than investments with less risk.

No one can tell you what balance of reward vs. risk is right for you. It is up to you to decide. When making your decision, however, ask yourself the following questions:

When will you need the money in your accounts?

If you are a long way from retirement and are investing for the long term, you may want to consider more aggressive investment choices with higher risks. However, you must be prepared to weather the ups and downs of the market and possible loss of your investment. However, stability in your investments may be more important if you are investing for a shorter time.

What are your investment goals?

You may be concerned about preserving your account balances while earning a steady rate of return. Alternatively, you may want investments that offer the prospect of substantial growth. Keep in mind that your investment objectives will change depending on how close you are to retirement and your financial goals.

What is your financial situation?

Figure out how much money you can afford to save. It may be more than you think. If you save a little, with the tax savings you receive from pre-tax contributions, your take-home pay may not be reduced as much as you expect.

Are your investments sufficiently diversified?

Investment professionals seek to reduce risk by diversifying their investments—not putting "too many eggs in one basket." They may diversify over different types of investments, such as stocks and bonds, and within types of investments by buying stocks and bonds of a number of different companies. Because most of the funds offered under the Savings Plan are each made up of several types of investments, there is a basic level of diversification within most funds. However, you can further diversify by investing in several different funds to take advantage of the different investment objectives and strategies offered by the funds.

Your Investment Options (cont.)

Transaction Processing

The transactions you request through Participant Services ordinarily will be processed within the times specified in this Summary Plan Description. However, in certain circumstances, such as technical problems with the website or telephone service, you may experience difficulty in making your request or your transaction may be delayed.

Telephone service can be interrupted from time to time and, further, a high volume of telephone calls can overload the system and prevent calls from being answered. Transactions may also be delayed, for example, if market conditions require a daily volume limit on trades in an asset, if there is suspension in trading of an asset, or in the event of a major market or systems disruption. You will be informed if a transaction is not completed on the day requested, and the transaction will be completed as soon as administratively possible thereafter, based on the unit prices in effect when the transaction is completed.

Loans from Your Account

Although the Savings Plan is meant to help you save for the future, you have some access to your funds today through loans and withdrawals.

You may borrow money from a portion of your vested account balance and pay back the loan through payroll deduction. You will repay loan amounts, plus interest, back to your Savings Plan account. You will not be taxed on the money you borrow from your account, provided you repay the loan as required in a timely manner, and any interest that you pay is credited to your account. Loan payments are made on an after-tax basis.

There are two types of loans available to employees: general and residential. General loans are available for any reason. Residential loans are for the purchase or building of your primary residence. You may have only one general loan and one residential loan outstanding at any one time.

Loan Amounts

The maximum amount available for loans at one time is the lesser of:

- 50% of your vested account balance at the time of the loan

  or

- $50,000 minus your highest outstanding loan balance during the previous 12 months

Your account balance is based on the market value of the funds at the time the loan is requested. The minimum loan amount is $1,000.

Loans are in the form of cash only. For information about the maximum loan amount available to you, check your account online or call Participant Services.

Loan Fee

There is a one-time, nonrefundable application fee of $50 for each loan. This fee will be deducted from your account balance after the loan has been granted and will be taken from your most conservative investment fund (as determined by the Recordkeeper).

Interest Rate

A loan interest rate used for the entire term of the loan is the Prime Rate in effect on the date you request the loan, plus 2%. The rate in effect when you take a loan is the rate you will pay for the term of your loan. Under current federal income tax law, none of the interest on a loan from the Savings Plan is tax deductible.

Loan Funding

If a loan is approved, a loan account is set up in your name. The loan amount is taken proportionally from the investment funds in which you have elected to invest your different types of savings in this order:

- first from your pre-tax accounts, starting with vested Company matching contributions
- second from your after-tax accounts, starting with vested Company matching contributions
- third from any pre-tax or after-tax rollover contributions.
- fourth from your Roth contributions and then your Roth rollover contributions

Loans from Your Account (cont.)

Repaying Your Loan

Repayment on loans will be deducted automatically from your paychecks. General loans must be repaid within 4.5 years, and principal residence loans must be repaid within 15 years. The minimum loan repayment period is 6 months.

You may pay off your outstanding loan at any time before maturity by sending a certified check to the Recordkeeper for the payoff amount. Loans must be paid off in full—no partial payments are allowed. You must call Participant Services to find out payoff amounts.

If you take a long-term leave of absence or are on long-term disability, you must continue to make repayments directly to the Recordkeeper. You will receive a monthly invoice with which to continue your monthly payments.

Any payments missed because of a short-term absence will be deducted automatically from your paycheck when you return to work.

Loan Default

A portion of your account balance equal to the amount of your original loan serves as collateral for the loan. If you default on your loan, the Recordkeeper will satisfy your unpaid loan balance by using the collateral in your account. Your loan will default if you:

- leave the Company and do not pay the outstanding balance within 6 months;
- fail to make a scheduled loan repayment by the end of the quarter following the quarter of your last payment;
- do not repay your loan by the end of the term of the loan; or
- are on long-term leave of absence or long-term disability and stop making payments, on the maturity date or the last day of the 12th month of missed payments, whichever occurs first.

If your loan defaults, the outstanding balance of your loan will be treated as a taxable distribution when the default occurs. Your defaulted loan will be subject to tax law distribution rules such as the 10% penalty if you are under age 59½. You will remain obligated for any unpaid balance on a loan that is in default.

If you do not repay your loan by the time you become entitled to a distribution from the Savings Plan (except for in-service withdrawals), your loan becomes due and payable in full immediately. You may repay the entire balance of the loan (including any accrued interest). If you do not repay the entire outstanding loan balance, the amount payable to you from the Savings Plan will be reduced by the outstanding balance on the loan.

You may not take out a new loan while you have a loan which is in default.

Change in Payroll Frequency

If your pay period changes from weekly to monthly or vice versa, the repayment of the remaining principle loan balance will be adjusted for the new payroll frequency. You will receive notice of the new payroll deduction amount.

Taking a Loan

For a general loan:

- Log on to your account or call Participant Services to find out the maximum loan amount available to you and current interest rates.
- Select the loan amount and terms that best suit your needs.
- You will be mailed a check and loan disclosure statement to your address on record with payroll, generally within 3 business days. The check and loan disclosure statement constitute your legal notification of your loan responsibilities. Your endorsement indicates your acceptance of those responsibilities and your promise to repay the loan within the agreed-upon period.

For a residential loan:

- Call Participant Services to request a residential loan package, which will include a promissory note.
- Sign and return the application along with any other paperwork to the Recordkeeper within 60 days of the date on the note.
- You will be mailed a check and loan disclosure statement, generally within 3 business days after your loan is approved. The check and the loan disclosure statement constitute your legal notification of your loan responsibilities and your promise to repay the loan within the agreed-upon period.

Withdrawals While You are Employed

The Savings Plan also allows you to take a withdrawal from your account while you are still employed by the Company within certain limits and rules which are described in this section. A withdrawal must be at least $200 (or your vested account balance if less) and only one withdrawal may be made on any day.

You will be mailed a check generally within 3 business days after your withdrawal is approved.

Withdrawal of After-Tax Contributions and Related Company Matching Contributions

Within the limits described below, you may withdraw your after-tax contributions limited to once every 6 months by logging on to your account or by calling Participant Services.

You may withdraw any amount of after-tax contributions, adjusted for investment earnings and losses, once every 6 months and may continue afterward to make after-tax contributions. You also may withdraw the vested portion of related Company matching contributions that have been in your account at least 24 months, but you cannot withdraw the earnings on the Company matching contributions.

Taxation of After-Tax Withdrawals

Your after-tax contributions to the Savings Plan made before January 1, 1987, can be withdrawn without any tax if you do not withdraw any earnings on these contributions. The earnings on the pre-January 1987 contributions are kept separate but are available for withdrawal on a taxable basis. When you request a withdrawal, the first money paid out will be these pre-January 1, 1987, contributions.

Withdrawals of after-tax contributions made on or after January 1, 1987, are subject to partial taxation because a withdrawal of post-1986 after-tax contributions will be assumed to be made up of both contributions and earnings. To avoid this taxation, you can roll over the taxable portion of your withdrawal to an IRA or other eligible retirement plan. You may also roll over the non-taxable portion of the distribution.

Withdrawal of Pre-Tax and Roth Contributions

It is important to remember that withdrawals of your pre-tax contributions are restricted by the Internal Revenue Code while you are working. Except under limited circumstances, such as hardship withdrawals, withdrawals of pre-tax and Roth contributions are not permitted before age 59½. Roth contributions generally are treated like pre-tax contributions for withdrawal limitations. You must include withdrawals of pre-tax contributions in your income in the year of withdrawal.

In some cases, distributions of pre-tax and Roth contributions also may be subject to a 10% premature withdrawal tax penalty, so you should consider these tax implications before making a withdrawal of your pre-tax or Roth contributions.

Hardship Withdrawals

Because the emphasis is on long-term savings, the government limits withdrawals before age 59½ to your pre-tax and Roth contributions upon proof of financial hardship

To qualify for a hardship withdrawal, you must have a documented “immediate and heavy financial need” which cannot be met by “other reasonably available resources.” Immediate and heavy financial need means:

- purchase of your primary residence (but not mortgage payments)
- tuition payments for a year of post-secondary education for you, your spouse, children, or dependents (the amount also may include room and board expenses for the year)
- expenses not covered by insurance for you, your spouse, children, or dependents that would qualify as deductible medical expenses (not taking into account income limitations)
- expenses to prevent eviction from or foreclosure on your primary residence
- funeral expenses of your deceased parent, spouse, children, or dependents

  or
- expenses for repair of damage to your principal residence that would qualify as deductible casualty expenses (not taking into account income limitations).

“Other reasonably available resources” include after-tax contributions and Savings Plan loans. You must request a maximum withdrawal of after-tax savings and the maximum loan amount available to you (unless taking a loan would increase the amount of your need) before you request a hardship withdrawal. The amount of your hardship withdrawal from your pre-tax and Roth contributions is limited to your own contributions (regardless of when they were made) and Company matching contributions on your pre-tax and Roth contributions in which you are vested that have been in your account at least 24 months—up to the amount needed to satisfy your financial need.

Withdrawals While You are Employed (cont.)

If you take a hardship withdrawal, your Savings Plan participation will be suspended for 6 months. Hardship withdrawals are not eligible to be rolled over to another qualified plan or IRA.

You may log on to your account or call Participant Services for a hardship withdrawal request form. Hardship withdrawals must be approved by the Recordkeeper.

Withdrawals After Age 59½

When you reach age 59½, you may withdraw your pre-tax contributions, Roth contributions, vested Company matching contributions, and any investment earnings at any time for any reason.

Withdrawal During Military Leave

You may be able to withdraw your pre-tax or Roth contributions if you go on a military leave for more than 30 days. If you think this might apply to you, contact Participant Services. If you take a withdrawal of pre-tax or Roth contributions while you are on military leave, you may not make contributions to the Savings Plan for 6 months after the withdrawal.

Requesting a Withdrawal

To request a withdrawal, log on to your account or call Participant Services.

Withdrawal of Rollover Contributions

You may withdraw your rollover contributions, as adjusted for investment earnings and losses, at any time for any reason without causing a suspension of Company contributions under the Savings Plan. To request a withdrawal, log on to your account or call Participant Services.

Plan Payouts

You are eligible to receive the full value of your Savings Plan account when you leave the Company:

- after you are eligible to retire with an immediate pension from the Company
- because you are Totally Disabled
- after completing 3 years of Credited Service

  or
- before completing 3 years of Credited Service for any reason other than your voluntary resignation or your discharge by the Company for cause.

If you voluntarily resign or are discharged for cause before completing 3 years of Credited Service, you will forfeit any Company matching contributions, adjusted for investment gains and losses.

Forfeitures will be used for corrective allocations contributions and restorations if permitted by law or administrative guidance, to reduce matching contributions due from the participating employers for such Plan Year, and for such purposes in succeeding Plan Years.

If you die before your entire vested account balance is paid to you, that balance will be paid to your beneficiary. For information about who will be paid your account balance if you do not name a beneficiary, please see the section “Naming Your Beneficiary” earlier in this Summary Plan Description.

Timing of Payouts

When you leave the Company, you may request an immediate payout or choose to defer payment. You may not defer payment, however, beyond December 31st of the year in which you reach age 70½ or the date you retire if you work for the Company beyond age 70½. If you choose to defer payment, your savings will be invested in the Savings Plan funds as you direct. Your Roth contributions and earnings also are subject to the required minimum distribution rules unless you roll over the Roth account into a Roth IRA.

Mandatory Distributions

If your vested account balance (not including rollovers to the Savings Plan) is $1,000 or less when you leave the Company and you do not request a payout method or rollover, your vested account balance will be distributed to you in a single lump sum payment.

Plan Payouts (cont.)

Payout Methods

If you leave the Company, you may elect to receive your Savings Plan account as follows:

- A single lump sum payment of your total account value
- A partial payment
- Monthly installment payments of your fixed period of 10, 15, or 20 years (as long as this method meets the IRS minimum distributions requirements), with monthly recalculations based on market value and the remaining payment period
- Monthly installment payments over a period equal to your life expectancy, or the joint life expectancy of you and your spouse
- Monthly installments using the uniform life expectancy table with monthly recalculations based on market value and the remaining payment period. Life expectancies are recalculated each year.

  or

- A fixed dollar installment amount that you choose. The fixed amount may be changed by you while installment payments are still ongoing.

If you die, your beneficiary may receive the full amount of your Savings Plan account balance in a lump sum. Your spousal beneficiary may elect a lump sum payment or monthly installment payments over a 5 year period. If your spouse is your beneficiary, your spouse also may choose to defer payment or may request a rollover to an IRA. If your beneficiary is not your spouse, your beneficiary will receive a lump sum payment or may request a rollover to an IRA account.

Partial payments and installments will be distributed from your after-tax contributions first. You also will have the option of requesting a total distribution from your after-tax, pre-tax, or Roth account.

Electing a Payout Method

If you leave the Company, the Recordkeeper will send a letter to you describing your payout options. If you are eligible for installment payments, you also will receive the applicable forms. You may make your payout election over the telephone by calling Participant Services.

Request a Payout

To apply for a Savings Plan payout, you should call Participant Services at 1-800-727-7526. If you die with a remaining balance in the Plan, your beneficiaries should contact the Recordkeeper for information on obtaining a distribution.

If you elect a lump sum payout, you will be mailed the payout generally within 3 business days from the date Participant Services receives the request. If you elect to receive installment payments, you will receive the required forms to complete and return. The installment payments will begin as soon as administratively practicable after Participant Services receives your properly completed forms.

Taxation of Withdrawals and Final Payouts

In general, your pre-tax contributions, Company matching contributions, and investment earnings on all types of contributions other than Roth contributions are taxable when you receive them. The actual tax treatment will depend on your age at the time of receipt. You can find more information about tax treatment of Savings Plan distributions in the "Special Tax Information Notice," which is included with your quarterly statement and is also available online or by calling Participant Services.

Before Age 59½

If you make a withdrawal or receive a Savings Plan distribution before age 59½, you will pay a 10% additional tax in addition to ordinary income tax on the taxable portion of the payment, including on a hardship withdrawal unless you qualify for one of the exceptions to this 10% penalty listed in the "Special Tax Information Notice." You can avoid the income tax and additional tax if you roll over the taxable portion of your payment into an IRA or other eligible retirement plan within the period permitted by law.

Your beneficiaries are never subject to the 10% tax penalty, regardless of your age at death.

At Age 59½ or Later

If you make a withdrawal or receive a Savings Plan distribution after age 59½, you will not have to pay the 10% penalty.

If you were at least age 50 on January 1, 1986, the law generally makes 10 year forward averaging (based on 1986 tax rates) available as an alternative, as well as special capital gains treatment, provided you were a participant before 1974.

Roth Contributions

Special rules apply to payments of Roth contributions and earnings on those contributions. Payments of the Roth contributions are not subject to federal income tax. Earnings on your Roth contributions will be subject to federal income tax unless the distribution is made after you turn age 59½, upon your death, or upon your disability, and as long as it occurs at least 5 years after the first day of the taxable year that you made your first Roth contribution to the Savings Plan. If you made a direct rollover of Roth contributions from the plan of a former employer, the 5-year period begins from the first day of the taxable year that you made your first Roth contribution to the other plan.

Rollovers and Withholding

Withdrawals and lump sum distributions of your pre-tax contributions and Company matching contributions, your after-tax contributions, or your Roth contributions as adjusted for investment earnings and losses, can be rolled over to an IRA, a Roth IRA or other eligible retirement plan. Required minimum distributions to employees who have terminated and reached age 70½ or retired from the Company after age 70½, and distributions paid out in installments are not eligible for such a rollover.

You can roll over all or a portion of your eligible plan payouts either directly or indirectly to an IRA, a Roth IRA or other eligible retirement plan. With a direct rollover, the Recordkeeper will send you a check payable to the trustee of the eligible IRA, Roth IRA, or plan you designate. If you elect a direct rollover, no federal tax withholding will apply to your rollover amount. The portion that is not rolled over will be subject to mandatory 20% tax withholding.

If you want to roll over your eligible payout yourself – an indirect rollover – there are some important facts to keep in mind:

- Mandatory 20% tax withholding will apply to the taxable portion of the distribution when the payout is made to you.
- Your rollover must be made within 60 days of the day you receive your payout.
- Any portion of the taxable part of your payout not rolled over will be subject to income and penalty taxes (if applicable).

Other withholding rules apply to distributions that are not eligible for a rollover. You will be provided with information on those rules prior to the distribution.

To be sure you are using your benefits to their full advantage, you should check with a tax advisor regarding the specific requirements for using these and other forms of favorable treatment that may apply to your payout. Neither the Benefit Plans Office nor Participant Services can give you tax advice.

Severance from Service and Reemployment

Severance from service is important because it determines when your Credited Service ends for purposes of Savings Plan vesting. Severance from service occurs:

- the day you quit, retire, are discharged, or die
- 1 year after your first day of absence due to layoff, or, if earlier, the first day after recall if you fail to return to work
- 1 year after your first day of leave of absence, or, if earlier, the first day after the final day of leave if you fail to return to work
- 2 years after your first day of absence for a parental leave due to pregnancy, birth or adoption, and for child care immediately following the birth or adoption, or, if earlier, the first day after the final day of leave if you fail to return to work.

If you are reemployed within 1 year of your date of severance, you will receive Credited Service for your period of severance and your prior Credited Service will be restored.

If you are reemployed more than 1 year after your date of severance and you were vested as of that date, your prior Credited Service will be restored automatically upon reemployment, regardless of your period of severance.

If you were not vested as of your date of severance, your prior Credited Service will be restored if you are reemployed more than 1 year after your date of severance, provided you have 1 year of service after the period of severance, and the length of your severance is less than 5 years.

In any event, you will not earn Credited Service during a period of severance lasting 1 year or more.

Transfer of Assets for ORNL Participants

On September 3, 2010, some account balances were transferred from the Savings Plan for Employees of Certain Employers of the US Department of Energy Facilities at Oak Ridge, Tennessee (the "Joint Plan"), to this Savings Plan.

Your account balances in the Joint Plan were transferred to the Savings Plan effective September 3, 2010, if either (i) you were employed (or on leave) at ORNL by UT-Battelle, LLC on September 2, 2010, or (ii) you terminated employment or retired before September 2, 2010, and your last employer was UT-Battelle or a previous prime contractor at ORNL. If you satisfy one of these conditions, your account balances will be administered by the Savings Plan rather than the Joint Plan for benefits distributed on or after September 3, 2010.

If you have a question on whether your benefit will be paid from the Savings Plan or the Joint Plan, contact Benefit Services.

Other Important Information

Change of Address

It is important that you notify the Company of any change in your address while you are a participant in the Savings Plan so you will be assured of receiving Company communications about the Savings Plan. If you are retired, call Participant Services for a change form.

Voting Your Shares

The investment manager for each fund will decide how to exercise any voting rights applicable to stock held in that particular fund.

Investment Fees and Expenses

The Savings Plan incurs administrative fees and investment management fees. The administrative fees are the costs to the Savings Plan and your Savings Plan account, including recordkeeping, accounting, trustee functions, and legal services. The Company pays some of these fees. Some fees are paid by the Savings Plan and charged to all Participant accounts. Fees for items directly related to your account, such as loan processing, hardship withdrawal processing, or domestic relations order processing, may be charged to your account. Administrative fees will be shown on your quarterly statement.

Investment management fees are the costs to manage the investment options under the Savings Plan, including investment advice, brokerage fees, commissions, and account maintenance fees. Investment management fees vary by investment and are deducted from your investment returns. Investment management fees for the mutual funds are described in the fund fact sheets. The fees will be shown on your quarterly statement.

Responsibility for Investment Decisions

You choose how to invest your money in the Savings Plan. The Savings Plan trustee will follow your investment directions without reviewing your investment decisions.

The Company; the trustee; the Savings, Retirement, and Investment Committee; and the other Savings Plan administrators are not responsible or liable for the investment choices you make or investment losses that are the direct and necessary result of your investment choices. This is because the Savings Plan is intended to satisfy the requirements of Section 404(c) of ERISA and section 2550.404c-1 of the Code of Federal Regulations. Nothing contained in this document is intended to constitute investment advice.

Call Participant Services or use the Internet for...

- **Financial information**—prospectuses and fund fact sheets, to the extent they are available and provided to the Savings Plan.
- **Investment performance**—past and current investment performance of each fund as it becomes available.
- **Account value**—value of each investment fund within your personal account.

Confidentiality of Investment Directions

Your investment directions for all Savings Plan funds are administered by the Recordkeeper. The trustee handles all purchases and sales in the name of the Savings Plan without identifying individuals, so your transactions remain confidential.

The Savings, Retirement, and Investment Committee is responsible for monitoring compliance with procedures that ensure confidentiality. You may contact the committee at:

Savings, Retirement, and Investment Committee
c/o Manager, Retirement Services
PO Box 2008
Oak Ridge, TN 37831

Your Other Benefits

Pre-tax savings under the Savings Plan reduce your taxable income—that is, they are not reported as taxable income on your W-2 earnings statement. However, they are included in determining your Social Security taxes and benefits.

Savings with pre-tax dollars have no effect on your other pay-related benefits—such as life insurance, disability coverage, and retirement income. These benefits provide financial protection and security based on your full basic rate of pay.

Plan Funding

The Savings Plan is funded by participants who designate a part of their eligible earnings to be contributed on their behalf and by the Company through Company matching contributions. The assets of the Savings Plan are held in a trust fund maintained by the trustee.

Other Important Information (cont.)

Tax Treatment

The Company intends to operate the Savings Plan so that it will qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. Accordingly, your pre-tax savings will not be taxed until you withdraw them. Your after-tax and Roth contributions will be taxed prior to the contribution to the Savings Plan. The earnings of the trust fund, which holds the Savings Plan assets, will not be taxable to you, the trust fund, or the Company at the time earnings are credited to the trust fund but may be taxable to you when you receive a distribution. However, earnings on Roth contributions will not be taxable either in the trust fund or when distributed if you meet certain requirements. Amounts rolled over to a Roth IRA may be taxable to you at the time of the rollover.

Administrative Information

Information about the administration of the Savings Plan, including appeals rights and procedures, can be found in the chapter titled "Administrative Information."