



MFS[®] SEP PLAN

Everything you need to start your plan
EMPLOYER RESOURCE GUIDE

EMPLOYER INSTRUCTIONS

For completion of MFS SEP forms. Documents are numbered for your convenience.

MFS SEP

1. Read all documents, especially the Plan Document (#5) and Information About the Plan (#4). Keep them for your files.
2. Complete the SEP Adoption Agreement (#1).
3. Complete the SEP Plan Employee Summary (#2).
4. Distribute to each employee:
 - SEP Plan Employee Summary (#2)
 - SEP Employee Kit, containing
 - SEP Questions and Answers
 - IRA Forms Kit (Each participant should complete the MFS IRA Application. If this is a transfer of assets, the participant should also complete the MFS IRA Transfer Form.)
5. Send a copy of the SEP Adoption Agreement, the original MFS SEP Application and Transfer Form (if applicable) for each participant and your investment check to:

Complete and mail all appropriate forms to:

Regular mail

MFS Service Center, Inc.
P.O. Box 219341
Kansas City, MO 64121-9341

Overnight mail

MFS Service Center, Inc.
Suite 219341
430 W 7th Street
Kansas City, MO 64105-1407

- IRAs cannot be established without signed IRA applications.
- Make checks payable to MFS Heritage Trust Company.

IMPORTANT NOTE: The SEP Top-Heavy Worksheet (#3) is kept by the Employer or the Plan Administrator — This worksheet is used to determine if the plan is top heavy. Article 6 of the enclosed Plan Document describes the corrective action that must be taken if the top-heavy percentage exceeds 60%.

SEP ADOPTION AGREEMENT

FOR MFS® PROTOTYPE SEP PLANS

This Adoption Agreement is part of the MFS Prototype Simplified Employee Pension Plan. You must complete this Adoption Agreement properly to establish a SEP Plan.

1. EMPLOYER INFORMATION

ADOPTING EMPLOYER

ADDRESS

CITY

STATE

ZIP CODE

--	--	--	--	--	--	--	--	--	--

FEDERAL TAX ID NUMBER

DAYTIME PHONE NUMBER

TAXABLE YEAR-END (MM/DD)

2. GENERAL PLAN PROVISIONS

A. Plan Year. If the Employer's taxable year is the calendar year, the plan year will be the calendar year. If the Employer's taxable year is not the calendar year, the Employer elects that the plan year be (choose one):

(i) ☐ Calendar year

(ii) ☐ The Employer's taxable year beginning _____ and ending _____

B. Effective Date. Check and complete either (i) or (ii), whichever is applicable.

(i) ☐ This is a new SEP plan; the Employer does not currently maintain a SEP. The effective date of this Plan is

DATE (MM/DD/YYYY)

(ii) ☐ This is an amendment and restatement of the Employer's existing SEP plan.

(a) The original effective date of the Plan is _____
DATE (MM/DD/YYYY)

(b) The effective date of this amendment and restatement is _____
DATE (MM/DD/YYYY)

The Employer may elect that the effective date in (i) and (ii)(b) above be the first day of the plan year in which this Adoption Agreement is signed or any later date.

3. EMPLOYEE ELIGIBILITY

The Employer may (but need not) exclude one or more of the following categories of employees from participation in the Plan. Check each kind of employee you wish to exclude. Items (iv) and (v) must also be completed if checked.

The Employer elects to *exclude* from participation in the Plan:

- (i) ☐ Employees who have not received at least \$550 of compensation from the Employer during the plan year
- (ii) ☐ Employees who are covered by a collective bargaining agreement, if retirement benefits were the subject of good faith bargaining
- (iii) ☐ Employees who are nonresident aliens and who receive no earned income from the Employer that constitutes earned income from sources within the United States
- (iv) ☐ Employees who have not attained age _____ (not more than 21).
- (v) ☐ Employees who have not performed services for the Employer during at least _____ (not more than three) of the immediately preceding five plan years.

These exclusions are described in greater detail in Section 3.1 of the Plan.

4. CONTRIBUTIONS

A. Compensation.

- ☐ Check here only if the Employer does *not* wish to include in the definition of compensation amounts the Employer contributes on behalf of employees pursuant to a salary deferral form not includible in the employees' income under Code Sections 125, 402(a)(8), 402(h) or 403(b).

B. Allocation of Employer Discretionary Contributions. You must choose one of the following methods for allocating to the SEP IRA of each participating employee the discretionary employer contribution (if any) you make for each plan year. If you choose method (iii), you must also complete the "integration level" information. Each of these allocation formulas is described in greater detail in the plan document.

The Employer elects to allocate discretionary employer contributions according to the:

- (i) ☐ Flat Dollar Formula: described in Plan Section 5.2(a); under this formula the same dollar amount will be allocated to each participant's IRA.
- (ii) ☐ Pro Rata Discretionary Formula: described in Plan Section 5.2(b); under this formula Employer contributions will be allocated to each participant's IRA as the same percentage of each participant's compensation.
- (iii) ☐ Integrated Discretionary Formula: described in Plan Section 5.2(c); under this formula participants whose compensation exceeds the integration level will be allocated a higher percentage of the Employer's contribution than participants whose compensation is below the integration level.

The integration level will be (choose one and complete if you choose (b)):

- ☐ (a) the taxable wage base
- ☐ (b) _____ % of the taxable wage base

5. TOP-HEAVY RULES

Complete this section only if you maintain one or more other retirement plans in addition to this Plan and you wish to use a plan other than this Plan to satisfy the top-heavy requirements (to the extent applicable).

The Employer designates the following plan to satisfy the top-heavy requirements of Code Section 416:

6. EMPLOYER SIGNATURE

EMPLOYER

BY

DATE

SEP PLAN EMPLOYEE SUMMARY

For MFS® Prototype Simplified Employee Pension Plan

This is a brief summary describing provisions of your Employer's SEP Plan. This summary relates only to provisions that are specific to your Employer's plan. You should read your SEP Questions and Answers booklet for more extensive information about the Plan.

1. PLAN YEAR

The taxable year of the Plan ("plan year") is:

- ☐ the calendar year
- ☐ your Employer's taxable year (if other than a calendar year)

2. ELIGIBILITY TO PARTICIPATE

Your Employer has elected *not* to allow the following employees to participate in the plan:

- ☐ employees who have not received at least \$550 of compensation during the plan year
- ☐ employees who are covered by a collective bargaining agreement
- ☐ employees who are nonresident aliens
- ☐ employees who have not attained age _____ (not more than 21)
- ☐ employees who have not performed services for the Employer during at least _____ (not more than three) of the immediately preceding five plan years

3. CONTRIBUTIONS PERMITTED

Discretionary employer contributions only: Your Employer may (but it is not required to) make discretionary employer contributions to your SEP IRA.

4. ALLOCATION OF DISCRETIONARY EMPLOYER CONTRIBUTIONS

Your Employer has chosen to allocate the discretionary employer contributions (if any) it makes for any plan year according to the following formula:

- ☐ Flat Dollar Formula: The same dollar amount will be allocated to each participant's IRA.
- ☐ Pro Rata Discretionary Formula: Employer contributions will be allocated to each participant's IRA as the same percentage of each participant's compensation.
- ☐ Integrated Discretionary Formula: Participants whose compensation exceeds the "integration level" will be allocated a higher percentage of the Employer's contributions than participants whose compensation is below the integration level.

The integration level will be

- ☐ (a) the taxable wage base
- ☐ (b) _____ % of the taxable wage base

The integrated discretionary allocation formula is described in detail in Part 2 of the SEP Questions and Answers booklet.

5. FOR MORE INFORMATION

If you would like more information or have any questions about your Employer's SEP Plan, contact

page 1 of 2

FORM #3

- STEP 2: List each employee or former employee who is a key employee in column A. An individual who was not a key employee or was not employed by the employer at any time during the plan year preceding the plan year for which the test is being conducted (or the last day of the plan year, if this is the first plan year of the plan) should not be included as a key employee.
- STEP 3: In column B, list the total contributions made by the employer to the key employee's SEP IRA from the key employee's initial participation in the plan through the last day of the previous plan year (or the last day of the plan year, if this is the first plan year of the plan).
- STEP 4: List each employee or former employee who is not a key employee in column C. An individual who has not been employed by the employer at any time during the plan year preceding the plan year for which the test is being conducted (or the last day of the plan year, if this is the first plan year of the plan) should not be included as a non-key employee.
- STEP 5: In column D, list the total contributions made by the employer to the non-key employee's SEP IRA from the non-key employee's initial participation in the plan through the last day of the previous plan year (or the last day of the plan year, if this is the first plan year of the plan).
- STEP 6: Add all of the contribution amounts listed in column B for key employees and enter the total in the TOTAL B box at the bottom of column B.
- STEP 7: Add all of the contribution amounts listed in column D for non-key employees and enter the total in the TOTAL D box at the bottom of column D.
- STEP 8: Add the amount in the TOTAL B box to the amount in the TOTAL D box and enter the sum in the ALL TOTAL box.
- STEP 9: In Item E, determine the percentage that the total contributions of all key employees is of the total contributions of all employees (TOTAL B divided by ALL TOTAL). Enter the percentage in Item E. This is the top-heavy percentage.
- STEP 10: If the top heavy percentage is less than or equal to 60%, the plan is not top heavy. If the top-heavy percentage is greater than 60%, the plan is top heavy; see Article 6 of the SEP Plan.

INFORMATION ABOUT THE PLAN

For MFS® Prototype SEP Plans

1. What it is

A SEP plan is a retirement plan. Under the plan, the employer may (but is not required to) make employer contributions that will be paid into each employee's SEP IRA.

2. Who may adopt a prototype SEP

Almost any kind of employer may adopt a SEP plan, whether it is a corporation, a partnership, a proprietorship, or another form of business entity. However, if the employer at any time has maintained a defined benefit pension plan that has been terminated, the employer can only adopt an individually designed SEP plan, not a prototype plan.

3. Who is the employer

If your business is conducted through a partnership or proprietorship, the partnership or proprietorship is the employer. Self-employed persons are employees of that employer for purposes of the plan, so they may receive contributions. If the business entity that maintains the plan is a member of a controlled group of businesses, as defined in Section 414(b) or (c) of the Internal Revenue Code ("Code"), is a member of an affiliated service group, as defined in Code Section 414(m), or is otherwise required to be aggregated with other entities under Code Section 414(o), then the plan must cover all employees of all entities in the group. If the employer has any "leased employees," as defined in Code Section 414(n), the plan also must cover those leased employees, to the extent required by law.

4. Amount of contributions

The maximum amount an employer can contribute to any employee's SEP IRA for 2013 is the lesser of \$51,000 or 25% of the employee's compensation. Compensation for this purpose is limited to \$255,000 (for 2013, as adjusted for cost of living increases).

5. Basic Plan Features

- (a) IRS Filings. Generally, with a SEP you need not make the following filings on the plan with the IRS.
 - (i) IRS Opinion Letter: This MFS SEP plan has received a favorable IRS Opinion Letter. MFS' IRS Opinion Letter may be relied upon by the Employer, and you need not file for an IRS ruling on your plan.
 - (ii) Form 5500: As long as the employer provides its employees with the employee materials contained in this MFS SEP package, it need not file an annual return with the IRS on Form 5500.
- (b) Employer Tax Deduction. All contributions pursuant to the SEP Plan are deductible by the employer for federal income tax purposes, up to the statutory limit on the amount of SEP contributions.
- (c) Establishment. Even if the employer's taxable year has ended, the employer may adopt this plan and make contributions for that year as long as the employer adopts the plan (and then makes contributions) by the due date for filing the employer's federal income tax return for that year. If the employer currently maintains a SEP plan, it may adopt this MFS SEP Plan as an amendment and restatement at any time, effective as of the first day of the plan year in which the adoption occurs (or any later date).
- (d) Employee Eligibility. There are certain kinds of employees the employer is permitted by law to exclude from participation in the plan. The employer will choose which of those kinds of employees it actually will exclude on the adoption agreement.
- (e) Allocation of Employer Contributions. The law restricts the way an employer can allocate contributions among employees' IRAs to prevent unfair discrimination. Under the MFS SEP Plan, employer contributions may be allocated to employees' SEP IRAs in one of three ways:
 - (i) each employee could receive the same dollar amount;
 - (ii) each employee could receive the same percentage of his or her compensation (for example, each employee could receive an amount equal to 5% of his or her compensation); or

- (iii) the amount each employee receives could vary because the allocation formula takes into account the Social Security taxes the employer pays; this results in employees with higher compensation receiving a contribution that is a greater percentage of their compensation than employees with lower compensation.

The employer will choose which method of allocating employer contributions it will actually use on the adoption agreement.

6. Top-heavy requirements

If the plan is "top heavy," the employer may be required to make a minimum employer contribution for each employee who is not a "key employee." The term "key employee" is defined by law; the definition is also stated in Article 6 of the plan. Very briefly, a plan is top heavy for a year if the value of the accounts of key employees attributable to employer contributions is more than 60% of the value of the accounts of all employees attributable to employer contributions. The employer must determine each year whether the plan is top heavy for that year.

This SEP Plan package contains a worksheet to assist the employer in performing the top-heavy test.

SEP PLAN DOCUMENT

For MFS® Prototype SEP Plans

Article 1 — Establishing the plan

- 1.1 **Qualification of Plan.** This Plan is an MFS prototype simplified employee pension plan ("SEP") within the meaning of Code Section 408(k) that was approved as to form by the Internal Revenue Service ("IRS") in Opinion Letter Serial Number K402204b dated April 16, 2003.

The Employer intends to operate this Plan in accordance with its terms and with applicable provisions of the Code and ERISA. The Employer also intends to operate the Plan for the exclusive benefit of its Employees and their beneficiaries.
- 1.2 **Eligible Employers.** An Employer that has ever maintained a defined benefit plan that has now terminated is not eligible to adopt this prototype SEP plan. However, an Employer that either maintained a defined benefit plan that has now terminated or terminates any defined benefit plan subsequent to adopting this Plan might be able to maintain a SEP plan as an individually designed plan.
- 1.3 **IRA Necessary.** Each Employee who participates in this prototype SEP plan must establish and maintain an IRA (as defined in Section 2.9). Since this SEP plan must be used with an IRA, if any Participant fails to establish an IRA, the Employer may establish an IRA on the Participant's behalf for the purpose of paying contributions allocable to the Participant under this Plan.
- 1.4 **Employers in Controlled Group.** Each individual who is an Employee of any employer that is included in the same controlled group of employers with the Employer under Code Section 414(b), (c), (m) or (o) and who is eligible to participate in the Plan under Article 3 must be a Participant in order for the Plan to qualify as a SEP plan within the meaning of Code Section 408(k).

Article 2 — Definitions

- 2.1 **Adoption Agreement** means the agreement signed by the Employer by which the Employer adopts this SEP plan, which agreement is incorporated herein and made a part hereof.
- 2.2 **Code** means the Internal Revenue Code of 1986, as amended, and regulations thereunder.
- 2.3 **Compensation** means the amount of an Employee's compensation, as determined below, that is actually paid or made available to the Employee during the Plan Year:
 - (a) **\$450 Limit (indexed annually).** For purposes of determining whether an Employee has received compensation of at least \$450 (for the 2002 calendar year, as indexed thereafter) within the meaning of Code Section 408(k)(2)(C), "Compensation" shall mean the Employee's compensation, as defined in Code Section 414(q)(4), from the Employer.
 - (b) **Other Purposes.** Subject to subsections 2.3(c) through 2.3(e), for all other purposes, a Participant's "Compensation" shall mean the Participant's wages, as defined in Code Section 3401(a) for purposes of income tax withholding at the source, from the Employer but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).
 - (c) **Self-Employed Persons.** For any self-employed individual who is a Participant, "Compensation" shall mean the Participant's Earned Income.
 - (d) **Salary Reduction Amounts.** Unless the Employer otherwise elects in the Adoption Agreement, "Compensation" shall also include any amount the Employer contributes on behalf of a Participant pursuant to a salary reduction agreement that is not includible in the Participant's gross income under Code Sections 125, 402(e)(3), 402(h) or 403(b), except that, for purposes of applying the 25% of Compensation limit described in Section 4.1, "Compensation" shall not include any SEP plan contributions.

- (e) **\$200,000 Limit.** In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, the annual compensation of each employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit for the 2002 calendar year is \$200,000, as adjusted by the Commissioner for increases in the cost of living in accordance with section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

Any reference in the Plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

- 2.4 **Earned Income** of a Participant means the net earnings of a self-employed Participant from the Employer's trade or business in which the personal services of the Participant are a material income-producing factor, within the meaning of Code Section 401(c)(2). Such net earnings (1) shall be determined without regard to items that are not included in gross income and the deductions properly allocable to such items, (2) shall be reduced by the amount the Employer contributes on the Participant's behalf to a qualified plan or SEP plan, to the extent deductible under Code Section 404, and (3) effective for taxable years beginning after 1989, shall be reduced by the amount the Participant may deduct under Code Section 164(f), relating to the tax on self-employment income.
- 2.5 **Effective Date** means the date this Plan became effective, as stated in the Adoption Agreement.
- 2.6 **Employee** means
- (i) an individual who performs services in the business of the Employer as an employee,
 - (ii) a self-employed person who performs services for the Employer and who has (or would have, if the Employer had net profits) Earned Income from the Employer,
 - (iii) an individual who is a leased employee required to be treated as employed by the Employer under Code Section 414(n), and
 - (iv) any other individual who is an 'Employee' as defined in (i) through (iii) above of a business entity required to be aggregated with the Employer under Code Section 414(b), (c), (m) or (o).
- 2.7 **Employer** means any corporation, partnership, proprietorship or other business entity identified as an adopting Employer in the Adoption Agreement; 'Employer' also means any successor to the Employer by merger or consolidation, and any business entity that acquires the Employer's business and adopts this Plan.
- 2.8 **ERISA** means the Employee Retirement Income Security Act of 1974, as amended, and regulations thereunder.
- 2.9 **IRA** means a traditional individual retirement account or annuity that satisfies the requirements of Code Section 408, which may be established by adopting an IRS model individual retirement account or a master or prototype individual retirement account or annuity as to which the IRS has issued a favorable opinion letter, including the MFS Prototype IRA; the term "IRA" as defined herein does not include a Roth IRA within the meaning of Code Section 408A.
- 2.10 **Participant** means any Employee who has satisfied the eligibility requirements of Article 3 and who is eligible to receive Employer Contributions.
- 2.11 **Plan** means this SEP plan and the Adoption Agreement by which the Employer adopts this SEP plan.
- 2.12 **Plan Year** means the calendar year or, if the Employer's taxable year is other than the calendar year and the Employer so elects on the Adoption Agreement, the Employer's taxable year.
- 2.13 **Sponsor** means Massachusetts Financial Services Company.
- 2.14 **Taxable Wage Base** means the contribution and benefit base in effect under Section 230 of the Social Security Act at the beginning of the Plan Year.

Article 3 — Eligibility

- 3.1 **Excludable Employees.** To the extent the Employer has so indicated in the Adoption Agreement, the following Employees shall not be eligible to participate in this Plan:
- (i) Employees who have not received at least \$450 (as adjusted to reflect increases in the cost of living) of Compensation during the Plan Year;
 - (ii) Employees who are included during the entire Plan Year in a unit of employees covered by a collective bargaining agreement, if retirement benefits were the subject of good faith bargaining;
 - (iii) Employees who are during the entire Plan Year nonresident aliens and who receive no earned income from the Employer that constitutes earned income from sources within the United States;
 - (iv) Employees who have not attained an age specified in the Adoption Agreement (not to exceed age 21) by the last day of the Plan Year; and
 - (v) Employees who have not performed any services for the Employer during a number of Plan Years specified in the Adoption Agreement (not to exceed three) out of the immediately preceding five Plan Years.
- 3.2 **Participation.** Employees shall become Participants in the Plan as follows:
- (a) **Continuing Participants.** If this Plan is a restatement of a SEP plan maintained by the Employer prior to the date the Employer adopts this Plan, each Employee who was a Participant under the prior SEP plan document immediately prior to the Employer's adoption of this Plan shall become a Participant in this Plan.
 - (b) **In General.** Each Employee who is not excluded from participation in the Plan for any Plan Year under Section 3.1 shall become a Participant in the Plan effective as of the first day of that Plan Year. No Employee who becomes a Participant in accordance with this Section shall be permitted to refuse, waive, or withdraw from participation in allocations of Employer contributions under Article 5 of this Plan.
- 3.3 **Obligations.** The Employer shall be responsible for determining each Employee who has become a Participant. When an Employee becomes a Participant in this Plan, the Employer shall notify each Participant by a method pursuant to Section 7.3 that he or she has become a Participant and must establish an IRA, and an IRA shall be established for each Participant, as provided in Section 1.3. The Employer's establishment, maintenance and operation of this Plan shall not confer on any Employee any right to continue employment with the Employer, and the Employer expressly reserves the right to discharge any Employee whenever it determines that such discharge is in its best interests.
- 3.4 **Termination of participation.** Any Employee who becomes a Participant in this Plan shall continue to be a Participant until he ceases to be an Employee or until he fails to satisfy one or more of the eligibility requirements under Section 3.1 for any subsequent Plan Year.

Article 4 — General Contribution Rules

- 4.1 **Limitations on Allocations.** The amount of all contributions under the Plan allocated to a Participant's SEP IRA for any Plan Year shall not exceed the lesser of 25% of the participant's compensation for the calendar year or \$40,000, as adjusted under Code §415(d). For purposes of the 25% limitation described in the preceding sentence, a participant's compensation does not include any elective deferral described in Code §402(g)(3) or any amount that is contributed by the employer at the election of the employee and that is not includible in the gross income of the employee under Code §§125, 132(f)(4) or 457.
- If the Employer maintains any other SEP plan or qualified retirement plan, then contributions and/or benefits allocated to any Participant under this Plan and all such other plans, in the aggregate, may not exceed the limits under Code Section 415 and generally also may not exceed 25% of a Participant's Compensation. If contributions on behalf of a Participant would exceed these limits in any Plan Year, contributions on behalf of the Participant shall be reduced to the extent necessary to prevent exceeding these limits.
- 4.2 **Nonforfeiture.** All contributions to a Participant's IRA under this Plan shall be 100% nonforfeitable at all times.

- 4.3 **Withdrawals.** Each Participant shall be entitled to withdraw contributions made to that Participant's IRA under this Plan without restriction. Any such withdrawals shall be made in accordance with the terms of the Participant's IRA.
- 4.4 **Deductions.** The Employer shall be entitled to deduct contributions made to this Plan in accordance with Code Section 404(h). In general, contributions paid no later than the due date, including extensions, for filing the Employer's federal income tax return for the Employer's taxable year with which, or within which, the Plan Year ends will be deemed to have been made within that taxable year and will be deductible for that taxable year.
- 4.5 **Reports.** The Employer shall transmit, pursuant to Section 7.3, to each Participant such reports as are required from time to time under Code Section 408(l). As described more fully in the SEP Questions and Answers Booklet accompanying this Plan, each Participant must be notified, pursuant to Section 7.3, of the contributions allocated to the Participant's IRA under the Plan and of any amendments to the Plan.
- 4.6 **After Age 70½.** Contributions made under this Plan for a Plan Year may be allocated to an eligible Employee even if the Employee has attained age 70½, as long as the individual is an eligible Employee during that Plan Year.

Article 5 — Employer Contributions

- 5.1 **Employer Contributions.** The Employer shall make such discretionary contributions, if any, under the Plan for each Plan Year as the Employer, in its sole discretion, shall determine.
- 5.2 **Allocation of Employer Contributions.** Subject to the general limitations on allocations described in Section 4.1, the Employer shall allocate the discretionary Employer contributions, if any, for each Plan Year to the IRA of each Participant in the Plan during the Plan Year in accordance with the allocation formula below that the Employer has selected in the Adoption Agreement. If this Plan is a restatement of a SEP plan previously maintained by the Employer, and if the Employer had previously selected a fixed allocation formula, then the allocation formula the Employer selects in the Adoption Agreement shall first be effective for the first Plan Year ending after the date the Employer executes the Adoption Agreement.
- (a) **Flat Dollar Formula.** The Employer shall allocate to the IRA of each Participant a proportion of its Employer contributions for a Plan Year equal to the proportion that 1 (one) bears to the total number of Participants for such Plan Year, so that the Employer contributions allocated to each Participant shall be the same dollar amount.
- (b) **Pro Rata Discretionary Formula.** The Employer shall allocate to the IRA of each Participant a proportion of its Employer contributions for a Plan Year equal to the proportion that the Participant's Compensation (not in excess of the \$200,000 limit described in Section 2.3(e)) for the Plan Year bears to the aggregate Compensation of all Participants for such Plan Year.
- (c) **Integrated Discretionary Formula.** The Employer shall allocate Employer contributions for a Plan Year to the IRA of each Participant, based on the Participant's Compensation (not in excess of the \$200,000 limit described in Section 2.3(e)) as follows:
- STEP 1: Employer contributions will be allocated to each Participant's IRA in the ratio that each Participant's Compensation bears to the aggregate Compensation of all Participants, but not in excess of 3% of each Participant's Compensation.
- STEP 2: Any Employer contributions remaining after the allocation in Step 1 will be allocated to each Participant's IRA in the ratio that each Participant's Compensation for the Plan Year in excess of the integration level bears to the aggregate Compensation of all Participants in excess of the integration level, but not in excess of 3%.
- STEP 3: Any Employer contributions remaining after the allocation in Step 2 will be allocated to each Participant's IRA in the ratio that the sum of each Participant's total Compensation and Compensation in excess of the integration level bears to the sum of all Participants' total Compensation and Compensation in excess of the integration level, but not in excess of the maximum disparity rate described below.
- STEP 4: Any Employer contributions remaining after the allocation in Step 3 will be allocated to each Participant's IRA in the ratio that each Participant's total Compensation for the Plan Year bears to the aggregate Compensation of all Participants for the Plan Year.

The integration level shall be equal to the Taxable Wage Base or such percentage of the Taxable Wage Base as the Employer elects in the Adoption Agreement (the integration level may not be stated as a dollar amount).

The maximum disparity rate for purposes of Step 3 shall be equal to

- (i) 2.7%, if the integration level equals the Taxable Wage Base ("TWB");
- (ii) 2.4%, if the integration level is less than the TWB but greater than 80% of the TWB;
- (iii) 1.3%, if the integration level is greater than 20% of the TWB (or \$10,000, if greater) but not more than 80% of the TWB; and
- (iv) 2.7%, if the integration level is greater than \$0 but not greater than 20% of the TWB (or \$10,000, if greater).

- 5.3 **Timing.** All Employer contributions, if any, made for a Plan Year shall be allocated as of the last day of the Plan Year and shall be paid to each Participant's IRA no later than the due date, including extensions, for filing the Employer's federal income tax return for the Employer's taxable year with which, or within which, the Plan Year ends, in accordance with Code Section 404(h). The Employer shall pay contributions directly to the trustee, custodian, or insurance company responsible for receiving contributions under each Participant's IRA, together with applicable information and instructions.

Article 6 — Top-Heavy Rules

The Employer is required to make a minimum allocation of Employer contributions to the IRA of each non-Key Employee for each Plan Year when this Plan is a Top-Heavy Plan. For purposes of this minimum Top Heavy allocation, the following definitions apply:

- (a) **"Key Employee"** means an individual who is a 'key employee' within the meaning of Code Section 416(i). In summary, a 'key employee' within the meaning of Code Section 416(i) is any Employee or former Employee, or beneficiary of either, who at any time during the preceding Plan Years was
- (i) an officer of the Employer with compensation greater than \$130,000 as (adjusted under Code Section 416(i)(1)(A));
 - (ii) a 5% owner of the Employer as defined in Code Section 416(i)(1)(B)(i); or
 - (iii) a 1% owner of the Employer with Compensation greater than \$150,000.
- (b) **"Top-Heavy Plan"** means this Plan in a Plan Year if, as of the last day of the previous Plan Year, the total Employer contributions made on behalf of all Key Employees for all of the years this Plan has been in existence exceeds 60% of the Employer contributions for all Employees. If the Employer maintained in the prior Plan Year any other SEP plan or qualified plan in which a Key Employee participates or has participated, the account balances or present value of accrued benefits, whichever is applicable, of each Key Employee under such plan(s) must be aggregated with the contributions made under this Plan. The account balances and present value of accrued benefits, if applicable, of an Employee who ceases to be a Key Employee or of an individual who has not been in the employ of the Employer for the previous Plan Year shall be disregarded. The identification of Key Employees and Top-Heavy calculation shall be determined in accordance with Code Section 416 and any guidance issued thereunder.

Unless the Employer has designated another Employer plan in the Adoption Agreement to satisfy the Top Heavy requirements of Code Section 416, the Employer is required to make a minimum Employer contribution in each Plan Year in which this Plan is a Top-Heavy Plan. This minimum Employer contribution shall be in an amount sufficient to allocate to the IRA of each Participant who is not a Key Employee an Employer contribution (including any other Employer contributions under this Plan for that Plan Year) equal to the lesser of: (1) 3% of such Participant's Compensation or (2) the percentage of a Participant's Compensation equal to the percentage of Compensation at which discretionary Employer contributions are made under the Plan for the Plan Year for the Key Employee for whom such percentage is the highest.

If the Employer has any questions regarding this Article 6, the Employer may direct inquiries to the Sponsor, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone number: (800) 637-1255, Web address: **mfs.com**.

Article 7 — Administration

- 7.1 **Plan Administrator.** The Employer is the named fiduciary and Plan administrator for purposes of ERISA. The Employer may allocate all or any of the duties of Plan administrator by a designation transmitted pursuant to Section 7.3 and acceptance of the party so designated.
- 7.2 **Powers.** The Plan administrator shall have the power and duty to:
- (i) construe and interpret the provisions of the Plan;
 - (ii) decide all questions of eligibility for Plan participation;
 - (iii) provide appropriate parties with such returns, reports, descriptions and statements as are required by law within the times prescribed by law, and to make them available for examination by Participants and their beneficiaries when required by law;
 - (iv) take such other action as may be reasonably required to administer the Plan in accordance with its terms or as may be provided for or required by law;
 - (v) provide any Participant, whose claim for benefits has been denied, a reasonable opportunity for a full and fair review; and
 - (vi) appoint and retain such persons as may be necessary to carry out the functions of the Plan administrator.
- 7.3 **Communication between Parties.** All notices, elections, declarations, requests, applications, forms, designations, instructions and directions, as well as all other communication (collectively, "Communications") authorized by and provided pursuant to the Plan to or from the Employer, Participants, Sponsor or beneficiaries (collectively the "Parties") shall be made by such a method as the Parties may from time to time agree upon or permit, which methods include in writing, telephonically or electronically, to the extent such method is in accordance with applicable law, as further described in Section 7.4 below. The Parties shall be entitled to rely on any such Communication filed with or otherwise received by it and believed by it to be genuine and properly given, and shall have no duty of inquiry with respect to any of the matters stated therein or the consequences to the Individual or Beneficiary thereof, and shall be fully protected in acting or omitting to take any action in reliance upon any such Communication.
- 7.4 **Electronic Recordkeeping and Communications.**
- (1) **Recordkeeping.** The Sponsor reserves the right to keep all records related to the Plan in electronic format and to destroy any paper records to the extent permissible by law (including with respect to ERISA Plans, section 2520.107-1 of the Department of Labor Regulations or such other applicable guidance as may be in effect from time to time). The electronic recordkeeping system will ensure the integrity, accuracy, authenticity and reliability of the underlying records. Records will be maintained in reasonable order and in a safe and accessible place so that they can be inspected or examined if necessary. Electronic records will be readily convertible into legible and readable paper copy as necessary to satisfy any requirements of the law.
 - (2) **Communications.** Notwithstanding anything in this Plan to the contrary, to the extent agreed to by the Sponsor, in each instance concerning forms, documents, notices, disclosure or other communication (collectively, "Communications"), including those documents that require a signature by any party, between the Sponsor and the Employer maintaining the Plan or an Employee, in which this Plan provides that such Communications must be "written" or "in writing," such Communications will be permitted telephonically, electronically or through any other similar method to the extent such method is in accordance with applicable law (including the Electronic Signatures in Global and National Commerce Act of 2000 ("E-Sign Act"), applicable Internal Revenue Service or Department of Treasury Regulations, and Department of Labor regulations to the extent they are applicable to ERISA Plans.).

Article 8 — Amendment and Termination

8.1 **Amendment.** This Plan may be amended as follows:

- (a) **Employer.** The Employer reserves the right to amend any optional provision of this Plan contained in the Adoption Agreement from time to time by executing a new Adoption Agreement and delivering a copy thereof to the Sponsor. If the Employer amends any other provision of this Plan, the Plan will be deemed to be an individually designed plan.
- (b) **Sponsor.** The Employer delegates to the Sponsor the power to amend this Plan, including retroactively amending it to the extent permitted by law, provided that the Sponsor or its designee gives at least 30 days' notice to the Employer of any such amendment by mailing a copy of such amendment and any IRS favorable opinion letter covering the amendment to the Employer and the Employer does not object thereto within such thirty day period.
- (c) **Limits.** No amendment by either the Employer or the Sponsor shall reduce or otherwise adversely affect any benefits of any Participant or beneficiary acquired prior to such amendment unless such retroactive application is required or permitted under applicable law.

8.2 **Termination.** Although the Employer expects to continue this Plan indefinitely, the Employer reserves the right to terminate this Plan at any time by appropriate action of its governing body. The Sponsor may discontinue its sponsorship of this Plan at any time upon 30 days' advance notice to the Employer given by a method provided under Section 7.3.

8.3 **Notice.** Any such Plan amendment or termination shall be communicated to all appropriate parties in accordance with Sections 4.5 and 7.3 and applicable law.



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Prototype SEP 002

FFN: 50438800000-002 Case: 200300593 EIN: 04-2747644

Letter Serial No: K402204b

MASSACHUSETTS FINANCIAL SERVICES CO
500 BOYLSTON STREET
BOSTON, MA 02116

Contact Person:

Ms. Arrington 50-00197

Telephone Number:

(202) 283-8811

In Reference To:

T:EP:RA:T3

Date: 04/16/2003

Dear Applicant:

In our opinion, the amendment to the form of your Simplified Employee Pension (SEP) arrangement does not adversely affect its acceptability under section 408(k) of the Internal Revenue Code. This SEP arrangement is approved for use only in conjunction with an Individual Retirement Arrangement (IRA) which meets the requirements of Code section 408 and has received a favorable opinion letter, or a model IRA (Forms 5305 and 5305-A).

Employers who adopt this approved plan will be considered to have a retirement savings program that satisfies the requirements of Code section 408 provided that it is used in conjunction with an approved IRA. Please provide a copy of this letter to each adopting employer.

Code section 408(1) and related regulations require that employers who adopt this SEP arrangement furnish employees in writing certain information about this SEP arrangement and annual reports of savings program transactions.

Your program may have to be amended to include or revise provisions in order to comply with future changes in the law or regulations.

If you have any questions concerning IRS processing of this case, call us at the above telephone number. Please refer to the Letter Serial Number and File Folder Number shown in the heading of this letter. Please provide those adopting this plan with your phone number, and advise them to contact your office if they have any questions about the operation of this plan.

You should keep this letter as a permanent record. Please notify us if you terminate the form of this plan.

Sincerely yours,

A handwritten signature in black ink, reading "Paul T. Shultz", is written over the typed name.

Director,
Employee Plans Rulings & Agreements



SEP QUESTIONS & ANSWERS

For MFS Prototype Simplified Employee Pension Plan



This MFS Prototype SEP Questions & Answers booklet is divided into two sections. Part 1 answers general questions about the SEP Plan. Part 2 describes the “integrated” formula for allocating employer contributions to the Plan, which is one of the three allocation methods your employer might have selected (see Q&A 3). There are a number of parts in the SEP Plan where your employer may choose from among various optional provisions.

Your employer will give you a SEP Plan Employee Summary, which will tell you what choices your employer has made.

PART 1 — GENERAL INFORMATION

1. What is a Simplified Employee Pension or SEP Plan?

A SEP Plan provides a simplified way to make contributions toward retirement income. Under a SEP Plan, your employer is permitted to contribute a certain amount directly to your Individual Retirement Arrangement (IRA). The IRA to which your employer makes contributions is sometimes referred to as a SEP IRA. All amounts contributed to your SEP IRA belong to you, even after you separate from service with that employer.

Your employer will provide you with a copy of the SEP Plan and a SEP Plan Employee Summary, which describes employee participation requirements and the basis upon which employer contributions may be made to your IRA.

2. What employees must be included under the SEP Plan?

In general, any employee who is at least 21 years old and has performed service for the employer in at least three of the last five calendar years must be permitted to participate under the SEP. Your employer may establish less restrictive eligibility requirements. “Service” is any work performed by the employee for any period of time, however short. Your employer may elect to exclude employees covered under a collective bargaining agreement and/or certain non-resident aliens from participating in the SEP Plan. Also, employees whose total compensation for the tax year is less than \$550 (for 2013, as adjusted to reflect increases in the cost of living) may be excluded. Your employer’s SEP Plan Employee Summary will describe the requirements your employer has selected.

3. Must my employer make annual contributions to my SEP IRA under the SEP Plan?

Under the SEP Plan, your employer may make discretionary employer contributions. Your employer is not required to make discretionary employer contributions to an employee’s SEP IRA in a given year. Whether or not your employer makes a discretionary contribution to the SEP, and the amount of any such contribution, is entirely within your employer’s discretion.

If your employer does make discretionary SEP contributions, they must be divided among the SEP IRAs of all employees (except those employees who are not eligible to participate in the year for which the contribution is made) according to the allocation formula your employer selects. Your employer may select any one of the following three allocation formulas for discretionary employer contributions:

(a) flat dollar formula — under this formula, each eligible employee will be allocated the same dollar amount of the employer’s contribution.

(b) pro rata formula — under this formula, the employer’s contribution will be the same percentage of each eligible employee’s compensation.

(c) integrated formula — under this formula, employees whose compensation exceeds the “integration level” will be allocated a higher percentage of the employer’s contribution than employees whose compensation is below the “integration level”. In effect, some or all of the Social Security taxes the employer pays on behalf of employees will be considered an employer contribution for purposes of allocating employer contributions. See Part 2 for a more detailed description of this formula.

In applying these formulas, an employee’s compensation in excess of \$255,000 will be ignored. This \$255,000 amount is effective for 2013 and is adjusted to reflect increases in the cost of living.

Your SEP Plan Employee Summary will indicate which allocation formula your employer has selected and the integration level, if your employer selected the integrated formula.

The allocation of contributions to the SEP IRAs of employees must not discriminate in favor of highly compensated employees. The allocation formulas described above are some of the provisions designed to avoid discrimination.

4. How much may my employer contribute to my SEP IRA in any one year?

Your employer's contributions to your SEP IRA for any year may not exceed the lesser of 25% of your compensation or the maximum dollar limit in effect for the year under section 415 of the Internal Revenue Code (\$51,000 for 2013, as adjusted to reflect increases in the cost of living). Compensation for this purpose is limited to \$255,000 as described in Q&A 3 above. If your employer maintains any other SEP or qualified retirement plan in addition to this Plan, the total amount allocated to you under all of those plans is subject to the limits under IRC section 415.

5. May I also contribute to my IRA if my employer has a SEP?

Yes, you may make an IRA contribution up to your normal limitation of the lesser of 100% of your compensation or \$5,500 (for 2013 and scheduled to increase in future years), regardless of the amount of your employer's SEP contribution. Individuals who will be age 50 or older by the end of the calendar year are eligible to make additional "catch-up" contributions to their SEP IRAs. The limit on catch-up contributions for 2013 is \$1,000. However, each year you participate in a SEP you would be an active participant in an employer retirement plan. Therefore, the percentage of your IRA contribution that is deductible is determined by your adjusted gross income.

6. How do I treat SEP contributions for my taxes?

Discretionary employer contributions allocated to your SEP IRA are not reportable by you for federal income tax purposes.

7. If I terminate service with my employer during the year, will I receive my employer's discretionary SEP contribution?

If your employer elects to make discretionary employer contributions to the SEP Plan for the year in which you terminated service and you were eligible to receive a SEP contribution prior to termination, then your employer must make an allocation of the employer's discretionary contributions to your SEP IRA.

8. Can I elect NOT to participate in my employer's SEP Plan?

Your employer may require that you become a participant in the SEP Plan as a condition of employment. The SEP Plan does not permit any employee who has become a participant to refuse, waive or withdraw from participation in discretionary employer contributions under the Plan. If an eligible employee were to elect not to participate in your employer's SEP Plan, then all other employees of the same employer would be prohibited from participating in the SEP Plan.

9. What happens if I withdraw my employer's contribution from my SEP IRA?

If you do not want to leave your employer's discretionary SEP contributions in your SEP IRA, you may withdraw them at any time, but any amount withdrawn (and not rolled over to another eligible retirement plan) is included in your income and taxed accordingly. Also, withdrawals may be subject to a 10% penalty tax unless you have attained age 59 1/2, become disabled, die or qualify for one of the other exceptions to the penalty tax.

10. May I select the IRA into which my SEP IRA contributions will be paid?

Yes. You may select any IRS model IRA or master or prototype IRA to which the IRS has issued a favorable opinion letter. The MFS Prototype IRA is such a prototype IRA. SEP contributions cannot be paid into a Roth IRA.

11. Can I move funds from my SEP IRA to another eligible retirement plan?

Yes, this may be done in either of two ways. You may withdraw or receive funds from your SEP IRA and within 60 days place such funds in another IRA or another eligible retirement plan that will accept it. This is called a "rollover" and may not be done more frequently than at one-year intervals. You may also "transfer" the funds from your SEP IRA to another IRA or SEP IRA by arranging to have such funds transferred between the trustees so that you never have possession of the funds. There are no restrictions on the number of times you may make such transfers between trustees.

The terms of different IRAs may vary. For example, each IRA will specify what rollovers and transfers are permitted under that particular plan, and what withdrawals and methods of distribution are available. Each IRA may provide different rates of return, as well. You may select an IRA other than your SEP IRA to make other IRA or rollover IRA contributions.

12. May I participate in a SEP even though I am covered by another plan?

Yes, you may participate in this SEP Plan even though your employer may also be making contributions to other retirement plans for you. Care should be taken, however, to insure that the total annual contribution limitations on contributions to all plans (under section 415 of the Internal Revenue Code) are not exceeded. If you work for several employers, you may be covered by a SEP of one employer and a pension or profit sharing plan of another employer.

13. What happens if too much is contributed to my SEP IRA in any one year?

Any discretionary employer contribution that exceeds the yearly deduction limitations may be withdrawn without penalty by the due date for filing your tax return (normally April 15th), and will be included in your gross income. Excess contributions left in your SEP IRA after that time are subject to a 6% excise tax. Withdrawals of those contributions may be taxed as premature withdrawals.

14. Are Social Security taxes paid on SEP contributions?

Social Security taxes are not paid on discretionary employer contributions.

15. Are distributions from a SEP IRA subject to federal income tax withholding?

Distributions from a SEP IRA are subject to federal income tax withholding unless you elect not to have withholding apply.

16. Do I need to file any additional forms with the IRS because I participate in a SEP Plan?

No.

17. Is my employer required to provide me with information?

Yes. In addition to this booklet and the SEP Plan Employee Summary, your employer is required to provide you with (i) a written notice of the amount of any contributions made under the Plan to your SEP IRA, which must be provided no later than the later of 30 days after the contribution is actually made or January 31 of the year following the year for which the contribution is made; and (ii) a copy of any amendment to the SEP Plan and a clear written explanation of its effect, which must be provided within 30 days of the amendment's effective date.

18. Is the financial institution where I establish my SEP IRA required to provide me with information?

Yes, it must provide you with a disclosure statement which contains the following items of information in plain, nontechnical language:

- (1) the statutory requirements that relate to your IRA;
- (2) the tax consequences that follow the exercise of various options and what those options are;
- (3) participation eligibility rules, and rules on the deductibility of retirement savings;
- (4) the circumstances and procedures under which you may revoke your IRA, including the name, address and telephone number of the person designated to receive notice of revocation (this explanation must be prominently displayed at the beginning of the disclosure statement);
- (5) explanations of when penalties may be assessed against you because of specified, prohibited or penalized activities concerning your IRA; and
- (6) financial disclosure information that:
 - (a) either projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of computing and allocating annual earnings and charges that may be assessed;
 - (b) describes whether, and for what period, the growth projections for the plan are guaranteed, or a statement of the earnings rate and terms on which the projection is based;
 - (c) states the sales commission to be charged in each year expressed as a percentage of \$1,000; and
 - (d) states the proportional amount of any nondeductible life insurance that may be a feature of your IRA.

See Publication 590, Individual Retirement Arrangements (IRAs), available at most IRS offices, for a more complete explanation of the disclosure requirements.

In addition to this disclosure statement, the financial institution is required to provide you with a financial statement each year. It may be necessary to retain and refer to statements for more than one year in order to evaluate the investment performance of the IRA and so you will know how to report IRA distributions for tax purposes.

19. Whom should I contact if I would like additional information from my employer about the SEP Plan?

The name or title of the individual your employer has designated to provide you with additional information about the SEP Plan is indicated on the SEP Plan Employee Summary.



PART 2 — INTEGRATED ALLOCATION OF EMPLOYER CONTRIBUTIONS

As indicated in Q&A 3 above, your employer may have chosen an integrated formula for allocating discretionary employer contributions. Your employer's SEP Plan Employee Summary will tell you whether your employer selected this formula and, if so, what integration level your employer chose. The following is a detailed explanation of how the integrated formula for allocating discretionary employer contributions (which is a four step process) works.

- STEP 1:** An amount is allocated to each eligible employee as a percentage of the employee's total compensation, not in excess of 3% (each employee's percentage will be the same).
- STEP 2:** If the amount of the employer's discretionary contributions exceeds 3% of eligible employees' compensation, each eligible employee with compensation greater than the integration level will receive an allocation as a percentage of the employee's compensation above the integration level, not in excess of 3%.
- STEP 3:** Any employer discretionary contributions remaining after the allocation in Step 2 will be allocated to each eligible employee as a percentage of the sum of the employee's total compensation plus the employee's compensation above the integration level. The percentage allocated in this step cannot be more than a certain amount that varies depending upon the integration level selected, as described below:

If the integration level is:	The maximum percentage which can be allocated in Step 3 is:
Taxable Wage Base (TWB)	2.7%
Less than TWB but more than 80% of TWB	2.4%
More than 20% of TWB but not more than 80% of TWB	1.3%
Not more than 20% of TWB	2.7%

- STEP 4:** Any employer discretionary contributions remaining after the allocation in Step 3 will be allocated to each eligible employee as a percentage of the employee's total compensation.