State Farm
401(k) Savings Plan

Summary Plan Description

Effective June 09, 2019

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Introduction

The State Farm 401(k) Savings Plan (“401(k) Plan” or “Plan”) provides participants the opportunity to accumulate retirement assets in a tax-favored program through the systematic investment of funds contributed by participants and the Companies, and to provide a source of retirement income for retired participants.

The Plan constitutes a pension benefit plan under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Further, it is the intent of this Plan to constitute a plan described in section 404(c) of ERISA and Title 29 of the Code of Federal Regulations section 2550.404(c)-1, and that the fiduciaries of the plan may be relieved of liability for any losses which are the direct and necessary result of investment instruction given by a participant or beneficiary.

This Summary Plan Description describes the basic features of the Plan and how it operates as of the stated date. Please note the terms of the Plan have been amended through the years and that the prior provisions control for those respective years. This summary is provided for information purposes only and is not a contract of employment. It does not cover all provisions, limitations, and exclusions.

In the case of a conflict between the information presented here and the plan, the terms of the applicable plan shall govern. A complete copy of the State Farm 401(k) Savings Plan may be obtained from the State Farm Benefits Center.

Eligibility

Who Is Eligible

You are eligible to become a participant in the Plan if, based on the payroll records of State Farm Mutual Automobile Insurance Company (“State Farm” or the “Company”), you are employed by State Farm or one of the participating companies and you are at least 18 years old.

Who Is Not Eligible

You are not eligible for coverage under the 401(k) Plan and are excluded from participation if you fit any of the following descriptions, even in the instance where a court or administrative agency determines that you are a common law employee:

- Any director, unless you are otherwise regularly employed by the Company;
- Any person whose terms and conditions of employment are determined by a collective bargaining agreement between the Company and a labor union which does not make the Plan applicable to them;
- Any person holding a State Farm Agent’s Agreement with any of the Companies or any employee of such person;
- Any individual performing services for the Companies who is classified as an external associate per the Companies’ records, including but not limited to any external claim resource, any external resource of any kind, any contingent worker, any leased

employee or any person otherwise operating or performing under a service provider agreement. The term “leased employee” means an individual who is a “leased employee” within the meaning of Section 414(n)(2) of the Internal Revenue Code and any other person who provides services to the Companies pursuant to an agreement between the Companies and a leasing organization or similar organization; or

- Any person operating under a Staff Assistance Agreement.

Enrollment

As a New Hire or Newly Eligible for Benefits

Newly eligible Employees will be automatically enrolled 30 days after your hire date is received by the Record Keeper. You will be enrolled with a before-tax contribution rate of 3% of your salary. Salary includes regular wages, overtime, differentials, and incentive pay, but does not include expense reimbursement (even if taxable) or non-cash fringe benefits. You will also be enrolled in the automatic contribution increase feature of 1% each year (up to a maximum limit of 10%). Review Automatic Contribution Increase to learn more about this feature and the annual increase timing. Amounts will be invested in the Target Date Portfolio based on the year in which you will attain age 65. You can change the contribution rate and/or investment option at any time to meet your needs. A newly eligible Employee can opt out of this automatic enrollment within the 30 days. See the Additional Information section for how to submit this request.

Alternatively, a newly eligible Employee can enroll in the Plan using the same methods available to Active Employees.

As an Active Employee

Quick Enrollment

Employees who have never enrolled in the Plan or opted out of the automatic enrollment feature are eligible for quick enrollment. Quick enrollment is a streamlined approach to enroll in the plan. The default before-tax contribution rate is 3% of your salary. Salary includes regular wages, overtime, differentials, and incentive pay, but does not include expense reimbursement (even if taxable) or non-cash fringe benefits. Quick Enrollment also includes enrollment in the automatic contribution increase feature of 1% each year (up to a maximum limit of 10%). Review Automatic Contribution Increase to learn more about this feature and the annual increase timing. The default investment fund is the Target Date Portfolio based on the year in which you will attain age 65. You can change the contribution rate and/or investment option at any time to meet your needs. See the Additional Information section for how to submit these requests.

Enroll on Your Own

Employees who are not currently contributing to the Plan are also eligible to enroll in the Plan on his or her own. Under the regular enrollment option, there are no defaults and you must elect the following:

- Contribution type (before-tax, Roth 401(k), or a combination of both);
- Contribution amount (minimum $5 per pay) or rate (minimum 1%); and

- The investment option(s) for contributions.

You are able to change your contribution rate and/or investment option at any time to meet your needs when enrolling this way. See the Additional Information section for how to submit these requests.

Contributions are taken from all paychecks (26 except for years where 27 apply). Note: A large 401(k) contribution rate or dollar amount may significantly reduce your paycheck and cause some or all of your other scheduled deductions to be missed.

How the Plan Works

Saving for retirement is an important consideration. State Farm offers the 401(k) Plan to encourage you to be active in planning and saving for your financial future. The 401(k) Plan provides eligible employees the opportunity to save your money on a before-tax and/or Roth after-tax basis through contributions made from payroll deductions.

The Plan allows you to manage your enrollment, add money to your account in the form of contributions, and take money from your account in the form of loans, withdrawals, and distributions. Please learn more about the contributions, loans, withdrawals, and distribution options you have available through the 401(k) Plan in the following sections.

For information on how to access the features of the Plan and how to make changes, see the Additional Information section.

Vesting

You are 100% vested in your account. This means your account cannot be forfeited or reduced, other than with respect to market fluctuations of your investment options.

Benefits

The amount of benefits you have in the Plan depends on the amount of contributions you make, the amount of contributions the Company makes, and your earnings in the 401(k) Plan account.

Contributions

Contributions to the 401(k) Plan consist of:

- Your Salary Deferral Contributions in the form of Before-Tax Contributions or Roth 401(k) Contributions;
- Company Matching Contributions;
- Company Non-Elective Contributions (NEC); and
- Rollover Contributions.

An account will be established in your name to track your account balance.

Salary Deferral Contributions

There are two types of Salary Deferral Contributions that you can make to the Plan: Before-Tax Contributions and Roth 401(k) Contributions. You may contribute on either basis but the combined amounts may not exceed the Internal Revenue Service (IRS) limits that are set forth each year. Participants who are or will be age 50 or older during the year may make an extra “catch-up” contribution.

Initial contribution elections, changes to contribution elections, and default contribution elections are based on information as of 11:59 p.m. CT on the Thursday of non-payday weeks to be effective on the next payday. Earlier cut-offs may be needed for holidays or other circumstances. Contributions will end when employment terminates. Specifically, salary deferral contributions will only be taken from compensation payments if payroll records show you were an Employee on the last day of the payroll period. Salary deferral contributions will not be taken from Paid Time Off (PTO) payouts or severance.

An employee cannot contribute more than the IRS limits in total, between this Plan and a different employer’s plan. If you contributed more than your contribution limit to this Plan or to this Plan and another plan, the excess amount (with earnings) must be distributed by no later than April 15 following the close of the Plan year. To allow time for processing, you should provide any needed records and request this amount be distributed by no later than April 1. See the Additional Information section for how to submit this request.

When you are deciding on the amount to contribute to the Plan or want to change the amount you are now contributing, remember the 401(k) Savings Plan is designed as a long-term savings plan. You should only contribute an amount you can afford to leave in the Plan over a long period of time. While you may withdraw your money in limited circumstances, to gain the most benefit from the Plan, you should leave your money in the Plan for as long as possible.

Certain low-income individuals who make Salary Deferral Contributions to a 401(k) Plan may be eligible for the Saver's Tax Credit when they file their tax return.

For information on where to go in order to submit changes to your Salary Deferral Contributions, see the Additional Information section.

Before-Tax Contributions

Before-Tax Contributions are made after Social Security taxes and before federal (and possibly state and local) income taxes are withheld from your pay. This approach reduces the amount you pay in taxes at the time of the contribution and may allow you to contribute more than you could if you had to pay taxes upfront. Your tax savings will depend on your tax bracket and the amount of your Salary Deferral Contribution. These contributions and earnings are subject to income taxes when withdrawn from the Plan.

Roth 401(k) Contributions

Roth 401(k) Contributions are made after Social Security and income taxes are withheld from your pay. Because Roth 401(k) Contributions are made after taxes have been withheld, they don't reduce your current taxable income the way Before-Tax Contributions do. However, Roth 401(k) Contributions and their associated earnings are not subject to taxation when taken as part of a Qualifying Distribution.

There are no income restrictions to making Roth 401(k) Contributions and Roth 401(k) Contributions do not impact eligibility to contribute to a Roth IRA. Questions on eligibility for all IRAs should be directed to a financial advisor or tax professional.

Changes or Adjustments to Contributions

Salary Deferral Contributions Change

You may increase, decrease, or discontinue your Salary Deferral Contribution at any time. Salary Deferral Contribution changes generally must be confirmed by 11:59 p.m. CT on the Thursday of non-payday weeks to be effective on the next payday. Earlier cutoffs may be required due to company holiday processing needs or other circumstances. Note: a large 401(k) contribution rate or dollar amount may significantly reduce your paycheck and cause some or all of your other scheduled deductions to be missed.

Salary Deferral Contribution Change Example

Payday is April 26, 2019. The contribution change request must be confirmed no later than 11:59 p.m. CT on Thursday, April 18, 2019.

Automatic Contribution Increase

To help you save for a secure retirement, you can choose to have your percentage contribution election automatically increased each year by the percentage you designate (e.g., 1%, 2% or more). Participants can choose the automatic increase feature at any time.

The contribution rate is increased in February and will be reflected in your March paycheck. However, the first automatic increase will not occur if this feature was chosen within three months of the scheduled automatic increase effective date. In this situation, the escalation will not apply until the following February. If you miss the cutoff, you may choose to increase your deferral percentage at any time.

Participants who enrolled using Automatic Enrollment or Quick Enrollment are automatically enrolled in this option (increasing contributions by 1% each year up to 10%). Participants may opt out of this feature at any time.

Nondiscrimination

The Plan Administrator may amend Salary Deferral Contribution elections in order to satisfy required nondiscrimination tests. Any amendments would impact highly compensated individuals only.

Company Matching Contributions

The Company will match Before-Tax and Roth Contributions, dollar for dollar, up to $900 if the Employee is an active Employee on the last workday of the year. In addition, the Matching Contribution will be paid to the accounts of Employees who terminated during the year due to death, retirement, or appointment as an Agent and who is deceased, retired, or an Agent on December 31. No Matching Contribution of the Companies will be paid if employment is terminated for reasons other than those listed above.

The Matching Contribution of the Companies is made on or before April 1 of the year following the Plan Year and will be invested in accordance with the investment option(s) in place at the time the Matching Contribution is paid.

The Company Matching Contribution is not subject to taxation until it is distributed to you.

Company Non-Elective Contributions

On the first payday in February, the Company makes a $300 Non-Elective Contribution (NEC) to the accounts of all eligible Employees. Eligible Employees receive this contribution whether or not they are making Salary Deferral Contributions.

In addition, the NEC will be paid to the accounts of Employees who terminated during the year (before the pay end date for the first payday in February) due to death, retirement, or appointment as an Agent.

The NEC will be invested in accordance with the investment option(s) in place at the time the NEC is paid. If the Employee is not making Salary Deferral Contributions and has not previously selected an account into which contributions should be made, the Company will establish an account and invest the NEC in the Target Date Portfolio based on the year in which the Employee will attain age 65. Employees can select a different investment account for the NEC at any time.

Whether the Employee has made a specific investment election or have been defaulted into a Target Date Portfolio, the Employee will be considered as having exercised control over the assets in his or her account and neither State Farm nor its fiduciaries will be responsible for any losses which are the direct and necessary result of investment instruction given by a participant or beneficiary.

The NEC is not subject to taxation until it is distributed to you.

Rollover Contributions

Employees may roll over some or all of their money from another employer's qualified plan or from an IRA into the Plan. For information on where to go to learn more about rolling over contributions, see the Additional Information section.

You should choose how the rollover will be invested. In the absence of an election or if the total percentages of your elections do not equal 100%, the funds will be defaulted to the same accounts as your current contributions or, if there are no such accounts, amounts will be invested in the Target Date Portfolio based on the year in which you will attain age 65. You can select a different investment option at any time.

Whether you have made a specific investment election or have been defaulted into a Target Date Portfolio, you will be considered as having exercised control over the assets in your account and neither State Farm nor its fiduciaries will be responsible for any losses which are the direct and necessary result of investment instruction given by a participant or beneficiary.

Rollover Contributions can be made from:

- Money currently in another employer’s qualified plan (including Roth 401(k) amounts and after-tax contributions);
- Taxable money previously in another employer’s qualified plan that was rolled over into an IRA;
- Money from traditional tax-deductible IRAs; or
- Taxable rollovers from:
    - Section 403(b) tax-sheltered annuity plans;
    - Section 457(b) deferred compensation plans of a state or local government entity;
    - SIMPLE 401(k) plans;
    - Section 403(a) annuity plans;
    - Federal thrift plans under section 7701(j);
    - SIMPLE IRAs with at least two years of participation;
    - IRA set up to receive a distribution from an eligible employer plan;
    - SEP IRAs; or
    - SARSEP IRAs.

The Plan does not accept other contributions including:

- Money from Roth IRAs;
- Already-taxed money from IRAs;
- Required minimum distribution payments;
- Money from a Hardship Withdrawal;
- Money paid to you as a non-spousal beneficiary or non-spouse alternate payee;
- Proceeds from loans, loan offset amounts or deemed distributions resulting from defaulted loans; or
- Returned federal tax levies.

Maximum Annual Addition

The Internal Revenue Code limits the maximum annual addition to a Participant's account. The Plan Administrator will contact you if you exceed this limitation.

Investments

Investment of Contributions

The Plan offers a variety of different investment options with varying degrees of risk and return. You may contribute to one or more options at the same time using percentage allocations. The Trustees have the power and authority to exercise all such rights (including voting), powers and privileges with respect to the assets held in the investment options.

Below is a general overview of the Plan's Investment Options:

- **Target Date Portfolios**: There are 12 different Target Date Portfolios available. The name of each Portfolio includes a year. They are designed so participants may select a Portfolio based on the year in which the participant plans to retire (or, if defaulted into this option, the year in which the participant will attain age 65). Over time, as the participant gets closer to retirement, the Target Date Portfolio will shift its investment mix from fewer stocks to more bonds.

  Asset-based fees apply to these options and are used to pay for investment management fees.

  The Target Date investment options currently available are Income Portfolio, 2015 Portfolio, 2020 Portfolio, 2025 Portfolio, 2030 Portfolio, 2035 Portfolio, 2040 Portfolio, 2045 Portfolio, 2050 Portfolio, 2055 Portfolio, 2060 Portfolio, and 2065 Portfolio.

- **Equities Account**: The investment objective of the Equities Account is to achieve capital appreciation which preserves the real value of assets while realizing reasonable current income which grows over the years. The Company pays all administrative expenses associated with this investment option.

- **Balanced Account**: The investment objective of the Balanced Account is moderate long-term growth of both capital (the amount invested) and income. The goal is to maintain an investment portfolio whose market value will fluctuate less and provide higher current income than broad portfolios of common stocks representative of the general stock market. The Company pays all administrative expenses associated with this investment option.

- **Fixed Income Account**: The Fixed Income Account seeks the realization over a period of years of the highest yield consistent with relatively low price volatility. The Company pays all administrative expenses associated with this investment option.

More Information

More detailed information on the Investment Options and fees, including Fact Sheets showing investment and performance information, Annual Fee Disclosure, lists of an investment option’s holdings, and financial statements is available. To learn where to obtain this information see the

Additional Information section. You may also request paper copies of the information that is provided online.

Valuation Day

In general, the Investment Options are valued daily. Contributions into an Investment Option are valued on the day the Plan accepts them. Withdrawals are valued on day of receipt, if confirmed before 3:00 p.m. CT; or in the case of a Hardship Withdrawal or a primary resident Loan, the day of approval by the Record Keeper, if before 3:00 p.m. CT. However, if the day is one on which securities are not traded on the New York Stock Exchange, the Valuation Day will be the next day on which securities are traded.

Earnings and Losses

For all investment options, earnings and losses are accumulated in the current value of a unit. The total value of your account is the same as if earnings were distributed and reinvested into your account.

Elections Regarding Investments

You have the right to provide investment direction with respect to the amount held in your State Farm 401(k) Savings Plan account. Information regarding each investment option is provided in the Fact Sheets and other documents available to you. See the Additional Information section for how to obtain this.

Whether you have made a specific investment election or have been defaulted into a Target Date Portfolio, you will be considered as having exercised control over the assets in your account and neither State Farm nor its fiduciaries will be responsible for any losses which are the direct and necessary result of investment instruction given by a participant or beneficiary.

Allocations

You may allocate future contributions (Salary Deferral Contributions, NEC and Company Match) by percentage to one or a combination of all Investment Options. For example, you could allocate 50% to Fund A, 25% to Fund B, and 25% to Fund C.

Change Future Investments

You may change the investment option for your future contributions. There are no fees or expenses for changing your future investment allocation. In order to be effective with respect to contributions on a particular payday, the change must be confirmed by 11:59 p.m. CT on the Thursday immediately preceding the payday.

For information on where to go in order to change future investments, see the Additional Information section.

Future Investment Change Example

Payday is April 26, 2019. If you changed your future contribution investment allocation on or before April 25, 2019, the contribution made on April 26, 2019 will be invested using the new allocation. However, if you changed your investment allocation on April 26, 2019 (payday), contributions for that payday will be made with your prior investment allocation. Your new investment allocation will apply beginning with the next payday.

Transfer Money Between Investment Options

You may request a transfer or reallocation of funds in one Investment Option to another Investment Option. For information on where to go in order to transfer or reallocate funds, see the Additional Information section.

Transfer and reallocation requests confirmed before 3:00 p.m. CT or before market close, if before 3:00 p.m. CT on a trading day, will be effective on that day. Transfer and reallocation requests confirmed after that time on a trading day or on a non-trading day, such as the weekend, will be processed on the next trading day.

The Plan has a frequent trading policy which consists of two components:

1. You may not transfer or reallocate money into the 2055 Portfolio, 2060 Portfolio, or the 2065 Portfolio. However, 'new money' salary reduction contributions to these three Portfolios, including rollovers into the Plan, are permitted; and

2. If you transfer or reallocate $5,000 or more from one or more of the Plan's investment options, you will not be able to transfer or reallocate any money back (other than 'new money' salary reduction contributions) into that or those investment option(s) for 60 calendar days from the transaction date of the most recent transfer or reallocation made. The first policy overrides this policy with respect to the 2055, 2060, and the 2065 Portfolios.

The Plan Administrator reserves the right to limit other investment account transfers as it deems appropriate.

There are no fees or expenses for transferring or reallocating funds from one Investment Option to another.

You will be considered as having exercised control over the assets in your account and neither State Farm nor will its fiduciaries be responsible for any losses which are the direct and necessary result of investment instructions given by you.

Loans

Subject to the plan rules below, loans may be taken by any eligible Employee. There are two types of loans: a general purpose loan which can be taken for any reason; and a primary residence loan which is only available for the purchase of your primary residence. Only one loan of each type may be outstanding at a time.

Both types of loans are secured by the remaining balance in your account. See the Additional Information section for information on where to go to request a loan and ask questions regarding the loan provisions.

General Provisions

The following bullet points set forth some of the rules established regarding Plan loans:

- There is a $75 origination fee charged by the Record Keeper for each loan;
- General purpose loans have a minimum loan term of one month and a maximum length of 60 months;
- A primary residence loan has a minimum term of six months and a maximum of 120 months, and a signed form is required. Documentation and information regarding the home purchase is required;
- The interest rate is based on the Wall Street Journal published Prime Lending Rate plus 1%. The rate is reviewed quarterly, using the Wall Street Journal rate in effect on the 15th day of the month before the upcoming quarter, and changed on the 1st business day of the quarter if needed. The loan uses whatever rate is in effect for that quarter and remains at that rate for the life of the loan;
- The minimum loan amount is $500 and the maximum loan amount is the lesser of:
    - 50% of your account balance (including the outstanding loan balance) less the outstanding loan balance; or
    - $50,000 less the highest loan balance in the last 12 months.
- Participants on an unpaid leave of absence may have their loan repayments suspended for the lesser of one year or the period of the leave. If the unpaid leave of absence is longer than 12 months, manual loan repayments will be required. A Loan Repayment Coupon book will be mailed to the participant so payments may continue on a monthly basis. Upon return to work, payments will be re-amortized so that the payments are made within the term of the loan; and
- Participants on unpaid military leave of absence will have their repayments suspended while on leave. At the end of the leave, the loan will be re-amortized and the due date of the loan will be extended by the length of the time of the service or leave, not exceeding the legal limit.

Sources of contributions in a participant's account such as Before-Tax Contributions or Company Match, are depleted in a specific hierarchy. Loan payments are credited back to the account in the reverse order in which the account is depleted. This applies to principal only; interest is posted pro-rata.

Repayment

The loan is required to be repaid through payroll deductions. In certain situations, manual repayment may be necessary. In these situations, you will be notified and provided loan repayment coupons to submit your payments.

Loan repayments are not considered Qualifying Contributions that are eligible for a Company Match.

Additional Payment and Early Payoff

You may make additional repayments or pay off the loan early with a cashier's check, money order, or certified check payable to the State Farm 401(k) Savings Plan, submitted with an Early Loan Payment Invoice. To learn where to obtain an invoice, see the Additional Information section.

If You Do Not Repay Your Loan

If, for reasons other than employment termination, you do not make your scheduled loan payments as required under the terms of the Plan loan, your loan will become delinquent. If the delinquency is not repaid by the end of the cure period, your loan balance will be deemed as a distribution (and a taxable event) to you.

The cure period is the end of the quarter following the quarter in which delinquency occurs. For example, if on January 31 a payment is missed, the cure period will end for this payment on June 30. If the missed payment is not repaid by the end of the cure period, the outstanding loan becomes deemed as a distribution.

A loan that has been taxed due to delinquency will remain outstanding and continue to accrue interest until it is either repaid or you leave the Company. The outstanding loan plus accrued interest will count against the number of loans you are allowed to have at any one time and the loan amount available. The taxed loan and accrued interest must be repaid in full if you choose to pay off the outstanding balance. If you repay the loan, it will be applied to your account on an after-tax basis.

If You Leave the Company

If you leave State Farm, including for retirement, your outstanding loan(s) balance becomes due in full. To repay your outstanding loan(s), in full or in part, you have until the earlier of:

- 60 days after you leave the company; or
- The date you request distribution of your entire vested balance in the plan.

You will receive a Separation from Employment Notice showing the amount you owe. To pay off your loan(s), send a cashier's check, certified check, or money order made payable to State Farm 401(k) Savings Plan and mail it to the State Farm Benefits Center.

If you leave State Farm and do not repay your outstanding loan(s) balance in full, the unpaid portion of the loan and unpaid interest will be treated as a distribution and will be a taxable event to you. If you receive other cash payments from the Plan, the 20% federal tax withholding will be based on the entire amount being reported to you, including the amount of the loan balance. The amount withheld will be limited to the amount of other cash paid to you.

To see if you may be able to do a rollover of this unpaid loan, see the Special Tax Notices section.

Withdrawals

In general, you cannot take a withdrawal or distribution from the 401(k) Savings Plan while you are still working for the Company. However, under certain circumstances, you may be able to withdraw some of the current value of your account.

There are eight types of withdrawals from the 401(k) Savings Plan that you may take while an active employee.

- Non-Hardship Withdrawal
- Withdrawal of Rollover Contributions
- Withdrawal of Roth 401(k) Rollover Contributions
- Hardship Withdrawal
- Age 59½ Withdrawal
- Age 59½ Roth Withdrawal
- Qualified Military Reservist Distribution
- Active Military Withdrawal

Taxation of the distribution depends on how the contributions were made and the reason for the distribution. In general, a distribution prior to age 59½ could result in an additional 10% tax when you file your federal income tax return. However, some exceptions do apply. Please consult with your tax preparer or accountant for questions regarding your personal situation.

To learn where you can request withdrawals, see the Additional Information section. Only those Withdrawals applicable to you will be available for your request.

Non-Hardship Withdrawal

Participant contributions made on an after-tax basis before September 1, 1988 and Tax Deductible Contributions (after-tax contributions designated in 1982 or 1983 as tax deductible contributions (IRAs)) may be withdrawn in whole or part of the current market value, including accumulated earnings on these contributions. A withdrawal cannot be less than $500.

If you withdraw amounts which have already been taxed, the Plan will not report the withdrawn amount as taxable income. If you withdraw amounts not already taxed (accumulated earnings), the Plan will report this amount as ordinary taxable income in the year you receive payment.

Hardship Withdrawal

You must obtain all other withdrawals which became available under the Plan before being eligible for a Hardship Withdrawal.

You may obtain a Hardship withdrawal if you demonstrate financial hardship of at least $500 for one of the following reasons:

- Expenses for (or necessary to obtain) medical care as defined in Section 213(d) of the Internal Revenue Code, for you, your spouse, your dependents, or your primary beneficiary (beneficiaries) under the Plan;
- Payment of tuition, related educational fees (including books), and room and board expenses for up to 12 months of post-secondary education for you, your spouse, children, your dependents, or your primary beneficiary (beneficiaries) under the Plan;
- Costs directly related to the purchase or building of your principal residence, i.e., down payment and/or closing costs (excludes mortgage payments);
- Payments necessary to prevent eviction from or foreclosure on your principal residence;
- Payments for burial or of funeral expenses for the participant's parent, spouse, children, your dependents, or your primary beneficiary (beneficiaries) under the Plan;
- Expenses for the repair of damage to your principal residence due to an identifiable event that is sudden, unexpected, or unusual that would qualify for the casualty deduction under Internal Revenue Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income and, further, effective November 1, 2018, without regard to the limitation set further in Code Section 165(h)); or
- Expenses to cover needs resulting from certain disasters, if permitted by the Internal Revenue Service and adopted by the Plan.

For purposes of the above hardship reasons, your dependents are any persons described as dependents in Section 152 of the Internal Revenue Code. In general, to be a "dependent" for these hardship reasons, the individual must be either a qualifying child or qualifying relative:

- A qualifying child must (1) be related to the participant as either a child, sibling, or descendent of such individual; (2) be under the age of 19 (24 if a student) or permanently and totally disabled; (3) not provide over ½ of his or her own support; and (4) live with the participant for more than half of the year; or
- A qualifying relative is an individual (1) who is related to the participant (broad relationship test-child, sibling, parent, in-law); (2) for whom the participant provides over ½ of the individual's support for the year; and (3) who is not a qualifying child of someone else. A qualifying relative can also be (1) an individual (not necessarily related) to the participant; (2) who for the year has the same principal place of abode as the participant and is a member of the participant's household; (3) for whom the participant provides over ½ of the individual's support for the year; and (4) is not a qualifying child of anyone else.

The hardship expense itself and the amount available for hardship must be at least $500. You may request an additional amount to cover income taxes reasonably anticipated to result from the withdrawal. If you request that option, the additional amount will be determined when your withdrawal is processed, generally 25% of the taxable portion of the withdrawal. The hardship expense and additional amount for taxes cannot exceed the maximum amount available for your hardship.

To obtain a Hardship Withdrawal, you must:

1. Complete an Application for Hardship Withdrawal;

2. Provide acceptable third-party documentation of the immediate and heavy financial need;
3. Satisfy the Record Keeper that the amount of withdrawal is limited to the money necessary to meet the hardship and the amount needed to pay any federal or state, or local income taxes or penalties which are reasonably anticipated to result from the distribution;
4. Satisfy (in writing by electronic medium or other forms) the Record Keeper that you have insufficient cash or liquid assets to satisfy the financial need; and
5. Secure any available withdrawals from the Plan prior to requesting a hardship.

In a Hardship Withdrawal, you may withdraw Salary Deferral Contributions plus related earnings credited to your account as of December 31, 1988 as well as Salary Deferral Contributions made after this date. Also, you may withdraw Matching Contributions plus related earnings credited to your account as of December 31, 1988.

Withdrawal of Rollover Contributions

You may withdraw any available Rollover Contributions (including any after-tax rollovers). A withdrawal cannot be less than $500.

Withdrawal of Roth 401(k) Rollover Contributions

You may withdraw any available Roth 401(k) Rollover Contributions. A withdrawal cannot be less than $500.

Age 59½ Withdrawal

If you have attained age 59½, you may request a withdrawal of all or part of the current value of your account balance in the Plan, exclusive of Roth 401(k) Rollover Contributions and Roth 401(k) Contributions, determined as of the Valuation Day. A withdrawal cannot be less than $500.

Age 59½ Roth 401(k) Withdrawal

If you have attained age 59½, you may request a withdrawal of all or part of the current value of your Roth 401(k) Rollover Contributions and Roth 401(k) Contributions in the Plan, determined as of the Valuation Day. A withdrawal cannot be less than $500.

Qualified Military Reservist Distribution

Military reservists called to active duty for at least 180 days or for an indefinite period may request a distribution of their Before-Tax Contributions and earnings. A withdrawal cannot be less than $500. While the distribution is subject to regular income taxation, the 10% early-distribution tax may not apply.

Active Military Withdrawal

If you perform services in the uniformed services for a period of more than 30 days, you may withdraw your Before-Tax Contributions and earnings.

A withdrawal cannot be less than $500. In addition, your contributions will be automatically suspended as you may not make Salary Deferral Contributions during the six-month period following the distribution. Following the six-month suspension, you will be notified of your eligibility to resume your contributions.

If you are eligible for both the Active Military Withdrawal and the Qualified Military Reservist Distribution and you request an Active Military Withdrawal, your withdrawal will be treated as a Qualified Military Reservist Distribution.

Distribution Options

The Plan offers different Distribution Options based on the account balance and the reason employment ended. Upon receipt and update of the termination date in your account, a Separation from Employment Notice will be mailed to you. The Settlement Options include:

- Settlement at Termination;
- Settlement at Retirement;
- Settlement at Disability; and
- Settlement at Death.

If the account balance is $5,000 or less, the account balance will be distributed regardless of the reason for the employment termination. See the rules set forth in the Small Distribution Settlement section.

Taxation of the distribution depends on how the contributions were made and the reason for the distribution. If you take a distribution prior to age 59½, the amounts withdrawn may be subject to an additional 10% tax when you file your federal income tax return. However, some exceptions do apply. Please consult with your tax preparer or accountant for questions regarding your personal situation.

To ensure receipt of Plan communications following your separation from the Company, you must update your phone number(s), home and/or mailing address, email address, and mailing preferences on your account as changes occur.

To learn where you can request a distribution or update your personal information for Plan communication purposes, see the Additional Information section. Only the Distributions Options applicable to you will be available.

Small Distribution Settlement

If your account balance is $5,000 or less at termination of employment, your account balance will be distributed from the Plan. You have 60 days after your termination notice is received by the Record Keeper to have your account balance either:

- Paid in a Direct Rollover to your IRA or other qualified plan; or
- Paid to you in cash (less applicable income tax withholding).

If Plan communications mailed to you have been returned to the Record Keeper as undeliverable, your account balance will not be distributed as described below until the Record

Keeper receives an updated address. After your new address is received by the Record Keeper, the Separation of Employment Notice will be mailed to you again and the 60-day period restarts.

Unless you elect otherwise, the Record Keeper will pay all after-tax (non-Roth) contributions, if applicable, in cash.

If you do not make a proper election within the 60-day period then your distribution depends on the market value of your account at the time of distribution:

- **$1,000 or less**: Your account will be distributed to you in cash.
- **Greater than $1,000 and no more than $5,000**: The Plan is required by law to make a direct rollover of your account balance to an IRA. Therefore, in this situation, your distribution will be processed as an “Automatic Rollover” to a State Farm Bank ® Traditional IRA.

Your IRA account balance will be invested in an investment product designed to preserve principal and provide a reasonable rate of return and liquidity. Any fees and expenses of the IRA will be charged against the assets held in the IRA. At any time, you can redirect the investment of this IRA, roll over the IRA assets to another IRA, or take a distribution from the IRA, subject to any applicable tax consequences.

The following categories of payments will be considered separately in determining whether the eligible rollover distribution is greater than $1,000 and no more than $5,000:

- After-Tax Contributions; and
- Roth 401(k) Contributions and Roth 401(k) Rollover Contributions.

All other amounts will be considered together. The sum of all money is looked at to determine if it meets the $5,000 threshold.

To learn more about Automatic Rollover process, the State Farm Bank® Traditional IRA, and the fees and expenses applicable to the IRA, see the Additional Information section.

Special Notice Regarding the Sharing of Certain Information with State Farm Bank® for Automatic Rollovers

This notice applies to the sharing of information with State Farm Bank® that does not involve your transactions or experiences with the Company.

What Information Is Shared

Unless you affirmatively elect a different option in the event of an involuntary distribution, information may be shared with State Farm Bank® that was obtained from your account, such as your balance, your address, and your phone number; or information obtained from a consumer report, such as your credit history and your Social Security number.

Why Information Is Shared

Information may be shared about you with State Farm Bank® to affect the rollover of your account to a State Farm Bank® Traditional IRA account.

Settlement at Termination

If you terminate your employment with State Farm and your total account balance is greater than $5,000, you may elect:

- Direct Rollover to your IRA or other qualified plan;
- Full distribution of your account (distribution is subject to income tax withholding);
- Partial distribution of your account (distribution is subject to income tax withholding):
  - Part or all of the value of your account balance (exclusive of Roth amounts); or
  - Part or all of the value of your Roth amounts.

  A partial distribution cannot be less than $500. If you have account balances in more than one investment option, you may specify the investment option from which the distribution will be made.
- To leave the balance in the Plan until a later date.

If you do not make an election, your account will remain in the Plan. You may transfer money between investment options, or elect a settlement (cash or rollover) at any time. Upon attaining age 55, you are eligible to select among the retirement distribution options. Upon attaining age 70½, you will be required to start distributions. See the Required Minimum Distributions section for more information.

Settlement at Retirement

The earliest effective retirement date is the first day of the month following termination of employment after you reach age 55. In addition, if you terminated prior to age 55 and left your account balance in the Plan, you may select a retirement option at age 55.

If the balance in your account is more than $5,000, you may elect:

- Installment payments over monthly, quarterly, or annual periods;
- Direct Rollover to your IRA or other qualified plan;
- Full distribution of your account balance (distribution is subject to income tax withholding);
- Partial distribution of your account balance (distribution is subject to income tax withholding):
  - Part or all of the value of your account balance (exclusive of Roth amounts); or
  - Part or all of the value of your Roth amounts.

A partial distribution cannot be less than $500. If you have account balances in more than one investment option, you may specify the investment option from which the distribution will be made; or

- To leave the balance in the Plan until a later date.

If you do not make an election, your account balance will remain in the Plan. After retirement, you may, at any time, transfer money between investment options, or change from one to any other allowable distribution option. Upon attaining age 70½, you will be required to start distributions. See the Required Minimum Distributions section for more information.

Settlement Upon Disability

Employees who terminated due to total disability before January 1, 2018 are eligible for the retirement distribution options regardless of age.

Required Minimum Distributions

Distributions from your account must be distributed in accordance with the minimum distribution requirements of the Internal Revenue Code. Accordingly, distributions must begin by your Required Beginning Date: April 1 of the calendar year following the later of the year in which you attain age 70½ or the year in which you retire. While you are living, the minimum amount to be distributed is calculated by dividing your prior December 31 account balance by the applicable factor from the IRS Uniform Table.

The first year for which you must receive a distribution is the year in which you attain age 70½ (or retire, if later). While you may wait until the following April to take the first distribution, distributions for all subsequent years must be paid to you before December 31. If you choose to delay payment of the first distribution year to April 1 of the following year, the Plan will make two minimum distributions to you in the year of your required beginning date.

The annual Required Minimum Distribution (RMD) amount, or any remaining portion, will be automatically disbursed from your account before the due date to avoid the penalty tax. However, approximately 30 days before the payment date you will receive a reminder notice with information explaining your payment options. You may withdraw your RMD amount any time before the automatic payment date. To allow for adequate processing time, your withdrawal request should be no later than the automatic withdrawal date noted in the reminder notice. Failure to take the minimum distribution can result in penalty taxes.

Settlement at Death

In the event of your death, settlement of your account balance will be made to your beneficiary. Your beneficiary can always take a full distribution. In addition, if your beneficiary's account balance is more than $5,000, your beneficiary may be able to take distributions over time, subject to the rules outlined below.

The distribution rules vary depending on whether you die before or after your Required Beginning Date (April 1 of the calendar year following the later of the year in which you attain age 70½ or retire) and on who is your beneficiary.

In the event of your death, the State Farm Benefits Center will contact your beneficiary.

Death before the Required Beginning Date

If your spouse is the sole beneficiary of your account, your surviving spouse may take a total distribution, partial distribution ($500 minimum), or monthly, quarterly, or annual payments (over a period that can be as long as your surviving spouse's life expectancy). The beneficiary may specify the investment option from which the partial distribution will be made. Your surviving spouse may delay distributions until December 31 of the year in which the participant would have attained age 70 ½ or the year following the participant's death, whichever is later. Upon the death of the surviving spouse, the remaining account balance will be paid to his/her beneficiary or his/her estate.

If your beneficiary is an individual other than your surviving spouse, each beneficiary may take a total distribution, partial distribution (minimum $500), or monthly, quarterly, or annual distributions (over a period that can be as long as your beneficiary's life expectancy). The beneficiary may specify the investment option from which the partial distribution will be made. Distributions must begin by December 31 following the year of the participant's death. If no distribution election is made, the account must be paid out by the fifth year following the participant's death. Upon the death of the beneficiary, the remaining account balance will be paid to his/her beneficiary or his/her estate.

If your beneficiary is a charity, another organization, or an estate, distribution will be in a single sum as soon as administratively practicable. Special rules apply if your beneficiary is a trust.

Death on or after the Required Beginning Date

If your spouse is the sole beneficiary of your account, your spouse may take a total distribution, partial distribution (minimum $500), or continue to receive monthly, quarterly, or annual payments (over a period not exceeding the longer of your life expectancy or as long as your surviving spouse's (recalculated) life expectancy). The beneficiary may specify the investment option from which the partial distribution will be made. Upon the death of the surviving spouse, the remaining account balance will be paid to his/her beneficiary or his/her estate.

If your beneficiary is an individual other than your surviving spouse, each beneficiary may take a total distribution, partial distribution (minimum $500), or monthly, quarterly, or annual payments (over a period not exceeding the longer of your life expectancy or your beneficiary's life expectancy). The beneficiary may specify the investment option from which the partial distribution will be made. Upon the death of the beneficiary, the remaining account balance will be paid to his/her beneficiary or his/her estate.

If your beneficiary is a charity, another organization, or an estate, distribution will be in a single sum as soon as administratively practicable. Special rules apply if your beneficiary is a trust.

Rollovers

Rollovers Options

A Participant or a spousal beneficiary of the participant may elect to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the Participant or spousal beneficiary. In addition, a non-spousal beneficiary of the Participant may elect to have an eligible rollover distribution paid directly to an Inherited IRA. An eligible rollover distribution is any distribution other than:

- A hardship distribution;

- A distribution that is one of a series of substantially equal periodic payments paid at least annually for life or for a period of ten years or more; or
- The portion of a distribution that represents a required minimum distribution.

Generally, an eligible retirement plan is a traditional IRA or another qualified employer plan. Please see the Special Tax Notice Regarding Plan Payments Not From a Designated Roth Account for more information.

Roth 401(k) Rollovers out of the Plan

You may roll over your Roth 401(k) balance to a Roth IRA or to another qualified Roth 401(k) account if the new employer accepts Roth rollovers. You will need to check with the new employer to determine eligibility.

Please see the Special Tax Notice Regarding Plan Payments From a Designated Roth Account for more information.

Beneficiary Designation

All beneficiary designations must be filed with the Record Keeper. Effective April 1, 2009, beneficiary designation forms dated before September 2, 2008 are not valid.

To learn how you may designate a beneficiary, see the Additional Information section.

If you are married, your spouse is automatically your beneficiary. If you are married and want to designate someone other than your spouse to be a primary beneficiary, your spouse must give written, notarized consent to this designation on a properly completed Beneficiary Designation Authorization Form. This designation is not effective unless a properly completed Beneficiary Designation Authorization Form has been returned to the Record Keeper by the due date.

Spouse means any individual who is lawfully married to a participant under state law.

If you are not married and you have not designated a beneficiary, upon your death your account balance will be paid to your estate. If a beneficiary designation is made, it is not effective unless a properly completed Beneficiary Designation Authorization Form has been signed and returned to the Record Keeper by the due date.

If you and your primary beneficiary die simultaneously, and there is no sufficient evidence it was anything other than simultaneous, your beneficiary is considered to have predeceased you.

You should review your beneficiary designation from time to time, making appropriate revisions for divorce and deaths. If you named your spouse as primary beneficiary and later divorce that spouse, he or she will no longer be considered your beneficiary. If you want your ex-spouse to be your beneficiary, you must update your beneficiary designation after the date of the divorce.

Effective September 2, 2008, beneficiaries may name beneficiaries. Upon the death of the participant's beneficiary, the beneficiary's beneficiary will be paid the full account balance.

Claims and Appeals Procedures

Claims Procedures

To make an official claim under the State Farm claim procedures, you must request a Claim Initiation Form. You must complete and return all pages of the Claim Initiation Form, including any documentation you feel supports the claim. For information on where to obtain a Claim Initiation Form, see the Additional Information section.

Benefits under the State Farm 401(k) Savings Plan will be paid only if the Plan Administrator decides, in its discretion, that you are entitled to them. The determination process usually takes 60 business days but no longer than 90 days after receipt of the claim. If special circumstances require an extension of time for processing, you will be notified of the circumstances. A decision will be made as soon as possible, but no later than 180 days after the date the original request was received.

Denial of a Claim

The Plan Administrator will provide written or electronic notification of any claim denial. The notice will state:

- The reason or reasons for the denial;
- A reference to the specific Plan provisions on which the denial was based;
- A description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to such procedures. This will include a statement of your right to bring a civil action under Section 502(a) of ERISA following a denial on review.

How to Appeal a Denied Claim

If your claim is denied you may appeal the denial to the State Farm Pension Administrative Committee, C/O Claims and Appeals Management, within 60 days from the date of this letter. If you do not submit an appeal within this time period, you may not file an appeal for this claim at a later date.

You may submit your appeal in writing to:

State Farm Pension Administrative Committee
C/O Claims and Appeals Management
P.O. Box 7105
Rantoul, IL 61866-7105

In preparing your appeal, you have the right to receive, upon request and without charge, reasonable access to or copies of any relevant documents, records, or other information relied upon by Claims and Appeals Management in making this determination. If you have any additional information or documentation to support your claim, you must submit it with your appeal.

Review of Claim Appeals

Upon receipt of your claim for review, the State Farm Pension Administrative Committee will make a decision no later than 60 days after the request for review is submitted. If special circumstances require an extension of time for processing, a decision will be made as soon as possible, but no later than 120 days after the request for review was received. The decision on review will be provided in writing in a manner calculated to be readily understood and will include specific reasons for the decisions, as well as specific references to pertinent Plan provisions on which the decision is based.

If the decision on review is not furnished within the time limits described in the preceding paragraph, the claim shall be deemed to be denied on review.

The State Farm Pension Administrative Committee has full discretionary authority and power to decide your appeal, and to interpret and construe the terms and provisions of the Plan and determine questions of fact and law in deciding your appeal. The decision of the State Farm Pension Administrative Committee is final and binding.

Your failure to file an appeal of the denial of your claim in the manner and within the time limits provided for in the Plan and Summary Plan Description will be considered a failure to exhaust your administrative remedies and will constitute a waiver of the rights and benefits you seek to establish under the Plan.

If the State Farm Pension Administrative Committee denies your appeal, you have the right to initiate a civil action in federal court under section 502(a) of the Employee Retirement Income Security Act of 1974 (ERISA). This option is available to you only after you have exhausted all of the administrative remedies available to you through the Plan's claims and appeals process.

Miscellaneous

Statements

You may generate an account statement, view a statement of your account as of a specific date, and/or print a statement. In addition, electronic notices are emailed to active employees each quarter which remind them how to view and/or request a statement. Paper statements are mailed to non-active employees, beneficiaries, and alternate payees each quarter. At any time, you have the right to request and receive, free of charge, a paper copy of your account statement. You may request a paper copy be mailed to you. This statement also provides fees and expenses incurred on your account, if applicable.

To learn how to access plan statements, see the Additional Information section.

Benefit Adjustment

Any adjustment or reimbursement required for any reason, including but not limited to overpayments made in error, overpayments made following the death of one or more recipients, or overpayments made because of the recipient's failure to provide relevant information, will be made as the Plan Administrator deems equitable.

Benefits Payable to Incompetents

If any benefit or installment thereof becomes payable to any person who is a minor or is otherwise not competent to give a valid release, the Record Keeper will direct the Trustee to make payment to such person's legal guardian or other legal representative. Any payment of a benefit or installment thereof made in accordance with the provisions of this section shall constitute a complete discharge of any liability for the making of such payment under the provisions of the Plan.

Taxation

Federal tax laws and regulations change from time to time, and state and local tax treatment of contributions and distributions may differ from federal tax treatment. Moreover, interpretation of these laws and regulations may vary. You should refer your specific questions to a tax advisor to be considered in light of current tax laws and your particular circumstances. Any amount withdrawn and taxes withheld will be reported to you and the appropriate taxing authorities as either a return of contributions, if after-tax contributions were made, or ordinary income, based on the state of residence at the time of distribution. State income taxes may also be withheld.

If you receive a distribution prior to age 59½, an additional 10% tax on the taxable portion of certain distributions may be due when you file your federal income tax return.

If your distribution includes Roth 401(k) Contributions and/or Roth 401(k) Rollover amounts, the taxability of the earnings depends on whether the distribution is "qualified."

To have a Qualified Distribution of Roth 401(k) Contributions, you must have had your Roth account for a minimum of five years and you are age 59½, become disabled, or die.

To determine the Roth five-year qualification period, the starting point is the earlier of:

- January 1 of the year you began making Roth Contributions to the plan; or
- January 1 of the year you first made Roth Contributions to another employer's qualified retirement plan that were directly rolled over to the State Farm 401(k) Savings Plan.

A distribution is reported for tax purposes based on when the distribution is issued. The tax year cut-off is generally 4 business days prior to the end of the year due to timing for processing and check or direct deposit issuance. An announcement of the tax year cut-off date is communicated on the State Farm Benefits Resource website around mid-December each year. If a distribution is processed and confirmed after the cut-off timing, it will be reported for tax purposes in the following year.

Assignments

In General

As a general rule, your account balance may not be assigned. This means your account balance may not be sold, used as collateral for a loan, given away or otherwise transferred. In addition, your creditors may not attach, garnish, or otherwise interfere with your account. However, the Plan Administrator may comply with any federal tax levy made pursuant to Code section 6331 and subject to the provisions of Code section 401(a)(13).

Qualified Domestic Relations Orders

Notwithstanding the above anti-assignment rule, all or a portion of your account balance may be used to satisfy a Qualified Domestic Relations Order (QDRO). A QDRO is a court order or decree that obligates you to pay child support or alimony, or otherwise allocates a portion of your account balance to support your spouse, former spouse, child, or other dependent. A participant or beneficiary may obtain, without charge, a copy of the Plan's QDRO procedures and model QDRO. To learn how to request paper copies, see the Additional Information section. The Record Keeper will determine the validity of any domestic relations order received.

Top Heavy Provisions

The Internal Revenue Code provides a complicated set of rules for determining whether the Plan is top heavy. In general, the Plan is top heavy if the value of the aggregate of the accounts of "Key Employees" exceeds 60% of the aggregate of the accounts of all Employees under the Plan. Key Employees are generally officers and highly compensated Employees.

In any one year in which the Plan is found to be top heavy, the Plan will provide a minimum contribution for each Participant who is a non-Key Employee in an amount equal to at least 4% of such Participant's compensation for the Plan Year, reduced in the following circumstances:

- The percentage minimum contribution required shall not exceed the percentage contribution made for the Key Employee for whom such percentage is the highest for the Plan Year after taking into account benefits under the Retirement Plan; and
- No minimum contribution will be required for a Participant under this Plan for any Plan Year if a minimum benefit is being accrued in the Retirement Plan.

Blackout Periods

The Plan may institute a blackout period during which participants and beneficiaries will be unable to engage in financial transactions involving their accounts. In the event of a blackout period of three or more days, participants and beneficiaries will be notified.

Administrative Information

Official Plan Document

This summary provides general information about the 401(k) Plan, who is eligible to receive benefits under the Plan, what those benefits are, and how to obtain benefits. It is provided for information purposes only and is not a contract of employment. A copy of the Plan Document is available upon request to the State Farm Benefits Center.

Modification or Termination of the Plan

The Compensation Committee of State Farm Mutual Automobile Insurance Company shall have the right at any time, without the consent of the Participants, to amend any or all of the provisions of this Plan; with subsequent notice to the other participating companies. No amendment shall authorize or permit any part of the Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of the Participants or their beneficiaries. Upon termination of the Plan, the Plan Administrator shall direct the Trustees to distribute to all participants the amounts credited to their respective accounts in cash or securities in such manner as the Plan Administrator determines.

Rules and Regulations

Benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the person is entitled to them. The Plan Administrator has the power to make all reasonable rules and regulations required in the administration of the Plan and for the conduct of its affairs, to make all determinations that the Plan requires for its administration, and to construe and interpret the Plan whenever necessary to carry out its intent and purpose and to facilitate its administration. All such rules, regulations, determinations, constructions, and interpretations made by the Plan Administrator shall be binding upon the Companies and the employees and their beneficiaries, and all other interested parties.

Pension Benefit Guaranty Corporation

As this is a profit-sharing plan, benefits under this Plan cannot be insured by the Pension Benefit Guaranty Corporation.

Additional Information

Who to Contact	Additional Information Topic
State Farm Benefits Center 1**-866-935-4015** Monday – Friday, 7 a.m. – 6 p.m., CT or by accessing My State Farm Benefits Resource at www.statefarmbenefits.com This is a secured site available 24 hours a day, seven days a week. You are required to establish a User ID, password, and PIN to access your account. State Farm Benefits Center P.O. Box 7116 Rantoul, IL 61866-7116	**Enrollment** • Opt out of Automatic Enrollment • Quick Enrollment • Enroll on Your Own **Contribution Changes** • Increase, decrease, or discontinue contributions • Change or discontinue automatic contribution increase • Request Rollover Contribution Form • Request excess contribution distribution (must be made by phone) **Investment Changes** • Change future investment allocation • Transfer or reallocate money between investment options **Investment Information** • Request information on investment options and fees • View Fact Sheet for investment options • View the Annual Fee Disclosure Statement • Request a list of the assets comprising the portfolio of each investment option and the value of each such asset; • Obtain information concerning the value of the units in the investment options; • Request copies of the financial statements for each of the investment options; • Obtain information concerning the past and current investment performance of such options; and • Obtain information concerning the value of units held in your account. **Loans** • Request a loan

<table>
<tr><th>Who to Contact</th><th>Additional Information Topic</th></tr>
<tr><td>State Farm Benefits Center
1-866-935-4015 Monday – Friday, 7 a.m. – 6 p.m., CT or by accessing My State Farm Benefits Resource at www.statefarmbenefits.com

This is a secured site available 24 hours a day, seven days a week. You are required to establish a User ID, password, and PIN to access your account.

State Farm Benefits Center
P.O. Box 7116
Rantoul, IL 61866-7116</td><td>• Request Early Loan Payment invoice
Withdrawals
• Request a withdrawal
Distributions
• Request a partial, full, or rollover distribution
• Request a partial distribution by fund (must be made by phone)
• Request installment payments (must be made by phone)
• Update personal information to ensure receipt of Plan communications
• Request information regarding the Automatic Rollover process, the State Farm Bank® Traditional IRA, and applicable fees and expenses
Beneficiary Designation
• Designate or change a beneficiary
Claims Procedures
• Requesting a Claim Initiation Form (must be made by phone)
Administrative and Miscellaneous Information
• View your account balance and value of each of your investments, access your account statement or request a paper statement
• Request Plan forms and documents
• View the Summary Annual Report
Qualified Domestic Relations Order (QDRO) Information
• Request Qualified Domestic Relations Order (QDRO) procedures or model QDRO (or by accessing the QO Center website at www.qocenter.com)</td></tr>
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Summary Plan Description

The information contained in this document and the Summary Plan Description for the State Farm 401(k) Savings Plan constitute a Summary Plan Description recognized by the Employee Retirement Income Security Act of 1974 (ERISA §102).

Plan Information	Details
Name of Plan	State Farm 401(k) Savings Plan
Employer I.D. Number	37-0533100
Plan Number	002
Plan Sponsor	State Farm Mutual Automobile Insurance Company
Type of Plan	Profit-sharing and savings plan 401(k)
Effective Date	The Plan, as amended through June 9, 2019, is effective June 9, 2019. The original effective date was in 1968.
Plan Year Ends	A calendar year beginning on January 1 and ending on December 31
Plan Administrator and Named Fiduciary	The Plan Administrator and Named Fiduciary is the Pension Administrative Committee. The Pension Investment Committee is the Named Fiduciary with respect to the asset operations. Questions regarding participation should be directed to: State Farm Benefits Center P.O. Box 7116 Rantoul, IL 61866-7116 1-866-935-4015 All communication concerning the Plan can be directed to the address below or you may call the State Farm Benefits Center at 1-866-935-4015. Pension Administrative Committee State Farm Mutual Automobile Insurance Company One State Farm Plaza, C-1 Bloomington, IL 61710 1-309-766-2623
Type of Administration	Employer administration
Plan Funding	State Farm 401(k) Savings Plan Trust

Plan Information	Details
Agent for Service of Legal Process	Service of legal process may be made upon the Plan Administrator, a Trustee, or the designated agent: Michael Trout Vice President-Human Resources One State Farm Plaza Bloomington, Illinois 61710
Participating Companies	1. State Farm Mutual Automobile Insurance Company 2. State Farm Life Insurance Company 3. State Farm Life and Accident Assurance Company 4. State Farm Fire and Casualty Company 5. State Farm Indemnity Company 6. State Farm General Insurance Company 7. State Farm Lloyds 8. State Farm Florida Insurance Company 9. State Farm VP Management Corp 10. State Farm International Holding Company
Record Keeper	Alight Solutions: State Farm Benefits Center P.O. Box 7116 Rantoul, IL 61866-7116 1-866-935-4015
Trustees	Rod Hoff, Trustee One State Farm Plaza Bloomington, IL 61710-0001 Michael Roper, Trustee One State Farm Plaza Bloomington, IL 61710-0001

Your Rights Under ERISA

As a participant in the State Farm 401(k) Savings Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to the following.

Receive Information About Your Plans and Benefits

You may:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the plan and a copy of the latest annual report (Form 5500 Series) filed by the plan with the US Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the plan and copies of the latest annual report (Form 5500 Series) and an updated summary plan description. The Plan Administrator may charge a reasonable charge for certain documents.
- Receive a summary of the annual financial report for the Plan. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report. Each year, the Company will provide Plan Participants with a summary of the Plan's annual financial report, as required by ERISA.
- In addition, once each year you may request, in writing, a statement, without charge, which describes-in dollars-and-cents terms-any benefit you have accrued under the Plan. Specifically, this statement explains whether you have a vested interest in (entitlement to) this accrued benefit. If you do not, it should tell you how much longer you must work to become vested; whether or not you have earned a right to receive benefits at retirement age. The Plan must provide this statement free of charge.

Prudent Actions By Plan Fiduciaries

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

Enforce Your Rights

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

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

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the US Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about your plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Pension and Welfare Benefits Administration, US Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, US Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

Appendix A: Special Tax Notice Regarding Plan Payments Not From a Designated Roth Account

This special tax notice applies to the portion of a payment that is eligible for rollover.

Your Rollover Options

You are receiving this notice because all or a portion of a payment you are receiving from the State Farm 401(k) Savings Plan (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover. This notice describes the rollover rules that apply to payments from the Plan that are not from a designated Roth account (a type of account with special tax rules in some employer plans). If you also receive a payment from a designated Roth account in the Plan, you will be provided a different notice for that payment, and the Plan administrator or the payor will tell you the amount that is being paid from each account. Rules that apply to most payments from a plan are described in the General Information About Rollovers section. Special rules that only apply in certain circumstances are described in the Special Rules and Options section.

General Information About Rollovers

How Can a Rollover Affect my Taxes?

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (generally, distributions made before age 59½, unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½, or if an exception applies.

What Types of Retirement Accounts and Plans May Accept My Rollover?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan. For example, no spousal consent rules apply to IRAs and IRAs may not provide loans. Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How Do I Do a Rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover:

- **Direct Rollover**: If you do a direct rollover, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.
- **60-Day Rollover**: If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes,

up to the amount of cash and property received other than employer stock. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½, unless an exception applies.

How Much May I Roll Over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Required minimum distributions after age 70½ (or after death);
- Hardship distributions;
- Corrective distributions of contributions that exceed tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the Plan;
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA); and
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

The Plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

If I Do Not Do a Rollover, Will I Have to Pay the 10% Additional Income Tax on Early Distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan, including amounts withheld for income tax, that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be at least 50 in the year of separation;

- Payments made due to disability;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the Plan;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a Qualified Domestic Relations Order;
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution;
- Payments for certain distributions relating to certain federally declared disasters; and
- Phased retirement payments made to federal employees.

If I Do a Rollover to an IRA, Will The 10% Additional Income Tax Apply to Early Distributions from the IRA?

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply;
- The exception for Qualified Domestic Relations Orders does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse);
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service; and
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks, or would have been eligible to receive unemployment compensation but for self-employed status.

Will I Owe State Income Taxes?

This notice does not describe any State or local income tax rules, including withholding rules.

Special Rules and Options

If Your Payment Includes After-Tax Contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan. You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If You Miss The 60-Day Rollover Deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

If You Have an Outstanding Loan That Is Being Offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan offset rollovers).

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover

If You Were Born on Or Before January 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If You Roll Over Your Payment to a Roth IRA

If you roll over a payment from the Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover). If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least five years. In applying this five-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from individual Retirement Arrangements (IRAs).

If You Are Not a Plan Participant

Payments After Death of the Participant

If you receive a distribution after the participant’s death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions does not apply, and the special rule described under the <u>If you were born on or before January 1, 1936</u> section applies only if the participant was born on or before January 1, 1936.

If You Are a Surviving Spouse

If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA. An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½. If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

If You Are a Surviving Beneficiary Other Than a Spouse

If you receive a payment from the Plan because of the participant’s death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments Under a Qualified Domestic Relations Order

If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options and the same tax treatment that the participant would have. For example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it. However, payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If You Are a Nonresident Alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other Special Rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series, unless you make a different choice for later payments. If your payments for the year are less than $200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than $1,000, not including payments from a designated Roth account in the Plan, will be directly rolled over to an IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62, or normal retirement age if later, and without consent, where the participant's benefit does not exceed $5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan). You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

Appendix B: Special Tax Notice Regarding Plan Payments from a Designated Roth Account

This special tax notice applies to the portion of a payment that is eligible for rollover.

Your Rollover Options

You are receiving this notice because all or a portion of a payment you are receiving from the State Farm 401(k) Savings Plan (the "Plan") is eligible to be rolled over to a Roth IRA or designated Roth account in an employer plan. This notice is intended to help you decide whether to do a rollover. This notice describes the rollover rules that apply to payments from the Plan that are from a designated Roth account. If you also receive a payment from the Plan that is not from a designated Roth account, you will be provided a different notice for that payment, and the Plan administrator or the payor will tell you the amount that is being paid from each account. Rules that apply to most payments from a designated Roth account are described in the General Information About Rollovers section. Special rules that only apply in certain circumstances are described in the Special Rules and Options section.

General Information About Rollovers

How Can a Rollover Affect My Taxes?

After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account. If the payment from the Plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10% additional income tax on early distributions (generally, distributions made before age 59½) will also apply to the earnings (unless an exception applies). However, if you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions.

If the payment from the Plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution. A qualified distribution from a designated Roth account in the Plan is a payment made after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a direct rollover to a designated Roth account in the Plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the other employer plan.

What Types of Retirement Accounts And Plans May Accept My Rollover?

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457 plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spousal consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

How Do I Do a Rollover?

There are two ways to do a rollover. You can either do a direct rollover or a 60-day rollover.

- **Direct Rollover**: If you do a direct rollover, the Plan will make the payment directly to your Roth IRA or designated Roth account in an employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.
- **60-Day Rollover**: If you do not do a direct rollover, you may still do a rollover by making a deposit (generally within 60 days) into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½, unless an exception applies.

If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings.

If you do not do a direct rollover and the payment is not a qualified distribution, the Plan is required to withhold 20% of the earnings for federal income taxes, up to the amount of cash and property received other than employer stock. This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

How Much May I Roll Over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Required minimum distributions after age 70½ (or after death);
- Hardship distributions;
- Corrective distributions of contributions that exceed tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the Plan;
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if S corporation stock is held by an IRA); or
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

The Plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

If I Do Not Do a Rollover, Will I Have to Pay the 10% Additional Income Tax on Early Distributions?

If a payment is not a qualified distribution and you are under age 59½, you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over, including amounts withheld for income tax, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the earnings not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be at least age 50 in the year of separation;
- Payments made due to disability;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the Plan;

- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days;
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution; and
- Payments for certain distributions relating to certain federally declared disasters.

If I Do a Rollover to a Roth IRA, Will the 10% Additional Income Tax Apply to Early Distributions from the IRA?

If you receive a payment from a Roth IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA listed above are the same as the exceptions for early distributions from a plan. However, there are a few differences for payments from a Roth IRA, including:

- The exception for payments made after you separate from service if you will be at least 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply;
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to a Roth IRA of a spouse or former spouse);
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service; and
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I Owe State Income Taxes?

This notice does not describe any State or local income tax rules (including withholding rules).

Special Rules and Options

If You Miss The 60-Day Rollover Deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline.

Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

If You Have an Outstanding Loan That Is Being Offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. If the distribution attributable to the offset is not a qualified distribution and you do not roll over the offset amount, you will be taxed on any earnings included in the distribution (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over the earnings included in the loan offset to a Roth IRA or designated Roth account in an employer plan (if the terms of the employer plan permit the plan to receive loan offset rollovers). You may also roll over the full amount of the offset to a Roth IRA.

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover.

If You Receive a Nonqualified Distribution and You Were Born on Or Before January 1, 1936

If you were born on or before January 1, 1936, and receive a lump sum distribution that is not a qualified distribution and that you do not roll over, special rules for calculating the amount of the tax on the earnings in the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If You Are Not a Plan Participant

Payments After Death of the Participant

If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, whether the payment is a qualified distribution generally depends on when the participant first made a contribution to the designated Roth account in the Plan. Also, the 10% additional income tax on early distributions does not apply, and the special rule described under the section <u>If you receive a nonqualified distribution and you were born on or before January 1, 1936</u> applies only if the participant was born on or before January 1, 1936.

If You Are a Surviving Spouse

If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to a Roth IRA, you may treat the Roth IRA as your own or as an inherited Roth IRA. A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 70½.

If You Are a Surviving Beneficiary Other Than a Spouse

If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited Roth IRA. Payments from the inherited Roth IRA, even if made in a nonqualified distribution, will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited Roth IRA.

Payments Under a Qualified Domestic Relations Order

If you are the spouse or a former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options and the same tax treatment that the participant would have. For example, you may roll over the payment as described in this notice.

If You Are a Nonresident Alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other Special Rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments). If your payments for the year (only including payments from the designated Roth account in the Plan) are less than $200, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you can do a 60-day rollover. Unless you elect otherwise, a mandatory cashout from the designated Roth account in the Plan of more than $1,000 will be directly rolled over to a Roth IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed $5,000, not including any amounts held under the plan as a result of a prior rollover made to the plan. You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed

Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.]

For More Information

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (RAs); IRS Publication 590-B, Distribution from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.