



## Participation Notice & Summary Description SIMPLE IRA Plan

**IMPORTANT: Carefully read and consider the information contained in this notice before you decide whether to start, continue or change your Salary Reduction Agreement.**

### General Information

<b>Employer Information</b>	_____
	_____
	_____

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

### A Summary Description of your Employer's SIMPLE IRA Plan

Your employer offers you a Savings Incentive Match Plan for Employees (SIMPLE) as a tax-favored method of saving for your retirement. Under the SIMPLE Plan, your employer will make certain contributions, which may be either matching contributions (matching your own savings under the Plan up to a limit) or non-matching, mandatory contributions. Savings contributions by you, plus employer contributions on your behalf, are added to an individual retirement account (IRA) established in your name for purposes of the SIMPLE Plan.

The following information is a notification of your plan participation options and a description of the SIMPLE Plan. This notification is in two parts. The first part consists of the following pages of information about SIMPLE Plans and the related SIMPLE IRAs. The last two pages consist of a copy of the IRS Form 5304-SIMPLE as completed by your employer to choose certain optional provisions for the employer's SIMPLE Plan. This form is provided to you in order to indicate the particular provisions that apply to your employer's Plan.

### Which Employers May Establish and Maintain a SIMPLE Plan?

To establish and maintain a SIMPLE Plan for a particular calendar year, an employer must meet both of the following requirements:

1. In the preceding calendar year, the employer had no more than 100 employees (including self-employed individuals) who earned \$5,000 or more in compensation from the employer during the year. If the employer has a SIMPLE Plan but later exceeds this 100-employee limit, the employer will be treated as meeting the limit for the two calendar years following the calendar year in which the employer last satisfied the limit. If the failure to continue to satisfy the 100-employee limit or certain other requirements are due to an acquisition or similar transaction involving the business, special rules apply.
2. The employer does not maintain during any part of the calendar year another qualified plan with respect to which contributions are made, or benefits are accrued, for service in the calendar year. For this purpose, a qualified plan includes a qualified 401(k) plan, a pension plan, a profit-sharing plan, a stock bonus plan, a qualified annuity plan, a tax-sheltered annuity plan, and a simplified employee pension (SEP) plan. (As an exception to this rule, unionized employees may participate in a separate retirement plan under the collective bargaining agreement and the employer could have a SIMPLE Plan for non-union employees.)

Certain related employers (trades or businesses under common control) must be treated as a single employer for purposes of the SIMPLE requirements. In addition, certain leased employees are required to be treated as employees of the business and must be counted for the requirements listed above.

### What is a SIMPLE Plan?

A SIMPLE Plan is a written arrangement that provides employers with a simplified way to make contributions to provide retirement income for their employees. Under a SIMPLE Plan, employees may choose whether to make salary reduction contributions to the SIMPLE Plan rather than receiving these amounts as part of their regular compensation. In addition, your employer will contribute matching or non-matching contributions on behalf of eligible employees (see **Employee Eligibility Requirements** and **Contributions** below). All contributions under this Plan will be deposited into a SIMPLE individual retirement account established by each eligible employee with a financial institution selected by the employee.

### Employee Eligibility Requirements (Article I)

Each year for which this SIMPLE Plan is effective, your employer must permit salary reduction contributions to be made by all employees who are reasonably expected to receive at least \$5,000 in compensation during the year, and who received at least \$5,000 in compensation in any 2 preceding years. Your employer may expand the group of employees who are eligible to participate in this SIMPLE Plan to include some or all of those earning under \$5,000. In addition, your employer may elect to exclude union employees if there was collective bargaining over retirement benefits between the employer and the union representing the employees. To determine which eligibility options your employer has chosen, consult Article I of the attached Form 5304-SIMPLE.

## Salary Reduction Agreements (Article II)

A salary reduction agreement permits you to make a salary reduction election to have your compensation for each pay period reduced by a percentage (expressed as a percentage or dollar amount). The total amount of the reduction in your compensation cannot exceed the Employee Contribution Limit for the calendar year.

Also, if you are 50 or older at the end of any calendar year, you will have a higher SIMPLE IRA Employee Contribution Limit. The limits for under age 50 and 50 or older employees are shown in the following table.

<b>SIMPLE IRA Employee Contribution Limit</b>		
<b>Year</b>	<b>Under Age 50</b>	<b>50 or Older</b>
2008	\$10,500	\$13,000
2009 and future years	\$11,500 increased by any cost-of-living adjustments	\$2,500 more than the under age 50 limit

To make a salary reduction election, simply complete the form of salary reduction agreement provided by your employer. Also, you use the salary reduction agreement to specify the name and address of the financial institution maintaining your SIMPLE IRA account and account identifying information so that contributions to your account may be forwarded and credited to your IRA correctly. The salary reduction agreement must be completed and returned to your employer within the required time frames.

## Timing of Salary Reduction Elections

For a calendar year, you may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which you become eligible to make salary reduction contributions, the period during which you may make or modify the election is a 60-day period that includes either the date you become eligible or the day before. For example, if your employer starts its SIMPLE IRA Plan effective July 1 of a year and you become eligible on that day, your 60-day salary reduction election period must include either June 30 or July 1. In this example, the earliest possible 60-day period would be May 2 to June 30, and the latest possible 60-day period would be July 1 to August 29. Your employer may enlarge the 60-day election period or provide additional opportunities during the year for you to make, cancel, or change your salary reduction election. Refer to Article II, Item 2b of the attached Form 5304-SIMPLE to determine any additional modification periods available to you.

You may terminate your salary reduction election at any time. However, if you terminate your election outside of the normal election cycle, your employer has the option to prohibit you from resuming salary reduction elections during the remainder of the calendar year. Consult Article II, item 2d of the attached Form 5304-SIMPLE to determine if your employer has chosen this option.

## Contributions (Article III)

Only contributions described below may be made to this SIMPLE Plan. No additional contributions may be made.

### Your Salary Reduction Contributions

Salary reduction contributions consist of the amount by which you agree to reduce your compensation. Your employer must contribute the salary reduction contributions to the financial institution that you have selected for your SIMPLE IRA.

### Employer Contributions

#### Matching Contributions

In general, your employer must make a matching contribution to your SIMPLE IRA equal to your salary reduction contributions. However, this matching contribution cannot exceed 3% of your compensation. See Definition of Compensation below.

Your employer may elect to reduce the 3% limit to a lower percentage, but not lower than 1%. This reduction cannot be made for more than two out of five years, and you must be notified of any reduced limit within a reasonable period of time before the 60-day election period for the year.

#### Non-matching Contributions

Instead of making a matching contribution, your employer may, for any year, make a non-matching, mandatory contribution equal to 2% of compensation for each eligible employee who has at least \$5,000 in compensation for the year. Non-matching contributions may not be based on more than \$230,000<sup>1</sup> of compensation for 2008 or \$245,000 for 2009.

Again, your employer must notify you within a reasonable period of time before the applicable 60-day election period for such year.

#### Excess Contributions

Any amount contributed to your SIMPLE IRA above the maximum limit is considered an "excess contribution." An excess contribution is subject to a penalty tax of 6% for each year it remains in your SIMPLE IRA.

An excess contribution may be corrected without paying a 6% penalty. To do so, you must withdraw the excess and any earnings on the excess before the due date (including extensions) for filing your federal income tax return for the year for which the excess contribution was made. The earnings must be included in your income for the tax year for which the contribution was made and may be subject to a 10% premature withdrawal penalty in addition to normal income taxes if you have not reached age 59 ½.

<sup>1</sup> This amount will be adjusted to reflect any annual cost-of-living increases announced by the IRS.

## **Other Important Information About Your SIMPLE Plan**

### **Timing of Salary Reduction Contributions**

Under the Internal Revenue Code, your employer must make the salary reduction contributions to the financial institution selected by each eligible employee for his/her SIMPLE IRA no later than the 30th day of the month following the month in which the amounts would otherwise have been payable to the employee in cash. The Department of Labor has an additional rule under which salary reduction contributions must be made to the financial institution maintaining an employee's SIMPLE IRA by the earliest date on which those contributions can reasonably be segregated from the employer's general assets, but in no event later than the 30-day deadline described above.

### **Definition of Compensation**

"Compensation" means total compensation (the amount of total wages, tips, and other compensation from the employer subject to federal income tax withholding). Usually, this is the amount shown in box 1 of Form W-2, Wage and Tax Statement. Compensation also includes the salary reduction contributions made under this Plan, and, if applicable, compensation deferred under a section 457 plan. In determining an employee's compensation for prior years, the employee's elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract or custodial account are also included in the employee's compensation.

For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a) of the Internal Revenue Code prior to subtracting any contributions made pursuant to this SIMPLE Plan on behalf of the individual.

### **Employee Notification**

Your employer must notify you prior to the 60-day election period described above that you can make or change salary reduction elections. In this notification, your employer must indicate whether it will provide:

1. A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation;
2. A matching contribution equal to your salary reduction contributions subject to a percentage limit that is between 1 and 3% of your compensation; or
3. A nonelective contribution equal to 2% of your compensation.

### **Reporting Requirements**

You are not required to file any annual information returns for your SIMPLE Plan, such as Forms 5500, 5500-C/R, or 5500-EZ. However, the Employer must report to the IRS which eligible employees are active participants in the SIMPLE Plan and the amount of your salary reduction contributions to the SIMPLE Plan on Form W-2. These contributions are subject to Social Security, Medicare, railroad retirement, and federal unemployment tax.

### **Establishing Your SIMPLE IRA**

As part of your participation in this SIMPLE Plan, you must set up an individual retirement account (IRA) with the financial institution of your choice. Simply complete the SIMPLE IRA adoption agreement or application (and any other required documents) provided by the financial institution that you have chosen to establish your SIMPLE IRA.

All contributions are sent to your SIMPLE IRA. Investments are selected by you from the investment options available under your chosen SIMPLE IRA. Please read the disclosure statement provided by the financial institution for important information about your SIMPLE IRA, and before investing read a copy of the prospectus or other explanatory information for each investment option you are interested in for a description of the investment objectives and policies, and applicable fees and charges.

### **Income Tax**

Contributions to your SIMPLE IRA account, within the limits provided by the tax laws, are not considered part of your taxable compensation for income tax purposes in the year made. Also, dividends and growth on mutual fund shares held in your account are not taxed while the shares are in the account. These are important tax advantages in participating in a SIMPLE IRA Plan.

When you make withdrawals from your SIMPLE IRA account, the amount withdrawn is included in your taxable income. In addition to regular income taxes, if you are under age 59 ½ the withdrawal may be subject to an early withdrawal penalty tax (unless an exception applies). For withdrawals during your first two years of participation in the SIMPLE IRA Plan, the penalty tax is 25% of the amount withdrawn. After that, the penalty tax is 10% of the amount withdrawn.

(Note. This is a brief summary of the federal income tax treatment of your SIMPLE IRA account. State tax treatment may vary.)

### **Transfers**

You may transfer all or part of the balance in your SIMPLE IRA with your current financial institution to another IRA at any time (subject to any limitations or restrictions imposed by the financial institution—which should be described in its SIMPLE IRA materials). You simply have to give proper directions to the current financial institution, including the name and address of the successor IRA and transfer instructions. Normal fees (such as termination or transfer fees) and any redemption or other charges applicable to the mutual fund shares (as described in the applicable prospectus) will be charged.

For the first two years after your SIMPLE IRA is established, you may transfer only to another SIMPLE IRA. The two year period commences on the day a contribution is first made to your SIMPLE IRA by your employer. After the end of this two year period, you may transfer amounts from a SIMPLE IRA to another SIMPLE IRA or to a Traditional IRA or to a Roth IRA if you are eligible (transfer to a Roth IRA will result in the imposition of income taxes on the amount transferred) or to an employer plan that will accept the assets as a direct rollover.

**NOTE:** The information in this pamphlet reflects the best information available at the time of preparation. However, SIMPLE IRAs are governed by provisions of the Internal Revenue Code for which the IRS has not issued regulations. Consult your professional tax adviser or the IRS on any questions you have about a SIMPLE IRA or about the most recent IRS developments.

## Notification to Eligible Employees

### **Opportunity to Participate in the SIMPLE Plan**

You are eligible to make salary reduction contributions to your employer's SIMPLE Plan. This notice and the previous summary description provide you with information that should be considered before you elect to start, continue, or change your salary reduction agreement.

### **Employer Contribution Election**

For the \_\_\_\_\_ calendar year, the employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2), or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of \_\_\_\_\_% (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to \$230,000 for 2008<sup>\*</sup>) if you are an employee who makes at least \$ \_\_\_\_\_ (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

### **Administrative Procedures**

If you decide to start or change your salary reduction agreement, you must complete the salary reduction agreement and return it to \_\_\_\_\_ (*employer should designate a place or individual*) by \_\_\_\_\_ (*employer should insert a date that is not less than 60 days after notice is given*).

### **Employee Selection of Financial Institution**

You must select the financial institution that will serve as the trustee, custodian, or issuer of your SIMPLE IRA and notify your employer of your selection.

<sup>\*</sup> This amount will be adjusted to reflect any annual cost-of-living increases announced by the IRS.

## Salary Reduction Agreement

<b>Section A</b>	<b>General Information</b>
<b>Employee Information</b>	Name _____ Employee Number _____ Social Security Number _____ Address _____ City _____ State _____ Zip _____
<b>Section B</b>	<b>Terms of Agreement</b>
	Subject to the requirements of the Employer's SIMPLE IRA Plan, each employee who is eligible to enroll as a Contributing Participant may set aside a percentage of his or her pay into the Plan (Elective Deferrals) by signing this <i>Salary Reduction Agreement</i> . This <i>Salary Reduction Agreement</i> replaces any earlier <i>Salary Reduction Agreement</i> and will remain in effect as long as the Employee remains an eligible Employee or until he or she provides the Employer with a request to end his or her salary reduction contributions or a new <i>Salary Reduction Agreement</i> as permitted by the Plan.
<b>Limits on Elective Deferrals</b>	By signing below, the Employee is agreeing that he or she understands that the total amount of his or her salary contributions in any calendar year cannot exceed the Maximum Employee Contribution, as shown in the attached Summary Description.
<b>Changing this Agreement</b>	An employee may change the percentage of pay he or she is setting aside into the Plan. Any Employee who wishes to make such a change must complete and sign a new <i>Salary Reduction Agreement</i> and give it to the Employer during the Election Period or any other period the Employer specifies on the <i>Participation Notice &amp; Summary Description</i> .
<b>Terminating this Agreement</b>	An Employee may terminate his or her salary reduction election at any time. However, if an Employee terminates his or her election outside of the normal election cycle, the Employer has the option to prohibit the Employee from resuming salary reduction elections during the remainder of the calendar year. Consult Article II, item 2d of the attached Form 5304-SIMPLE to determine if your Employer has chosen this option.
<b>Section C</b>	<b>Authorization and Investment Selection</b>
<b>Salary Reduction Election</b>	Subject to the requirements of the SIMPLE IRA plan of my Employer, I, the undersigned Employee, authorize and direct my Employer to withhold from my pay for each pay period and set aside, as Elective Deferrals, _____% or \$ _____ ( <i>which equals _____% of my current rate of pay</i> ) into my Employer's SIMPLE IRA Plan as a salary reduction contribution.  <b>NOTE:</b> <i>If you are eligible to defer, your SIMPLE IRA Plan permits Catch-Up Contributions and you attain age 50 before the close of the plan year, you may make Catch-Up contributions under the SIMPLE IRA Plan. Certain limits, as required by law, must be met prior to being eligible to make Catch-Up Contributions. Your election above will pertain to Elective Deferrals, which may include Catch-Up Contributions. See your Employer for additional information, including the Catch-Up Contribution limit for the year.</i>
<b>Date Salary Reduction Begins</b>	I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE plan and as soon as administratively feasible or, if later, _____. ( <i>If applicable, fill in the date you want the salary reduction contributions to begin. The date must be later than the date you sign this agreement.</i> )

**Employee Selection of Financial Institution and Investments**

I select the following financial institution to serve as the trustee, custodian, or issuer of my SIMPLE IRA (*check the applicable box*):

*If investing in Virtus Mutual Funds:*

State Street Bank and Trust Company

PO Box 8301

Boston, MA 02266-8301

*(If this option is selected, Virtus Mutual Funds, c/o State Street Bank & Trust Company, PO Box 8301, Boston, MA 02266-8301 shall serve as the Custodian's agent for all investment transaction and correspondence under the SIMPLE Plan. If I have not already established an account, I hereby request that Virtus Mutual Funds provide me with the appropriate paperwork to do so.)*

*If selecting another financial institution:*

Name of Trustee, Custodian or Issuer

Address

City

State

Zip

*(If this option is selected, the Employee should contact the financial institution directly to determine what additional documents are required to establish an account.)*

I understand that I must establish a SIMPLE IRA to receive any contributions made on my behalf under this SIMPLE IRA plan. If the information regarding my SIMPLE IRA is incomplete when I first submit this *Salary Reduction Agreement*, I realize that it must be completed by the date salary reduction contributions are scheduled to be made (as reflected above). If I fail to update my *Salary Reduction Agreement* to provide this information by that date, I understand that my Employer may select a financial institution for my SIMPLE IRA.

*If investing in Virtus Mutual Funds:*

I elect to have my SIMPLE IRA plan contributions invested as follows:

Asset Description	Percentage	Asset Description	Percentage
_____	____%	_____	____%
_____	____%	_____	____%
_____	____%	_____	____%

Percentages must total 100%

**Signatures**

I agree that my pay will be reduced in the manner I have indicated above, and I affirmatively elect to have this amount contributed to the investments listed below. This *Salary Reduction Agreement* will continue to be effective while I am employed, unless I change or terminate it as explained in Section B above. I acknowledge that I have read this entire *Salary Reduction Agreement*, I understand it and I agree to its terms. Furthermore, I acknowledge that I have received a copy of the *Participation Notice & Summary Description*.

Signature of Employee

Date

Authorized Signature for Employer

Title

Date

