John Hancock Investment Management

Simplified employee pension plan

Your SEP/SARSEP retirement plan guide for small businesses and self-employed individuals

Employer documents

John Hancock Investment Management

Employer information

This kit contains all the forms and paperwork you need to open a John Hancock Investment Management simplified employee pension (SEP) plan. Simply follow the steps below to establish your plan. Read all documents carefully, especially the universal SEP (basic plan document). Documents have been numbered for your convenience. Retain all original paperwork for your files.

To establish a new SEP plan with John Hancock

1. Complete the SEP IRA employer adoption agreement (Form 1). For salary reduction simplified employee pension plan (SARSEP), make certain to complete Part C of Section 4.
2. Complete the plan investment form (Form 2).
3. Complete the SEP summary for employees (Form 3).
4. Distribute to each employee:
   - A SEP summary for employees (Form 3).
   - A copy of the employee questions and answers, found at the end of this kit.
   - A John Hancock SEP IRA employee application, which the participant should complete. If this is a transfer of assets, the participant should also complete the John Hancock IRA rollover/transfer form, which is included with the application. Forms are available at jhinvestments.com.
5. Send a copy of the SEP IRA employer adoption agreement (Form 1), original SEP employee application, IRA rollover/transfer form (if applicable), and the plan investment form (Form 2) for each participant, along with your investment check to:

Regular mail
John Hancock Signature Services, Inc.
P.O. Box 219909
Kansas City, MO 64121-9909

Express mail
John Hancock Signature Services, Inc.
430 W 7th Street, Suite 219909
Kansas City, MO 64105-1407

To establish a salary deferral SEP plan with John Hancock

Note: You may not establish a new salary deferral SEP (SARSEP) plan on or after January 1, 1997; however, you may amend and restate a plan that was in existence prior to January 1, 1997.

In addition to items 1 through 5 listed above, the following would need to be completed.

Employer forms

SARSEP top-heavy test worksheet (Form 5)—This worksheet is kept by the employer or the plan administrator and used to determine if the plan is top-heavy. Section 4 of the enclosed basic plan document describes the corrective action that must be taken if the top-heavy percentage exceeds 60%.

SARSEP discrimination test worksheet (Form 6)—This form is kept by the employer or plan administrator and used by the employer to ensure that the plan doesn't provide benefits to highly compensated employees (HCEs) at a rate higher than that allowed by the IRS. This calculation is based on the percentage of compensation deferred by both HCEs and non-HCEs (NHCEs). If it's determined that any HCEs are making excess deferral contributions, the employees must receive the notice of excess deferral contribution and withdraw the contribution. This test should be done during the plan year in order to notify the employee before the withdrawal period has ended.

Employee forms

Salary reduction agreement (Form 4)—This form is given to the employee by the employer. This agreement, when signed by the employees, authorizes the employer to withhold a portion of their salary from each paycheck to be deposited into a SARSEP IRA account.

SARSEP notification of excess or disallowed deferral contributions (Form 7A)—This notice is given to the employees by the employer. If employees have made excess salary deferral contributions, they must remove the excess amount from their IRA by April 15 of the year following the plan year in which the excess deferral was made. The excess amount is reported to the employees on this notice, which should be given to them before the end of the plan year.

SARSEP notice of excess or disallowed deferrals (Form 7B)—This notice is given to the employees by the employer. Salary reduction contributions aren't allowed under the SARSEP unless at least 50% of eligible employees elect to make salary deferral contributions. If the plan fails this test, all amounts deferred become taxable and must be removed from the employees' IRAs. This notice informs employees of this and of the amount that must be removed.

Universal SEP—SEP IRA employer adoption agreement instructions

Form 1

These instructions are designed to help you, the employer, along with your attorney and/or tax advisor, establish your SEP plan with John Hancock Investment Management. The instructions are meant to be used only as a general guide and are not intended as a substitute for qualified legal or tax advice.

If you wish to have help filling out the adoption agreement, please call us at 800-432-1969. However, we recommend that you obtain the advice of your legal or tax advisor before you sign the adoption agreement.

1. Establishment and purpose of plan

There are no elections required for Section 1. Refer to the basic plan document for information regarding this section.

2. Effective dates

Indicate whether this is a new plan (an initial adoption) or an amendment and restatement of an existing SEP plan and the effective dates.

If this is a new SEP plan, check Option A and fill in the effective date. The effective date is usually the first day of the plan year in which this adoption agreement is signed; for example, if an employer maintains a plan on a calendar year basis and this adoption agreement is signed on September 24, 2023, the effective date would be January 1, 2023.

If the reason you are adopting this plan is to amend and replace an existing SEP plan (the prior plan), check Option B. You will need to know the effective date of the prior plan, which can usually be found in the prior plan's adoption agreement. The effective date of this amendment and restatement is usually the first day of the plan year in which the adoption agreement is signed.

3. Eligibility and participation

Note: Section 3 should be completed even if you do not have employees.

Within limits, you as the employer can specify the number of years your employees must work for you and the age they must attain before they are eligible to participate in this plan. Note that the eligibility requirements that you set up for the plan also apply to you.

Suppose, for example, you establish a service requirement of three of the immediately preceding 5 years and an age requirement of 21. In that case, only those employees (including yourself) who have worked for you for three of the immediately preceding 5 years and are at least 21 years old are eligible to participate in the plan.

4. Contributions and allocations

Part A **Contribution formula—**Because a SEP plan allows for flexible contributions, the amount of the contribution will be determined from year to year.

Option 1. Discretionary formula—Check this option if you want this SEP plan to allow for flexible contributions that will be determined from year to year.

Option 2. Fixed percent of profits formula—Check this option if you want this SEP plan to require a fixed contribution from year to year. Fill in the applicable contribution percentage and dollar amount.

Option 3. Not applicable—Check this option if the employer will not make employer contributions to this plan.

Part B **Allocation formula—**Once the contribution amount has been decided for a plan year, it must be allocated among the participants in the plan. The contribution can be allocated using either a pro rata formula, a flat dollar formula, or an integrated formula. Check Option 1, 2, or 3.

Option 1. Pro rata formula—Check this option if you wish to have the same contribution percentage allocated to all qualifying participants based on their compensation for the plan year.

Option 2. Flat dollar formula—Check this option if you wish to contribute the same dollar amount for each participant.

Option 3. Integrated formula—Generally, Social Security integration is a method of giving some participants in the plan an extra contribution allocation. Because of the complexity of integration, you should consult your tax advisor regarding this issue.

5. Compensation and plan year elections

This section allows you to define compensation for purposes of employer contributions to the plan and also the time period the plan will use to determine the plan year.

Part A Compensation—Select either Option 1, 2, or 3, depending on how the plan will define compensation for purposes of employer contributions. Refer to the definitions section of the plan for a description as to the code requirements for each of these choices.

Part B Plan year—The plan allows you to determine the plan year based on the 12-consecutive-month period that coincides with your taxable year, the calendar year, or another 12-consecutive-month period. Select the appropriate option that will define the plan year.

6. Amendment or termination of plan

There are no elections required for Section 6. Refer to the basic plan document for information regarding this section.

7. Salary deferral SEP provisions

Part A **Limits on elective deferrals—**A limit may be placed on the compensation deferred into the plan by each contributing participant. The limit may be either a specific dollar amount or a percentage of compensation.

Part B **Separate deferral election for bonuses—**Choose whether a contributing participant may make a separate deferral election to contribute to the plan such as an elective deferral part or all of a bonus, rather than receive such bonus in cash.

Part C **Catch-up contributions—**Choose whether catch-up contributions will be allowed in the plan as an elective deferral by those eligible employees who are allowed to make such contributions under the code.

8. Adopting employer signature

An authorized representative of the employer must sign and date the adoption agreement.

Additional information

- Provide each employee with an employee information Q&A booklet and completed SEP plan summary for employees.
- Make sure that all eligible employees have established IRAs.
- For salary deferral SEPs, be sure to collect completed salary reduction agreements from eligible employees.
- For salary deferral SEPs, periodically perform nondiscrimination tests by completing the SARSEP discrimination test worksheet.

Reset Form

John Hancock Investment Management

SEP IRA employer adoption agreement

Form 1

Introduction

Instructions

Please use this form for John Hancock custodial accounts. This form allows you to open a new SEP IRA plan.

The instructions are designed to help you, the employer, along with your attorney and/or tax advisor, to establish your SEP IRA plan. These instructions are meant to be used as a general guide and are not intended as a substitute for qualified legal or tax advice. Please print in all capital letters and use black ink.

Contact us

Website
jhinvestments.com

Phone
800-432-1969

Return instructions
See the end of this form for return instructions.

Employer information

Name of adopting employer

Address

City | State | Zip code

Phone number | Adopting employer's federal tax ID number | Income-tax year-end month/day (MM/DD)

1. Establishment and purpose of plan

There are no elections required for this section. Refer to the basic plan document for information regarding this section.

2. Effective dates (Check and complete Option A or Option B)

Note: The effective date is usually the first day of the plan year in which this adoption agreement is signed.

Option A ☐ This is the initial adoption of a SEP plan by the employer.

The effective date of this plan is _____.
MM/DD/YYYY

Option B ☐ This is an amendment and restatement of an existing SEP plan (prior plan).

The prior plan was initially effective on _____.
MM/DD/YYYY

The effective date of this amendment and restatement is _____.
MM/DD/YYYY

3. Eligibility and participation (Complete Part A through Part D, as appropriate)

Note: The effective date is usually the first day of the plan year in which this adoption agreement is signed.

Part A **Service requirement:** An employee will be eligible to become a participant in the plan after having performed service for the employer during at least _____ (specify 0, 1, 2, or 3) of the immediately preceding 5 plan years.

Note: If left blank, the service requirement will be deemed to be 0.
For purposes of determining whether an employee has met the service requirement, an employee shall be given credit for service with the following predecessor employer(s) (complete if applicable): _____.

Part B **Age requirement:** An employee will be eligible to become a participant in the plan after attaining age _____ (no more than 21).

Note: If left blank, it will be deemed there is no age requirement for eligibility.

Part C **Employees employed as of the effective date:** Will an employee employed as of the effective date of this plan who has not otherwise met the age and service requirements of the plan be considered to have met those requirements as of the effective date? (Select one)

Option 1: ☐ Yes Option 2: ☐ No

Note: If no option is selected, Option 2 shall be deemed to be selected.

3. Eligibility and participation (Complete parts A through D, as appropriate) (continued)

Part D **Class of employees eligible to participate:** All employees shall be eligible to become participants in the basic plan document, except the following: (select any that apply):

☐ Collective bargaining unit employees as described in Section 3.02(A) of the basic plan document

☐ Nonresident aliens as described in Section 3.02(B) of the basic plan document

☐ Acquired employees as described in Section 3.02(C) of the basic plan document

☐ Employees who have received less than $750 (indexed for cost-of-living adjustments in accordance with Internal Revenue Code (Code) Section 408(k)(8) of compensation from the employer during the plan year as described in Section 3.02(D) of the basic plan document)

4. Contributions and allocations (Complete Part A through Part C, as appropriate)

Part A **Contribution formula:** (Select Option 1, 2, or 3)

Option 1: ☐ Discretionary formula. For each plan year, the employer will contribute an amount to be determined from year to year.

Option 2: ☐ Fixed percent of profits formula. _____% of the employer's profits that are in excess of $_____.

Option 3: ☐ Not applicable. The employer will not make employer contributions to this plan.

Note: If no option is selected, Option 1 shall be deemed to be selected.

Part B **Allocation formula:** (Select Option 1, 2, or 3)

Option 1: ☐ Pro rata formula. The employer contribution for each plan year shall be allocated in the manner described in Section 4.01(B)(1) of the basic plan document.

Option 2: ☐ Flat dollar formula. The employer contributions allocated to the IRAs of participants shall be the same dollar amount for each participant.

Option 3: ☐ Integrated formula. The employer contribution shall be allocated in the manner described in Section 4.01(B)(2) of the basic plan document. For purposes of the integrated formula, the integration level shall be (select one):

Suboption A: ☐ Taxable wage base (TWB) **or** Suboption B: ☐ _____% of the TWB

Note: If no option is selected in Part B, Option 1, pro rata formula, shall be deemed to be selected. If no suboption is selected in Part B, Option 3, Suboption A, TWB, shall be deemed to be selected.

Part C **Top-heavy minimum allocation:** For any plan year with respect to which this plan is a top-heavy plan, any minimum allocation required pursuant to Section 4.02 of the basic plan document shall be made (select one):

Option 1: ☐ To this plan

Option 2: ☐ To the following plan maintained by the employer (specify the name and plan sequence number of the plan):

_____.

Note: If no Option is selected, option 1 shall be deemed to be selected.

5. Compensation and plan year elections (Complete Part A and Part B, as appropriate)

Part A **Compensation:** For purposes of employer contributions, compensation will mean all of each participant's (select one):

Option 1: ☐ W-2 wages

Option 2: ☐ Section 3401(a) wages

Option 3: ☐ 415 safe harbor compensation

Note: If no option is selected, Option 1 shall be deemed to be selected.

Part B **Plan year:** (Select one)

Option 1: ☐ The 12-consecutive-month period that coincides with the adopting employer's fiscal year

Option 2: ☐ The calendar year

Option 3: ☐ Other 12-consecutive-month period: _____
(Specify a 12-consecutive-month period selected in a uniform and nondiscriminatory manner)

Note: If no option is selected, Option 1 shall be deemed to be selected.

If the initial plan year is a short plan year (i.e., less than 12 months), specify such plan year's beginning and ending dates:

_____ _____

Beginning date (MM/DD/YYYY) End date (MM/DD/YYYY)

6. Amendment or termination of plan

There are no elections required for this section. Refer to the basic plan document for information regarding this section.

7. Salary deferral SEP provisions (Complete Part A through Part C, as appropriate)

Note: This section may not be used to establish a new salary deferral SEP plan on or after January 1, 1997; however, you may amend and restate a salary deferral SEP plan that was in existence prior to January 1, 1997.

Part A **Limits on elective deferrals:** Contributing participants may elect under a salary reduction agreement to have their compensation reduced by an amount not in excess of %_____ , or _____$ of compensation.

Note: A contributing participant who attains age 50 on or before the end of the calendar year may elect, if allowed in Part C of this section, to defer an additional amount, in excess of the amount or percentage of compensation specified above, pursuant to Section 7.07 of the basic plan document.

Part B **Separate deferral election for bonuses:** Instead of, or in addition to, making elective deferrals through payroll deduction, may a contributing participant make a separate deferral election to contribute to the plan, as an elective deferral, part or all of a bonus, rather than receive such bonus in cash? (Select one)

Option 1: ☐ Yes

Option 2: ☐ No

Note: If no option is selected, Option 2 shall be deemed to be selected. A separate deferral election made with respect to a bonus shall not be subject to the limits described under Part A of this section unless such limits are prescribed by the Code or related regulations.

Part C **Catch-up contributions:** Will catch-up contributions, as described in Section 7.01(B) of the basic plan document, be permitted under this plan? (Select one)

Option 1: ☐ Yes

Option 2: ☐ No

Note: If no option is selected, Option 1 shall be deemed to be selected.

8. Adopting employer signature

I acknowledge that I have relied on my own advisors regarding the completion of this adoption agreement and the legal and tax implications of adopting this plan. I understand that my failure to properly complete this adoption agreement may result in adverse tax consequences. I have received a copy of this adoption agreement and the basic plan document.

SIGN HERE _____ _____

Signature of adopting employer | Date signed (MM/DD/YYYY)

_____

Name of adopting employer (please print)

John Hancock Funds, LLC | 800-432-1969

Name of prototype sponsor | Phone number

200 Berkeley Street | Boston | MA | 02116

Address | City | State | Zip code

9. Mail

Please submit your completed and signed form through one of the following:

Regular mail
John Hancock Signature Services, Inc.
P.O. Box 219909
Kansas City, MO 64121-9909

Express mail
John Hancock Signature Services, Inc.
430 W 7th Street
Suite 219909
Kansas City, MO 64105-1407

John Hancock Investment Management

Plan investment form

Form 2

Introduction

Instructions

Please use your employee's IRA plan agreements to complete this form, converting the investment percentages of each employee to dollar amounts. All participants should be listed on the reverse of this form. Please print in all capital letters and use black ink.

Contact us

Website
jhinvestments.com

Phone
800-432-1969

Return instructions
See the end of this form for return instructions.

1. Employer information

Name of employer

Date (MM/DD/YYYY)

Address

City

State

Zip code

Authorized individual's name (please print)

SIGN HERE

Authorized individual's signature

2. Type of plan

☐ SEP ☐ SARSEP

Dealer representative

Phone number

Dealer firm

Branch location

State

Zip code

SIGN HERE

Representative's signature

3. Investment

Please complete this form and attach a check, payable to John Hancock Signature Services, Inc., for the amount shown on the back of this form.

$ _____
Amount of check

4. Mail

Please submit your completed and signed form through one of the following:

Regular mail
John Hancock Signature Services, Inc.
P.O. Box 219909
Kansas City, MO 64121-9909

Express mail
John Hancock Signature Services, Inc.
430 W 7th Street
Suite 219909
Kansas City, MO 64105-1407

Example

	Contributions				Investment allocations (Allocations must total 100%)			
Participant's name	SSN/account number	Employer ($)	Salary deferral ($)	Total ($)	Employer contribution fund name	$	Salary deferral fund name	$
Smith, Donald	123-45-6789	$100	$200	$300	John Hancock ESG Large Cap Core Fund	$150	John Hancock Bond Fund	$150

Contribution allocation form for payroll ending _____

Date

	Contributions				Investment allocations (Allocations must total 100%)			
Participant's name	SSN/account number	Employer ($)	Salary deferral ($)	Total ($)	Employer contribution fund name	$	Salary deferral fund name	$

John Hancock Investment Management

SEP summary for employees

Form 3

Introduction

Instructions

Please read this form along with the employee questions and answers, found at the end of this kit. Please print in all capital letters and use black ink.

Contact us

Website
jhinvestments.com

Phone
800-432-1969

1. Establishment of SEP plan

Your employer has adopted a type of employee benefit plan known as a Simplified Employee Pension (SEP) plan. To become a participant in the plan, you must meet the plan's eligibility requirements specified below. Once you become a participant, you are entitled to receive a certain share of the amount your employer contributes under the plan and/or make contributions to the plan out of your salary. All contributions will be deposited into an IRA for you. Contributions made under the plan for you are yours to keep. These features of the plan are explained further the employee questions and answers, found at the end of this kit.

The actual plan is a complex legal document that has been written in a manner required by the IRS. This document is designed to explain and summarize the important features of the plan. You also may examine the plan itself at a reasonable time by making arrangements with the below-mentioned representative of your employer. If you have any questions or need additional information about the plan, please consult:

_____

Name of employer representative

2. Employer information

_____

Name of adopting employer

_____

Address

_____ _____ _____

City State Zip code

_____ _____

Phone number Plan year-end month/day (MM/DD)

3. Investment

☐ **Basic SEP plan:** Your employer has adopted a basic SEP plan. Under this type of SEP plan, your employer may, but is not required to, make contributions on your behalf. Your right to receive a contribution and the amount of the contribution are detailed in the sections below.

☐ **Salary deferral SEP plan:** Your employer has adopted a salary deferral SEP plan. Under this type of SEP plan, your employer may, but is not required to, make contributions on your behalf. In addition, if you agree to a payroll deduction, your employer will deposit the percentage of your salary you specify to your IRA. These types of contributions are called elective deferrals.

4. Effective dates

The effective date of this SEP plan is _____.

If this is a restatement of an existing SEP plan (a prior plan):

The prior plan was initially effective on _____.

The effective date of this restatement is _____.

5. Eligibility

Employer contributions: Contributions and, if a salary deferral SEP plan has been adopted, elective deferrals may be made by your employer for you if you are an eligible employee and if you have met the age and service requirements set forth below.

Eligible employees: Under the SEP plan, all employees can participate, except the classifications of employees checked below.

☐ Those employees covered by the terms of a collective bargaining agreement (a union agreement) where retirement benefits were negotiated

☐ Those employees who are nonresident aliens with no U.S. earned income

☐ Those employees who are determined to be acquired employees as a result of an acquisition or similar transaction with the employer, as described in the Internal Revenue Code (Code) (during the transition period only)

☐ Those employees who did not earn at least $650 (for 2022) and $750 (for 2023) from the employer during the year. This amount is subject to cost-of-living adjustments.

Age requirement: You must be at least _____ years old.

Service requirement: You must have worked for your employer in at least _____ (must be 0, 1, 2, or 3) of the immediately preceding 5 years.

All employees will be considered to have met the age and service requirements described above, if employed on the effective date of this SEP plan.

☐ Yes ☐ No

6. Contributions and allocations

The amount of the employer contribution, if any, will be determined according to the formula selected below (check one).

☐ **Discretionary:** An amount determined each year by the employer

☐ **Fixed percent of profits formula:** _____% of the employer's profits in excess of $_____

☐ The employer will not make employer contributions to the SEP plan

Any employer contribution will be allocated to your IRA in accordance with the formula selected below (check one).

☐ **Pro rata formula:** Each eligible employee will receive a pro rata portion of the employer contribution equal to the ratio of that employee's compensation to the total

☐ **Compensation of all eligible employees:** The contribution will be the same percentage of compensation for all employees

☐ **Flat dollar formula:** The employer contribution for all eligible employees will be the same dollar amount

☐ **Integrated formula:** Integration allows contribution percentages among eligible employees to vary. Details about integration are provided in the employee questions and answers, found at the end of this kit. The integration level is (check one):

☐ The taxable wage base (TWB) **or** ☐ _____% of the TWB.

Elective deferrals (for salary deferral SEP plans only): You can set aside each pay period an amount not in excess of $_____ **or** _____% of your salary or earnings from your employer to your IRA, but the dollar amount set aside for any calendar year cannot exceed $20,500 for 2022 and $22,500 for 2023. This limitation may be adjusted for cost-of-living increases.

Catch-up contributions: ☐ will **or** ☐ will not be permitted under the SEP plan.

If catch-up contributions are available under the SEP plan and you will attain age 50 on or before the end of the calendar year, you can opt to have your elective deferrals increased by an additional amount. This additional amount shall not be greater than $6,500 for 2022 and $7,500 for 2023. This limitation may be adjusted for cost-of-living increases.

Your employer has elected that you:

☐ May authorize an amount of a cash bonus not to exceed $20,500 for 2022 and $22,500 for 2023 to be contributed to your IRA, rather than being paid to you (this limitation may be adjusted for cost-of-living increases)

☐ May not authorize a cash bonus to be contributed to your IRA.

John Hancock Investment Management

Salary reduction agreement

(For salary deferral SEPs only)

Form 4

Introduction

Instructions: Please read all sections of this salary reduction agreement before signing.

Contact us

Website
jhinvestments.com

Phone
800-432-1969

This document does not need to be returned.
It should be retained by the employee.

1. Employer information

Employer and plan information

Name of plan

Name of employer

Employer address

City | State | Zip code

Employee information

Name

Home address

City | State | Zip code

Employee number | Social Security number

2. Terms of agreement (to be completed by the employer)

Limits on retirement savings contributions: Each employee who is eligible to enroll as a contributing participant in this SEP plan may set aside an amount not in excess of $_____ **or** _____% of the employee's pay into the plan. A participant who is age 50 or older by the end of the plan year is allowed to make additional catch-up contributions. The amounts set aside and contributed to the plan are called elective deferrals.

Your employer will permit you to base elective deferrals on cash bonuses. ☐ Yes ☐ No

Changing this agreement: Employees may change the percentage of pay they are setting aside into the plan, as of any enrollment date (dates are _____ and _____). Any employee who wishes to make such a change must complete and sign a new retirement savings agreement and give it to the employer at least 30 days before the change is to become effective.

Terminating agreement: Employees may, by giving at least 30 days' written notice to the employer, terminate this salary reduction agreement as of the last day preceding any enrollment date (or more frequently, if permitted by the employer). After terminating this salary reduction agreement, an employee cannot again enroll as a contributing participant until the first day of the plan year following the year of termination.

Effective date: This salary reduction agreement will be effective for the pay period that begins _____.

3. Authorization (to be completed by the employee)

Employee elective deferrals: I, the undersigned employee, wish to set aside, as elective deferrals, the following dollar amount **or** percentage of my pay into my employer's SEP plan by means of payroll deduction: $_____ **or** _____%.

Note: If you are eligible to defer, your SEP plan permits catch-up contributions and you attain (or are deemed to have attained) age 50 before the close of the plan year, you may make catch-up contributions under the SEP plan. In addition, 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 the catch-up contribution limit for the year and additional information.

I, the undersigned employee, if permitted by my employer, wish to set aside _____ of a cash bonus as an elective deferral into my employer's SEP plan.

I agree that my pay will be reduced in the manner I have indicated above and that this amount of my pay will be contributed to the plan. This salary reduction agreement will continue to be effective while I am employed, unless I change or terminate it as explained above. I acknowledge that I have read this entire agreement, I understand it, and I agree to its terms.

Restriction on distributions and transfers: I understand that I should not withdraw or transfer any amounts from my IRA that are attributable to SEP elective deferrals and income on elective deferrals for a particular plan year (except for excess elective deferrals) until 2½ months after the end of the plan year or, if sooner, when my employer notifies me that the actual deferral percentage limitation test for the plan year has been completed. Any such amounts that I withdraw or transfer before this time will be includable in income for purposes of Code Sections 72(t) and 408(d)(1).

4. Signatures

SIGN HERE _____ _____

Signature of employee | Date signed (MM/DD/YYYY)

SIGN HERE _____ _____ _____

Authorized signature for employer | Title | Date signed (MM/DD/YYYY)

John Hancock Investment Management

SARSEP top-heavy test worksheet

Form 5

Introduction

An employer who has adopted a salary deferral SEP plan must determine annually if the plan is top-heavy to comply with Section 408(k)(1) of the Internal Revenue Code by subjecting the plan to a top-heavy test. This testing procedure should be performed at the end of each plan year. If the test results reveal that the plan is top-heavy for the plan year, the employer may need to make a minimum contribution to the plan on behalf of certain employees (called non-key employees). A non-key employee is an employee who is not a key employee. An employee is a key employee (as defined in Section 4.02 of the Basic plan Document) if, at any time during the preceding plan year, he or she was:

- an officer of the company having annual Compensation greater than $200,000 (for 2022) and $215,000 (for 2023) (this limitation may be adjusted for cost-of-living increases),
- a five-percent owner of the company, or
- a one-percent owner of the company with annual Compensation exceeding $150,000.

Please follow the instructions below when completing this form.

Contact us

Website
jhinvestments.com

Phone
800-432-1969

This document does not need to be returned.
It should be retained by the employee.

Employer information

Employer

Plan year end

Plan name

Instructions for completing the top-heavy test worksheet

This worksheet may not be valid if the employer maintains another SEP plan and/or other defined contribution plans.

Step 1

Column A	List all employees who are not key employees who have been employed by the employer for the current or previous year.
Column B	List the total of all employer contributions, including elective deferrals (employee salary deferrals), made from the initial dates of participation in this plan through the last day of the previous plan year on behalf of the non-key employees listed in Column A.
Column C	List all employees who are key employees who have been employed by the employer for the current or previous year.
Column D	List the total of all employer contributions, including elective deferrals (employee salary deferrals), made from the initial dates of participation in this plan through the last day of the previous plan year on behalf of the key employees listed in Column C.

Step 2 Add the total contributions in Column B of all non-key employees and enter in the space provided.

Step 3 Add the total contributions in Column D of all key employees and enter in the space provided.

Step 4 Add the total contributions of both non-key employees in Column B and of key employees in Column D and enter in the space provided.

Step 5 Divide the total contributions of all key employees in Column D by the total contributions of all employees and enter in the space provided.

Step 6 If the answer obtained in Step 5 is 60% or less, then the plan is not top-heavy for the plan year. If the answer obtained in Step 5 is more than 60%, then the plan is top-heavy. Follow the instructions in Section 4.02 of the basic plan document if the plan is top-heavy.

Step 1

Column A	Column B	Column C	Column D
Non-key employees	Non-key employees' total contributions	Key employees	Key employees' total contributions
Step 2	**$**	**Step 3**	**$**

Step 4 _____ (Column B total) + _____ (Column D total) = _____ (All employees' total contributions)

Step 5 _____ (Column D total) ÷ _____ (All employees' total contributions) = _____

Note: Total contributions means the sum total of all employer contributions, including employee salary deferrals (referred to in the plan as elective deferrals) made to this plan for each plan year from the initial date of participation in this plan through the last day of the prior plan year. The employer should maintain a record of such contributions for each employee in each plan year.

John Hancock Investment Management

SARSEP discrimination test worksheet

Form 6

Introduction

An employer who has adopted a salary deferral SEP plan must determine whether elective deferrals made under the plan comply with Section 408(k)(6) of the Internal Revenue Code. This testing procedure should be performed when the plan is initially set up (by using estimated figures), at each enrollment date (by using estimated or actual figures), and at the end of each plan year (by using actual figures). If the test results reveal that the anti-discrimination rules have been violated for a plan year, the employer must follow the correction procedure found in Section 7.04 of the basic plan document. This worksheet is furnished as a service to the adopting employer by the Prototype Sponsor. The Prototype Sponsor is not obligated to conduct this discrimination test on behalf of the adopting employers, nor is it obligated to amend this worksheet to incorporate changes to the anti-discrimination rules brought about by changes in the law.

Contact us

Website
jhinvestments.com

Phone
800-432-1969

This document does not need to be returned.
It should be retained by the employee.

Instructions for completing the SARSEP discrimination test worksheet

Step 1

Column A — List all employees who are eligible to become contributing participants (under Section 3 of the adoption agreement) and who are non-HCEs as defined below under Column A.

Column B — List the elective deferrals (salary deferrals) actually made by each non-HCE for the plan year.

Column C — List the unreduced compensation (compensation paid during the plan year, plus elective deferrals made for the plan year) for each non-HCE.

Column D — For each non-HCE, divide the amount in Column B by the amount in Column C and list the quotient (expressed as a percentage).

Step 2

Column A — List all employees who are eligible to become contributing participants (under Section 3 of the adoption agreement) and who are HCEs. An employee is an HCE if the employee:

- was a 5% owner of the employer at any time during the year or the preceding year; or
- during the preceding year earned more than $150,000 (for 2023) (indexed for increases in the cost of living) in annual compensation from the employer and, if elected by the employer, was a member of the top-paid group of employees (the top 20% of employees by pay during the same year).

Column B — List the elective deferrals (salary deferrals) actually made by each HCE for the plan year.

Column C — List the unreduced compensation (compensation paid during the plan year, plus elective deferrals made for the plan year) for each HCE.

Column D — For each HCE, divide the amount in Column B by the amount in Column C and list the quotient (expressed as a percentage).

Column E — Calculate the deferral percentage limit that will apply to each HCE by multiplying the actual deferral percentage (ADP) for the non-HCEs found in Step 1 by 1.25%.

Column F — Indicate whether each HCE has satisfied the ADP test by checking the appropriate box.

If the test results reveal that the antidiscrimination rules have been violated for a plan year, the employer must follow the correction procedure found in Section 7.04 of the basic plan document.

Step 1

Column A	Column B	Column C	Column D
Non-highly compensated employees	Elective deferrals/year	Unreduced compensation/year	Deferral percentage = B ÷ C

Column D total ÷ Number of employees in Column A = Total = ADP

Step 2

Column A	Column B	Column C	Column D			
					Test: D ≤ E?	
Highly Compensated employees	Elective deferrals/year	Unreduced compensation/year	Deferral percentage = B ÷ C	Limit = ADP x 1.25%	Yes	No

John Hancock Investment Management

SARSEP notification of excess or disallowed deferral contributions

Form 7A/7B

Introduction

Instructions

Please use this form to notify an employee of an excess deferral contribution.

Contact us

Website
jhinvestments.com

Phone
800-432-1969

This document does not need to be returned.
It should be retained by the employee.

1. Form 7A

To:

_____

Name of employee

Our calculations indicate that the retirement savings contributions you made to your SEP IRA for calendar year _____ exceed the maximum permissible limits under Section 408(k)(6) of the Internal Revenue Code (Code). You made excess retirement savings contributions of $_____ for that year. The amount of your excess retirement savings contributions is taxable to you for the year it was deferred.

These excess retirement savings contributions, plus allocable income, must be distributed from your SEP IRA by April 15 following the calendar year you receive this notice. Those excess retirement savings contributions not withdrawn by April 15 will be subject to the IRA contribution limitations of Sections 219 and 408 of the Code for the preceding calendar year, and are therefore considered a regular contribution to your IRA. Such a contribution may be an excess IRA contribution, which could be subject to the 6% tax under Section 4973 of the Code. If income allocable to the excess retirement savings contribution is not withdrawn by April 15 following the calendar year you receive this notice, the income may be subject to the 10% tax on early distributions under Section 72(t) of the Code when withdrawn.

SIGN HERE _____ _____

Employer signature — Date signed (MM/DD/YYYY)

_____

Name of employer (please print)

2. Form 7B

To:

_____

Name of employee

This is to notify you that the 50% deferral participation requirement of a salary deferral arrangement has not been met for calendar year _____. All retirement savings contributions you made for that year are considered disallowed deferrals and must be removed from your SEP IRA. You made disallowed deferrals of $_____ for that year. The amount of your disallowed deferrals is taxable to you for the year it was deferred.

These disallowed deferrals, plus allocable income, must be distributed from your SEP IRA by April 15 following the calendar year you receive this notice. Those disallowed deferrals not withdrawn by April 15 will be subject to the IRA contribution limitations of Sections 219 and 408 of the Internal Revenue Code (Code) for the preceding calendar year, and are therefore considered a regular contribution to your IRA. Such a contribution may be an excess IRA contribution, which could be subject to the 6% tax under Section 4973 of the Code. If income allocable to the disallowed deferrals is not withdrawn by April 15 following the calendar year you receive this notice, the income may be subject to the 10% tax on early distributions under Section 72(t) of the Code when withdrawn.

SIGN HERE _____ _____

Employer signature — Date signed (MM/DD/YYYY)

_____

Name of employer (please print)

Definitions

ADOPTING EMPLOYER Means any corporation, sole proprietor, or other entity named in the adoption agreement and any successor who by merger, purchase, or otherwise, assumes the obligations of the plan.

ADOPTION AGREEMENT Means the document executed by the employer through which it adopts the plan and thereby agrees to be bound by all terms and conditions of the plan.

BASIC PLAN DOCUMENT Means this prototype plan document.

CODE Means the Internal Revenue Code of 1986 as amended.

COMPENSATION As elected by the Adopting employer in the adoption agreement, compensation shall mean one of the following, except as otherwise specified in the plan:

1. W-2 Wages. (Information required to be reported under Code sections 6041, 6051, and 6052 (wages, tips, and other compensation as reported on Form W-2)). compensation is defined as wages within the meaning of Code section 3401(a) and all other payments of compensation to an employee by the employer (in the course of the employer's trade or business) for which the employer is required to furnish the employee a written statement under Code sections 6041(d), 6051(a)(3) and 6052. compensation must be determined without regard to any rules under Code section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code section 3401(a)(2)).
2. Section 3401(a) Wages. compensation is defined as wages within the meaning of Code section 3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code section 3401(a)(2)).
3. 415 Safe-Harbor compensation. compensation is defined as wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the employer maintaining the SEP plan to the extent that the amounts are includable in gross income (including, but not limited to, commissions paid to salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable plan (as described in Regulations section 1.61-2(c)), and excluding the following:

   (a) Employer contributions to a plan of deferred compensation which are not includable in the employee's gross income for the taxable year in which contributed, or employer Contributions under a SEP plan, or any distributions from a plan of deferred compensation;

   (b) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

   (c) Amounts realized from the sale, exchange, or other disposition of stock acquired under a qualified stock option; and

   (d) Other amounts which received special tax benefits, such as premiums for group-term life insurance (but only to the extent the premiums are not includable in the gross income of the employee).

compensation shall include only that compensation which is actually paid or made available to the participant during the plan year.

A participant's compensation shall include any elective deferral described in Code section 402(g)(3) or any amount that is contributed by the employer at the election of the employee and that is not includable in the gross income of the employee under Code sections 125, 132(f)(4), or 457. The annual compensation of each participant taken into account under the plan for any year shall not exceed the compensation limit described in Code section 401(a)(17) as adjusted by the Secretary of the Treasury for increases in the cost of living in accordance with Code section 401(a)(17)(B). Such adjustments shall be made in multiples of $5,000 (the compensation limit for 2002 is $200,000). If a plan determines compensation for a period of time that contains fewer than 12 calendar months, then the annual compensation limit is an amount equal to the annual compensation limit for the calendar year in which the compensation period begins multiplied by a fraction, the numerator of which is the number of full months in the short compensation period, and the denominator of which is 12.

For purposes of Section Seven, compensation shall include any amount which is contributed by the employer as an Elective Deferral pursuant to a salary reduction agreement which is not includable in the gross income of the employee under Code section 402(h).

EARNED INCOME Means the net earnings from self-employment in the trade or business with respect to which the plan is established, for which personal services of the Self-Employed Individual are a material income-producing factor. Net earnings will be determined without regard to items not included in gross income and the deductions allocable to such items. Net earnings are reduced by contributions by the employer to a qualified plan or to a Simplified Employee Pension plan to the extent deductible under Code section 404.

Net earnings shall be determined with regard to the deduction allowed to the employer by Section 164(f) of the Code for taxable years beginning after December 31, 1989.

EMPLOYEE Means any person who is employed by the employer as a common law employee and, if the employer is a sole proprietorship or partnership, any Self-Employed Individual who performs services with respect to the trade or business of the employer as described in Code section 401(c)(1). Further, any employee of any other employer required to be aggregated under Code sections 414(b), (c), (m), or (o) and, unless otherwise indicated in the adoption agreement, any leased employee required to be treated as an employee of the employer under Code section 414(n) shall also be considered an employee.

EMPLOYER Means the Adopting employer and any successor who by merger, consolidation, purchase, or otherwise assumes the obligations of the plan. A partnership is considered to be the employer of each of the partners and a sole proprietorship is considered to be the employer of the sole proprietor.

If the Adopting employer is a member of a controlled group of corporations (as defined in Code section 414(b)), a group of trades or businesses under common control (as defined in Code section 414(c)), an affiliated service group (as defined in Code section 414(m)), or is required to be aggregated with any other entity as defined in Code section 414(o), then for purposes of the plan, the term employer shall include the other members of such groups or other entities required to be aggregated with the Adopting employer.

HIGHLY COMPENSATED EMPLOYEES A HCE is a participant described in Code section 414(q) who during the current or preceding year (a) was a five-percent owner of the employer as defined in Code section 416(i)(1)(B)(i); or (b) received compensation in excess of $80,000, as adjusted pursuant to Code section 414(q)(1).

IRA Means a traditional individual retirement account or traditional individual retirement annuity, which satisfies the requirements of Code section 408(a) or (b).

PARTICIPANT Means any employee who has met the eligibility requirements of Section Three of the plan, and who is or may become eligible to receive an employer Contribution.

PLAN Means the prototype SEP plan adopted by the employer that is intended to satisfy the requirements of Code section 408(k). The plan consists of the basic plan document plus the corresponding adoption agreement as completed and signed by the employer.

PLAN YEAR Means the 12-consecutive-month period which coincides with the employer's taxable year or such other 12-consecutive-month period as is designated in the adoption agreement.

PRIOR PLAN Means a plan which was amended or replaced by adoption of this plan, as indicated in the adoption agreement.

PROTOTYPE SPONSOR Means the entity specified in the adoption agreement that makes this prototype plan available to employers for adoption.

REGULATIONS Means the Treasury Regulations.

SELF-EMPLOYED INDIVIDUAL Means an individual who has Earned Income for a plan year from the trade or business for which the plan is established; also, an individual who would have had Earned Income but for the fact that the trade or business had no net profits for the plan year.

TAXABLE WAGE BASE Means, with respect to any taxable year, the contribution and benefit base in effect under Section 230 of the Social Security Act at the beginning of the plan year.

Section 1 Establishment and Purpose of Plan

1.01 **PURPOSE** The purpose of this plan is to provide, in accordance with its provisions, a Simplified Employee Pension plan providing benefits upon retirement for the individuals who are eligible to participate hereunder.

1.02 **INTENT TO QUALIFY** It is the intent of the employer that this plan shall be for the exclusive benefit of its employees and shall qualify for approval under Code section 408(k). This document is intended to conform with the applicable rules and procedures of the Internal Revenue Service (IRS) that apply to prototype Simplified Employee Pension plans.

1.03 **USE WITH IRA** This prototype plan must be used with an IRS model IRA (Form 5305 or Form 5305-A) or any other plan that satisfies Code section 408(a) or 408(b).

Section 2 Effective Dates

The Effective Date means the date the plan (or in the event a prior plan is amended, the restatement) becomes effective as indicated in the adoption agreement.

Section 3 Eligibility and Participation

3.01 **ELIGIBILITY REQUIREMENTS** Except for those employees described in Section 3.02 of the plan that are excluded as indicated in the adoption agreement, each employee of the employer who fulfills the eligibility requirements specified in the adoption agreement shall become a participant.

When the employer maintains the plan of a predecessor employer, an employee's service will include his or her service for such predecessor employer.

3.02 **EXCLUSION OF CERTAIN EMPLOYEES** The employer may exclude collective bargaining unit employees, non-resident aliens, and acquired employees, as defined in paragraphs (A) through (C) below, from participating in the plan. In addition, the employer may exclude employees earning less than the defined compensation threshold as defined in paragraph (D) below, pursuant to the conditions described therein.

A. Collective Bargaining Unit employees. A collective bargaining unit employee is an employee included in a unit of employees covered by a collective bargaining agreement between the employer and employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the employees who are covered pursuant to that agreement are professionals as defined in Regulations section 1.410(b)-9. For this purpose, the term "Employee representatives" does not include any organization more than half of whose members are employees who are owners, officers, or executives of the employer.

B. Non-Resident Aliens. A non-resident alien is an employee who is a non-resident alien (within the meaning of Code section 7701(b)(1)(B)) and who received no Earned Income (within the meaning of Code section 911(d)(2)) from the employer which constitutes income from sources within the United States (within the meaning of Code section 861(a)(3)).

C. Acquired employees. An acquired employee is an employee who would be employed by another employer that has been involved in an acquisition or similar transaction described under Code section 410(b)(6)(C) with the employer, had the transaction not occurred.

If elected on the adoption agreement, an acquired employee will not be eligible to become a participant in the plan during the period beginning on the date of the transaction and ending on the last day of the first plan year beginning after the date of the transaction.

D. compensation Amount. compensation for the purposes of the $450 limit of Code section 408(k)(2)(C) shall be defined as Code section 414(q)(7) compensation.

3.03 ADMITTANCE AS A PARTICIPANT

A. prior Plan. If this plan is an amendment or continuation of a prior plan, each employee of the employer who, immediately before the Effective Date, was a participant in the prior plan shall be a participant in this plan as of the Effective Date.

B. Notification of Eligibility. The employer shall notify each employee who becomes a participant of his or her status as a participant in the plan and of his or her duty to establish an IRA to which employer Contributions may be made.

C. Establishment of an IRA. If a participant fails to establish an IRA within a reasonable period of time after receiving notice from the employer pursuant to Section 3.03(B) of the plan, the employer may execute any necessary documents to establish an IRA on behalf of the participant.

3.04 DETERMINATIONS UNDER THIS SECTION The employer shall determine the eligibility of each employee to be a participant. This determination shall be conclusive and binding upon all persons except as otherwise provided herein or by law.

3.05 LIMITATION RESPECTING EMPLOYMENT Neither the fact of the establishment of the plan nor the fact that an employee has become a participant shall give to that employee any right to continued employment; nor shall either fact limit the right of the employer to discharge or to deal otherwise with an employee without regard to the effect such treatment may have upon the employee's rights under the plan.

Section 4 Contributions and Allocations

4.01 EMPLOYER CONTRIBUTIONS

A. Obligation to Contribute. An employer Contribution is the amount contributed by the employer to this plan. Except as otherwise indicated in the adoption agreement, the employer will contribute an amount to be determined from year to year. The employer may, in its sole discretion, make contributions without regard to current or accumulated earnings or profits.

B. Allocation Formula. employer Contributions shall be allocated in accordance with the allocation formula selected in the adoption agreement. Each employee who has satisfied the eligibility requirements pursuant to Section 3.01 of the plan (thereby becoming a participant) will share in such allocation.

Employer Contributions made for a plan year on behalf of any participant shall not exceed the lesser of 25 percent of compensation or $40,000, as adjusted under Code section 415(d). For purposes of the 25 percent limitation described in the preceding sentence, a participant's compensation does not include any elective deferral described in Code section 402(g)(3) or any amount that is contributed by the employer at the election of the participant and that is not includable in the gross income of the participant under Code sections 125, 132(f)(4), or 457, except as otherwise provided in Section 7.07(A) of the plan.

1. Pro Rata Allocation Formula. If the employer has selected the pro rata allocation formula in the adoption agreement, then employer Contributions for each plan year shall be allocated to the IRA of each participant in the same proportion as such participant's compensation for the plan year bears to the total compensation of all participants for such year.

2. Integrated Allocation Formula. If the employer has selected the integrated allocation formula in the adoption agreement, then employer Contributions for the plan year will be allocated to participants' IRAs as follows:

Step 1 employer Contributions will be allocated to each participant's IRA in the ratio that each participant's total compensation bears to all participants' total compensation, but not in excess of three percent of each participant's compensation.

Step 2 Any employer Contributions remaining after the allocation in Step One will be allocated to each participant's IRA in the ratio that each participant's compensation for the plan year in excess of the integration level bears to the compensation of all participants in excess of the integration level, but not in excess of three percent of the participant's compensation. For purposes of this Step Two, in the case of any participant who has exceeded the cumulative permitted disparity limit described below, such participant's total compensation for the calendar year will be taken into account.

Step 3 Any employer Contributions remaining after the allocation in Step Two will be allocated to each participant's IRA in the ratio that the sum of each participant's total compensation and compensation in excess of the integration level bears to the sum of all participants' total compensation and compensation in excess of the integration level, but not in excess of the maximum disparity rate described in the table below. For purposes of this Step Three, in the case of any participant who has exceeded the cumulative permitted disparity limit described below, two times such participant's total compensation for the calendar year will be taken into account.

Step 4 Any employer Contributions remaining after the allocation in Step Three will be allocated to each participant's IRA in the ratio that each participant's total compensation for the plan year bears to all participants' total compensation for that plan year.

The integration level shall be equal to the Taxable Wage Base or such lesser amount elected by the employer in the adoption agreement.

Integration Level	Maximum Disparity Rate
Taxable Wage Base (TWB)	2.7%
More than $0 but not more than X*	2.7%
More than X* of TWB but not more than 80% of TWB	1.3%
More than 80% of TWB but not more than TWB	2.4%

*X means the greater of $10,000 or 20% of TWB.

Annual overall permitted disparity limit.

Notwithstanding the preceding paragraphs, for any calendar year this plan benefits any participant who benefits under another Simplified Employee Pension plan or qualified plan described in Code section 401(a) maintained by the employer that provides for permitted disparity (or imputes disparity), employer Contributions under this plan will be allocated to each participant's IRA in the ratio that the participant's total compensation for the calendar year bears to all participants' total compensation for that year.

Cumulative permitted disparity limit. If the participant has not benefited under a defined benefit or target benefit plan for any year beginning on or after January 1, 1994, the participant has no cumulative permitted disparity limit. Effective for calendar years beginning on or after January 1, 1995, the cumulative permitted disparity limit for a participant who has benefited under a defined benefit or target benefit plan is 35 total cumulative permitted disparity years. Total cumulative permitted disparity years means the number of years credited to the participant for allocation or accrual purposes under this plan or any other Simplified Employee Pension plan or any qualified plan described in Code section 401(a) (whether or not terminated) ever maintained by the employer. For purposes of determining the participant's cumulative permitted disparity limit, all years ending in the same calendar year are treated as the same year.

C. Timing of employer Contribution. employer Contributions, if any, made on behalf of participants for a plan year shall be allocated and deposited to the IRA of each participant no later than the due date for filing the employer's tax return (including extensions).

4.02 TOP-HEAVY PLAN The following mandatory minimum allocation applies when this plan is a top heavy plan:

Unless another plan of the employer is designated in the adoption agreement to satisfy the top heavy requirements of Code section 416, each year this plan is a top heavy plan, the employer will make a minimum contribution to the IRA of each participant who is not a Key employee of at least three percent of the participant's compensation. However, in the event that no Key employee receives a contribution (including elective deferrals) of three percent or more for the applicable plan year, the participant who is not a Key employee need only receive a contribution which is no less than the highest contribution percentage received by any Key employee.

For purposes of satisfying the minimum contribution requirement of Code section 416, all employer Contributions under the plan shall be taken into account, but elective deferrals shall not be taken into account.

A Key employee is any employee or former employee or beneficiary(ies) of such employee who at any time during the preceding plan year was (a) an officer of the employer with compensation greater than $130,000 (as adjusted under Code section 416(i)(1)(A)); (b) a 5% owner of the employer as defined in Code section 416(i)(1)(B)(i); or (c) a 1% owner of the employer with compensation greater than $150,000.

This plan is a top heavy plan for a plan year if, as of the last day of the preceding plan year (or current plan year if this is the first year of the plan), the total of employer Contributions made on behalf of Key employees for all the years this SEP has been in existence exceeds 60% of such contributions for all employees. If the employer maintains (or maintained within the preceding plan year) any other SEP or qualified plan in which a Key employee participates (or participated), the contributions, account balances, or present value of accrued benefits, whichever is applicable, must be aggregated with the contributions made under this plan. The contributions (and account balances and present value of accrued benefits, if applicable) of an employee who ceases to be a Key employee, or of an individual who has not performed services for the employer in the preceding plan year, shall be disregarded. The identification of Key employees and the top heavy calculation shall be determined in accordance with Code section 416 and any guidance issued thereunder.

4.03 VESTING AND WITHDRAWAL RIGHTS All employer Contributions made under the plan on behalf of employees shall be fully vested and nonforfeitable at all times. Each employee shall have an unrestricted right to withdraw at any time all or a portion of the employer Contributions made on his or her behalf. However, withdrawals taken are subject to the same taxation and penalty provisions of the Code, which are applicable to IRA distributions.

4.04 SIMPLIFIED EMPLOYER REPORTS The employer shall furnish participant reports, relating to contributions made under the plan, in the time and manner and containing the information prescribed by the Secretary of the Treasury. Such reports shall be furnished at least annually and shall disclose the amount of the contribution made under the plan to the participant's IRA.

4.05 DEDUCTIBILITY OF CONTRIBUTIONS Contributions to the plan are deductible by the employer for the taxable year with or within which the plan year of the plan ends. Contributions made for a particular taxable year and contributed by the due date of the employer's income tax return, including extensions, are deemed made in that taxable year.

Section 5 Compensation and Plan Year Elections

Except as otherwise provided in the adoption agreement, compensation shall mean W-2 wages and the plan year shall mean the 12-consecutive-month period which coincides with the Adopting employer's fiscal year.

Section 6 Amendment or Termination of Plan

6.01 AMENDMENT BY EMPLOYER The employer reserves the right to amend the elections made or not made in the adoption agreement by executing a new adoption agreement. The employer shall neither have the right to amend any nonelective provision of the adoption agreement nor the right to amend provisions of this basic plan document. If the employer adopts an amendment to the adoption agreement or basic plan document in violation of the preceding sentence, the plan will be deemed to be an individually designed plan and may no longer participate in this prototype plan.

6.02 AMENDMENT OR TERMINATION OF SPONSORSHIP BY PROTOTYPE SPONSOR The employer, by adopting the plan, expressly delegates to the Prototype Sponsor the power, but not the duty, to amend the plan without any further action or consent of the employer as the Prototype Sponsor deems either necessary for the purpose of adjusting the plan to comply with all laws and applicable Regulations governing Simplified Employee Pension plans, or desirable to the extent consistent with such laws and applicable Regulations. Specifically, it is understood that the amendments may be made unilaterally by the Prototype Sponsor. However, it shall be understood that the Prototype Sponsor shall be under no obligation to amend the plan documents and the employer expressly waives any rights or claims against the Prototype Sponsor for not exercising this power to amend.

An amendment by the Prototype Sponsor shall be accomplished by giving notice to the Adopting employer of the amendment to be made. The notice shall set forth the text of such amendment and the date such amendment is to be effective. Such amendment shall take effect unless, within the 30-day period after such notice is provided, or within such shorter period as the notice may specify, the Adopting employer gives the Prototype Sponsor written notice of refusal to consent to the amendment. Such written notice of refusal shall have the effect of withdrawing the plan as a prototype plan and shall cause the plan to be considered an individually designed plan. The right of the Prototype Sponsor to cause the plan to be amended shall terminate should the plan cease to conform as a prototype plan as provided in this or any other section.

In addition to the amendment rights described above, the Prototype Sponsor shall have the right to terminate its sponsorship of this plan by providing notice to the Adopting employer of such termination. Such termination of sponsorship shall have the effect of withdrawing the plan as a prototype plan and shall cause the plan to be considered an individually designed plan. The Prototype Sponsor shall have the right to terminate its sponsorship of this plan regardless of whether the Prototype Sponsor has terminated sponsorship with respect to other employers adopting its prototype plan.

6.03 LIMITATIONS ON POWER TO AMEND No amendment by either the employer or the Prototype Sponsor shall reduce or otherwise adversely affect any participant's benefits acquired prior to such amendment unless it is required to maintain compliance with any law, regulation, or administrative ruling pertaining to Simplified Employee Pension plans.

6.04 TERMINATION While the employer expects to continue the plan indefinitely, the employer shall not be under any obligation or liability to continue contributions or to maintain the plan for any given length of time. The employer may terminate this plan at any time by appropriate action of its managing body.

6.05 NOTICE OF AMENDMENT OR TERMINATION Any amendment or termination shall be communicated by the employer to all appropriate parties as required by law. Amendments made by the Prototype Sponsor shall be furnished to the employer and communicated by the employer to all appropriate parties as require by law.

6.06 CONTINUANCE OF PLAN BY SUCCESSOR EMPLOYER A successor of the employer may continue the plan and be substituted in the place of the present employer.

6.07 SENDING OF NOTICES To the extent written instructions or notices are required under this plan, the Prototype Sponsor or employer may accept or provide such information in any other form permitted by the Code or related Regulations. Any required notice will be considered effective when it is sent to the intended recipient at the last known address which is on file with the provider of the notice.

6.08 LIMITATION OF LIABILITY The Prototype Sponsor, trustee, custodian, or issuer of this plan shall not be liable for any losses incurred by the IRA by any direction to invest communicated by the employer, or any participant or beneficiary. It is specifically understood that the Prototype Sponsor, trustee, custodian, or issuer shall have no duty or responsibility with respect to the determination of the adequacy of contributions to the plan and enforcing the payment of such contributions. In addition, it is specifically understood that the Prototype Sponsor, trustee, custodian, or issuer shall have no duty or responsibility with respect to the determination of matters pertaining to the eligibility of any employee to become a participant or remain a participant hereunder; it being understood that all such responsibilities under the plan are vested in the employer. Finally, it is specifically understood that the Prototype Sponsor shall have no responsibility for IRAs maintained by participants at IRA trustees, custodians, or issuers other than the Prototype Sponsor.

Section 7 Salary deferral SEP Provisions

In addition to Sections One through Six of the plan, the provisions of Section Seven shall apply if the Adopting employer is an eligible employer and has adopted a salary deferral simplified employee pension plan (SARSEP) by indicating in the adoption agreement that elective deferrals are permitted. The elective deferrals will be contributed by the employer to the IRA established by or on behalf of each Contributing participant to accept contributions made under this SARSEP.

This plan is an amendment to the Adopting employer's existing SARSEP that is intended to qualify under Code section 408(k)(6) and any guidance issued thereunder. This amendment shall be effective upon adoption.

7.01 ELECTIVE DEFERRALS AND CATCH-UP CONTRIBUTIONS elective deferrals shall be permitted for a plan year only if (a) not less than 50% of the employees eligible to participate elect to have elective deferrals made to the plan on their behalf; and (b) the employer had no more than 25 employees at all times during the prior plan year who were eligible to participate in the plan.

Subject to the limits described in Section 7.07 of the plan, the amount of elective deferrals so contributed shall be the amount required by the salary reduction agreements of Contributing participants.

A. elective deferrals. elective deferrals are contributions made by the employer on behalf of a Contributing participant pursuant to Section 7.07 of the plan. elective deferrals shall be deemed to be employer Contributions for purposes of (a) the contribution limits described in Section 4.01(B) of the plan; (b) the vesting and withdrawal rights described in Section 4.03 of the plan; and (c) determining whether this plan is a top heavy plan as described in Section 4.02 of the plan.

Elective deferrals made on behalf of Contributing participants for a plan year shall be allocated and deposited to the IRA of each Contributing participant by the earlier of (1) the first date on which such elective deferrals can be reasonably segregated from the employer's general assets or (2) 15 business days after the end of the month in which the elective deferrals were deducted.

No elective deferrals may be based on compensation a participant received, or had a right to receive, before execution of a salary reduction agreement by the participant.

B. Catch-Up Contribution. Unless otherwise specified in Section Seven in the adoption agreement, an eligible employee who will attain age 50 on or before the end of the calendar year can elect to have his or her elective deferrals increased above the otherwise applicable limits specified in the plan made by the employer, above any dollar or percentage limit applicable to eligible employees. The additional amount shall not be greater than $1,000 for 2002, $2,000 for 2003, $3,000 for 2004, $4,000 for 2005, and $5,000 for 2006 and later years. After 2006, the additional amount will be adjusted by the Secretary of the Treasury for cost of living increases under Code section 414(v)(2)(C). Such adjustments will be in multiples of $500. Catch-Up Contributions will be determined in accordance with Code section 414(v) and any guidance issued thereunder.

7.02 REQUIREMENTS TO ENROLL AS A CONTRIBUTING PARTICIPANT A Contributing participant is an employee who has met the eligibility requirements and who has enrolled as a Contributing participant pursuant to this Section of the plan and on whose behalf the employer is contributing elective deferrals. Each employee who becomes a participant may enroll as a Contributing participant. A participant shall be eligible to enroll as a Contributing participant on the first day of any plan year, the first day of the seventh month of any plan year and any more frequent dates as the employer may designate in a uniform and nondiscriminatory manner.

7.03 SALARY REDUCTION AGREEMENT A participant may elect to have elective deferrals made under this plan through either single-sum or continuing contributions, or both, pursuant to a salary reduction agreement. The employer shall contribute to each Contributing participant's IRA the amount of elective deferrals chosen by the Contributing participant.

A. Modification of Salary Reduction Agreement. A Contributing participant may modify his or her salary reduction agreement to increase or decrease (within the limits placed on elective deferrals in the adoption agreement) the amount of his or her compensation deferred into his or her IRA under the plan. Such modification may only be made prospectively effective as of the first day of any plan year, the first day of the seventh month of any plan year, and any more frequent dates as the employer may designate in a uniform and nondiscriminatory manner. A Contributing participant who desires to make such a modification shall complete, sign, and file a new salary reduction agreement with the employer at least 30 days (or such lesser period of days as the employer shall permit in a uniform and nondiscriminatory manner) before the modification is to become effective.

B. Withdrawal as a Contributing participant. A participant may withdraw as a Contributing participant as of the last date preceding the first day of any plan year, the first day of the seventh month of any plan year, and any more frequent dates as the employer may designate in a uniform and nondiscriminatory manner. A participant shall withdraw as a Contributing participant by revoking his or her authorization to the employer to make elective deferrals on his or her behalf. A participant who desires to withdraw as a Contributing participant shall give written notice of withdrawal to the employer at least 30 days (or such lesser period of days as the employer shall permit in a uniform and nondiscriminatory manner) before the effective date of withdrawal. A participant shall cease to be a Contributing participant upon his or her termination of employment, or on account of termination of the plan.

C. Return as Contributing participant After Withdrawal. A participant who has withdrawn as a Contributing participant under Section 7.03(B) of the plan may not become a Contributing participant again until the first day of the first plan year following the effective date of his or her withdrawal as a Contributing participant.

7.04 ACTUAL DEFERRAL PERCENTAGE (ADP)TEST LIMITS

A. Excess Contributions. elective deferrals (other than Catch-Up Contributions determined before application of the deferral percentage limitation) by a HCE must satisfy the actual deferral percentage (hereinafter "ADP") limitation under Code section 408(k)(6). The ADP of any HCE who is eligible to be a Contributing participant shall not be more than the product obtained by multiplying the average of the ADPs of all non-HCEs who are eligible to become Contributing participants during the plan year by 1.25. For purposes of this Section of the plan, an employee's ADP is the ratio (expressed as a percentage) of his or her elective deferrals (other than Catch-Up Contributions) for the plan year to his or her compensation for the plan year. The ADP of an employee who is eligible to be a Contributing participant but who does not make elective deferrals during the plan year is zero. The determination of the ADP for any employee is to be made in accordance with Code sections 408(k)(6) and 414(v) and any guidance issued thereunder.

Amounts in excess of the ADP limitation will be deemed Excess Contributions on behalf of the HCE or employees.

B. Distribution of Excess Contributions. The employer shall notify each affected participant who is a HCE, within 2 ½ months following the end of the plan year to which the SEP plan contributions relate, of any Excess Contributions to such participant's IRA for the applicable plan year. Such notification shall specify the amount of the Excess Contributions and the calendar year in which the contributions are includable in income, and must provide an explanation of applicable penalties

if the Excess Contributions are not withdrawn in a timely manner. Excess Contributions of a Contributing participant who will attain age 50 on or before the end of the calendar year are not includable in income and do not have to be withdrawn to the extent such Contributing participant has not reached the Catch-Up Contribution limit for the plan year to which the Excess Contributions relate.

Excess Contributions that are includable in the Contributing participant's gross income are includable on the earliest dates any elective deferrals made on behalf of the Contributing participant during the plan year would have been received by the Contributing participant had he or she originally elected to receive the amounts in cash. However, if such Excess Contributions (not including allocable income) total less than $100, then the Excess Contributions are includable in the Contributing participant's gross income in the year of notification. Income allocable to such Excess Contributions is includable in the year of withdrawal from the IRA.

If the employer fails to notify any of the affected Contributing participants within 2 ½ months following the end of the plan year of an Excess Contribution, the employer must pay a tax equal to 10 percent of the Excess Contribution. If the employer fails to notify Contributing participants by the end of the plan year following the plan year in which the Excess Contributions arose, the SEP plan no longer will be considered to meet the requirements of Code section 408(k)(6). If the SEP plan no longer meets the requirements of Code section 408(k)(6), then any contribution to a Contributing participant's IRA will be subject to the IRA contribution limitations of Code sections 219 and 408 and thus may be considered an Excess Contribution to the Contributing participant's IRA.

The notification to each affected Contributing participant of the Excess Contributions must specifically state, in a manner calculated to be understood by the average Contributing participant:

(a) the amount of the Excess Contributions attributable to that Contributing participant's elective deferrals;

(b) the calendar year in which the Excess Contributions are includable in gross income, to the extent applicable; and

(c) to the extent applicable, that the Contributing participant must withdraw the Excess Contributions (and allocable income) from the IRA by April 15 following the year of notification by the employer. Those Excess Contributions not withdrawn by April 15 following the year of notification will be subject to the IRA contribution limitations of Code sections 219 and 408 for the preceding calendar year and thus may be considered an Excess Contribution to the Contributing participant's IRA. Such Excess Contributions may be subject to the 6% tax on Excess Contributions under Code section 4973. If income allocable to an Excess Contribution is not withdrawn by April 15 following the year of notification by the employer, the income may be subject to the 10% tax on early distributions under Code section 72(t) when withdrawn.

7.05 RESTRICTION ON TRANSFERS AND WITHDRAWALS

The employer shall notify each Contributing participant who makes an Elective Deferral for a plan year that, notwithstanding the prohibition on withdrawal restrictions contained in this plan, any amount attributable to such elective deferrals which is withdrawn or transferred before the earlier of 2½ months after the end of the particular plan year and the date the employer notifies its employees that the ADP limitations have been calculated, will be includable in income for purposes of Code sections 72(t) and 408(d)(1).

7.06 PARTICIPATION REQUIREMENT

A. Disallowed Deferrals. If the 50-percent participation requirement described in this Section of the plan is not satisfied as of the end of any plan year, all elective deferrals made by Contributing participants for that plan year shall be considered Disallowed Deferrals (i.e., IRA contributions that are not SEP contributions).

B. Distribution of Disallowed Deferrals. The employer shall notify each Contributing participant, within 2 ½ months after the end of the plan year to which the Disallowed Deferrals relate, that the amounts are no longer considered elective deferrals. Such notification shall specify the amount of the Disallowed Deferrals and the calendar year in which they are includable in income and must provide an explanation of applicable penalties if the Disallowed Deferrals are not withdrawn in a timely fashion.

The notice to each Contributing participant must state specifically

(a) the amount of the Disallowed Deferrals;

(b) that the Disallowed Deferrals are includable in the Contributing participant's gross income for the calendar year or years in which the amounts deferred would have been received by the Contributing participant in cash had he or she not made an election to defer and that the income allocable to such Disallowed Deferrals is includable in the year withdrawn from the IRA; and

(c) that the Contributing participant must withdraw the Disallowed Deferrals (and allocable income) from the IRA by April 15 following the calendar year of notification by the employer. Those Disallowed Deferrals not withdrawn by April 15 following the year of notification will be subject to the IRA contribution limitations of Code sections 219 and 408 and thus may be considered an Excess Contribution to the Contributing participant's IRA. Disallowed Deferrals may be subject to the 6% tax on Excess Contributions under Code section 4973. If income allocable to a Disallowed Deferral is not withdrawn by April 15 following the year of notification by the employer, the income may be subject to the 10% tax on early distributions under Code section 72(t) when withdrawn.

Disallowed Deferrals are reported in the same manner as are Excess Contributions.

7.07 INDIVIDUAL LIMITATION ON CONTRIBUTIONS

A. Maximum Deferral Amount. Under no circumstances may a Contributing participant's elective deferrals in any calendar year exceed the lesser of 25% of his or her compensation (determined without including the salary deferral contributions) or the limitation under Code section 402(g)(1) (without regard to Code section 402(g)(1)(C)) based on all of the plans of the employer, unless the Contributing participant will attain age 50 on or before the end of the calendar year. For such Contributing participant, the limits in this paragraph are increased by the Catch-Up Contribution limit for the year. The limitation under Code section 402(g)(1) (without regard to Code section 402(g)(1)(C)) is $11,000 for 2002, $12,000 for 2003, $13,000 for 2004, $14,000 for 2005, and $15,000 for 2006 and later years. After 2006, the limitation may be adjusted by the Secretary of the Treasury for cost of living increases under Code section 402(g)(4). Such adjustments will be in multiples of $500.

If an employee exceeds the limitation as described under Section 7.07(A) of the plan, those elective deferrals made by the Contributing participant for the calendar year will be considered Excess elective deferrals.

B. Distribution of Excess elective deferrals. To the extent that a Contributing participant's elective deferrals (other than Catch-Up Contributions determined before application of the ADP limitation) for a calendar year exceed the limits described in Section 7.07(A) of the plan for that particular calendar year, the Contributing participant must withdraw the Excess elective deferrals (and any income allocable to such amount) by April 15 following the year of the deferral. Excess elective deferrals of a Contributing participant who will attain age 50 on or before the end of the calendar year are not includable in income and do not have to be withdrawn to the extent such Contributing participant has not reached the Catch-Up Contribution limit for the plan year to which the Excess elective deferrals relate.

C. Other. If an employer maintains any other SEP plan to which employer Contributions are made for a plan year, or any qualified plan to which contributions are made for such plan year, then employer Contributions may be limited to the extent necessary to satisfy the maximum contribution limitation under Code section 415(c)(1)(A) ($40,000 for 2002).

In addition to the dollar limitation of Code section 415(c)(1)(A), employer Contributions under this plan, when aggregated with contributions to all other SEP plans and qualified plans of the employer, generally may not exceed 100 percent of compensation for any Contributing participant. If these limits are exceeded on behalf of any Contributing participant for a particular plan year, that Contributing participant's elective deferrals for that year must be reduced to the extent of the excess.

Each Contributing participant's elective deferrals under this plan may be based only on the first $200,000 of compensation (as adjusted for increases in the cost of living in accordance with Code section 401(a)(17)(B)).

Section 8 Employer Signature

Section Eight of the adoption agreement must contain the signature of an authorized representative of the Adopting employer evidencing the employer's agreement to be bound by the terms of the basic plan document and adoption agreement.

Employee questions and answers

1. Q: What is a SEP plan?

A. A simplified employee pension (SEP) plan is a retirement income arrangement under which your employer may contribute, generally in the form of discretionary contributions or retirement savings contributions, certain amounts to your own traditional individual retirement account or traditional individual retirement annuity both referred to as IRA.

Your employer will provide you with a copy of the SEP summary for employees, which contains participation requirements and a description of the basis on which employer contributions may be made to your IRA.

All amounts contributed to your IRA by your employer belong to you, even after you leave the employment of that employer.

2. Q: What are discretionary contributions?

A: Discretionary contributions are contributions that may be made by your employer for you to your IRA. Whether or not your employer makes a discretionary contribution is entirely up to your employer. If a discretionary contribution is made under the SEP plan, it must be divided among all the eligible employees according to the allocation formula your employer has selected.

3. Q: What are fixed-percent-of-profits contributions?

A: Fixed-percent-of-profits contributions are contributions of a percentage of company profits that are made to your IRA if your employer has profits in excess of a stated dollar amount.

4. Q: How will contributions be allocated to my IRA?

A: Refer to the SEP summary for employees form to see whether your employer has selected the pro rata, flat dollar, or integrated formula.

- If your employer has selected the **pro rata formula**, contributions on behalf of each eligible employee will be the same percentage of compensation for all employees.
- If your employer has selected the **flat dollar formula**, the employer contribution will be allocated equally, resulting in each employee receiving the same dollar amount.
- If your employer has selected the **integrated formula**, see Question 23.

  When calculating contributions to be made to the SEP plan, an employee's compensation above $305,000 for 2022 and $330,000 for 2023 will not be included. This amount is increased by the IRS periodically based on cost-of-living adjustments (COLA).

  The law prohibits your employer from making contributions that discriminate in favor of highly compensated employees (HCEs).

5. Q: Who are eligible employees?

A: Eligible employees are employees who have satisfied the minimum age, service, and compensation requirements set by your employer and specified in the SEP summary for employees. An employee who satisfies those eligibility requirements is entitled to participate in the SEP. The participation requirements for the right to receive a discretionary contribution are the same as the participation requirements for the right to make elective deferrals under a salary deferral SEP plan.

Questions 6 through 10 apply only to salary deferral SEP plans.

See the **SEP summary for employees** to find out what type of SEP plan your employer has adopted.

6. Q: What are elective deferrals?

A: Elective deferrals are contributions that may be made at your election, out of your salary or wages, by your employer to your IRA. Although you agree to set aside, or defer, a portion of your salary or wages to your IRA, elective deferrals are considered to be contributions made by your employer since your employer pays your salary or wages. Elective deferrals can be made on your behalf to your IRA only if your employer has adopted a SEP plan with a salary deferral feature (salary deferral SEP).

7. Q: Why would I want to defer a portion of my salary as an elective deferral?

A: Elective deferrals are not includable in your income. For example, if your current salary is $50,000 per year and you elect to defer 10% of your salary to your IRA, for income-tax purposes, you are considered to have earned a salary of only $45,000 for the year. Thus, you will pay less in taxes and be able to put away a sizable sum for your retirement if you decide to participate in a salary deferral SEP.

8. Q: How much of my salary can I defer to my IRA under a salary deferral SEP?

A: If you participate in a salary deferral SEP, you may defer up to $20,500 for 2022 and $22,500 for 2023. This limit is subject to COLA. However, your employer may set a limit on the percentage of your salary that you may defer, which might yield an amount less than this limit. See the SEP summary for employees for the percentage of salary limit that applies to you.

9. Q: What are catch-up deferrals under a salary deferral SEP?

A: If you are age 50 before the close of the year, you may make additional elective deferrals under a salary deferral SEP. The additional amounts are $6,500 for 2022 and $7,500 for 2023. This limit is subject to COLA.

10. Q: How do I make an election to defer my salary under a salary deferral SEP?

A: If you are an eligible employee (see Question 5), you make such an election by signing a salary reduction agreement (which will be provided to you by your employer) and delivering it to your employer.

11. Q: How much may my employer contribute to my IRA in any year?

A: The sum of discretionary contributions plus elective deferrals for any year is limited to the lesser of $40,000 or 25% of your compensation for that year ($61,000 for 2022 and $66,000 for 2023). This limit may be increased by the IRS for changes in the cost of living. The compensation used to determine this limit does not include any amount that is contributed by your employer as contributions to your IRA under the SEP. Remember, if your employer has chosen a contribution formula, the SEP plan does not require your employer to maintain a particular level of discretionary contributions. It is possible that, for a given year, no discretionary contributions will be made on your behalf; however, if you were eligible to and did opt to make elective deferrals under the SEP, then your employer must make elective deferrals for you. (Also see Question 13.)

12. Q: How do I treat my employer's SEP contributions on my taxes?

A. The amount your employer contributes to the SEP plan (as a discretionary contribution or elective deferral) is excludable from your gross income (subject to the $40,000 or 25% of compensation limitation mentioned above and the elective deferral limitation mentioned in the answer to Question 8) and is not includable as taxable wages on your Form W-2.

13. Q: May I also contribute to my IRA if I am a participant in a SEP?

A: Yes. You may still contribute the lesser of the applicable limit or 100% of your compensation to an IRA. However, as a participant in a SEP, you would be considered an active participant in an employer-maintained retirement plan and, therefore, you may or may not be able to deduct your traditional IRA contribution, depending on your modified adjusted gross income and which type of tax return you file (single individual, married filing jointly, or married filing separately). (You may also be eligible to contribute to a Roth IRA.)

14. Q: What if I do not want an IRA?

A: Under the tax rules that apply to SEPs, for an employer to have a valid SEP, all eligible employees must establish IRAs. Your employer may require that you become a participant in the SEP and set up an IRA as a condition of employment. If one or more eligible employees do not participate and the employer attempts to maintain a SEP plan with the remaining employees, there may be adverse tax consequences for both the employer and the employees.

15. Q: Can I select the financial organization where I set up the IRA that is to receive the SEP contributions made on my behalf?

A: Generally, you may select the financial organization where you set up the IRA that is to receive SEP plan contributions made on your behalf.

16. Q: Can I move assets from my IRA to another tax-deferred IRA?

A. Yes. You can withdraw contributions from your IRA and, no more than 60 days after your receipt of the assets, place such assets into another IRA. This is called a rollover and may not be done without tax penalty more frequently than at one-year intervals. However, there are no restrictions on the number of times you may make transfers if you arrange to have such assets transferred directly between IRA trustees (or custodians) so that you never have possession of the assets. **Note:** If your plan permits elective deferrals, refer to Section XI in the employee information in the following section for a description of certain transfer restrictions.

17. Q: What happens if I withdraw my employer's contributions from my IRA?

A. If you do not want to leave the employer's discretionary contribution in your IRA, you may withdraw it at any time, but any amount withdrawn is includable in your income and will be taxed. Also, if you take withdrawals before you reach age 59½, and those withdrawals do not satisfy a penalty exception (e.g., due to disability), you may be subject to a 10% IRS penalty tax. **Note:** If your plan permits elective deferrals, refer to Section XI in the employee information in the following section for a description of additional withdrawal restrictions.

18. Q: May I participate in a SEP even though I am covered by another plan?

A. Yes. You can participate in a SEP (other than a SEP that uses the IRS's model SEP document) even though you participate in another qualified retirement plan (such as a pension or profit sharing plan) of the same employer. However, the combined contribution limits are subject to certain limitations described in Section 415 of the Code. Also, if you work for several employers, you may be covered by the SEP plan of one employer and a SEP, pension, or profit sharing plan of another employer.

19. Q: What happens if my employer makes too large of a contribution to my IRA in one year?

A. If your employer makes a contribution to your IRA that exceeds the annual limit, your employer may correct the error, with your consent, by requesting that a distribution of the excess and its earnings be returned to your employer. If the excess amount and the related earnings are returned to your employer, it is not included in your taxable income. Although rare, it is possible that your employer may leave the excess contribution in your IRA. **Note:** Refer to Sections II, VII, and VIII in the employee information in the following section on how to handle excesses made to a salary deferral SEP plan.

20. Q: Do I need to file any additional forms with the IRS because I participate in a SEP?

A. No, there is no need to file any additional forms to the IRS.

21. Q: Is my employer required to provide me with information about IRAs and the SEP plan?

A. Yes. Your employer must provide you with a notice that a SEP has been established (see the SEP summary for employees), along with this employee information kit, and give you a statement each year showing any contribution to your IRA.

22. Q: Is the financial organization where I establish my IRA also required to provide me with information?

A: Yes. It must provide you with a disclosure statement that contains the following items of information in plain, nontechnical language:

(1) the statutory requirements that relate to your IRA;

(2) the tax consequences that follow the exercise of various options and what those options are;

(3) eligibility rules and rules on the deductibility and nondeductibility of retirement savings;

(4) the circumstances and procedures under which you may revoke your IRA, including the name, address, and phone number of the person designated to receive notice of revocation (this explanation must be prominently displayed at the beginning of the disclosure statement);

(5) explanations of when penalties may be assessed against you because of specified prohibited or penalized activities concerning your IRA; and

(6) financial disclosure information that:

(a) either projects the growth in value of your IRA under various contribution and retirement schedules or describes the method of computing and allocating annual earnings and charges that may be assessed;

(b) describes whether and for what period the growth projections for the plan are guaranteed, or a statement of the earnings rate and terms on which the projection is based;

(c) states the sales commission to be charged in each year expressed as a percentage of $1,000 (basis points); and

(d) states the proportional amount of any nondeductible life insurance that may be a feature of your IRA.

For a more complete explanation of the disclosure requirements, see *Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs),* available at most IRS offices.

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

23. Q: My employer has indicated in the SEP summary for employees that contributions will be allocated using the integrated formula. What does this mean and how does it affect me?

A: If the plan uses the integrated formula, the employer contribution for employees who have compensation in excess of the integration level will be a higher percentage than the contribution made for employees whose compensation is below the integration level. The integration level is indicated on the SEP summary for employees.

Allocating contributions under the integrated formula involves a four-step process:

Step 1: An amount is allocated for each eligible employee not in excess of 3% of the employee's total compensation.

Step 2: Eligible employees with compensation greater than the integration level receive an allocation not in excess of 3% of their compensation above the integration level.

Step 3: Any employer discretionary contribution remaining after the allocation in Step 2 is allocated pro rata to each eligible employee based on the sum of the employee's total compensation plus the employee's compensation above the integration level. The percentage allocated in this step cannot be more than a certain amount, which varies depending on the integration level selected, as described below.

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

Step 4

Any employer contribution remaining after the allocation in Step 3 is allocated pro rata to eligible employees based on their total compensation.

Example: The Big Apple Corporation maintains a SEP plan that uses the integrated allocation formula. The integration level is the TWB ($147,000 for 2022 and $160,20 for 2023). For 2023, the company will make a contribution of $20,000. The chart below shows the qualifying participants of Big Apple Corporation and their compensation and how the employer contribution will be allocated to the IRAs of eligible employees.

Employee	Compensation	Step 1	Step 2	Step 3	Step 4	Total allocation	Allocation as a % of compensation
SUE	$190,000	5,700	$894	$5,935	$2,145	$14,674	7.7%
SAL	58,000	1,740	0	1,566	653	3,959	6.8%
SAM	20,000	600	0	540	227	1,367	6.8%
Total	**$268,000**	**$8,040**	**$894**	**$8,041**	**$3,025**	**$20,000**	—
Remaining to be allocated	**$20,000**	**$11,960**	**$11,066**	**$3,025**	—	—	—

Employee information

Notice to employees: The following information explains what a simplified employee pension (SEP) plan is, how contributions are made, and how to treat these contributions for tax purposes.

For more specific information, refer to the SEP agreement itself and the accompanying SEP summary for employees.

I. SEP—Defined

A SEP is a retirement income arrangement. In this elective SEP, you may choose to defer compensation to your own individual retirement account or individual retirement annuity (both referred to as IRA). You may base these elective deferrals either on a salary reduction arrangement or on bonuses that, at your election, may be contributed to an IRA or received in cash. This type of elective SEP is available only to an employer with 25 or fewer eligible employees.

Your employer must provide you with a copy of the SEP agreement, which contains eligibility requirements and a description of the basis on which contributions may be made.

All amounts contributed to your IRA belong to you, even after you quit working for your employer.

II. ELECTIVE DEFERRALS—May be disallowed

You are not required to make elective deferrals to this SEP plan. However, if more than half of your employer's eligible employees choose not to make elective deferrals in a particular year, then no employee may participate in your employer's elective SEP for that year. If you make elective deferrals during a year in which this happens, then your deferrals for that year will be disallowed.

With your consent, your employer may remove the disallowed excess deferrals adjusted for earnings and return them to you. Your employer must inform you that the distribution of the excess amount is not eligible for tax-free rollover treatment and that the amount distributed is included as income in the year the excess is distributed to you. In some rare cases, your employer may leave the excess contribution in your IRA, again requiring that you include the excess contribution in your income but for the year the amount was deferred.

III. ELECTIVE DEFERRALS—Annual limitation

The maximum amount that you may defer to this SEP for any calendar year is limited to the lesser of 25% of compensation (determined without including the SEP contribution) or the dollar limit under Section 402(g) of the Internal Revenue Code (Code). The annual elective deferral limit under Section 402(g) of the Code may not exceed $20,500 for 2022 and $22,500 for 2023. These amounts are indexed for cost-of-living adjustments (COLA).

If you are age 50 by the end of the year, you may make additional catch-up deferrals of $6,500 (for 2022) and $7,500 (for 2023) under this salary deferral SEP. This amount is indexed for COLA.

The 25% limit may be reduced if your employer also maintains a SEP to which nonelective contributions are made for a plan year. In that case, total contributions on your behalf to all such SEPs and qualified plans may not exceed the lesser of $61,000 for 2022 and $66,000 for 2023 (subject to COLA) or 25% of your compensation. If these limits are exceeded, the amount you may elect to contribute to this SEP for the year will be correspondingly reduced.

The dollar limit under Code Section 402(g) is an overall limit on the maximum amount that you may defer in each calendar year to all elective SEPs and cash or deferred arrangements under Code Section 401(k), 403(b), or 408(p), regardless of how many employers you may have worked for during the year. The Section 402(g) limit is indexed according to the COLA.

If you are a highly compensated employee (HCE), there may be a further limit on the amount that you may contribute to a SEP for a particular year. This limit is calculated by your employer and is known as the deferral percentage limitation. This deferral percentage limitation is based on a mathematical formula that limits the percentage of pay that HCEs may elect to defer to a SEP. As discussed below, your employer will notify each HCE who has exceeded the deferral percentage limitation.

IV. ELECTIVE DEFERRALS—Tax treatment

The amount that you may elect to contribute to your SEP is excludable from gross income, subject to the limitation discussed above, and is not includable as taxable wages on IRS Form W-2; however, these amounts are subject to *Federal Insurance Contributions Act* (FICA) and *Federal Unemployment Tax Act* (FUTA) taxes.

V. ADDITIONAL TOP-HEAVY CONTRIBUTIONS

If you are not a key employee, your employer must make an additional contribution to your IRA for a year in which the SEP is considered top-heavy. Your employer will be able to tell you whether you are a key employee.) This additional contribution will not exceed 3% of your compensation. It may be less if your employer has already made a contribution to your account and for certain other reasons.

VI. ELECTIVE DEFERRALS—Excess amounts contributed

There are three different situations in which impermissible excess amounts arise under the SEP plan.

1. When excess elective deferrals (i.e., amounts in excess of the Section 402(g) limit) are made: You are responsible for calculating whether you have exceeded the Section 402(g) limit in the calendar year. The Section 402(g) limit for contributions made to a salary deferral SEP is $20,500 for 2022 and $22,500 for 2023.
2. When excess SEP contributions (i.e., amounts in excess of the deferral percentage limitation referred to above) are made by HCEs: The employer is responsible for determining whether such an employee has made excess contributions.
3. When more than half of an employer's eligible employees choose not to make elective deferrals for a plan year: In that case, any elective deferrals made by any employees for that year are considered disallowed deferrals, as discussed above. Your employer is also responsible for determining whether deferrals must be disallowed on this basis.

Excess elective deferrals are calculated on the basis of the calendar year. Excess SEP contributions and disallowed deferrals, however, are calculated on the basis of the SEP plan year, which may or may not be a calendar year.

Employee information (continued)

VII. EXCESS ELECTIVE DEFERRALS—How to avoid adverse tax consequences

As stated previously, you are responsible to determine if you have exceeded the overall Section 402(g) limit in the calendar year. This limit applies to the aggregate total of your deferrals to all your qualified retirement plans. If your employer allowed you to contribute more than the applicable limit to this SEP plan, your employer may remove the excess deferrals adjusted for earnings and return them to you with your consent. Your employer must inform you that the distribution of the excess amount is not eligible for tax-free rollover treatment and that the amount distributed is included as income in the year the excess is distributed to you. In some rare cases, your employer may leave the excess contribution in your IRA, again requiring that you include the excess contribution in your income but for the year the amount was deferred.

VIII. EXCESS SEP CONTRIBUTIONS—How to avoid adverse tax consequences

If you are an HCE, your employer is responsible for notifying you if you have made an excess SEP contribution for an applicable year. With your consent, your employer may remove the excess deferrals adjusted for earnings and return them to you. Your employer must inform you that the distribution of the excess amount is not eligible for tax-free rollover treatment and that the amount distributed is included as income in the year the excess is distributed to you. As an alternative to withdrawing the excess, your employer may choose to make additional SEP contributions to the non-HCEs.

IX. INCOME ALLOCABLE TO EXCESS AMOUNTS

The rules for determining and allocating income to excess elective deferrals, excess SEP contributions, and disallowed deferrals are the same as those governing regular IRA contributions. The trustee or custodian of your IRA will inform you of the income allocable to excess amounts.

X. AVAILABILITY OF IRA CONTRIBUTION DEDUCTION TO SEP PARTICIPANTS

In addition to any SEP amounts, you may contribute the lesser of the applicable limit or 100% of compensation to an IRA; however, the amount that you may deduct is subject to various limitations. See IRS *Publication 590-A, Contributions to Individual Retirement Arrangements*, for more specific information.

XI. ROLLOVER OR TRANSFER TO ANOTHER IRA

You may not withdraw or transfer from your IRA any SEP contributions (or income on these contributions) attributable to elective deferrals made during the plan year until 2½ months after the end of the plan year or, if sooner, when your employer notifies you that the deferral percentage limitation test (described above) has been completed for that year. In general, any transfer or distribution made before this time will be includable in your gross income and may also be subject to a 10% penalty tax for early withdrawal. You may, however, remove excess elective deferrals from your IRA before this time, but you may not roll over or transfer these amounts to another IRA.

After the restriction described in the preceding paragraph no longer applies, and with respect to contributions for a previous plan year, you may withdraw, or receive, assets from your IRA, and no more than 60 days later, place such assets in another IRA. This is called a rollover and may not be done without penalty more frequently than at one-year intervals. However, there are no restrictions on the number of times that you may make transfers if you arrange to have such assets transferred between the trustees so that you never have possession of the assets.

You may not, however, roll over or transfer excess elective deferrals, excess SEP contributions, or disallowed deferrals from your IRA to another IRA.

These excess amounts may be reduced only by a distribution to you.

XII. FILING REQUIREMENTS

You do not need to file any additional forms with the IRS because of participation in the SEP.

XIII. EMPLOYER TO PROVIDE INFORMATION ON IRAS AND THE SEP AGREEMENT

Your employer must provide you with a copy of the executed SEP agreement, this notice to employees, the form you should use to defer amounts to the SEP, the notice of excess SEP contributions or disallowed deferrals (if applicable), and a statement for each taxable year showing any contribution to your IRA. Your employer must also notify you, if you are an HCE, when the deferral percentage limitation test has been completed for a plan year.

XIV. FINANCIAL INSTITUTION WHERE IRA IS ESTABLISHED TO PROVIDE INFORMATION

The financial institution must provide you with a disclosure statement that contains the following items of information in plain, nontechnical language:

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

See IRS *Publication 590-A, Contributions to Individual Retirement Arrangements*, which is available at most IRS offices, for a more complete explanation of the disclosure requirements.

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

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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Prototype Salary Reduction SEP 001

FFN: 50439222700-001 Case: 200300696 EIN: 04-3111116

Letter Serial No: K410673b

JOHN HANCOCK FUNDS INC
101 HUNTINGTON AVENUE
BOSTON, MA 02199

Contact Person:
Ms. Arrington 50-00197
Telephone Number:
(202) 283-8811
In Reference To:
T:EP:RA:T
Date: 03/18/2003

Dear Applicant:

In our opinion, the amendment to the form of your Simplified Employee Pension (SEP) arrangement does not adversely affect its acceptability under section 408(k) of the Internal Revenue Code, with respect to an employer's SEP that by its terms in effect on December 31, 1996, provided that an employee may make the salary reduction election described in Code section 408(k)(6)(A). This SEP arrangement is approved for use only in conjunction with an Individual Retirement Arrangement (IRA) which meets the requirements of Code section 408 and has received a favorable opinion letter, or a model IRA (Forms 5305 and 5305-A).

An employer who adopts this approved prototype plan to amend a SEP that by its terms as in effect on December 31, 1996, provided that an employee may make the salary reduction election described in Code section 408(k)(6)(A) will be considered to have a retirement savings program that satisfies the requirements of Code section 408 provided that it is used in conjunction with an approved IRA. Please provide a copy of this letter to each adopting employer.

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

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

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

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

Sincerely yours,

Paul T. Shultz

Director,
Employee Plans Rulings & Agreements

John Hancock Investment Management

John Hancock Investment Management Distributors LLC, Member FINRA, SIPC
200 Berkeley Street, Boston, MA 02116, 800-225-5291, jhinvestments.com
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ERSEPDOC MBPSCS6458EN RLSQ (07/23)