LMH Health 457(b) Retirement Plan
Roth In-Plan Conversion Guide

As a participant of the LMH Retirement Savings Plan, you have the ability to convert your pre-tax contributions into a Roth conversion account within the Plan to create more tax-free income in retirement.

As you consider a conversion, be sure to review this document for key information about the process and tax consequences. Once you elect a Roth In-Plan Conversion, the election is irrevocable.

Overview of Roth In-Plan Conversions

This new feature allows you to convert all or a portion of your pre-tax contributions and associated earnings into a Roth conversion account, where it has the potential to grow tax-free while remaining invested in the Plan. You are responsible for paying taxes on any taxable amounts converted (which would include pre-tax contributions and earnings on pre-tax contributions) *for the tax year in which the conversion takes place*. Then, when you withdraw your Roth conversion account, you won't pay any additional taxes on the converted amounts or any related earnings, as long as you have a qualified distribution.[1]

Is a Roth In-Plan Conversion right for you?

This is a personal financial decision that only you can make. Converting funds from pre-tax to a Roth conversion account is not appropriate in all situations or all circumstances. We strongly recommend you consult with your personal tax advisor or financial professional to help you determine if this feature is appropriate for you. Schedule an appointment with your Local Voya Representative* by visiting https://lmhretirement1x1.timetap.com. They are able to answer you questions about Roth In-Plan Conversions. The following table provides some key considerations.

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Glossary of terms

Roth conversion account - pre-tax monies converted via a Roth In-Plan Conversion

Roth contributions - Roth contributions made to the Plan via payroll deduction

Questions?

Call the Voya Service Center at **(800) 584-6001**.

You might benefit from a Roth In-Plan Conversion if you:	You might not benefit from a Roth In-Plan Conversion if you:
• Expect to be in the same or higher income tax bracket when you reach retirement age.	• Expect your tax rate to be lower in retirement than it would be at the time of the in-plan conversion.
• Are interested in tax diversification and want a larger source of tax-free retirement income.	• Will need to access your money within five years of the in-plan conversion.[2]
• Plan to keep the money invested for at least five years before taking a withdrawal.[2]	• Would find paying the income tax owed on the amount converted to be a hardship.
• Would like to convert a lump-sum amount to Roth all at once.	
• Want to leave an income tax free inheritance for family members.	

Important: We strongly recommend you consult with your personal tax advisor or financial professional to help you determine if this Plan feature is appropriate for your personal situation.

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Requesting a Roth In-Plan Conversion

All plan participants are eligible to convert pre-tax contributions to a Roth conversion account within the Plan. This includes active and terminated participants, participants on short and long-term disability, surviving spouse beneficiaries and alternate payees who are current or former spouses.

How often can I request a Roth In-Plan Conversion?

Once per quarter, for a maximum of four per calendar year.

Can I revoke my decision to make a Roth In-Plan Conversion?

No. Once a Roth In-Plan Conversion is processed, it cannot be reversed.

Which Plan sources are eligible for conversion?

You can convert the following Plan sources to a Roth conversion account, even if these amounts cannot otherwise be distributed to you under the Plan's withdrawal provisions:

- Employee Pre-tax deferrals 457(b) Rollover amounts non-457(b) Rollover Amounts
- Earnings on the above contributions

You can convert up to 100% of your balance in the Plan sources listed above. There are no minimums placed on the amount you can convert.

Which investment funds are eligible for conversion?

All core investment funds are eligible. The Roth In-Plan Conversion will be processed pro-rata from all of the core investments in the sources chosen for conversion. The converted funds will be invested in the same funds they were in before the conversion.

How do I request a Roth In-Plan Conversion?

Complete and submit a Roth In-Plan Conversion Form. You can request the Roth In-Plan Conversion Form by contacting our Customer Service Center at **800-584-6001**.

Requests will be reviewed within three (3) business days of receipt and, if the form is determined to be in good order, the conversion will be processed. If you submit a request on December 31 or the last business day of the calendar year, the conversion will be treated as a taxable event for the following year.

There is no fee assessed by Voya for making a Roth In-Plan Conversion.

Tax Treatment of a Roth In-Plan Conversion

The taxable portion of a Roth In-Plan Conversion will be treated as ordinary taxable income for federal income tax purposes in the calendar year of the conversion.

You are responsible for paying taxes on any taxable amounts converted (which would include pre-tax contributions and earnings on pre-tax contributions) for the tax year in which the conversion takes place. Roth In-Plan Conversions are not subject to the 10% early withdrawal penalty or the 20% tax withholding that may apply to other types of Plan withdrawals.

Higher Tax Liability in Year of Conversion

Before making a Roth In-Plan Conversion, you should carefully consider the impact to your federal (state/local) income tax liability. The tax owed on a Roth In-Plan Conversion could be significant.

Will Voya withhold taxes on a Roth In-Plan Conversion?

No. Income taxes are not withheld at the time of conversion.

You will receive a Form 1099-R in January of the year following the year of your Roth In-Plan Conversion that will show the taxable amount of the conversion.

You will have to pay taxes when you file your return for the year in which the conversion was completed.

Here are some of the factors to consider when you convert PRE-TAX savings to Roth:

- **The Roth In-Plan Conversion amount will be reported as taxable income.**
- **The Roth In-Plan Conversion amount may raise your taxable income enough to push you into a higher federal income tax bracket.**

Because the potential impact of a Roth In-Plan Conversion depends greatly on your personal circumstances and may necessitate estimated tax payments and/or increased income tax withholding, you must consider potential federal, state and local tax implications, as well as quarterly estimated taxes, before initiating a Roth In-Plan Conversion.

Distributions of Roth In-Plan Conversion Accounts

The same distribution rights that applied to your retirement savings prior to the Roth In-Plan Conversion apply after the conversion. Please review your withdrawal options on the Plan website in the **Loans & Withdrawals** section.

Tax Considerations[3]

Distributions from a Roth In-Plan Conversion are taxed in the same manner as distributions from Roth contributions. In general, you should not pay federal income taxes on investment earnings for the period after the conversion if your distribution is a qualified distribution.

If your distribution does not meet the conditions for a qualified distribution, you will not receive favorable Roth tax treatment. You will need to pay ordinary income taxes on the portion of the withdrawal that represents investment earnings accrued after you made the Roth In-Plan Conversion. You may also be assessed a 10% early withdrawal penalty with regard to investment earnings on non-457(b) rollover amounts held in the in-plan conversion account unless you are 59½ or another exception applies.

In addition, if you take the distribution less than five years from the date you made the Roth In-Plan Conversion, you must pay the 10% early withdrawal penalty on the portion of the withdrawal attributable to the conversion, which was waived at the time you made the Roth In-Plan Conversion.

Five-Year Holding Period

For determining whether a distribution from a Roth In-Plan Conversion is qualified, the five-year holding period begins when you first contribute Roth money to the Plan, whether through the Plan's Roth contribution feature, a regular Roth rollover, or a Roth In-Plan Conversion. For example, if you started making Roth contributions in 2022 and you make a Roth In-Plan Conversion in 2023, the five-year period ends in 2026. If you had not been making Roth contributions and you make a Roth In-Plan Conversion in 2023, the five-year period would end in 2027.

With regard to a ROTH in-plan conversion of the non-457(b) rollover account, if you are under 59½ the early withdrawal penalty is waived at the time of conversion. However, if you withdraw any of the converted amounts within 5 years of the conversion date and you are still under age 59½ at the time of withdrawal, you will owe the 10% early withdrawal penalty that was waived at the time of conversion unless an exception applies. For these purposes the 5 year holding period, which is applied separately to each ROTH in-plan conversion, begins the first day of the calendar year win which you elect a ROTH in-plan conversion. This 5 year holding period is independent on the 5 year holding period for the tax-free distribution of earnings.

Qualified Distribution

A qualified distribution must meet both of these conditions:

1) At least five years have passed since your initial Roth contribution, regular Roth rollover, or Roth In-Plan Conversion, and
2) The distribution is made on or after you reach age 59½, become disabled or die.

If these conditions are not met, taxes on the investment earning may be due because the distribution is not qualified.

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[1] Roth accounts qualify for income tax free withdrawals once your initial Roth contribution has been in your account for at least five years and you are at least age 59½ (or disabled, or in the event of your death).

[2] Refer to the **Five Year Holding Period** section on **page 3** for more detail.

[3] Tax considerations in this document refer only to federal income tax liability. We strongly recommend consulting with your tax advisor or financial professional to help you determine your potential federal, state and local tax implications.

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