

## EXHIBIT 3

### Loan Policy Statement State of Michigan 401K and 457 Plans

(Revised July 1, 2015)

This is an explanation of the rules for taking a loan from an account under the State of Michigan 401K and 457 Plans (the “Plans”). All loans are made strictly in accordance with the provisions of the Plans and in accordance with this Loan Policy Statement as determined by the Plans’ Administrator. In the case of any item not covered by this explanation, or in the event of any conflict between this explanation and the Plans or Internal Revenue Service (IRS) regulations, the Plan documents or IRS regulations always will control.

Subject to the eligibility rules listed below, active employees who are participants in the Plans can take out a loan for any reason. The loan provision is a valuable feature for participants who occasionally need access to their funds for non-recurring financial needs. However, size and frequency of loans may affect the amount of money a participant will have at retirement since loan funds are not available to be invested in the potentially higher-yielding investments held by the Plans.

#### 1. Plan Administration

The Director of the Michigan Department of Technology, Management and Budget, or the Director’s designee is the Plan Administrator and Trustee for both Plans. The Plan Administrator has entered into a contract with a Third Party Administrator (“TPA”; currently Voya Financial) for both Plans, pursuant to which the TPA is responsible for the day-to-day administration of the loan program, subject to supervision by the Plan Administrator. The entire plan document for each Plan is available for examination at <http://stateofmi.voyaplans.com>.

#### 2. Eligibility Rules; Maximum Number of Loans

Active employees who are participants in the Plans, will be eligible to take out loans, as follows:

A. 401K Plan: Participants in the 401K Plan who are employed by the State of Michigan or certain other State-related entities as determined by the Plan Administrator (excluding “Reporting Units” and the “EAA;” as such terms are defined in the Plan), may take out loans from the 401K Plan.

B. 457 Plan: All participants in the 457 Plan may take out loans from the 457 Plan.

C. Maximum Number of Loans: Eligible participants will be limited to only one loan from the 457 Plan at any time, and will also be limited to the following maximum number of loans outstanding at any time from both Plans combined:

Effective through December 31, 2014, seven (7) loans for eligible participants who were and have continuously remained employed by the State of Michigan and/or certain other State-related entities as of and since November 30, 2010. Such maximum limit will be reduced to two (2) loans effective as of January 1, 2015, and to one (1) loan effective as of January 1, 2016; and

One (1) loan for all other eligible participants.

Any loan that has defaulted will be considered an outstanding loan for this purpose, until the later of twenty four (24) months after the date of default, or the date such loan is fully repaid or offset by Plan distributions.

3. Amount That Can Be Borrowed

The amount of any loan(s) must be in increments of \$1 and be at least \$1,000.

If no other Plan loan is outstanding (or has been outstanding at any time during the prior one-year period), a participant may borrow up to the following amounts:

<u>Vested Account Balance</u> <u>(in Plan from which loan taken)</u>	<u>Maximum Loan Amount</u>
Less than \$2,000	No loan available
\$2,000 - \$100,000	50% of vested account balance
Over \$100,000	\$50,000

If another Plan loan is outstanding (or has been outstanding at any time during the prior one-year period), the Maximum Loan Amount shall be the lesser of: (a) \$50,000 reduced by the highest outstanding balance of any other loan(s) from both Plans combined during the one-year period ending the day before the newest loan is made; or (b) 50% of the vested account balance amount in the Plan from which the participant has applied to take the loan, reduced by the current outstanding balance of any other loan(s) from that Plan. However, no loan is available if the resulting tentative Maximum Loan Amount is less than \$1,000.

A loan that has defaulted and is “deemed distributed” will be considered an outstanding loan for the purpose of calculating the maximum loan availability and the total number of loans currently outstanding (except as provided in Section 2.C. above).

As described above, maximum loan availability is based in part on the participant’s total vested account balance in the Plan from which the participant has applied to take the loan, but excluding: (A) for all participants, any employer contribution balances (including any gains or earnings thereon) in the Personal Healthcare Account(s) under the Plan(s); and (B) for any participant who first becomes eligible to participate in the Plan(s) (or who otherwise ceases employment and later becomes eligible to resume active participation in the Plan(s)) on or after January 1, 2015, any other part of the participant’s balance under the Plan(s) that is attributable to employer contributions (including any gains or earnings thereon).

If money is invested in the participant's Self-Directed Brokerage Account (Tier III), he/she may be required to transfer funds to Tier I or Tier II to make adequate funds available to issue the loan.

#### 4. Repayments – General

For a participant employed by the State of Michigan or certain other State-related entities as determined by the Plan Administrator who is receiving a regular paycheck, loan payments will be deducted from regular pay and are paid with after-tax money. For all other active participants, including those employed by a Reporting Unit or the EAA, loan payments must be made through a periodic automatic withdrawal from their bank account (“ACH payment”), subject to specific procedures adopted by the Plans' Administrator and/or the TPA from time to time.

The following repayment policies shall apply to all loans:

- A. Period: The payment period for non-residential loans may not exceed 60 months. A payment period between 2 months and 60 months must be indicated. Loans for more than 60 months and up to 30 years will only be granted for the purchase of a primary residence.
- B. Frequency: Payments will be withheld from each regular payroll received (or otherwise made via ACH payment) according to the participant's loan payment schedule until all principal and interest due is paid.
- C. Investment of Repayments: All payments will be invested in the same investment funds and in the same proportion as the participant's current investment elections.

Participants who terminate employment, become laid off, take a leave of absence (including military leave), are on worker's compensation, or are suspended will also be allowed to arrange to continue making loan payments through a periodic automatic withdrawal from their bank account (ACH payment), subject to specific procedures adopted by the Plans' Administrator and/or the TPA from time to time.

Participant loan payments cannot be suspended for any reason nor may loans be discharged in bankruptcy proceedings.

Any outstanding loan, including deemed distributed loans, may be repaid in full at any time.

#### 5. Repayments – Prevention of Default/Abuse

Participants will not be allowed to select a repayment amount that exceeds their ability to pay periodic payments from their net take-home pay. As a result, it is the participant's responsibility to insure that any loans taken out will have loan payments that are not greater than their take-home pay, or their ability to pay. The Plans' Administrator reserves the right to deny a loan, to adjust payments on proposed or existing loans, or to take any other actions as the Plan Administrator deems advisable, when the projected payments exceed a participant's net take-

home pay from which the deduction will be taken, in order to prevent default or to otherwise prevent abuse.

Specifically, when the Plan Administrator discovers or is notified of a participant in violation of the loan policy, the Plan Administrator will instruct the TPA to re-amortize the most recently issued loan (or loans) to a 5-year payoff schedule (i.e., 5 years from the original loan issue date) and communicate the new periodic (e.g. bi-weekly) payment amount to the appropriate payroll office. If at that point the participant wishes to repay the loan faster than 5 years, he/she may contact the TPA to increase the periodic payment amount, as long as it does not exceed the participant's take-home pay or their ability to pay. If the result is that the participant has again set the payment to a level that exceeds his/her ability to pay, the Plan Administrator will again submit a request to the TPA to re-amortize the loan to a 5-year payoff schedule and also instruct the TPA to deny the participant any future payment changes without the Plan Administrator's advance approval.

The following additional procedures shall apply:

- A. When the most recently issued loan is already amortized for a 5-year term, the Plan Administrator will consider the next most recently issued loans for re-amortization until the payment is within the participant's ability to pay.
- B. If the most recently issued loan was for residential purposes and is amortized for more than 5 years but less than 30 years, the Plan Administrator will work with the TPA to determine the appropriate number of years for re-amortization that will reduce the payment to an amount within the participant's ability to pay.
- C. Once the loan is re-amortized, the TPA will send correspondence to the participant explaining the reason for the re-amortization.

6. Loan Approval

Generally, a loan will be granted if it meets all of the requirements set forth in the applicable Plan and this Loan Policy Statement; however, the Plan Administrator and TPA retain discretion to determine compliance with these requirements when approving or denying a participant's loan application.

7. Interest Rates

A loan will bear a rate of interest as determined by the Plan Administrator at the time the loan is made. Loan interest rates are currently set at the Prime Rate as quoted in the Wall Street Journal on the first day of the month prior to the month in which the loan is requested. As interest is paid back on a loan, it is credited to the account under the Plan from which the loan is taken, along with the principal payments.

8. How to Take Out a Loan

A loan may be applied for at any time via the TPA's website at <http://stateofmi.voyaplans.com> or by calling the TPA's toll-free information phone number at 800-748-6128. For non-residential

loans, the loan check will be mailed within three business days of the approved request. A signed loan check serves as the participant's promise to repay the loan. For residential loans, the participant will receive a residential loan promissory note that must be signed and returned along with the purchase and sale agreement for the home the participant wishes to buy within 30 days.

9. Security for Loan

Loan(s) will be secured by a pledge of up to one-half of the participant's account balance under the Plan from which the loan is taken.

10. Money Source of the Loan

The money borrowed will come (as applicable) from the participant's vested Plan account balances, in the following order: any APV rollover converted from a defined benefit plan; pre-tax elective deferrals; Roth elective deferrals; rollovers; employer contributions (except to the extent such amounts are excluded in determining maximum loan availability, as provided in Section 3 above); and other employee after-tax contributions.

A participant's Plan investments will be liquidated to the extent necessary to provide funds for the requested loan, by liquidating all funds in Tier I and Tier II on a pro-rata basis. Before requesting a loan, a participant must liquidate Self-Directed Brokerage Account (Tier III) investments and arrange for the transfer of funds to Tier I or Tier II investments if these funds are to be used for funding a loan.

11. Loan Fees

An initial loan processing fee of \$75.00 is charged for each loan. In addition, a loan management fee of \$8.75 per quarter will be assessed. These fees will be deducted pro-rata from all of the investment options in the participant's account under the Plan from which the loan is taken, excluding Tier III investments.

12. Accelerated Loan Repayment

Loans may be repaid in full ahead of schedule at any time and without penalty. Deemed distributed loans may also be repaid in full. No partial prepayments will be accepted. Prepayments must be made by cashier's check or money order and mailed to the TPA. The participant may also request that their regular payroll deduction be increased and therefore shorten the term of the loan, as long as the new payment amount is not projected to exceed the participant's take-home pay or ability to pay. The original interest rate will not be changed. Loans may not be refinanced to decrease the bi-weekly amount since this will lengthen the overall payment terms.

13. Default

Normally, participant loans will not be in default as long as the participant is an active employee participating in the Plan from which the loan is taken and payments are made through payroll deduction, or via ACH payment. If the participant goes on leave (other than military leave) or

layoff, or is suspended, the participant is still required to continue making the scheduled loan payments, and must make arrangements for automatic ACH payments from a bank account.

If a participant fails to make a scheduled loan repayment, the TPA will send a notice within 30 days following the due date. If payment is not received within 90 days, the loan will be considered in default. Upon default, the balance of the loan will become due and payable immediately. Any unpaid balance will be reported to the participant and the Internal Revenue Service as a taxable distribution that is not eligible for rollover. Any unpaid loans will remain in the Plan account and will be considered as outstanding loans when applying for new loans. Previously defaulted loans that remain unpaid will be deducted from the Plan account balance when the participant terminates employment. These unpaid loans (deemed distributed loans) can be paid back during employment to increase future loan availability; however, repaying these loans does not change the prior taxable status of the defaulted loans.

An exception to this default policy is made for participants who go on military leave. In accordance with Internal Revenue Code Section 414(u), interest greater than 6% cannot be charged while on leave and the loan will not be defaulted. The time on military leave will be added to the end of the term of the loan even if doing so will extend the term beyond five years.

#### 14. Death or Termination of Employment

In case of death, any outstanding loans must be repaid in full within 60 days. If the loan is not repaid, it will be considered in default and the remaining balance of the loan will be considered a taxable distribution subject to income tax and any applicable early payment penalties. The loan balance will also be offset against the participant's account balance under the Plan from which the loan is taken.

In case of termination of employment, the participant will be given 60 days within which to make arrangements with the TPA to either repay any outstanding loan in full by such time, or to continue making loan payments through a periodic automatic withdrawal from their bank account (ACH payment). If the loan is not repaid or if continuing payments are otherwise not arranged and kept current, the loan will be considered in default and the remaining balance of the loan will be considered a taxable distribution subject to income tax and any applicable early payment penalties. The loan balance will also be offset against the participant's account balance under the Plan from which the loan is taken.