COMING SOON: Enhancements to Your Nokia Savings/401(k) Plan

Effective January 1, 2020

Note: The actual terms of the Nokia Savings/401(k) Plan are reflected in the official Plan document. While every care has been taken to ensure that the information in this guide is accurate, in the event of a conflict between this guide and the terms of the official Plan document, the official Plan document will control. This guide constitutes a "summary of material modifications" for the Plan.

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Summary of Enhancements

Effective January 1, 2020, Nokia is adding two new features to the Nokia Savings/401(k) Plan (the "Plan") that you might wish to consider in connection with saving for your retirement. The new features are 1) the ability to make "Roth" contributions to the Plan ("Roth 401(k) Feature"), and 2) the ability to convert "non-Roth" money to "Roth" money within the Plan ("Roth In-Plan Conversion Feature"). Each of these new features is discussed below.

Roth 401(k) Feature

What is a Roth 401(k)?

A Roth 401(k) is a type of 401(k) feature that allows you to make after-tax contributions to the Plan; however, unlike a traditional 401(k) plan that allows after-tax contributions (where taxes on investment earnings are merely deferred), with a Roth 401(k), your investment earnings on your Roth contributions grow tax-free and all future withdrawals are tax-free if certain requirements[1] are satisfied (see below for details).

What is the difference in the tax impact of Pre-Tax, After-Tax and Roth 401(k) contributions?

With Pre-Tax 401(k) contributions, 1) you get a tax savings now because your taxable income is reduced by the amount of your deferral contributions in the year you make them, and 2) contributions and earnings will be taxed later, when you withdraw them in retirement, at the tax bracket you are in at that time.

With After-Tax contributions, 1) your contributions do not reduce your taxable income when made (because they are made on an After-Tax basis), and 2) earnings will be taxed when you withdraw them in retirement, at the tax bracket you are in at that time.

With Roth 401(k) contributions, 1) your Roth contributions do not reduce your taxable income when made (because they are made on an After-Tax basis), and 2) contributions and earnings can be withdrawn tax-free in retirement, provided you are age 59½ or older and it has been five tax years since your first Roth 401(k) contribution or Roth 401(k) conversion was made.

Contribution Type	Taxes Paid When Contributed	Taxes Paid When Withdrawn	Not Taxed
Pre-Tax Contributions		X	
Pre-Tax Earnings		X	
After-Tax Contributions	X		
After-Tax Earnings		X	
Roth 401(k) Contributions	X		
Roth Earnings			X[1]

[1] When you retire or leave the company, earnings on your Roth contribution can be withdrawn tax-free as long as 1) you are at least 59½ years old, and, 2) it has been five tax years since your first Roth 401(k) contribution or Roth 401(k) conversion was made.

How do the 2020 IRS tax limits affect my ability to make Roth 401(k) contributions?

If you are an eligible active Nokia employee, you can make Pre-Tax and Roth contributions for a combined total up to the IRS Pre-Tax/Roth limit ($19,500 in 2020, $26,000 if you are eligible for and elect to make "catch-up" contributions). In addition, in 2020, the Annual Contribution Limit is $57,000 ($63,500 if you are eligible for and elect to make "catch-up" contributions). The Annual Contribution Limit consists of the total of your Pre-Tax, After-Tax, Roth and Company Matching Contributions[2] to the Plan.

[2] Applicable only to employees covered by a Collective Bargaining Agreement.

If I am an eligible active Nokia employee, how would contributing to the Roth 401(k) affect my paycheck?

The table below provides a comparative illustration of how each separate contribution type affects an individual's annual take-home pay. The table assumes an annual compensation of $80,000, a contribution of 10% and an income tax rate of 22%.

	Scenario 1: Pre-Tax Contribution	Scenario 2: After-Tax Contribution	Scenario 3: Roth Contribution
Compensation	$80,000	$80,000	$80,000
Contribution %	10%	10%	10%
Less: Pre-Tax Contribution for the Year	($8,000)	NA	NA
Taxable Income	$72,000	$80,000	$80,000
Less: Income Taxes (22%)	($15,840)	($17,600)	($17,600)
Less: After-Tax Contribution/ Roth Contribution	NA	($8,000)	($8,000)
Net Take-Home Pay (After Taxes)	$56,160	$54,400	$54,400

Is a Roth 401(k) right for me?

Only you can decide if a Roth 401(k) is right for you. Here is some information to help with your decision.

- **Roth 401(k) Contributions Compared to Pre-Tax Contributions.** Roth 401(k) contributions offer a different tax advantage than traditional Pre-Tax 401(k) contributions. The balances you accumulate in a Roth 401(k) account give you the opportunity for tax-free income during retirement. The tradeoff, however, is that Roth 401(k) contributions will not reduce your current taxable income the way Pre-Tax contributions do (see table above and example below).
- **Roth 401(k) Contributions Compared to After-Tax Contributions.** Roth 401(k) contributions and earnings can be distributed tax-free if the Roth 401(k) distribution is qualified. In contrast, earnings in an After-Tax account are always taxable when they are paid to you. For eligible active Nokia employees, Roth 401(k) contributions can only be withdrawn in certain circumstances, such as for hardship or after age 59½, whereas withdrawals of After-Tax contributions are not subject to the same restrictions and may be available for an in-service withdrawal. Finally, Roth 401(k) contributions (like Pre-Tax contributions) are subject to the annual IRS Pre-Tax/Roth limit (described above), whereas After-Tax contributions are not. Roth 401(k) contributions and After-Tax contributions are both subject to the Annual Contribution Limit (also described above), which also applies to Pre-Tax contributions and Company Matching Contributions (if applicable).

Deciding to make Pre-Tax, After-Tax and/or Roth contributions will depend on your individual circumstances.

Here are other factors to think about.

- **Your Tax Bracket Now Versus in Retirement.** If you think you will be in a higher tax bracket at retirement than now, Roth 401(k) contributions might offer a greater tax advantage. Conversely, if you believe you will be in a lower tax bracket at retirement than you are in now, Pre-Tax contributions might offer you a better tax advantage. Even if you are unsure what your tax bracket will be, Roth contributions might still offer you the benefit of tax diversification.
- **Your Time Until Retirement.** Think about when you want to retire and how many years it will take until you reach this goal. Roth 401(k) contributions may be beneficial if you have a number of years until you retire. You have a greater potential for more earnings the farther you are away from retirement, and the earnings on Roth 401(k) contributions are tax-free when you retire (at or after age 59½ and if your Roth 401(k) account is at least five years old).
- **Your Non-Roth Versus Roth Investments Elections.** Think about how you want to invest both your non-Roth and Roth contributions. You have the ability to make a separate investment election for non-Roth and Roth contributions so you may choose to be more or less aggressive in your investment choices.

You might wish to consult with a tax advisor before deciding to contribute to the Roth 401(k).

Can I roll Roth money into the Plan?

Yes[3], Roth 401(k) money contributed to another qualified plan is eligible to be rolled into the Plan. On or after January 1, 2020, you can log on to your Nokia Savings/401(k) Plan account at **https://digital.alight.com/nokia**, select the "Savings/401(k) & Pension" tab from the "Information and Education" drop-down menu and select "Savings/401(k) Forms and Materials," then "Rollover Contribution Form."

[3] Non-spousal beneficiaries and alternate payees are not eligible to roll money into the Nokia Savings/401(k) Plan.

How do I enroll in the Nokia Savings/401(k) Plan or start making Roth 401(k) contributions?

If you are an eligible active Nokia employee, log on to the Your Benefits Resources™ (YBR) website at **https://digital.alight.com/nokia** and follow the steps to enroll. To start making Roth 401(k) contributions, on or after January 1, 2020, you can log on to your Nokia Savings/401(k) Plan account at **https://digital.alight.com/nokia** and select the "Savings/401(k) & Pension" tab from the "Savings/401(k) Plan" drop-down menu, select "View/Change Contributions" and follow the steps to elect a Roth 401(k) deferral percentage. Contribution rate changes take effect as soon as administratively possible.

Can I make a separate investment election for my Roth 401(k) contributions?

Yes. Once you have elected a Roth 401(k) deferral percentage, you will be asked to select how you want your contributions invested. You will have the option to elect the same funds you already use for your Pre-Tax and/or After-Tax contributions or make a different investment election for your Roth 401(k) contributions.

If I am an eligible active Nokia employee, can I elect to have my Roth contribution spill over to After-Tax contributions when I reach the IRS Pre-Tax/Roth limit?

No, you cannot elect to have your Roth contribution spill over, but you will continue to have the ability to have your Pre-Tax election spill over. For example, if you elect 20% Pre-Tax, 5% Roth and "Yes" for Pre-Tax spillover, when you reach the Pre-Tax limit, only your 20% Pre-Tax election will spill over into After-Tax contributions. Unless you make a change to your Roth contribution election, your Roth contribution will restart the next calendar year.

I am an eligible active Nokia employee and not currently a participant in the Nokia Savings/401(k) Plan. Can I join and only contribute to the Roth?

Yes, you can enroll in the Nokia Savings/401(k) Plan and elect to make only Roth 401(k) contributions. See above for instructions to enroll in the Plan.

I currently use the Online Advice tool or Professional Management service for my Nokia Savings/401(k) Plan. Will these services include my Roth balance?

Both the Online Advice tool and Professional Management service will incorporate your Roth balances in their evaluation of your account. These services will only recommend or make a single asset allocation for your entire balance and not separate asset allocations for your Roth 401(k) money. In addition, these services do not make recommendations or change your elections to include a Roth 401(k).

Roth In-Plan Conversion Feature

In addition to being able to make Roth 401(k) contributions in the Nokia Savings/401(k) Plan, effective January 1, 2020, you will be able to convert existing non-Roth balances to a Roth 401(k) account within your Plan account. Roth In-Plan Conversions are limited to four per year with a minimum conversion amount of $300, so make sure you plan accordingly. Taxable balances you convert to a Roth account will be taxed at the time of conversion, but get the opportunity for tax-free earnings thereafter.

Your decision to convert depends on many personal factors, including:

- Whether you have a Plan balance available for conversion;
- Your expectations about tax rates now versus when you will take your Plan distribution;
- Whether you expect to meet the Roth requirements for a tax-free distribution; and
- Your ability to pay taxes as a result of making a Roth In-Plan Conversion at the time you file your yearly income taxes.

Who is eligible to take advantage of a Roth In-Plan Conversion?

Any participant, spousal beneficiary or spousal alternate payee with a vested account balance is eligible to convert to a Roth account. (The conversion option is not available for non-spouse beneficiaries because they can roll over balances only into an inherited IRA. The conversion option is also not available for non-spouse alternate payees because their balances are not rollover-eligible.)

Is my Roth In-Plan Conversion taxable?

Yes, you will have to pay taxes on all or some portion of the amount you convert. With a Roth account, you are investing After-Tax dollars. This means you have to pay taxes when converting Pre-Tax dollars to a Roth 401(k) account — that includes Pre-Tax contributions, company contributions, some rollover contributions and any earnings that have been tax-deferred. If you convert After-Tax contributions, you will only have to pay taxes on the associated earnings up to the time of the conversion. Converted funds and earnings can be withdrawn tax-free in retirement provided you are age 59½ or older and your Roth account is at least five years old. If you take a Roth distribution of converted funds in the year of conversion or subsequent four calendar years and you are under age 59½, you may be subject to the 10% early withdrawal penalty on converted amounts included in your payment. Unlike the five-year rule for Roth contributions, each conversion amount has its own five-year time period if you are under age 59½.

What can I convert?

The opportunity to convert to a Roth account is limited to vested non-Roth amounts. It does not include loans or company account balances that aren't otherwise available for withdrawal from the Plan. Generally, you will be eligible to convert the following types of money:

Type of Money	Conversion Eligibility
After-Tax	Your After-Tax balances are eligible for conversion. **Note:** A portion of the amount may include earnings that are subject to tax when you convert them.
Pre-Tax	Your Pre-Tax contributions and related earnings are eligible for conversion and would be subject to tax when you convert them.
Rollover	Your rollover account balances are eligible for conversion and may be subject to tax when you convert them depending on the contribution type.
Company Contributions	Any vested company contributions (if applicable) and earnings that you would otherwise be able to withdraw are eligible for conversion.

When requesting a Roth In-Plan Conversion from any of the above types of money, the amount you choose will consist of contributions and a prorated amount of earnings on those contributions. Your existing investment allocation will not change as a result of your conversion, unless you made a different investment choice for your Roth account.

To see the amount(s) you have available to convert, on or after January 1, 2020, go to the YBR website at **https://digital.alight.com/nokia**. You can find the amounts available for conversion in the "Convert to Roth" section, under "Contributions."

Does converting to a Roth make sense for me?

You should consider these important points when deciding if a conversion makes sense for you:

- You will need to pay taxes in the year of conversion at ordinary income tax rates on any taxable balances you convert to a Roth account.
- You will need to have money available to pay the tax when it comes due.
- If you are under age 59½, the 10% early withdrawal penalty tax will not apply when you make the conversion as long as it is not withdrawn until you have had money within the Roth for at least five years and you are at least age 59½. Otherwise, you may be subject to the 10% penalty you would have incurred at the time of conversion when you ultimately take a Roth distribution. This five-year period starts as of January 1 of the year of conversion and continues for four more years. In other words, if you choose to convert in 2020, you would not be able to take a distribution without penalty until January 1, 2025, or later, unless you are otherwise exempt from the early withdrawal penalty at the time of distribution.
- You still need to meet the Roth requirements for a qualified distribution, if you want the earnings portion of your Roth distributions to be tax-free. To meet this requirement, your Roth account needs to be in existence for at least five tax years (which may include prior years if you already made Roth contributions — in cases of Roth roll-ins or prior converted Roth money), and you need to be at least age 59½ when you take the distribution.
- You might wish to consult with a tax advisor before making the decision to convert or to take a Roth distribution.

How do I make a Roth In-Plan Conversion?

If you want to elect to convert all or a portion of your Nokia Savings/401(k) Plan account to a Roth account, on or after January 1, 2020, you can access the YBR website at **https://digital.alight.com/nokia** or call the Nokia Benefits Resource Center at 1-888-232-4111. Benefits Center representatives are available to take your election Monday through Friday from 9:00 a.m. to 5:00 p.m. Eastern Time (ET).

What can I expect after I make a Roth In-Plan Conversion?

If you choose to convert any portion of your non-Roth savings in the Plan to a Roth account within the Plan, you should be aware of how your conversion will be treated:

- You will receive a Form 1099-R for the taxable amount of the conversion. If you choose to convert in 2020, you can expect the Form 1099-R in January 2021.
- Unlike an early distribution, the 10% penalty tax will not apply when you choose to make a Roth In-Plan Conversion. However, the 10% penalty might be applied later if you do not meet certain rules for the conversion (see above).
- The amounts you choose to convert will continue to be invested in the funds from which they originated, unless you made a different investment choice for your Roth account. The conversion will not result in a change to your investment choices.

Where to Get Additional Information

For questions regarding Plan rules regarding the Roth 401(k) Feature and/or Roth In-Plan Conversion Feature, contact the Nokia Benefits Resource Center at 1-888-232-4111 (select the “Retirement and Investments” option) between the hours of 9:00 a.m., and 5:00 p.m., ET, Monday through Friday. On or after January 1, 2020, you can visit **https://digital.alight.com/nokia** to find additional information.

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Important Information About the Nokia Savings/401(k) Plan