

Morgan Stanley

Adoption Benefits



2018 Summary
Plan Description

The Adoption Assistance Program (the “Program”) helps eligible employees and their families by reimbursing eligible adoption-related expenses.

This booklet describes the provisions of the Program as of January 1, 2018, and is the official Program document. If there is any conflict between any other materials, including any electronic, verbal or written representation, and this official Program document, this official Program document controls. Morgan Stanley Domestic Holdings, Inc. (or its delegate) reserves the right to amend or discontinue the Program at any time, including to curtail benefits for some or all covered individuals.

The information contained in this document is general in nature, is not individual tax advice and may not be used to avoid any tax or tax penalty. Tax laws are complex and may change, and their application may vary based on the circumstances. Morgan Stanley, its benefit plans and their service providers do not provide tax or legal advice. You are responsible for consulting your own advisors.

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Eligibility

You may receive payments from Morgan Stanley's Adoption Assistance Program if you are actively employed and a U.S. benefits-eligible employee of Morgan Stanley, which is defined as:

- A full-time salaried employee;
- A part-time salaried employee regularly scheduled to work at least 50 percent or more of the standard full-time work week;
- A former retiree (at least age 55 and 5 years of service at termination) who has been rehired as a salaried employee who is regularly scheduled to work at least 25 percent of the standard full-time work week;
- An hourly employee hired and enrolled in benefits before July 1, 2004; or
- An hourly employee who transferred directly from Citigroup in connection with the creation of Morgan Stanley Smith Barney in 2009 (or was a Delayed Transfer Individual who transferred after 2009), but only if the employee was eligible to participate in the Citigroup health and insurance plans immediately before his/her transfer date.

WHO EITHER:

- Lives in the U.S.; or
- Is a U.S. expatriate or a U.S. benefits-eligible international employee.

The determination of whether or not an individual is a U.S. benefits-eligible employee shall be made by the Program Administrator in his/her sole discretion.

Individuals who are: (a) classified by Morgan Stanley or its affiliates as non-U.S. benefits-eligible workers, interns, summer associates, contingent workers, leased workers, independent contractors or consultants, regardless of whether or not such classification is subsequently upheld for any purpose by a court or federal, state or local administrative authority; (b) covered by a collective bargaining agreement with respect to which Morgan Stanley or an affiliate is a party, unless such agreement provides for participation in the Program; (c) hired in connection with an acquisition agreement entered into on or after January 1, 2006, unless such agreement provides for participation in the Program; or (d) hired at, or transferred to, an hourly status on or after July 1, 2004, are not eligible to participate in the Program.

Payment of Benefits

If you are a U.S. benefits-eligible employee, you may be reimbursed for eligible qualified adoption expenses if you:

- Are an active employee (including employees on an unpaid leave) and eligible for U.S. benefits at the time the qualified adoption expenses are incurred;
- Incur qualified adoption expenses (as described in the Qualified Expenses section);
- Adopt a child under 18 years of age or who is physically or mentally incapable of caring for himself or herself; and
- Submit the proper forms within six months following the date the adoption is finalized and before your employment termination date.

Note: Any expenses for a domestic or foreign adoption will be eligible for reimbursement only when the adoption is finalized.

- A domestic adoption is considered finalized when an adoption decree or certificate has been issued by the court.
- For a foreign adoption, a foreign adoption is generally "final" when (1) a competent authority of a foreign-sending country has (a) entered a decree of adoption with respect to the foreign-born child or (b) has authorized the child to leave the foreign-sending country under a guardianship or legal custody arrangement; and (2) the child receives an IR Visa (an adoption visa) from the U.S. State Department.

See IRS Revenue Procedure 2005-31

(<https://www.irs.gov/pub/irs-drop/rp-10-31.pdf>) for more information.

Note: If both adoptive parents work for Morgan Stanley, only one parent is eligible to receive reimbursement.

Maximum Benefit

The maximum benefit per adopted child is \$5,000. This amount is increased to \$6,000 if you adopt a child with special needs.

A "child with special needs" is a child who is a citizen or resident of the U.S. whom a state (including the District of Columbia or a U.S. possession) has determined cannot or should not be returned to the parents' home and will not be adopted unless adoption assistance is provided to the adoptive parents.

A foreign child cannot be treated as a child with special needs.

Note: The definition of a child with special needs is determined by each state. In order to be reimbursed at the “child with special needs” benefit level, you must provide a copy of your state’s determination. For more details, contact your state’s adoption resource center.

Qualified Expenses

The Program reimburses (up to the maximum amount described in the *Maximum Benefit* section on page 3) reasonable and necessary qualified expenses directly related to (and whose principal purpose is for) the legal adoption of an eligible child.

EXAMPLES OF QUALIFIED EXPENSES INCLUDE:

- Adoption fees;
- Attorneys’ fees and court costs;
- Travel expenses (including amounts spent for meals and lodging while away from home);
- Re-adoption expenses relating to the adoption of a foreign child; and
- Other expenses directly related to (and which the principal purpose is for) the legal adoption of an eligible child.

Non-Qualified Expenses

The following expenses are not eligible for reimbursement under the Program:

- Voluntary donations or contributions to adoption agencies;
- Expenses for the biological parents, such as living, counseling and medical expenses;
- Expenses for carrying out any surrogate parenting arrangement, including medical, living or counseling expenses;
- Costs to obtain guardianship or custody of a child for dependency purposes not associated with the legal adoption of the child;
- Expenses incurred in connection with the adoption of a stepchild or an employee’s adoption of a spouse’s or domestic partner’s child;
- Expenses for personal items, such as clothing;
- Expenses that violate state or federal law;
- Expenses paid using funds received from any federal, state or local program;

- Expenses incurred after you terminate employment with Morgan Stanley or while you are otherwise ineligible for the Program; and
- Expenses that have been paid or reimbursed from another source or that are the basis of a tax credit.

Tax Considerations

Under federal tax laws, subject to applicable limits, employer-reimbursed employee adoption expenses are not subject to federal income tax (but are subject to Social Security, Medicare and federal unemployment taxes).

This **tax exclusion** begins to phase out for employees with modified Adjusted Gross Income (modified AGI) over \$207,580 in 2018 (as indexed) and is completely eliminated for employees with modified AGI of \$247,580 in 2018 (as indexed) or more.

You may also be entitled to a **tax credit** for qualifying adoption expenses. The tax credit phases out at the same income thresholds as the tax exclusion for amounts reimbursed under this Program.

More information on the tax credit and the tax exclusion, including the years in which you may claim a credit or exclusion, can be found in the instructions to *IRS Form 8839, Qualified Adoption Expenses* available on the IRS website (<https://www.irs.gov/pub/irs-pdf/i8839.pdf>) or by calling 1-800-829-3676.

Requesting Reimbursement

To request reimbursement from the Program, you must submit an Application for Reimbursement to HR Services within six months following the date the adoption is finalized (as defined above).

Send the completed application, along with itemized receipts of qualified expenses, to:

REGULAR MAIL:

Morgan Stanley Adoption Assistance Program Administrator
c/o HR Services
P.O. Box 64079
The Woodlands, TX 77387-4079
1-877-MSHR-411 (1-877-674-7411)

OVERNIGHT MAIL:

Morgan Stanley Adoption Assistance Program Administrator
c/o HR Services
9501 Lakeside Boulevard
The Woodlands, TX 77381
1-877-MSHR-411 (1-877-674-7411)

Applications are available through the Morgan Stanley intranet, the Benefit Center website or by request from HR Services.

If You Terminate Employment

You are eligible for reimbursement if your application is submitted (i) prior to your employment termination date and (ii) within six months following the date the adoption is finalized (as defined above).

If Benefits Are Not Paid

If your request for benefits is denied, you may file a claim and appeal. A “claim” is your first request for a review of the denial, and an “appeal” is your second request for review of the denial (if your first request for review is denied).

All claims and appeals are determined in accordance with the Claims and Appeals process detailed in the *Health and Insurance Benefits Summary Plan Description*, available on the Benefit Center website or mybenefits.morganstanley.com.

Administrative Information

The Adoption Assistance Program is sponsored and maintained by Morgan Stanley Domestic Holdings, Inc.

The Program is an unfunded program intended to meet the requirements of section 137 of the Internal Revenue Code of 1986, as amended. Reimbursement of eligible expenses under the Program is made from general corporate assets. In the unlikely event that Morgan Stanley is unable to pay claims under the Program, you would have the status of a general unsecured creditor with respect to payment of your claims.

The Employer Identification Number for Morgan Stanley Domestic Holdings, Inc. is 20-8674829. The Program’s Identification Number is 518.

Program Administrator

Morgan Stanley Chief Human Resources Officer
c/o HR Services
9501 Lakeside Boulevard
The Woodlands, TX 77381
1-877-MSHR-411 (1-877-674-7411)

If the Program Is Terminated or Modified

Although Morgan Stanley and its participating affiliates expect to continue the Program indefinitely, Morgan Stanley Domestic Holdings, Inc., by action of its Board of Directors (or its delegate, the Morgan Stanley Chief Human Resources Officer or a person in a successor role), reserves the right to amend, modify or discontinue the Program or any benefits under the Program at any time for any reason and from time to time, and to implement changes required by federal, state and local legislation.

Program Booklet Governs

This booklet describes the provisions of the Program in effect as of January 1, 2018, and is the official Program document. If there is any difference between the information in this booklet and any verbal or written representation or other document, this booklet will govern.

No Guarantee of Employment

Neither this booklet nor participation in the Program is a guarantee of continued employment.

HR Services

HR SERVICES REPRESENTATIVES:

1-877-MSHR-411 (1-877-674-7411) (toll free)
+1 718-354-1343 (toll, overseas employees)
9 am to 7 pm, Eastern Monday through Friday, except certain U.S. holidays

Fax: 1-847-554-1553

www.morganstanley.com/benefits

24 hours a day, seven days a week