
ILLINOIS TOOL WORKS INC.

Qualified Domestic Relations Order Processing Package

for

Tax Qualified Defined Contribution Plans

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**ITW SAVINGS AND INVESTMENT PLAN
ITW BARGAINING SAVINGS AND INVESTMENT PLAN**

SECTION I

INTRODUCTION: WHAT IS A QDRO?

A QDRO (pronounced “quadro”) is an abbreviated term for Qualified Domestic Relations Order. A QDRO is a court order that allows a spouse, former spouse, child or other dependent **to receive all or a portion of an employee’s retirement benefit (savings and/or pension)** due to a divorce, separation, or child support situation. For example, in a divorce situation the parties may wish to split the employee’s savings account so that the former spouse receives half of the account balance as of the divorce date or possibly a specific dollar amount from the account.

Under the law, the QDRO must contain specific information and must be approved **by a court or state agency and by the employee’s company** (the Plan Administrator). A QDRO cannot be considered “qualified” and enforceable until both of these entities have approved the domestic relations order. A divorce decree, property settlement agreement, child support order, or other court document may indicate that a portion of the Participant’s savings or pension benefit is to be given to an Alternate Payee (the spouse, former spouse, child or other dependent). If the Order does not meet the requirements of a QDRO, the Plan has no obligation to comply with these documents unless they are reviewed and determined to be “qualified” by the Plan Administrator.

Usually, an attorney or a QDRO specialist assists the marital parties in the preparation of a QDRO. This package is intended to assist all parties in the preparation of a QDRO for a tax-qualified **defined contribution plan*** that will meet the requirements of the federal law as well as the requirements of the Plan. The enclosed policies and procedures will address such areas as: how to obtain specific account balance information that may be necessary to prepare the Order, the Plan’s policy with respect to placing a “hold” or “restriction” on the Participant’s account, the procedures and process that will be followed in the review of any draft or court executed QDRO, and other key policies and procedures. Please read this document carefully.

* A defined contribution plan is a savings type plan such as a 401(k) or a profit sharing plan that provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant’s account plus any income, expenses, gains or losses.

SECTION II

POLICIES AND PROCEDURES TO DETERMINE THE QUALIFIED STATUS OF A DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER

The following procedures are provided in accordance with the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code of 1986, as amended (the Code). Both ERISA and the Code include Qualified Domestic Relations Order (QDRO) provisions that were added by the Retirement Equity Act of 1984 (REA). You may refer to Section 414(p) of the Code, Section 206(d)(3) of ERISA, or the Department of Labor's booklet titled, "QDROs: The Division of Pensions Through Qualified Domestic Relations Orders" for additional guidance. These procedures are intended to provide an understanding of the policies and procedures that will be used by the Plan in responding to a domestic relations matter and in determining the qualified status of a Domestic Relations Order for a tax-qualified defined contribution plan. The information provided is not intended to provide legal or tax advice.

Domestic Relations Orders relating to the ITW Savings and Investment Plan or the ITW Bargaining Savings and Investment Plan are administratively reviewed by Ceridian Benefits Services. You may reach Ceridian Benefits Services at:

Mailing Address: **Ceridian Benefits Services**
 ITW QDRO Processing Center
 P.O. Box 534277
 St. Petersburg, FL 33747

Street Address: **Ceridian Benefits Services**
(for overnight packages) **ITW QDRO Processing Center**
 3201 34th Street South
 St. Petersburg, FL 33711

Phone Number: **727-866-5911**
Fax Number: **727-866-5925**

Release of plan information or the Participant's specific benefit information

Prior to drafting a Domestic Relations Order it may be necessary to obtain the official name of the Participant's Plan, the Participant's specific account balance information, or provisions of the Plan (i.e. vesting provisions, distribution options, beneficiary provisions, etc.). Specific information regarding the Participant's benefits may be released to a party involved in a domestic relations matter as follows:

Information will be released upon receipt of a written, signed statement from the Participant indicating that the Participant authorizes the Plan to release his/her benefit information to the interested party.

Information will be released to a designated party upon receipt of a court document or a state agency request that legally requires the Plan to provide such information (ex: subpoena, joinder, state agency benefit request).

POLICIES AND PROCEDURES TO DETERMINE THE QUALIFIED STATUS OF A DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER

Account Restriction Policy

Upon receipt of written notice of a pending domestic relations matter, the Participant's account will be restricted for a temporary period of ninety (90) days. Upon receipt of a court executed Order which clearly states a division of benefits, the Participant's account will be restricted for a period of eighteen (18) months. During the restriction period the Participant will not be permitted to remove funds from the account; although, the Participant will be permitted to make investment changes.

If a Restraining Order against *the Plan* is received, the Participant's account will be restricted for the duration noted in the Restraining Order. If a Restraining Order is received which restrains *the Participant* from account withdrawals, the Participant's account will be restricted for a maximum period of eighteen (18) months.

Removal of Account Restriction

If the Plan Administrator or its designee is in receipt of a Restraining Order against the Plan, the restriction will be removed upon expiration of the Restraining Order, upon receipt of an Order which vacates the Restraining Order or upon qualification of a Domestic Relations Order. In all other instances, a restriction on the Participant's account will be removed upon the expiration of either the ninety (90) day or eighteen (18) month period, upon qualification of a Domestic Relations Order, upon establishment of the Alternate Payee's separate account or upon receipt of any one of the following documents:

- An executed Order that clearly states that the Alternate Payee waives spousal right to benefits under the Plan.
- A notarized "No Domestic Relations Matter" form, which can be obtained from Ceridian QDRO Center at the address provided on page ii.
- A notarized statement signed by the Participant and the Alternate Payee indicating that a domestic relations order will not be entered with the court and both parties agree to the removal of the restriction.

Processing of a Domestic Relations Order

Upon receipt of a Domestic Relations Order, the Plan Participant and the person named in the Order claiming an interest in the Plan (hereafter referred to as the "Alternate Payee") will be notified of the receipt of the Domestic Relations Order. All correspondence will be sent to the addresses provided in the Order or at a more current address on record. As well, the Participant and Alternate Payee will be provided with a copy of these Procedures and will be notified of any determination with respect to the status of the proposed Order. The Participant and Alternate Payee may designate a legal representative (e.g., an attorney) to receive a copy of these Procedures and notices with respect to such Order.

POLICIES AND PROCEDURES TO DETERMINE THE QUALIFIED STATUS OF A DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER

Processing of a Domestic Relations Order continued

In order to be considered "qualified", the Order must be an original or a "court certified copy" of the Court Executed Order, must be made pursuant to state domestic relations law relating to marital property rights, alimony, or child support, and must contain the following information:

- (a) The full name and current or last known mailing address of the Participant.
- (b) The full name and current or last known mailing address of the Alternate Payee.
[For administrative purposes, the Order should also include the Social Security Number and date of birth of the Participant and the Alternate Payee.]
- (c) The amount, percentage or formula to be applied to the Participant's benefit to determine the amount to be paid by the Plan to the Alternate Payee.
- (d) The number of payments or period to which the Order applies.
- (e) The full name of the defined contribution plan to which the Order applies.

The Order cannot provide for any of the following:

- (a) A type or form of benefit, or any option, not otherwise provided under the terms of the Plan.
- (b) Payment of benefits which are required to be paid to another person under a previous Qualified Domestic Relations Order.
- (c) A benefit in excess of the amount available to the Participant under the Plan.

Note that Orders processed by the court after the death of the Participant will not be deemed qualified under any circumstances. If a Participant dies after an Order is processed by the court, but before the Order is qualified by the Plan and before the Plan has distributed death benefits to any named beneficiaries, the administrator will review the Order to determine if it is a QDRO based upon the requirements herein. If there is no Order which qualifies within 18 months of the original order, death benefits, if applicable and as provided by the Plan, will be distributed to the Participant's named beneficiaries.

If the Domestic Relations Order is determined to be qualified, an interpretive letter confirming the qualification will be sent to all interested parties. The Alternate Payee's awarded amount shall be established in a separate account under the Plan as soon as administratively feasible. Further information regarding the Alternate Payee's eligibility for a distribution and the administrative process for obtaining a distribution will be provided to the Alternate Payee by the Plan's Recordkeeper.

If the Domestic Relations Order is determined not to be qualified, a notice will be sent to all interested parties specifying the issues that cause the Order not to be considered qualified. The interested parties may modify the Order to meet the Code, ERISA and Plan requirements. Any restriction placed on the Participant's account will remain in effect in accordance with the Benefit Restriction Procedures.

POLICIES AND PROCEDURES TO DETERMINE THE QUALIFIED STATUS OF A DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER

Definitions, Policies and Practices

Allocation of the Benefit – The allocation date is the date chosen to divide a plan asset or benefit into those portions attributable to the Participant and those attributable to the Alternate Payee. If the allocation date is a date other than a valuation date under the plan (or in the case of a predecessor plan, a date for which valuation records do not exist or are not readily available, whether the plan was more frequently valued), the order will fail to qualify unless it specifies that the alternate payee's portion is to be determined as of the appropriate valuation date immediately preceding (or immediately following or closest to) [insert date] or equivalent language which enables the plan administrator to properly establish the benefits to which the alternate payee is entitled.

For purposes of these procedures, the appropriate valuation date shall be any date on which valuation details are reasonably available to the plan administrator. An order which refers to a valuation date for which the plan administrator has no records will be disqualified. If the intent of the order is to specify a certain dollar amount to be distributed to the alternate payee on the business day following the date it is segregated from the participant's account (required to establish tax reporting in the alternate payee's name), the order may specify that the segregation shall be made as soon as practicable following the determination that the order is qualified under the plan without specifying an allocation date.

Alternate Payee – This term is defined as any spouse, former spouse, child or other dependent of a participant who is recognized by a domestic relations order as having a right to receive all or a portion of the benefits payable under a plan with respect to such participant.

Available Account Balance – A Domestic Relations Order will not be qualified if the Alternate Payee's awarded amount, including any earnings, gains and losses, exceeds the Participant's available account balance *at the time of the qualification*. The available account balance is defined as the Participant's account balance as of the qualification date excluding any outstanding loans. If the Alternate Payee's awarded amount exceeds the Participant's available account balance *on the segregation date*, the Order may not be qualified.

Benefit Information – The Plan will provide current account balance information or historical account balance information with the appropriate authorizations and as soon as administratively feasible. Any request for historical account balance information may be subject to record retention limitations. In addition, certain records may only be available as of a month-end date or a quarter-end date.

Death of the Participant – Upon qualification of an Order, if the Participant predeceases the Alternate Payee, the death shall have no affect on the amount awarded to the Alternate Payee under the terms of the Order.

Death of the Alternate Payee – Upon qualification of an Order, if the Alternate Payee dies, the Alternate Payee's awarded amount shall be paid in accordance with the terms of the Plan as though the Alternate Payee were a Participant in the Plan. The Plan will accept an Order that specifies the name and address of a specific beneficiary or indicates that the award shall be paid to the Alternate Payee's estate.

POLICIES AND PROCEDURES TO DETERMINE THE QUALIFIED STATUS OF A DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER

Investment Gains and Losses – The term “investment gains and losses” means any increase or decrease in the value of the account due to interest, dividends, and/or market value changes. If a percentage of the Participant’s account is awarded as of a historical date (e.g. 50% as of 12/31/2006 or \$2,000 as of 12/31/2006), the Order should indicate whether or not investment gains and losses should be applied to the percentage from the historical date to the date the amounts are withdrawn from the Participant’s account. The Order must address the issue of “investment gains and losses”. If the Order does not address this issue, the Plan will require a revised or amended court executed Domestic Relations Order. The parties should keep in mind that an account balance may increase in value OR it may decrease in value when investment gains and losses are applied.

The Plan will not qualify an Order which specifies that only gains or only losses are to be awarded to the Alternate Payee.

Loans – If the Participant’s account reflects an outstanding loan on the date the balance is to be divided and the division of benefits is in the form of a percentage of an account balance, the Plan will include the outstanding loan balance in the total amount that is subject to division unless the Order specifically indicates otherwise. For example, if the benefit is to be divided in half and the Participant has a \$10,000 total account balance consisting of a \$2,000 outstanding loan and \$8,000 in the active liquid account(s), the Plan will *include* the loan before dividing the benefit (half of \$10,000).

Name and Address Changes – The Participant and the Alternate Payee must advise the Plan Administrator of any changes in their mailing address or legal name.

Plan Name Changes – Any Order shall be deemed applicable to the Plan designated in that Order and to any successor employer Plan or any other Plan to which liability for payment of the benefit may be transferred. Changes in the Plan Sponsor, Plan Administrator or name of the Plan shall not affect the terms of the Order.

Reasonableness – The Plan may fail to qualify an Order which imposes an undue burden on the Plan Administrator or requires that the Plan Administrator exercise discretion in determining assigned values. For example, an Order which requires the determination of an account balance as of a date that is more than a few years in the past, brought forward with investment gains and losses to the current date may impose a significant burden on the Plan Administrator. An Order which says that such a value is to be determined by the Plan Administrator in its discretion may fail to clearly specify the amount or method for determining the amount to be assigned to the Alternate Payee.

Segregation Date - The segregation date is the date as of which a portion of the participant's account is to be assigned to an account in the name of the alternate payee under the plan. From that date until distribution, such alternate payee account will automatically be subject to investment gains and losses under the plan's valuation procedures.

POLICIES AND PROCEDURES TO DETERMINE THE QUALIFIED STATUS OF A DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER

Tax Treatment – The Plan shall comply with Internal Revenue Code 402(a)(1) in determining the distributee for federal tax purposes. If the Participant’s account is made up of pre-tax and after-tax contributions, the amounts shall also be withdrawn on a pro-rata tax basis in accordance with Internal Revenue Code 72(m)(10).

Transfer of Funds – The Alternate Payee’s awarded amount shall be withdrawn from all of the Participant’s non-loan investment funds on a pro-rata basis unless otherwise specified in the Order.

Vesting – If the Participant is not 100% vested in his or her entire account balance as of the allocation date, the vesting percentage or status shall be determinable as of the date the Qualified Domestic Relations Order is entered with the Court. Thus, if the Participant is only 60% vested as of the allocation date and 100% vested on the date the Qualified Domestic Relations Order is entered with the Court, the entire account balance would be considered for allocation to the Alternate Payee.

SECTION III
SAMPLE DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER
PREFACE

A SAMPLE DEFINED CONTRIBUTION DOMESTIC RELATIONS ORDER is provided on the following pages. If questions should arise regarding the use of this sample, you may contact Ceridian Benefits Services at 727-866-5911 for assistance. Note that you may customize your specific Order by adding case-specific information wherever wording is in brackets or italicized.

Assigning the Benefit to the Alternate Payee -- Select **only one** of the options under the category **“Assigning the Benefit to the Alternate Payee”**. In option 1 or 2 you must select a specific allocation date for determining the balance that is subject to division. In the event that the Plan does not have a record of the account balance as of the allocation date, the parties may wish to include language which indicates that the Plan may use the valuation date that is: immediately preceding, immediately following, or the closest valuation date.

Once an Order is prepared, the parties may wish to submit the drafted Order to this office for a review prior to submitting the document to a court. Once the Order has been signed by a judge or by a state representative, **an original or a court-certified copy of the Domestic Relations Order must be returned in its entirety to Ceridian Benefits Services at:**

Mailing Address: **Ceridian Benefits Services**
 ITW QDRO Processing Center
 P.O. Box 534277
 St. Petersburg, FL 33747

Street Address: **Ceridian Benefits Services**
(for overnight packages) **ITW QDRO Processing Center**
 3201 34th Street South
 St. Petersburg, FL 33711

Phone Number: **727-866-5911**
Fax Number: **727-866-5925**

7. The following interest in the Plan is awarded to the Alternate Payee from the Participant's account(s): *[The following are three possible examples—choose only one].*

Example 1

The Alternate Payee shall be awarded and assigned _____ percent of the Participant's vested account balance in the Plan determined as of _____ (the allocation date). Investment gains and losses [select one: shall/shall not] be applied from the allocation date to the valuation date coincident with or immediately preceding the date the assets are transferred into a separate account established in the Plan for the Alternate Payee. Any outstanding loans [select one: shall/shall not] be treated as part of the total account balance for the purpose of determining the amount to be awarded to the Alternate Payee.

Example 2

The Alternate Payee shall be awarded and assigned a dollar amount equal to \$_____ of the Participant's vested account balance in the Plan determined as of _____ (the allocation date). Investment gains and losses [select one: shall/shall not] be applied from the allocation date to the valuation date coincident with or immediately preceding the date the assets are transferred into a separate account established in the Plan for the Alternate Payee.

Example 3

The Alternate Payee shall be awarded and assigned a dollar amount equal to \$_____ of the Participant's current vested account balance in the Plan determined as of the Plan valuation date that is coincident with or immediately preceding the date the assets are transferred into a separate account established in the Plan for the Alternate Payee.

8. The Participant's account balance shall include all of the funds, accounts and/or subaccounts under the Plan including any benefits transferred from a predecessor plan or another plan. If the Participant's account balance includes various investment funds, the Alternate Payee's assigned amount shall be withdrawn from each of the non-loan investment funds on a proportionate basis.
9. As soon as administratively feasible after qualification of this Domestic Relations Order, the Alternate Payee's assigned amount shall be established in a separate account under the Plan. Further information regarding the Alternate Payee's eligibility for a distribution and the administrative process for obtaining a distribution will be provided to the Alternate Payee by the Plan's Recordkeeper.

10. In the event of the death of the Participant after qualification of this Domestic Relations Order, such death shall have no effect on the amounts awarded to the Alternate Payee.
11. In the event of the death of the Alternate Payee after qualification of this Domestic Relations Order, the awarded benefits will be paid to the designated beneficiary as provided by the Alternate Payee on the Plan's required beneficiary form. If a beneficiary designation has not been provided to the Plan, the terms of the Plan which apply to deceased Plan participants shall apply to the Alternate Payee's benefit.
12. This Domestic Relations Order does *not* require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan; to require the Plan to provide increased benefits (determined on the basis of actuarial value); or to require the payment of benefits to the Alternate Payee which are required to be paid to another Alternate Payee under another Order previously determined to be a Qualified Domestic Relations Order.
13. The Participant and the Alternate Payee are responsible for advising the Plan Administrator in writing of any change in mailing address or legal name.
14. This Order shall apply to any successor Plan or any other Plan to which liability for payment of the benefits may be transferred. In the event the Plan is terminated prior to full distribution of the Alternate Payee's benefits, the remaining benefit shall be paid in accordance with the Plan's termination provisions.
15. It is understood that the Plan may require completion of specific forms prior to distribution of the awarded amount. The parties must cooperate in executing any and all forms and providing any necessary documentation which may be required by the Plan in order to comply with the terms of this Order.
16. The Plan shall comply with Internal Revenue Code 402(a)(1) in determining the distributee for federal tax purposes. If the Participant's account is made up of pre-tax and after-tax contributions, the amounts shall also be withdrawn on a pro-rata tax basis in accordance with Internal Revenue Code 72(m)(10).
17. The Participant shall have no further rights to amounts payable hereunder to the Alternate Payee pursuant to this Order.
18. The Court reserves jurisdiction with respect to this Order to the extent necessary to maintain the original intent of the parties and the applicable state domestic relations laws.

Attorney for the Plaintiff/Petitioner:

[Attorney Full Name]

[Attorney Full Address]

Attorney for the Defendant/Respondent:

[Attorney Full Name]

[Attorney Full Address]

ENTERED: _____
Judge

DATED: _____