

# Savings Banks Employees Retirement Association

## APPLICATION FOR DEATH PROCEEDS

Participant Name: (Please Print) \_\_\_\_\_ Certificate No. \_\_\_\_\_

Employer's Name: \_\_\_\_\_ Plan No. \_\_\_\_\_

PLEASE NOTE: If the Participant was married on the date of Death, the Participant's spouse is entitled to any death proceeds unless he/she has consented not to be the Beneficiary or Joint Annuitant.

A separate application must be submitted for each person making a claim.

A COPY OF THE PARTICIPANT'S DEATH CERTIFICATE MUST BE SUBMITTED WITH THIS CLAIM

### SECTION 1. BENEFICIARY / CLAIMANT'S STATEMENT

1. Name of Beneficiary: \_\_\_\_\_
2. Name of Claimant, if not beneficiary: \_\_\_\_\_
3. Date of Participant's death: \_\_\_\_\_
4. Last residence of Participant: \_\_\_\_\_
5. (A) Beneficiary / Claimant's relationship to Participant, if any: \_\_\_\_\_  
(B) Beneficiary/Claimant's date of birth: \_\_\_\_\_ (C) Soc. Sec. No. \_\_\_\_\_  
(D) Beneficiary / Claimant's address: \_\_\_\_\_
6. If the Claimant is NOT the Beneficiary, by what right is he/she claiming benefits from SBERA?  
The claimant is: (check one)  
 Administrator or executor of the estate of the Participant (Attach a certified copy of appointment)  
 Guardian of a minor Beneficiary (Attach a certified copy of appointment)  
 Other - explain: \_\_\_\_\_  
(Attach any relevant documentation)
7. If any named Beneficiary is deceased, list the Beneficiary(ies) and date(s) of death. A copy of the deceased Beneficiary's Death Certificate is required.

Name of Beneficiary	Date of Death
_____	_____
_____	_____
_____	_____
8. Was the Participant married at the time of death?  
 No  
 Yes - Spouse's Name: \_\_\_\_\_

- CONTINUED -

**SECTION 2. BENEFICIARY / CLAIMANT'S ELECTION**

Internal Revenue Service (IRS) regulations and the SBERA Plan require that the entire interest in the Plan of a deceased Participant be distributed within 5 years after the date of death. This regulation does not apply if the proceeds are payable to a designated Beneficiary or the spouse of the deceased Participant. A designated Beneficiary other than the spouse must begin to receive distribution within one year of the Participant's death and such distribution may be made over a period of time that does not exceed the life expectancy of the Beneficiary. Death proceeds payable to a spouse must be distributed over a period of time not to exceed the life expectancy of the spouse and must commence no later than the date on which the Participant would have attained age 70 1/2.

With full knowledge of the foregoing restrictions, I elect the distribution option selected below: **(CHECK ONE )**

**SINGLE SUM PAYMENT:**

All funds remaining to the credit of the deceased Participant will be paid in one sum to the Beneficiary / Claimant. The entire amount is subject to Federal withholding of 20%. The entire amount is also subject to Massachusetts withholding of 5.20%, unless you are not a resident of Massachusetts. You also have the right to request a direct rollover of all or part of any taxable funds to an Individual Retirement Account (IRA) or qualified employer plan. **GO TO SECTION 3 FOR THIS ELECTION**

**ANNUITY OPTIONS:**

**SELECT ONE ANNUITY OPTION:**

**SINGLE LIFE ANNUITY:** An annuity will be paid for the claimant's lifetime and ceasing upon his/her death. Monthly payments are to begin \_\_\_\_\_ 20\_\_\_\_.

**INSTALLMENT PAYMENTS:** Proceeds will be paid in equal monthly installments beginning on \_\_\_\_\_ 20\_\_\_\_ and will stop at the end of the fifth year following the calendar year of the Participant's death. If the Claimant dies before receiving all proceeds to the credit of the deceased Participant, the balance will be paid to the beneficiary designated below:

The surviving beneficiary(ies) in the lowest numbered class will share equally in the balance of any remaining proceeds on the death of the Claimant. If no listed beneficiary survives the Claimant; proceeds will be paid to the Claimant's estate.

**ALL BENEFICIARIES must read the Special Tax Notice Regarding Plan Payments.**

Class	Name of Beneficiary	Relationship	Social Security No.	Birth date
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Address where Proceeds are to be sent:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**If you choose an Annuity: see enclosed Withholding and Deposit Forms**

### SECTION 3. DISBURSEMENT ELECTION

**OPTION 1 Payment to Claimant:** I direct that distribution be made to me. I understand that Federal Income taxes equal to 20% of the taxable amount must be withheld and that Massachusetts income taxes will be withheld on the entire amount unless I am not a resident of Massachusetts.

**OPTION 2 Direct Rollover to a Qualified Plan or IRA:** I direct that all or part of the taxable portion of my distribution be directly transferred to the Qualified Plan or IRA listed below. I understand that any amount not directly transferred will be subject to 20% Federal income tax withholding and Massachusetts income tax withholding. I certify to SBERA that the transferee is a Qualified Plan or IRA and that the transferee has agreed to accept the rollover. **I understand if I am the surviving spouse that I may roll over these proceeds into an IRA or another qualified plan. If I am a non-spouse beneficiary, I may rollover these proceeds only into an "Inherited IRA."**

#### CHECK ONE:

\$ \_\_\_\_\_ (fill in amount) shall be directly transferred to the Qualified Plan or IRA listed below.

ALL taxable funds shall be directly transferred to the Qualified Plan or IRA listed below.

Account Name: \_\_\_\_\_

Account # (if known): \_\_\_\_\_

Name of Plan or Financial Institution: \_\_\_\_\_

I understand that regardless of the payment option I choose, the check will be mailed directly to my home address. If the check is for a direct transfer to another Qualified Plan or IRA, I understand it is my responsibility to forward the check to the appropriate person(s) along with any paperwork necessary to open my new account.

### SECTION 4. WITHHOLDING ELECTION FOR NON-MASSACHUSETTS RESIDENT

I understand that any taxable funds that are paid to me will have Federal income tax withholding of 20%.

- If Option 1 is elected in section 3 above, and I am a resident of Massachusetts, the entire taxable distribution is also subject to Massachusetts income tax withholding of 5.20%.
- If Option 2 is elected, any taxable funds not directly transferred to a Qualified Plan or IRA are subject to Federal income tax withholding of 20% and is also subject to Massachusetts income tax withholding of 5.20%.

I hereby certify that I am not a Massachusetts resident

- CONTINUED -

**SECTION 5. SIGNATURE OF BENEFICIARY / CLAIMANT**

\_\_\_\_\_

Date

\_\_\_\_\_

Signature of Beneficiary / Claimant

\_\_\_\_\_

Beneficiary / Claimant's Telephone Number

Beneficiary / Claimant's Proof of Birth Must Be Submitted With This Claim (Copy of Birth Certificate, Copy of Drivers License, or other Proof of Birth)

**Information provided in this withdrawal request overrides any subsequent information received from outside institutions.**

**Please be sure of the type of distribution you elect to receive, and that all information you provide is accurate. SBERA will assess a \$100.00 processing fee for checks re-issued due to participant errors.**

**If you have any questions, please call (781) 970-5025.**

**Forward this claim form and all supporting documents to:**

**SBERA  
P.O. Box 2069  
Woburn MA 01888-0169**

**SBERA USE ONLY:**

Date Recv'd:.

Date Paid:

FIT Withheld

Check No.

Gross Amount:

MA Tax Withheld

Check Amount:

By:

# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

## *This Special Tax Notice Applies to Distributions from Code Section 401(a) Plans, Code Section 403(a) Annuity Plans, Code Section 403(b) Tax-Sheltered Annuities and Code Section 457 Governmental Plans*

This Notice contains important information you will need before you decide how to receive Plan benefits. It explains when and how you can continue to defer federal income tax on your retirement savings when you receive a distribution. This Notice does not describe any state or local income tax rules (including withholding rules) that may be applicable.

This Notice is provided to you because all or part of the payment that you will soon receive from one or more plans in which you participate *may* be eligible for rollover by you or your Plan Administrator to a Traditional IRA or an *eligible employer plan*. A "rollover" is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. An "eligible employer plan" includes a plan qualified under Section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a Section 403(a) annuity plan; a Section 403(b) tax-sheltered annuity, and an eligible Section 457(b) plan maintained by a governmental employer (governmental 457 plan). Your payment(s) cannot be rolled over to a Roth IRA ([except as described under Section IV below](#)), SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA).

Although the information in this Notice generally applies to most plan distributions, some distinctive rules relate to distributions from governmental 457 plans. For more information on unique rules applicable to these plans, see the Section "Additional Information for Governmental 457 Plans." This Notice does not address distributions from 457(b) plans maintained by tax-exempt employers or 457(f) plans because distributions from such plans are not eligible for rollover.

There are some special considerations before you elect to roll over your Plan benefit. First, an eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may want to roll your distribution over to a Traditional IRA instead or split your rollover amount between the employer plan in which you will participate and a Traditional IRA. Second, you should find out about any documents that are required to be completed before the receiving plan will accept a rollover. Finally, you should find out what limits the receiving plan will put on later distributions of your rollover account. For example, the receiving plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover. You may also want to talk to your tax advisor before making any decisions.

If you have additional questions after reading this Notice, you can contact your Plan Administrator.

### **General Summary**

There are two ways in which you may be able to receive a Plan payment that is eligible for rollover:

1. Certain payments can be made directly to a Traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
2. The payment can be PAID TO YOU.

### **If you choose a DIRECT ROLLOVER:**

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your Traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA ([except as described under Section IV below](#)), a SIMPLE IRA, or a Coverdell Education Savings Account because these are not Traditional IRAs.
- The taxable portion of your payment will be taxed later when you take it out of the Traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

### **If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:**

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your Traditional IRA or to an eligible employer plan that accepts your rollover within sixty (60) days after you receive the payment. The amount rolled over will not be taxed until you take it out of the Traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a Traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.
- [If your distribution includes designated Roth 401\(k\) or 403\(b\) contributions, special rules apply, which are described under Section IV below.](#)

### **If you choose not to take a distribution at this time or do not respond to this Notice:**

If your vested account balance is \$1,000 or less, the Plan Administrator will automatically distribute your vested account balance to you subject to the withholding requirements above; no distribution will be made to you without your consent if your vested account balance is greater than \$1,000. If your vested account balance above includes Rollover Contributions made by you to this Plan, those Rollover Contributions will be included when determining the \$1,000 amount.

Also, if you elect not to take a distribution at this time, such election must be communicated to the Plan Administrator. To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Allocating your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money.

**In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors,**

individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk. It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals.

In making the decision as to whether or not to defer payment of your Plan benefits, it is important to consider numerous factors, including but not limited to premature distribution penalties described elsewhere in this Notice, the potential loss of investment income on a tax-deferred (or Roth tax-free) basis, the investment fees charged by this Plan versus those that will be charged by alternative investment vehicles such as rollover IRAs or other eligible retirement plans. Depending on how you invest your assets outside this Plan, you may or may not be able to invest in assets that provide higher rates of return.

**Administration Fees Charged to Accounts Remaining in the Plan**

If you do not take a distribution of your account from the Plan or fail to respond to this Notice, the administration expenses and fees that currently apply to benefit accounts under the Plan are described on Schedule A of this Special Tax Notice Regarding Plan Payments.

**Your Right to Waive the 30-Day Notice Period**

Generally, neither a DIRECT ROLLOVER nor a payment can be made from the Plan until at least thirty (30) days after your receipt of this Notice. Thus, after receiving this Notice, you have at least thirty (30) days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a DIRECT ROLLOVER. Your withdrawal will then be processed in accordance with your election as soon as practical after the Plan Administrator receives it.

**ADDITIONAL INFORMATION**

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## ADDITIONAL INFORMATION

### I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to a Traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA (except as described below), a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

#### After-tax Contributions and Roth 401(k) Deferrals

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so that you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. If you made after-tax contributions to the Plan, these contributions may be rolled into either a Traditional IRA, a Roth IRA, or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

1. **Rollover into a Traditional IRA or Roth IRA.** You can roll over your after-tax contributions to a Traditional IRA either directly or indirectly. Your Plan Administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

You may roll over to an IRA a payment that includes after-tax contributions through either a DIRECT ROLLOVER or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a DIRECT ROLLOVER of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. If you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a DIRECT ROLLOVER of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000 of which \$2,000 is after-tax contributions and no part of the distribution is directly rolled over. If you roll over \$10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions but only through a DIRECT ROLLOVER (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental Code Section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of payment that would be taxable if not rolled over.

See Section IV for rollovers of Roth 401(k) Deferrals to a Roth IRA.

2. **Rollover into an Employer Plan.** You can roll over after-tax contributions from an employer plan that is qualified under Code Section 401(a) or a Section 403(a) annuity plan or a 403(b) tax-sheltered annuity to another such plan using a DIRECT ROLLOVER only if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can also roll over after-tax contributions from a Section 403(b) tax-sheltered annuity to another Section 403(b) tax-sheltered annuity, 401(a) or 403(a) plan using a DIRECT ROLLOVER if the other tax-sheltered annuity or plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You cannot roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a DIRECT ROLLOVER on your behalf. Also, you cannot first roll over after-tax contributions to a Traditional IRA and then roll over that amount into an employer plan.

You may roll over an eligible rollover distribution that consists of Roth 401(k) Deferrals (and earnings) only to another qualified plan (including a defined benefit plan by DIRECT ROLLOVER) or to a Roth 403(b) plan by DIRECT ROLLOVER, provided the qualified plan or the Roth 403(b) plan accepts such rollover and agrees to provide separate accounting for those amounts rolled over (including separate accounting for Roth 401(k) Deferrals and the earnings on those deferrals). Your period of participation under the distributing plan is carried over to the recipient plan for purposes of determining whether you satisfy the 5-year requirement for qualified distributions from the recipient plan. You may also roll over Roth 401(k) Deferrals to a Roth IRA either by a DIRECT ROLLOVER or by a 60-day rollover. In any of these DIRECT ROLLOVERS, the distribution may, but need not be deemed, a “qualified Roth distribution” (see Section IV, Special Rules for Designated Roth Contributions to 401(k) and 403(b) Accounts). In the case of a rollover from a designated Roth account under a 401(k) or 403(b) plan to a Roth IRA, the period that the rolled-over funds were in the designated Roth 401(k) or 403(b) account does not count towards the 5-year period for determining qualified distributions from a Roth IRA. However, if you established a Roth IRA in a prior year, the 5-year period for determining qualified distributions from a Roth IRA that began as a result of your earlier Roth IRA contribution applies to any distributions from the Roth IRA, including a distribution of an amount that was attributable to a rollover contribution from a designated Roth contribution account.

3. **In-Plan Roth Rollovers.** If your plan permits, distributions made to plan participants or beneficiaries after September 27, 2010 from a plan that permits Roth Elective Deferrals may be rolled from a non-Roth account to a Roth account known as an “In-Plan Roth Rollover.” An amount is eligible for an In-Plan Roth Rollover only if the employer’s plan has elected to provide for such rollovers. An In-Plan Roth Rollover may be accomplished by a DIRECT ROLLOVER or by a distribution of funds to the participant who, within sixty (60) days from the date of distribution, rolls such distribution back to a Roth account within the same plan. For more information, see Section IV “Special Rules for Designated Roth Contributions to 401(k) and 403(b) Accounts.”
4. **Extension of 60-day Rollover Deadline.** Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevent you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*.
5. **Distributions of Employer Stock.** If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant’s death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the Plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the Plan. If you do a rollover for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within sixty (60) days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or employer plan. The Plan Administrator can tell you the amount of any net unrealized appreciation.

The following types of payments cannot be rolled over:

1. **Payments Spread Over Long Periods.** You cannot roll over a payment if it is part of a series of equal (or almost equal) installment payments that are made at least once a year and that will last for:
  - Your lifetime (or a period measured by your life expectancy), or
  - Your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
  - A period of ten (10) years or more.
2. **Required Minimum Payments.** Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your Employer.
3. **Hardship Distributions.** A hardship distribution cannot be rolled over.
4. **ESOP Dividends.** Cash dividends paid to you on employer stock held in an employee stock ownership plan cannot be rolled over.
5. **Corrective Distributions.** A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.
6. **Loans Treated as Distributions.** The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan-offset amount is eligible for rollover, as discussed in Section II below. Ask the Plan Administrator of this Plan if distribution of your loan qualifies for rollover treatment.
7. **Life Insurance.** The cost of life insurance paid by the Plan.
8. **Return of Automatic Enrollment Contributions.** Certain automatic enrollment contributions requested to be withdrawn within ninety (90) days of the first contribution cannot be rolled over.
9. **ESOPs.** Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA).

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

## II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a Traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the Traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200. [If a portion of your payment is from a designated Roth 401\(k\) or 403\(b\) account \(as described under Section IV below\), the Plan may treat the Roth account portion of your payment as a separate distribution for purposes of the \\$200 rule to determine amounts that are not rollover eligible.](#)

[Other special rules apply if your distribution includes designated Roth contributions in a 401\(k\) or 403\(b\) plan. Refer to Section IV below for a discussion of the tax rules that apply to such accumulations.](#)

### Direct Rollover to a Traditional IRA

You can open a Traditional IRA to receive the DIRECT ROLLOVER. If you choose to have your payment made directly to a Traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a DIRECT ROLLOVER to a Traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a Traditional IRA to receive the payment. However, in choosing a Traditional IRA, you may wish to make sure that the Traditional IRA you choose will allow you to move all or a part of your payment to another Traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, *Individual Retirement Arrangements*, for more information on Traditional IRAs (including limits on how often you can roll over between IRAs).

### Direct Rollover to a Plan

If you are employed by a new employer that sponsors an eligible employer plan, and you want a DIRECT ROLLOVER to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you still can choose a DIRECT ROLLOVER to a Traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

### In-Plan Roth Rollovers

If so elected by the employer, distributions made to plan participants or beneficiaries after September 27, 2010 from a plan that permits Roth Elective Deferrals may be rolled from a non-Roth account to a Roth account known as an "In-Plan Roth Rollover." An amount is eligible for an In-Plan Roth Rollover only if the employer's plan has elected to provide for such rollovers. An In-Plan Roth Rollover may be accomplished by a DIRECT ROLLOVER or by a distribution of funds to the participant who, within sixty (60) days from the date of distribution, rolls such distribution back to a Roth account within the same plan. For more information, see Section IV "Special Rules for Designated Roth Contributions to 401(k) and 403(b) Accounts."

### Direct Rollover of a Series of Payments

If you receive a payment that can be rolled over to a Traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than ten (10) years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

### Change in Tax Treatment Resulting from a Direct Rollover

The tax treatment of any payment from the eligible employer plan or Traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to 10-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a Section 403(b) tax-sheltered annuity, a governmental 457 plan, or a DIRECT ROLLOVER to a Traditional IRA, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are Under Age 59½" and "Special Tax Treatment if You Were Born Before January 1, 1936."

### III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Section II above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within sixty (60) days, you roll it over to a Traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

[Special rules apply if your distribution includes designated Roth contributions to a 401\(k\) or 403\(b\) plan. Refer to Section IV below for a discussion of the tax rules that apply to such accumulations.](#)

#### Income Tax Withholding

- If you request a distribution of your Plan account, see Schedule A of this Special Tax Notice Regarding Plan Payments for further information on the processing fee that will be charged to cover the cost of your request.

**Mandatory Withholding.** If any portion of your payment can be rolled over under Section II above, and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000 but choose to take the distribution in cash instead, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within sixty (60) days (see "60-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200. [If a portion of your payment is from designated Roth contributions in a 401\(k\) or 403\(b\) account \(as described under Section IV below\), the Plan may treat the Roth account portion of your payment as a separate distribution when applying this \\$200 threshold. Furthermore, the portion of the distribution that is from a Roth account that is distributed to you on a tax-free basis will not be included in the amount of the distribution subject to withholding.](#)

**Voluntary Withholding.** If any portion of your payment is taxable but cannot be rolled over under Section II above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10% of the taxable amount will generally be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

**60-Day Rollover Option.** If you receive a payment that can be rolled over under Section II above, you can still decide to roll over all or part of it to a Traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll it over, you must contribute the amount of the payment you received to a Traditional IRA or eligible employer plan within sixty (60) days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the Traditional IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over under Section II above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the Traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

**Example:** *The taxable portion of your payment that can be rolled over under Section II above is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within sixty (60) days after receiving the \$8,000, you may roll over the entire \$10,000 to a Traditional IRA or to an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the Traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return, you may get a refund of part or all of the \$2,000 withheld.*

*If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger, if you roll over the entire \$10,000. Also, the amount of any tax refund depends on the total income taxes you owe for the year on all income and the amount you have withheld during the year on all income.)*

[Special rules apply if your distribution includes designated Roth contributions to a 401\(k\) or 403\(b\) plan. Refer to Section IV below for a discussion of the tax rules that apply to such accumulations.](#)

**Additional 10% Tax if You Are Under Age 59½.** If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your Employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or you and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code Section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order (or state domestic relations order generally applicable to governmental or church plans), (7) payments that do not exceed the amount of your deductible medical expenses, (8) certain payments that are paid while you are on active military duty after September 11, 2001, provided you were called to duty for more than 179 days, (9) certain payments that are paid to you from a governmental defined benefit plan, provided you are a public safety employee and are at least age 50, (10) payments of certain automatic enrollment contributions requested to be withdrawn within ninety (90) days of the first contribution, (11) payments after your death, (12) corrective distributions of contributions that exceed tax-law limitations, and (13) the cost of life insurance paid by the Plan. See IRS Form 5329 for more information on the additional 10% tax.

**Special Tax Treatment if You Were Born Before January 1, 1936.** If you receive a payment from a plan qualified under Section 401(a) or a Section 403(a) annuity plan that can be rolled over under Section II and you do not roll it over to a Traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. (See IRS Publication 575, *Pension and Annuity Income* for a full explanation.) A lump sum distribution is a payment within one year of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your Employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five (5) years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

- **10-Year Averaging.** If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "ten-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

- **Capital Gain Treatment.** If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a Traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a Traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment.

- **Employer Stock or Securities.** There is a special rule for a payment from the Plan that includes employer stock (or other employer securities). To use this special rule, 1) the payment must qualify as a lump sum distribution, as described above, except that you do not need five (5) years of Plan participation, or 2) the employer stock included in the payment must be attributable to "after-tax" employee contributions, if any. Under this special rule, you may have the option of not paying tax on the "net unrealized appreciation" of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the employer stock while it was held by the Plan. For example, if employer stock was contributed to your Plan account when the stock was worth \$1,000 but the stock was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock can be rolled over to a Traditional IRA or another eligible employer plan, either in a DIRECT ROLLOVER or a rollover that you make yourself. Generally, you will no longer be able to use the special rule for net unrealized appreciation if you roll the stock over to a Traditional IRA or another eligible employer plan.

If you receive only employer stock in a payment that can be rolled over, no amount will be withheld from the payment. If you receive cash or property other than employer stock, as well as employer stock, in a payment that can be rolled over, the 20% withholding amount will be based on the entire taxable amount paid to you (including the value of the employer stock determined by excluding the net unrealized appreciation). However, the amount withheld will be limited to the cash or property (excluding employer stock) paid to you.

If you receive employer stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as 10-year averaging) also may apply.

[Special rules apply if your distribution includes designated Roth contributions to a 401\(k\) or 403\(b\) plan. Refer to Section IV below for a discussion of the tax rules that apply to such accumulations.](#)

#### **Distributions for Health and Long-Term Care Insurance**

If the Plan is a governmental plan, you retired as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of \$3,000 annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

#### **Governmental 457 Plans**

**Unforeseeable Emergency Distributions.** A distribution on account of an unforeseeable emergency cannot be rolled over. An unforeseeable emergency is limited to a severe financial hardship resulting from a sudden and unexpected illness or accident or a loss of property due to casualty or similar extraordinary and unforeseeable circumstances. Such events must result from circumstances beyond your control. For example, an unforeseeable emergency must cause a hardship that cannot be relieved through reimbursement or compensation by insurance, liquidation of assets (unless such liquidation would cause a severe financial hardship), or a cessation of all contributions to the 457 plan. Payment of college expenses or purchase of a home does not qualify as an unforeseeable emergency.

**Distribution of Excess Contributions.** A distribution that is made because legal limits on certain contributions were exceeded cannot be rolled over.

**Change in Tax Treatment Resulting from a DIRECT ROLLOVER.** The tax treatment of any payment from the eligible employer plan or Traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the governmental 457 plan. See the "Additional 10% Tax May Apply to Certain Distributions."

**Additional 10% Tax May Apply to Certain Distributions.** Distributions from the governmental 457(b) plan are generally not subject to the additional 10% tax that applies to pre-age 59½ distributions from other types of plans. However, any distribution from such plan that is attributable to an amount you rolled over to the Plan (adjusted for investment returns) from another type of eligible employer plan or IRA amount is subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless an exception applies.

Exceptions to the additional 10% tax generally include (1) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or you and your beneficiary's lives or life expectancies), (2) payments that are paid from an eligible employer plan after you separate from service with your Employer during or after the year you reach 55, (3) payments that are paid because you retire due to disability, (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, or (6) payments that do not exceed the amount of your deductible medical expenses. If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described above, even if you are younger than age 59½. These exceptions may be different for distributions from a Traditional IRA. See IRS Form 5329 for more information on the additional 10% tax.

### **IV. SPECIAL RULES FOR DESIGNATED ROTH CONTRIBUTIONS TO 401(K) AND 403(B) ACCOUNTS**

#### **In-Plan Roth Rollovers**

If your plan permits, distributions made to plan participants or beneficiaries after September 27, 2010 from a plan that permits Roth Elective Deferrals may be rolled from a non-Roth account to a Roth known as an "In-Plan Roth Rollover." An amount is eligible for an In-Plan Roth Rollover only if the employer's plan has elected to provide for such rollovers. An In-Plan Roth Rollover may be accomplished by a DIRECT ROLLOVER or by a distribution of funds to the participant who, within sixty (60) days from the date of distribution, rolls such distribution back to a Roth account within the same plan.

Any vested amount held in a participant's account (other than amounts held in a designated Roth account) is eligible for an In-Plan Roth Rollover to a designated Roth account in the same plan. Your Plan may provide for a special withdrawal option which is only available if you are electing an In-Plan Roth Rollover, in which

case the other rollover information in this Notice is not applicable to that withdrawal. Once a participant elects an In-Plan Roth Rollover, such amounts may not be reconverted back to pre-tax status.

The taxable amount of an In-Plan Roth Rollover will be included in a participant's gross income equal to the fair market value of the distribution, reduced by any basis the participant has in the distribution. If the distribution includes employer securities attributable to Employee contributions, the fair market value includes any net unrealized appreciation within the meaning of Code Section 402(e)(4). If an outstanding loan is rolled over in an In-Plan Roth Rollover, the amount includible in gross income is the balance of the loan.

In-Plan Roth Rollovers will not be subject to the 10% additional tax on early distribution unless the participant receives a distribution from the Roth Rollover account within the 5-year period that begins on January 1 of the year of the rollover.

In-Plan Roth Rollovers will not be subject to the 20% mandatory withholding of Code Section 3405(c). However, a participant may elect to increase his or her withholding or make estimated tax payments to avoid an underpayment penalty.

An In-Plan Roth Rollover may be elected by a beneficiary provided such beneficiary is a surviving spouse and by an alternate payee only if he or she is a spouse or former spouse.

An In-Plan Roth Rollover will not be treated as a distribution for purposes of changing any loan repayment schedule or creating a new loan; obtaining spousal consent relating to annuities and distribution of amounts in excess of \$5,000 as described by Code Section 401(a)(11); or the rules regarding the elimination of optional forms of benefit under Code Section 411(d)(6)(B)(ii). Participants who had a distribution right (such as a right to an immediate distribution of the amount rolled over) prior to the rollover may not have this right eliminated through an In-Plan Roth Rollover."

### Treatment of Qualified Distributions

If you have made designated Roth contributions to the Plan, the amounts (both contributions and earnings) held in your designated Roth contribution account may be distributed tax-free if it is a "qualified distribution." A "qualified distribution" is a distribution that is made after at least five (5) years have elapsed from the start of the year during which you made your first Roth contribution to the Plan and is distributed:

1. after you attain age 59½;
2. to your beneficiary after your death; or
3. on account of your disability.

If the payment from the Plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution. A qualified distribution from a designated Roth account in the Plan is a payment made after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least five (5) years. In applying the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a DIRECT ROLLOVER to a designated Roth account in the Plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the other employer plan.

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan or section 403(b) plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spousal consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this Notice, but differences include:

- If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

There are two ways to do a rollover. You can either do a DIRECT ROLLOVER or a 60-day rollover.

If you do a DIRECT ROLLOVER, the Plan will make the payment directly to your Roth IRA or designated Roth account in an employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a DIRECT ROLLOVER. If you do a DIRECT ROLLOVER of only a portion of the amount paid from the Plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings. If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except as those noted at Section I of this Notice. The Plan Administrator or the payor can tell you what portion of a payment is eligible for rollover.

If you do not do a DIRECT ROLLOVER, you may still do a rollover by making a deposit within sixty (60) days into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within sixty (60) days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies). If you do not do a DIRECT ROLLOVER and the payment is not a qualified distribution, the Plan is required to withhold 20% of the earnings for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

If you receive a payment from a Roth IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA are the same as the exceptions for early distributions from a plan as explained at Section III of this Notice. However, there are a few differences for payments from a Roth IRA, including:

- There is no special exception for payments after separation from service.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to a Roth IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation of service.

- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12-consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

### Treatment of Nonqualified Distributions

If the distribution is not a qualified distribution and you do not do a rollover of the earnings attributable to the distribution, you will be taxed on those earnings in your Roth contribution account, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies). Because your designated Roth contributions to the Plan were made on an after-tax basis, you will receive a tax-free return of your designated Roth contributions. If you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions. However, if you do a DIRECT ROLLOVER of only a portion of the amount paid from the Plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings. If you do not do a DIRECT ROLLOVER and the payment is not a qualified distribution, the Plan is required to withhold 20% of the earnings for federal income taxes (up to the amount of cash and property received other than employer stock). This means that in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld. However, distributions of the following amounts are never qualified distributions, are not eligible for rollover, and the earnings are includible in taxable income:

- Certain payments spread over a period of at least ten (10) years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Required minimum distributions after age 70½ (or after death);
- Hardship distributions;
- ESOP dividends;
- Corrective distributions of contributions that exceed tax-law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the Plan;
- Payments of certain automatic enrollment contributions requested to be withdrawn within ninety (90) days of the first contribution;
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if S corporation stock is held by an IRA).

### Payment of Employer Stock

A lump sum designated Roth “qualified distribution” of employer stock or securities is tax-free, and the stock or securities take a fair-market value-adjusted basis. If you received a payment that is not a qualified distribution and you do not roll it over, you can apply a special rule to payments of employer stock (or other employer securities) that are paid in a lump sum after separation from service (or after age 59½, disability, or the participant’s death). Under the special rule, the net unrealized appreciation on the stock included in the earnings in the payment will not be taxed when distributed to you from the Plan and will be taxed at capital gain rates when you sell the stock. If you do a rollover to a Roth IRA for a nonqualified distribution that includes employer stock (for example, by selling the stock and rolling over the proceeds within sixty (60) days of the distribution), you will not have any taxable income and the special rule relating to the distributed employer stock will not apply to any subsequent payments from the Roth IRA or employer plan. Net unrealized appreciation is generally the increase in the value of the employer stock after it was acquired by the Plan. The Plan Administrator can tell you the amount of any net unrealized appreciation.

If you receive a payment that is a qualified distribution that includes employer stock and you do not roll it over, your basis in the stock (used to determine gain or loss when you later sell the stock) will equal the fair market value of the stock at the time of payment from the Plan.

### Basis Recovery Rules for Roth Payments that Are Not “Qualified Distributions”

If you receive a partial distribution that is not a qualified distribution (i.e., one that does not meet the “qualified distribution” definition above) from your designated Roth account in the Plan, the portion of the distribution attributable to your after-tax designated Roth contributions will be tax-free. The nontaxable portion is determined by multiplying the amount of your distribution by the ratio of your cumulative designated Roth contributions divided by your designated Roth account balance.

Example: If a distribution that is not a qualified distribution of \$5,000 is made from an employee’s designated Roth account when the account consists of \$9,400 of designated Roth contributions and \$600 of earnings, the distribution consists of \$4,700 of after-tax designated Roth contributions and \$300 of taxable earnings.

### **Rollovers of Non-Roth Distributions Directly into a Roth IRA**

Distributions from eligible Retirement Plans can be rolled over directly into a Roth IRA. Any such rollover contribution must meet the rollover requirements which apply to any rollover contributions to a Roth IRA.

A rollover into a Roth IRA is not tax-free, except to the extent it represents a return of after-tax contributions. Any amount that is rolled over to a Roth IRA is includible in gross income, as a distribution from a Roth IRA is not taxed. The 10% tax on early distributions will not apply to the rollover.

### **Repayment of Plan Loans**

If your employment ends and you have an outstanding loan from your Plan, your Employer may reduce (or “offset”) your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and if the distribution is a nonqualified distribution, the earnings in the loan offset will be taxed (including the 10% additional income tax on early distributions unless an exception applies) unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or a Roth IRA within sixty (60) days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you (other than any employer securities). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

## **V. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES**

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in the Plan results from a “qualified domestic relations order” (or a state domestic relations order applicable to certain governmental or church plans), which is an order issued by a court, usually in connection with a divorce or legal separation. Payments made under the QDRO will not be subject to the 10% additional tax on early distributions.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Section II above, paid in a DIRECT ROLLOVER to a Traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a Traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

#### **Rollover by a Non-Spouse Beneficiary**

If you are a beneficiary other than a surviving spouse or an alternate payee, the Plan may permit you to choose to have a payment that can be directly rolled over to a Traditional IRA, as described in Section I above, or to have the benefit paid to you. You may not roll over the payment that is made directly to you, nor may you choose to roll over the payment to an eligible employer plan. The IRA accepting the transfer is treated like a non-spouse Inherited IRA, under which benefits must be distributed in accordance with the required minimum distribution rules. In general, distributions from the Inherited IRA must either be paid to you in full within five (5) years of the deceased participant's death or must commence within twelve (12) months of the participant's death and be paid over your life expectancy. The benefits cannot be rolled over from the Inherited IRA to any other IRA or employer plan.

Unlike surviving spouses and alternate payees, non-spouse beneficiaries do not have the same choices as the employee. Because of this difference, the mandatory withholding rules described in Section III above that typically apply to payments that are not rolled over, do not apply to payments made to non-spouse designated beneficiaries. Payments from the Inherited IRA will not be subject to the 10% additional income tax on early distributions but required minimum distributions must be made.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Section III above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in Section III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had five (5) years of participation in the Plan.

Distributions from an eligible retirement plan of a deceased participant may now be rolled over by a non-spouse beneficiary. If a direct trustee-to-trustee transfer is made to an IRA that has been established to receive the distribution on behalf of a beneficiary who is not the participant's surviving spouse, the following treatment applies:

- a. The transfer is treated as an eligible rollover distribution;
- b. The transferee IRA is treated as an inherited account; and
- c. The required minimum distribution rules applicable where the participant dies before the entire interest is distributed apply to the transferee IRA; the special rules for surviving spouse beneficiaries do not apply.

#### **Nonresident Aliens**

If you are a nonresident alien and you do not do a DIRECT ROLLOVER to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

#### **Other Special Rules**

If a payment is one in a series of payments for less than ten (10) years, your choice whether to make a DIRECT ROLLOVER will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than \$200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a DIRECT ROLLOVER and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 (not including payments from a designated Roth account in the Plan) will be directly rolled over to an IRA chosen by the Plan Administrator or payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed \$5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, *Armed Forces' Tax Guide*.

#### **How to Obtain Additional Information**

The rules described above are complex and contain many conditions and exceptions that are not included in this Notice. Therefore, you may want to consult with the Plan Administrator, payor, or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*; IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*; and IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from your local IRS office, on the IRS's website at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORMS.