



DISTRIBUTION/DIRECT ROLLOVER/TRANSFER REQUEST

DISTRICT OF COLUMBIA 401(a) RETIREMENT PLAN

It is important to ensure you are using the most recent version of this form. Failure to do so will result in your request not being processed. Visit www.DCRetire.com. This form can be found under the Forms tab.

If you are severing employment, you may leave your money in the plan, begin taking distributions, or roll it over to another eligible retirement plan that accepts such rollovers. If you are 70½ or older, you may be required to begin taking distributions in accordance with the minimum distribution requirements. You have a variety of distribution options available from which to choose.

Only you can make this very personal decision after careful consideration of several factors including your age, financial needs, tax implications and other sources of income. You are encouraged to consult with an accountant, financial planner and/or tax advisor before making your final decision. While our representatives are able to explain the options to you, they cannot tell you which payment and tax-withholding method is best for you. We cannot provide tax or legal advice. Additionally, neither these instructions nor the Distribution Form provides tax or legal advice relevant to your distribution.

ICMA-RC cannot release your funds until the District of Columbia is able to confirm that you are entitled to take a distribution or make a transfer from the Plan. All completed forms must be returned to DCHR for certification.

Incomplete or Inaccurate Information — In the event any section of the Distribution Form is incomplete or inaccurate, ICMA-RC may not be able to process the transaction requested on the Distribution Form. You may be required to complete a new form or provide additional information before the transaction will be processed.

Changes to Your Request — If you make a change to the Distribution Form as you are completing it, you must cross out any previously elected choice(s) and initial all changes. If you do not initial all changes, the Distribution Form will not be processed and your form will be returned to you.

IN-SERVICE DISTRIBUTION

The following is a brief explanation of each of the withdrawal options available if you are still employed with an employer offering the plan.

Withdrawal from Rollover Account — A withdrawal of money that has been rolled into the plan from another retirement plan. Available at any time.

70½ Withdrawal — You may take a distribution from your plan at age 70½ even if you continue employment with the employer that provides this plan. Complete the Installment Payments section if you are electing installment payments as an option.

DISTRIBUTION METHOD

All distributions will be distributed pro rata from your investment funds unless you specify a fund specific request on a separate piece of paper and return with this form.

Full Distribution — ICMA-RC will liquidate the funds from all investment options in which you have a balance.

Partial Distribution — Indicate the amount of the partial distribution you elect to receive. If your available balance is less than the elected amount, the partial will be processed for the amount of the remaining available balance.

Partial Distribution followed by installment payments of an Amount Certain, or installment payments of a Period Certain — For Phase 1 of your distribution, indicate the gross amount of your initial partial distribution on the line provided. For Phase 2 of your distribution, complete the Installment Payment section.

Installment Payment — You must select a frequency, pay date and either specific dollar amount or specific number of years.

1. **Payment of an Amount Certain** — Indicate the gross amount you wish to have distributed on a regular installment basis (monthly, quarterly, semiannually or annually). Your payments will continue until your account balance is depleted. The number of payments you receive will vary depending on the performance of your investments.

2. **Payment of a Period Certain (Years)** — You will receive payments on a regular basis (monthly, quarterly, semi-annually or annually). Payment amounts will depend on the length of time in years during which you elect to receive payments, the installment basis you choose, and the performance of your investment options.

Your payment amount will be calculated by dividing your current account balance by the number of remaining payments. For example, if the payout is to be monthly for 4

years, the initial payout amount will be equal to 1/48 of the account balance. The second payment will be 1/47 of your balance, the third will be 1/46, and so on.

Your payment is recalculated each time a payment is distributed; therefore, the amount of each payment will never be the same. The payment amount will depend on the account value, which may fluctuate depending upon your chosen investments' performance. Your balance will be depleted by the end of the term you select.

Required Minimum Distribution (RMD) — What are the Minimum Distribution Requirements? In general, the rules for participants are as follows:

- You are required to begin taking minimum distributions by April 1 of the calendar year following the later of the calendar year you:
 - (1) reach age 70½, or
 - (2) retire from the employer sponsoring your Plan.
- Your RMD is calculated by dividing your prior year's December 31st account balance by the life expectancy factor provided in the life expectancy tables contained in the applicable Treasury regulations, using your age in the current year.
- ICMA-RC will adjust your last payment of the year to ensure your RMD amount is met.
- Any direct distribution you receive during the year counts toward your RMD amount for that year.
- You may take your first minimum distribution during the year you become 70½, or you may defer your first distribution no later than April 1 of the following year.
- If you elect to defer your first distribution to April 1 of the calendar year following the calendar year in which you turn 70½ or retire, you will be required to take two payments that year: one by April 1 following the year in which you turned 70½ or retired, and one by December 31 of that same year. You must take a minimum distribution by December 31 of every calendar year thereafter.
- If you are participating in more than one type of retirement plan (i.e. 401(a), 403(b), IRA), your minimum distribution must be calculated and taken separately from each plan.
- Your RMD amount must be paid directly to you. It cannot be rolled over to another plan.

Direct Rollover to an Eligible Plan, IRA or Roth IRA

— You must determine whether your new employer's plan or IRA accepts eligible rollover distributions. If you do a rollover to a governmental section 457(b) plan, please note that a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). The penalty tax characteristics are maintained since you are transferring assets from a 401 plan.

Beginning in the later of the year you attain age 70½ or the year during which you sever employment, you may not roll over that portion of a distribution equal to your required minimum distribution amount.

If you are requesting a direct rollover, an eligible rollover distribution is paid from your Plan directly to an eligible retirement plan or to a Traditional IRA.

Indicate the dollar amount you want to roll over (minimum \$200.00) and provide the company name, account number, mailing address, city, state, zip code and a phone number for your direct rollover. Once ICMA-RC has processed a direct rollover, it cannot be returned.

If you choose this Distribution Method, a Form 1099-R will be issued for reporting purposes; however, no federal income tax will be automatically withheld from amounts directly rolled over.

Direct Rollover to a Roth IRA — You are responsible for determining if you are eligible to make a rollover to a Roth IRA. If you roll your distribution directly into a Roth IRA, the entire taxable portion of the rollover (amounts other than after-tax contributions) will be taxable income to you in the year of the rollover. Subsequent distributions from the Roth IRA may qualify as tax-free distributions. You should consult with a tax advisor to determine the tax consequences of future distributions from the Roth IRA. No income tax withholding is required for any taxable portion of your payment for which you choose a Direct Rollover. However, you are responsible for paying the taxes due for the year of distribution. You must have other money from which you can pay the taxes. Generally, the 10% penalty tax for distribution prior to age 59½ does not apply to the rollover. However, it may later apply if you subsequently withdraw the money from the Roth IRA under certain circumstances.

Once rolled to a Roth IRA, you cannot subsequently roll your distribution to an employer plan, even if the Plan accepts designated Roth contributions.

PAYMENT DELIVERY

The delivery of your distribution may depend on the Distribution Method you elected on the Distribution form. Below is a description of each delivery option.

Check — Checks are mailed to your address on record.

Automated Clearing House (ACH) — You may elect to have your funds electronically deposited into your checking or savings account. You must complete the Direct Deposit Form in order to receive your funds via ACH.

FEDERAL AND STATE INCOME TAX WITHHOLDING

Distribution withholding will vary depending on the type of distribution you are requesting on the Distribution Form. You have received and must read the attached Special Tax Notice, which provides additional tax withholding information. You are strongly urged to consult with your tax advisor to determine your appropriate tax withholding.

Federal Income Tax Withholding

Full Distribution — 20% mandatory federal income tax withholding will apply unless you elect a Direct Rollover of the entire amount.

Partial Distribution — 20% mandatory federal income tax withholding will apply unless you elect a Direct Rollover.

Installment Payment — 20% mandatory federal income tax withholding will apply to all amount certain or period certain installment payments scheduled to continue for less than 10 years. If your installment payments are scheduled to continue for a period certain of more than 10 years, complete and attach a Form W-4P to your Distribution Form. If a W-4P is not attached, federal withholding will be made as though you are married with three allowances.

Direct Rollover — Eligible rollover distributions that are directly rolled over are not subject to federal tax withholding.

Mandatory District Tax Withholding

If your distribution from the Plan is subject to mandatory withholding of federal income tax, District tax shall be withheld at the highest District Income Tax rate, 8.95%, at the time of the receipt of the distribution.

Early Withdrawal Penalty Tax

The 401(a) plan assets are subject to a 10% early distribution penalty tax if withdrawn from your account prior to age 59½ unless an exception applies as follows:

1. Withdrawals on or after the day you turn 59½.
2. Withdrawals after your separation from service occurred in the year you reached age 55 or older.
3. Withdrawals if you become disabled.
4. Withdrawals paid to your named beneficiary after death.
5. Withdrawals paid to an alternate payee under qualified domestic relations orders (QDROs).
6. Funds rolled over into another Eligible Employer Plan or IRA within 60 days of disbursement.
7. Withdrawals on a 72(t) "Qualified" payment schedule, which is defined as:

- a. Equal (or almost equal) payments at least annually over your life expectancy, the life expectancy of you and your beneficiary, or by using another IRS approved method under IRC 72(t), and
- b. Payments that must continue for the greater of 5 years or until age 59½.

If your payments do not continue for 5 years or until 59½, all of the money withdrawn will become subject to the 10% penalty.

Important Note

Please reference the Special Tax Notice Regarding Plan Payments document for further details as they apply to distributions from a retirement account.

Neither the District of Columbia, the plan sponsor, nor ICMA-RC, the plan recordkeeper, gives legal or tax advice. You may wish to consult with a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590, *Individual Retirement Arrangements (IRAs)*; and IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.

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DISTRIBUTION/DIRECT ROLLOVER/TRANSFER REQUEST FORM

DISTRICT OF COLUMBIA 401(a) RETIREMENT PLAN | PAGE 1 OF 3

Employer Plan: **108208 — DC 401(a) Retirement Plan**

Please type or print with blue or black ink when completing the form. For additional instructions, please see page 1.

1. PERSONAL INFORMATION

Social Security Number: _____
(FOR TAX-REPORTING PURPOSES)

Date of Birth: ____ / ____ / _____

Date Employed: ____ / ____ / _____

Last Date of Employment: ____ / ____ / _____

Participant: *LAST NAME* _____
FIRST NAME/MI _____

Mailing Address/Street:

City: _____

State: ____ ZIP+4: _____ - _____

Daytime Phone Number: (____) _____ - _____

Evening Phone Number: (____) _____ - _____

Email Address: _____

Are You a U.S. Citizen? Yes No

2. IN-SERVICE DISTRIBUTION

Check only one box. A separate form is available at www.DCRetire.com.

Withdrawal from Rollover Account
Amount \$ _____ or _____%

Age 70½ Withdrawal
(complete Installment Payments section if setting up installments)
Amount \$ _____ or _____%

3. DISTRIBUTION METHOD

- Full Distribution**
- Partial Distribution**
Partial Amount \$ _____ or _____%
- Partial Distribution followed by Installment Payments**
(also complete Installment Payments below)
Partial Amount \$ _____ or _____%
- Partial Distribution followed by Rollover** *(also complete Direct Rollover/Transfer section on page 7)*
Partial Amount \$ _____ or _____%
- Installment Payments** Frequency:

<input type="checkbox"/> New Installment	<input type="checkbox"/> Monthly
<input type="checkbox"/> Change Installments	<input type="checkbox"/> Quarterly
<input type="checkbox"/> Stop Installments	<input type="checkbox"/> Semi-Annually
	<input type="checkbox"/> Annually

If you selected Quarterly, Semi-Annually or Annually please specify the month(s) that you want to receive your installments here: _____

Monthly installments will begin as soon as administratively possible and are processed on the closest business day to the date you provide here: ____ / ____ / _____

1. Payments of an Amount Certain until the account is exhausted:
Specified dollar amount: \$ _____

2. Payments of a Period Certain:
Specified time period of ____ years.

- Required Minimum Distribution*** Frequency:

<input type="checkbox"/> Single Payment
<input type="checkbox"/> Monthly
<input type="checkbox"/> Quarterly
<input type="checkbox"/> Semi-Annually
<input type="checkbox"/> Annually

Monthly installments will begin as soon as administratively possible and are processed on the closest business day to the date you provide here: ____ / ____ / _____

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DISTRIBUTION/DIRECT ROLLOVER/TRANSFER REQUEST FORM

DISTRICT OF COLUMBIA 401(a) RETIREMENT PLAN | PAGE 2 OF 3

SSN: _____ Name: LAST, FIRST, MI _____

If you selected Quarterly, Semi-Annually or Annually please specify the month(s) that you want to receive your installments here: _____

If you selected an annual payment and this is your first RMD, please indicate if you want to be paid in the current year or paid by April 1 of the next calendar year. Please select one:

- First payment in current year
- Defer to next calendar year (by April 1)

**Please note that if you elect an installment distribution of your current tax year Required Minimum Distribution (RMD), the payment amount will be calculated using your remaining RMD amount for the current year and your payment may increase to ensure that you meet the RMD each year. The RMD amount will be adjusted annually based upon IRS life expectancy tables. Any remaining RMD amounts not satisfied by the installment payment will be automatically made payable to you in December of the applicable tax year. If this is your first year for a RMD any additional amounts due and not satisfied by the installment payment will be paid to you in April of the following year in accordance with IRS regulations. Refer to page 2 for more Required Minimum Distribution information.*

Direct Rollover/Transfer

Provide company information below. Applies to full or partial distribution options only. If a dollar amount or percentage to roll over has not been provided, a full rollover will be processed. Checks will be mailed to the receiving trustee's address as indicated below.

Amount of Rollover: \$ _____ or _____ %

- Rollover to an eligible plan
- Rollover to an IRA (Traditional)
- Rollover to a Roth IRA

Name of Receiving Trustee: _____

Address (Number and Street): _____

City: _____

State: ____ Zip Code + 4: _____ - _____

Account Number: _____

Name on Account: _____

4. PAYMENT DELIVERY METHOD

- Check mailed to my address of record via U.S. Postal Service
- ACH Direct Deposit — Payment deposited to my account at a financial organization (Complete the attached direct deposit form. Not available for rollovers/transfers.)

5. FEDERAL INCOME TAX WITHHOLDING

Federal taxes are mandatory and withheld at 20% for partial and lump-sum payments, and for certain installment payments. Please see instructions.

- Additional Federal** — We will withhold all required federal tax withholding based on your distribution type. If you would like additional federal tax withheld, indicate amount:
\$ _____ or _____ %
- Required Minimum Distribution** — Select this option if you are making a change to the RMD tax withholdings:
\$ _____ or _____ %

Note: Federal income tax withholding applies to RMD payments at a standard rate of 10%. You may elect not to withhold taxes or select a different tax rate. If, while you are receiving installment payments, you become RMD eligible, your installment payments will automatically be converted to RMD payments until your annual minimum is met. The RMD tax rate will be applied to any portion (up to 100%) of the installment payments that apply to your RMD. The remaining portion of your installment payment, once your RMD obligation has been satisfied, will be taxed based on the rates that you have elected to withhold.

6. STATE INCOME TAX WITHHOLDING

The District of Columbia mandates 8.5% tax withholding when the Federal tax is mandatory.

- Additional District** — If you would like additional District tax withheld, indicate amount:
\$ _____ or _____ %

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DISTRIBUTION/DIRECT ROLLOVER/TRANSFER REQUEST FORM

DISTRICT OF COLUMBIA 401(a) RETIREMENT PLAN | PAGE 3 OF 3

SSN: _____ - _____ - _____

Name: *LAST, FIRST, MI* _____

7. PARTICIPANT ACKNOWLEDGEMENT

The Internal Revenue Service requires a severance of employment from employers providing the plan to qualify for a distribution.

I understand if I am convicted of a felony related to my covered employment, my employer may direct any employer discretionary contributions treated as non-elective employer contributions be forfeited. Any person who knowingly presents a false or fraudulent claim is subject to criminal and civil penalties.

My signature acknowledges that I have received, read, understand and agree to all pages of the Distribution/Direct Rollover/Transfer Request Form, the Participant Distribution Instructions, and the Special Tax Notice, and affirm that all information that I have provided is true and correct. I understand that it is entirely my responsibility to ensure that this election conforms with all applicable provisions of the Internal Revenue Code (the "Code".) I understand that I am liable for any income tax and/or penalties assessed by the IRS for any election I have chosen. I understand that I may not make changes to this request once a check has been issued. If I have elected an installment payment, I may make changes to future payments by completing a new distribution form. In the event that any section of this form is incomplete or inaccurate, DCHR may not approve the transaction requested on this form and may require that I complete a new form or provide additional or proper information before the transaction can be processed.

I certify that this request is in compliance with applicable Plan provisions and federal law and that the participant has received any required notices. I acknowledge that I am currently not working in any capacity for a public employer and it has been at least one full calendar month since I last received compensation or active employment benefits from an employer providing this plan.

Participant Signature _____

Date ___/___/_____

It is important to ensure you are using the most recent version of this form. Failure to do so will result in your request not being processed. Visit www.DCRetire.com. This form can be found under the Forms tab.

Please be sure to get your employer's signature, your employer will then forward to DCHR for approval. DCHR will submit your completed form to ICMA-RC.

8. EMPLOYER AUTHORIZATION

FOR EMPLOYER USE ONLY. This section must be completed and returned to ICMA-RC by DCHR. By signing, the employer confirms the participant is eligible to receive payments out of the retirement plan designated in section 1. This section does not need to be completed if the employer has already notified ICMA-RC of the participant's separation from service. Your department head will forward the form to DCHR for final signature.

Participant's Last Day of Employment (mm/dd/yyyy):

___/___/_____

Department Employer Signature _____

Date ___/___/_____

Name (Please print) _____

Title _____

Vesting Status: _____%

DCHR Signature _____

Date ___/___/_____

Name (Please print) _____

Title _____

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DIRECT DEPOSIT AUTHORIZATION FORM

Employer Plan: **108208 — DC 401(a) Retirement Plan**

Please type or print with blue or black ink when completing the form. For additional instructions, please see page 12.

PAYEE INFORMATION

Social Security Number: _____ - _____ - _____

Daytime Phone Number: (____) _____ - _____

Participant: *LAST NAME* _____

FIRST NAME/MI _____

DIRECT DEPOSIT ACCOUNT INFORMATION

Please contact your bank for this information. Incorrect information will delay electronic deposit processing. See back for an example of a check and the information needed.

Type of Depositor Account: Checking Savings

Depositor Account Number:

Name on your bank account:

Name of Financial Institution:

Financial Institution's Direct Deposit Routing Number:

Financial Institution's Telephone Number:

(____) _____ - _____

PARTICIPANT AUTHORIZATION

I hereby authorize the VantageTrust Company (hereinafter called the "Trust") to credit the above referenced account. This authorization agreement is to remain in full force and effect until the Trust has received written notification from me of its termination in such time and in such manner as to afford the Trust and depository a reasonable opportunity to act on it. This authorization agreement may also be terminated by the Trust.

In the event that the Trust notifies the bank that funds to which I am not entitled have been deposited to my account inadvertently, I hereby authorize and direct the bank to return said funds to the Trust as soon as possible.

Participant Printed Name:

Participant Signature: _____

Date ____/____/_____

PLEASE ATTACH A VOIDED CHECK HERE.



DIRECT DEPOSIT AUTHORIZATION FORM INSTRUCTION

A. Be sure current address is shown.

JOHN AND JANE DOE
1234 Main Street
Anytown, VA 11111

345

12-345/678

Pay to the order of

20

\$

Dollars

First National Bank
of Anytown, VA
Anytown, VA 11111

Memo

!123456789!

123 456 7"

345

B. Financial institution's routing number for direct deposit. Please call your bank to verify this number is correct for direct deposit. If the number is not correct, it will result in delays.

C. Your account number.



WAIVER OF QUALIFIED JOINT & SURVIVOR ANNUITY (SPOUSAL CONSENT FORM) DISTRICT OF COLUMBIA 401(a) RETIREMENT PLAN — 108208

QUALIFIED JOINT AND SURVIVOR ANNUITY (QJSA)

A QJSA pays benefits from the plan as a life annuity (a series of payments, usually monthly, for life) to the participant and, following the participant's death, a survivor annuity is paid over the life of the participant's surviving spouse (or a former spouse, child or dependent who must be treated as a surviving spouse under a Qualified Domestic Relations Order). The amount of the survivor annuity must be no less than 50% of the amount of the life annuity paid to the participant.

WAIVING YOUR RIGHT TO A QJSA

A married participant must obtain written consent from his or her spouse before payments from the account can begin, if the participant requests any form of payment other than a QJSA. For example, consent is required before a lump sum, direct rollover or installment payment can be distributed. When you waive your right to a QJSA, you consent to allow the participant to withdraw money from the account as he or she chooses, and the participant will be able to request future distributions from the account without obtaining your consent. You have the ability to revoke your consent at any time by contacting ICMA-RC.

Please note that legal separation or divorce may end your right to survivor benefits from the plan. If you are thinking about separating or getting a divorce, you should seek legal advice on your rights to benefits under the plan.

Waiving your right to a QJSA is a very important decision, and you should make sure you understand the benefits you would receive from a QJSA. Before signing the waiver, you may contact ICMA-RC to obtain estimates of what your annuity payments would be under the QJSA payment option.

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WAIVER OF QUALIFIED JOINT AND SURVIVOR ANNUITY (SPOUSAL CONSENT FORM)

DISTRICT OF COLUMBIA 401(a) RETIREMENT PLAN | PAGE 1 OF 2

Employer Plan: **108208 — DC 401(a) Retirement Plan**

Both Married and Single Participants Must Complete

1. PARTICIPANT INFORMATION

Social Security Number: _____ - _____ - _____
(FOR TAX-REPORTING PURPOSES)

Date of Birth: ____ / ____ / _____

Daytime Phone Number: (____) _____ - _____

Participant: *LAST NAME* _____

FIRST NAME/MI _____

Mailing Address/Street:

City: _____

State: ____ ZIP+4: _____ - _____

Email Address: _____

2. SPOUSE SIGNATURE AND CONSENT

As the spouse of the participant named above, I understand and acknowledge the following:

- I have the right to require the participant to have benefits paid as a Qualified Joint and Survivor Annuity (QJSA).
- I consent to the participant receiving distributions from the account by a method other than a QJSA, and I waive my right to the benefits I would otherwise receive under a QJSA.
- By waiving my rights, the benefits I receive may be less than what I would have received under a QJSA, and I may receive no benefits at all after my spouse dies depending on the payment option he or she chooses.
- The participant will be able to request future distributions from the account without obtaining my consent.
- I have the ability to revoke my consent at any time by contacting ICMA-RC at 800-669-7400.
- I am not required to sign this waiver form but I am doing so voluntarily.

Signature of Participant's Spouse:

Name (Please Print): _____

Date: ____ / ____ / _____

3. PARTICIPANT CERTIFICATION

To be completed by single participant.

I certify that I am single.

Signature of Participant:

Name (Please Print): _____

Date: ____ / ____ / _____



WAIVER OF QUALIFIED JOINT AND SURVIVOR ANNUITY (SPOUSAL CONSENT FORM) DISTRICT OF COLUMBIA 401(a) RETIREMENT PLAN | PAGE 2 OF 2

SSN: _____ Name: LAST, FIRST, MI _____

4. WITNESS — AUTHORIZED PLAN REPRESENTATIVE OR NOTARY PUBLIC

The signature of the participant's spouse must be witnessed by an authorized representative of the employer-sponsored retirement plan or a notary public.

Employer Plan Representative

Signature of Employer:

Title: _____

Name (Please Print): _____

Date: ___/___/_____

Subscribed and sworn to before me this _____ day of _____, 20__.

Notary Public: _____

My commission expires: ___/___/_____

SEAL



Special Tax Notice Regarding Plan Payments

This notice applies to distributions from 401(a), 401(k), and 457(b) plans with ICMA-RC, including distributions from Roth and non-Roth accounts in the plans (e.g., pre-tax, after-tax).

ROLLOVER OPTIONS AVAILABLE

You are receiving this notice because all or a portion of a payment from your account is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover. Please review and consider the information in the notice before you begin withdrawing funds from your account with ICMA-RC.

Rules that apply to most payments from a plan are described in the “General Information About Rollovers” section. Special rules that only apply in certain circumstances are described in the “Special Rules and Options” section.

GENERAL INFORMATION ABOUT ROLLOVERS

What is a rollover?

A rollover is a payment from your employer sponsored retirement plan that is transferred to another eligible employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) or IRA (an individual retirement account or individual retirement annuity). Assets that are rolled over to another eligible plan or Traditional IRA are not taxed until they are later withdrawn from the receiving plan.

How can a rollover affect my taxes?

■ **Pre-Tax Assets** — You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

■ **Roth Assets** — After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the Plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10% additional income tax on early distributions will also apply to the earnings (unless an exception applies). However, 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.

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 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.

Where may I roll over the payment?

■ **Pre-Tax Assets** — You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

■ **Roth Assets** — 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 that will accept the rollover (e.g., 457(b), 401(k), and 403(b) plans that allow Roth contributions). 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.

How do I do a rollover?

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

If you do a direct rollover, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or

the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover,

- **Pre-Tax Assets** — You may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property actually received). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).
- **Roth Assets** — You may still do a rollover by making a deposit within 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 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 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 actually received). 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.

How much may I roll over?

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:

- Certain payments spread over a period of at least 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
- 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 90 days of the first contribution

ICMA-RC can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over,

unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days (401(k) plans only)
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

If I do a rollover to an IRA (including a Roth IRA), will the 10% additional income tax apply to early distributions from the IRA?

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

- There is no exception for payments after separation from service that are made after age 55.
- 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 an 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 from 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).

If your payment is from a governmental section 457(b) plan

If the Plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the Plan even if you are under age 59½ (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you

do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences are that you cannot do a rollover if the payment is due to an “unforeseeable emergency” and the special rules under “If you were born on or before January 1, 1936” do not apply.

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

If your payment includes non-Roth after-tax contributions

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 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. In addition, special rules apply when you do a rollover, as described below.

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. In this case, 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. In this case, 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 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 the payment that would be taxable if not rolled over.

If you miss the 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 prevented 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)*.

If you have an outstanding loan that is being offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the loan offset to an IRA or employer plan. In the case of a nonqualified distribution of Roth assets, the preceding sentence applies to the earnings.

If you were born on or before January 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment (for Roth assets, on any earnings taxed) might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

If you are an eligible retired public safety officer and your payment is used to pay for health coverage or qualified 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.

If you roll over your payment of non-Roth assets to a Roth IRA

If you roll over a payment from the Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

If you do a rollover from non-Roth assets to a designated Roth account in the same Plan (in-plan Roth conversion)

If you roll over a payment from the Plan to a designated Roth account in the Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10% additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover).

If you roll over the payment to a designated Roth account in the Plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made

both 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 5 years. In applying this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies).

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

■ **If you are a surviving spouse.** If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

Pre-Tax Assets. An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

Roth Assets. A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies).

If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 70½.

■ If you are a surviving beneficiary other than a spouse. If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

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 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 (treating Roth and non-Roth assets separately) are less than \$200, 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 can do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 If a payment is one in a series of payments for less than 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 (treating Roth and non-Roth assets separately) are less than \$200, 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 can do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 (treating Roth and non-Roth assets separately) will be directly rolled over to an IRA chosen by the Plan administrator or the 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*.

FOR MORE INFORMATION

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from 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 a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.