Municipal Employees' Retirement System of Michigan
1134 Municipal Way • Lansing, MI 48917
800.767.MERS (6377) • Fax: 517.703.9706
www.mersofmich.com

Lump Sum Buyout Application

Please print • Retain a copy for your records

Use this form if the Lump Sum Buyout Option offered by your former employer is currently in effect and you are electing to receive a lump sum payment now in lieu of receiving monthly defined benefit pension payments in the future.

You are not required to request this payment. As a vested former employee, you may instead elect to receive your monthly defined benefit pension when eligible.

Things to consider before submitting this application:

Forfeiture of monthly pension benefit: By electing to receive a lump sum payment, you are giving up your right to receive future monthly pension benefits for all existing service with the employer listed below. You are strongly encouraged to review the disclosures you received about the value of your current benefits and the impact of taking a lump sum buyout with your financial or legal advisor before submitting this form. **Once you receive your lump sum buyout payment, your decision to forfeit your monthly pension benefit cannot be reversed.**

1. Information about you

Last name*	First name*	Last four digits of SSN*	Phone number (with area code)*

Mailing address*

City*	State*	Zip code*

Email address

Marital status*
- ☐ Single
- ☐ Married

If divorced, were you married at any time during employment with this municipality?
- ☐ No
- ☐ Yes – If yes, and an Eligible Domestic Relations Order (EDRO) was issued as a result, you must obtain consent from your ex-spouse to receive payment in this manner unless your spouse is already receiving a portion of your pension payment.

Ex-spouse(s) name(s)

NOTE: Ex-spouse must also take the lump sum buyout

Name of former employer*	Date of separation (mm/dd/yyyy)*	Employer number
		Can be found on your *Lump Sum Buyout Option Participant Estimate*

2. Lump sum buyout payment election

☐ **Open a MERS Traditional IRA and roll my payment into this account.** No taxes will be withheld until assets are withdrawn. *(Complete Sections 3, then 6 – 8)*

☐ **Roll my payment into an existing eligible account.** No taxes will be withheld until assets are withdrawn. *(Complete Sections 4, then 6 – 8)*

☐ **Pay the entire amount to me.** 20% will be withheld for federal income taxes. In addition, you may be subject to a 10% penalty for early withdrawal according to the IRS unless you meet certain exceptions. State income taxes may also apply. *(Complete Sections 5 – 8)*

* Required field

Last name* (please print clearly)	Last four digits of SSN*

3. Open a MERS IRA

If you selected to open a MERS IRA in Section 2, your payment will be directly rolled into a MERS Traditional IRA and invested in an age-appropriate Retirement Strategy Fund. No taxes will be withheld at this time and funds will remain invested in the MERS Traditional IRA without tax consequences until they are withdrawn.

After initial enrollment, you may review and change your investment choices by logging in to your myMERS account or contacting the MERS Service Center.

☐ Initial here to verify the following:

I have viewed details and disclosures concerning the MERS Traditional IRA at mersofmich.com/Employee/Programs/MERS-IRA.

I understand and agree to the general program features, the investments offered, and all administrative charges and fees that may be deducted from the account maintained on my behalf. I acknowledge that funds will be rolled into an appropriate Retirement Strategy Fund based on my age. I understand that my rights under the program shall be governed by the terms and conditions of the Plan Document pursuant to all applicable state and federal laws, rules and regulations.

SKIP SECTIONS 4 – 5 if you have completed this section. Continue with Section 6.

4. Direct rollover to an existing account

If you selected to roll funds into an existing account in Section 2, your payment will be directly rolled into a qualified eligible plan as detailed below. No taxes will be withheld at this time.

☐ Pay the entire amount (both taxable and non-taxable portions) by direct rollover to the Rollover Institution below. My non-taxable portion, if accepted by the institution, shall be placed in an after-tax account, apart from the taxable portion.

(If you choose this option, SKIP Section 5 and continue with Section 6.)

☐ Pay the taxable portion of the payment to the Rollover Institution below by direct rollover. Pay the non-taxable portion to me through the Direct Payment Institution described Section 5.

☐ Pay $ ____________ of the taxable portion by direct rollover to the Rollover Institution below. Pay the remainder of the payment (taxable and non-taxable, if any) to me through my bank and withhold the applicable income taxes described in Section 5.

If you chose one of the direct rollover options above, rollover money will be mailed by check to the Financial Institution or Trustee indicated below.

ROLLOVER INSTITUTION

Financial Institution or Trustee name of eligible qualified plan
Address, City, State, Zip code
Individual account number
Type of account ☐ 401(a) ☐ 401(k) ☐ 403(a) ☐ 403(b) ☐ Traditional IRA ☐ Roth IRA ☐ 457(b) ☐ Other eligible account ______________________________

Continue with Section 5 (if you are having some of the funds paid to you) or Section 6 (if you are rolling over the entire amount).

* Required field

Lump Sum Buyout Application

5. Make the payment to me

BANK (DIRECT PAYMENT INSTITUTION)		
Financial Institution name		☐ Checking ☐ Savings
ABA routing number (9 digit)	Account number	

State income tax withholding:

MERS will withhold the mandatory Michigan income tax rate of 4.25% from your distribution unless otherwise indicated below.

If you would like MERS to withhold **additional** Michigan income tax, enter the additional percent to be withheld here: _________**%**

☐ Check here if you wish to **opt out of tax withholding**. If you (and your spouse, if married filing jointly) opt to have no Michigan tax withheld, it may result in a balance due on your MI-1040 as well as penalty and/or interest.

☐ Check here if you are **not subject to Michigan income tax** because your primary legal state of residence is ________________________________.

You can find more information on Michigan tax withholding at www.michigan.gov/taxes.

Federal income tax withholding:

1a. First name and middle initial*	Last name*	1b. Social Security Number*

Your federal withholding rate is determined by the type of payment you receive.

For an eligible rollover distribution, the default withholding rate is 20%. You can choose a rate greater than 20% by entering the rate on line 2. You may not choose a rate less than 20%.

2. Complete this line if you would like a rate of withholding that is different from the default withholding rate. See the instructions following and the Marginal Rate Tables on the next page for additional information. Enter the rate as a whole number (no decimals)............................... ▶ $_______________

General Instructions for federal tax withholding

This section replicates information on IRS Form W-4P and is required by the IRS to be included in its entirety as part of your retirement application. For additional information, go to www.irs.gov/FormW4P.

Purpose of this section is to have payers withhold the correct amount of federal income tax from your nonperiodic payment or eligible rollover distribution from your MERS Defined Benefit pension. See the following pages for the rules and options that are available for each type of payment. For more information on withholding, see IRS Pub. 505, Tax Withholding and Estimated Tax.

Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. Your withholding choice (or an election not to have withholding on a nonperiodic payment) will generally apply to any future payment from the same plan or IRA. Submit a new IRS Form W-4R if you want to change your election.

Note: If you don't complete this section, you don't provide a Social Security Number, or the IRS notifies MERS that you gave an incorrect Social Security Number, then MERS must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld.

2022 Marginal Rate Tables for determining federal tax withholding

You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the column that matches your filing status to find the corresponding rate of withholding. See following pages for more information on how to use this table.

Single or Married filing separately		Married filing jointly or Qualifying widow(er)		Head of household	
Total income over—	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**
$0	**0%**	$0	**0%**	$0	**0%**
12,550	**10%**	25,100	**10%**	18,800	**10%**
22,500	**12%**	45,000	**12%**	33,000	**12%**
53,075	**22%**	106,150	**22%**	73,000	**22%**
98,925	**24%**	197,850	**24%**	105,150	**24%**
177,475	**32%**	354,950	**32%**	183,700	**32%**
221,975	**35%**	443,950	**35%**	228,200	**35%**
536,150*	**37%**	653,400	**37%**	542,400	**37%**

* If married filing separately, use $326,700 instead for this 37% rate.

General Instructions for federal tax withholding – *CONTINUED*

Eligible rollover distributions—20% withholding. Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can't choose withholding at a rate of less than 20% (including "-0-"). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% on line 2. Don't give Form W-4R to your payer unless you want more than 20% withheld.

Note that the following payments are not eligible rollover distributions: (a) qualifying "hardship" distributions, and (b) distributions required by federal law, such as required minimum distributions. See *IRS Pub. 505* for details. See also Nonperiodic payments—10% withholding above.

Payments to nonresident aliens and foreign estates. Do not use this section for federal income tax withholding. See *IRS Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities*, and *IRS Pub. 519, U.S. Tax Guide for Aliens*, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter "-0-" on line 2. See *IRS Pub. 3920, Tax Relief for Victims of Terrorist Attacks*, for more details.

Specific Instructions

Line 1. Check your anticipated filing status. This will determine the standard deduction and tax rates used to compute your withholding.

Line 2. More withholding. If you want more than the default rate withheld from your payment, you may enter a higher rate on line 2.

Less withholding (nonperiodic payments only). If permitted, you may enter a lower rate on line 2 (including "-0-") if you want less than the 10% default rate withheld from your payment. If you have already paid, or plan to pay, your tax on this payment through other withholding or estimated tax payments, you may want to enter "-0-".

Suggestion for determining withholding. Consider using the Marginal Rate Tables above to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of tax on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the Marginal Rate Tables.

Last name* (please print clearly)	Social Security Number*

The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.

To determine the appropriate rate of withholding from the table, do the following. Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.

If these two rates are the same, enter that rate on line 2. (See Example 1 below.)

If the two rates differ, multiply (a) the amount in the lower rate bracket by the rate for that bracket, and (b) the amount in the higher rate bracket by the rate for that bracket. Add these two numbers; this is the expected tax for this payment. To get the rate to have withheld, divide this amount by the taxable amount of the payment. Round up to the next whole number and enter that rate on line 2. (See Example 2 below.)

If you prefer a simpler approach (but one that may lead to overwithholding), find the rate that corresponds to your total income including the payment and enter that rate on line 2.

Examples. Assume the following facts for Examples 1 and 2. Your filing status is single. You expect the taxable amount of your payment to be $20,000. Appropriate amounts have been withheld for all other sources of income and any deductions or credits.

Example 1. You expect your total income to be $60,000 without the payment. Step 1: Because your total income without the payment, $60,000, is greater than $53,075 but less than $98,925, the corresponding rate is 22%. Step 2: Because your total income with the payment, $80,000, is greater than $53,075 but less than $98,925, the corresponding rate is 22%. Because these two rates are the same, enter "22" on line 2.

Example 2. You expect your total income to be $42,500 without the payment. Step 1: Because your total income without the payment, $42,500, is greater than $22,500 but less than $53,075, the corresponding rate is 12%. Step 2: Because your total income with the payment, $62,500, is greater than $53,075 but less than $98,925, the corresponding rate is 22%. The two rates differ. $10,575 of the $20,000 payment is in the lower bracket ($53,075 less your total income of $42,500 without the payment), and $9,475 is in the higher bracket ($20,000 less the $10,575 that is in the lower bracket). Multiply $10,575 by 12% to get $1,269. Multiply $9,475 by 22% to get $2,073.50. The sum of these two amounts is $3,342.50. This is the estimated tax on your payment. This amount corresponds to 16.7% of the $20,000 payment ($3,342.50 divided by $20,000). Rounding up to the next whole number, enter "17" on line 2.

6. Waiver of IRS 30-day notice requirement

Waiver of IRS 30-day notice requirement:

A lump sum buyout is an "eligible rollover distribution" under the Internal Revenue Code and, pursuant to Code §402(f), it is subject to a 30-day waiting period to give you adequate time to consider your options. MERS cannot pay you until 30 days after you have completed and returned this form and acknowledged receipt of the attached Special Tax Notice which describes your rollover options and their tax consequences. However, the IRS allows you to waive this 30-day waiting period if, after reviewing the attached Special Tax Notice, you decide that you want to receive the distribution as soon as possible.

☐ **I WISH TO WAIVE THE 30-DAY WAITING PERIOD** – I acknowledge receipt of the attached Special Tax Notice and understand that I am entitled to not less than 30 days from the date the Special Tax Notice was provided to me to decide whether to rollover my distribution. I hereby waive the 30-day period and direct MERS to issue my payment, as I have directed below, as soon as possible. Notwithstanding this waiver, until MERS actually implements my election, I reserve the opportunity to reconsider my decision in connection with this waiver.

Lump Sum Buyout Application

Last name* (please print clearly)	Last four digits of SSN*

7. Estimated Payment Amount

$ ____________________ This amount represents the Estimated Lump Sum Buyout amount as provided in the Lump Sum Buyout Option Participant Estimate that I received.

❒ Check here if you DO NOT WISH TO PROCEED in the event that the Final Lump Sum Buyout Amount is less than the Estimated Lump Sum Buyout Amount listed above. In that case, I elect to remain enrolled in the MERS Defined Benefit Plan.

8. Signature

I am voluntarily applying for a lump sum buyout of my MERS Defined Benefit retirement plan.

By signing this Application, I affirm that I have read it carefully and understand that by accepting this payment, I am forfeiting the right to receive a lifetime monthly pension benefit from this employer.

I acknowledge that prior to signing this Application, I received and reviewed the *Lump Sum Buyout Option Participant Estimate and Disclosures,* and had the opportunity to ask questions and obtain additional information from MERS regarding the effect of this distribution on my retirement benefits. I understand that I am not required to request or take a lump sum buyout.

In addition, I have read and understand the attached Special Tax Notice. I understand my rollover options and their tax consequences, and knowingly and voluntarily elect the above payment.

If I have elected to open a MERS IRA in Section 3 above, I acknowledge that I have read and understand all Disclosures detailing the general program features, the investment options offered, and any administrative charges and fees that may be deducted from the account(s) maintained on my behalf. I understand that my rights under the program shall be governed by the terms and conditions of the MERS Plan Document pursuant to all applicable state and federal laws, rules and regulations. I also understand that my lump sum buyout assets will be placed in an age-appropriate Retirement Strategies investment fund. Once enrolled, I can make changes online.

Signature of participant*	Date (mm/dd/yyyy)*

Spousal Consent: By my signature, I affirm that I agree with my spouse's choice of a lump sum buyout. I have reviewed the attached Special Tax Notice. I understand this payment results in the forfeiture of a lifetime monthly pension benefit and any spousal rights or surviving spouse benefits that I may have otherwise been entitled to based on that service.

Signature of spouse (**required if married;** write NONE if not married and vested)	Date (mm/dd/yyyy)

* Required field

You can submit this form online!

If you already have a myMERS account, you can upload this form online. Select "MERS DB Monthly Pension" from your Retirement Accounts, click on the View Plan Summary in the Quick Links and then select **File Upload** to easily and securely submit completed forms.

You may also send completed form to:

MERS of Michigan
1134 Municipal Way
Lansing, MI 48917

Fax: 517.703.9706

Special Tax Notice for NON-ROTH DISTRIBUTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the Municipal Employees' Retirement System of Michigan (the "Plan") 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.

This notice describes the rollover rules that apply to payments from the Plan that are **not** from a designated Roth account (a type of account in some employer plans that is subject to special tax rules). If you also receive a payment from a designated Roth account in the Plan, you will be provided a different notice for that payment, and the Plan administrator or the payor will tell you the amount that is being paid from each account.

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

How can a rollover affect my taxes?

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 (generally, distributions made before age 59½), 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 to the 10% additional income tax applies).

What types of retirement accounts and plans may accept my rollover?

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 401(a) 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, IRAs are not subject to spousal consent rules, 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.

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, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, 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. 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).

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 joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions after age 70½ (if you were born before July 1, 1949), after age 72 (if you were born after June 30, 1949), or after death;
- 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); and
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution;

The Plan administrator or the payor 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 applies to the part of the distribution that you must include in income and 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 joint lives or joint life expectancies of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be at least age 50 in the year of the separation;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order/eligible domestic relations order (QDRO/EDRO);
- Payments of up to $5,000 made to you from a defined contribution plan if the payment is a qualified birth or adoption distribution;
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- 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;
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution; and
- Payments excepted from the additional income tax by federal legislation relating to certain emergencies and disasters.

If I do a rollover to an 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 on the part of the distribution that you must include in income, unless an exception applies. 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:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age

50 for qualified public safety employees) does not apply;

- The exception for qualified domestic relations orders/eligible domestic relations orders (QDRO/EDROs) 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); and
- 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.

Additional exceptions apply for payments from an IRA, including:

- Payments for qualified higher education expenses;
- Payments up to $10,000 used in a qualified first-time home purchase; and
- 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).

Will I owe State income taxes?

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

SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. If you receive a partial payment of your total 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 the 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 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 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.

Similarly, if you do a 60-day rollover to an IRA of only a portion of a payment made to you, the portion 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, 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. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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 outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason (such as a failure to make level loan repayments that results in a deemed distribution), then you have 60 days from the date the offset occurs to complete your rollover.

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 might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

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 include that you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rule under "If you were born on or before January 1, 1936" does not apply.

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 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. In general, the 10% additional income tax on early distributions will not apply. However, if you take the amount rolled over out of the Roth IRA within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional income tax will apply (unless an exception applies).

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 to a designated Roth account in the Plan

You cannot roll over a distribution to a designated Roth account in another employer's plan. However, you can roll the distribution over into a designated Roth account in the distributing Plan. If you roll over a payment from the Plan to a designated Roth account in the same Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. In general, the 10% additional income tax on early distributions will not apply. However, if 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, the 10% additional income tax will apply (unless an exception applies).

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 generally will 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 deceased 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.

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 were born before July 1, 1949) or age 72 (if you were born after June 30, 1949).

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 (if the participant was born before July 1, 1949) or age 72 (if the participant was born after June 30, 1949).

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 QDRO/EDRO. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a QDRO/EDRO, you generally have the same options and the same tax treatment that 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). However, payments under the QDRO/EDRO 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 do 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 federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cash-out 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 the payor. A mandatory cash-out 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 on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

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.