

## Defined Contribution Distribution/Direct Rollover Form

### Things you should consider before submitting this form:

It is not required that you take a distribution from your Defined Contribution account. You can keep your MERS account active and update investment elections as your goals change. Keeping your balance at MERS after you are separated from employment allows you to maintain your current investment election, provides opportunities to grow your account in the future through qualified roll-overs, and gives you access to investment fees that may be lower than other programs.

### Will you outlive your income?

If you're concerned about making your distributions last throughout your retirement, MERS offers another option. The Stable Income Annuity offered through The Standard is a plan that allows you to convert your retirement account into a guaranteed income stream for life — or a period of your choice. Contact MERS Service Center at 800.767.MERS (6377) for your free estimate and more information. This is not a commitment. You will have an opportunity to review details and estimates before making a decision.

### Use this form if ...

- You've left your employer and want to move money from your Defined Contribution account either as a payment to yourself or into another qualified account.
- You are no longer employed due to disability and wish to move money from your account.
- You are the ex-spouse of a MERS member and are the recipient of a domestic relations order.
- You are making a change to your payment delivery options or federal/state income tax withholding.

 **Medallion Signature Guarantee** is required for any transaction:

- over \$100,000
- requiring a wire transfer or direct deposit\*\*
- being sent to a destination outside the U.S.
- being sent to an address other than the address of record on the account.

It is designed to protect you and MERS from fraud. You can get a Medallion Signature Guarantee from most banks, credit unions, and other financial institutions where you have an account. **A notary seal is NOT a signature guarantee.**

If a Medallion Signature Guarantee is required, you will need to take this form into your financial institution and complete Section 7.

\*\*If requesting a wire transfer or direct deposit, but you do not include a Medallion Signature Guarantee, a check will be issued instead.

Please print clearly • See attached special tax notice for details • Retain a copy for your records

### 1. Information about you

Last name*	First name*	Social Security Number*	Phone number (with area code)*
Mailing address*			
City*		State*	Zip code*
Email address		Citizenship* <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> U.S. Resident <input type="checkbox"/> Non-resident alien (submit IRS Form W-8BEN)	
Marital status* <input type="checkbox"/> Single <input type="checkbox"/> Married	<b>Have you been divorced at any time following your date of employment with this employer?*</b> <input type="checkbox"/> No <input type="checkbox"/> Yes – If yes, you must submit a complete copy of your Judgment of Divorce to MERS before your distribution can be processed.		
		Ex-spouse(s) name(s):	
Employer name*		Division number (6 digits)	

 See **Medallion Signature Guarantee** information in Section 7 if your address is outside the U.S.

\* Required field

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Last name\* (please print clearly)

Social Security Number\*

## 2. Distribution reason

Check the box for appropriate reason:

- No longer with employer as of:** \_\_\_\_\_ (Your employer must report your termination date and final contributions before your distribution can be processed. This could be up to 6 weeks from your termination date.)
- Disability** (Please complete the certification in Section 9.)
- EDRO** (Eligible Domestic Relations Order) recipient
- Change my tax withholding or payment delivery option (skip Section 3).**

## 3. Type of distribution

See **Medallion Signature Guarantee** information in Section 7 if your transaction is over \$100,000 or you are requesting a wire transfer.

Choose A or B below

### A. Payment to you:

Select one of the two choices below

- Single payment:** (choose full or partial below)

  - Full distribution**  
Entire account balance in one lump sum payment
  - Partial distribution**  
Amount of lump sum payment to you:  
\$ \_\_\_\_\_  net  gross (default)  
Remaining balance will stay in your account until you reach age 70½ or request further distributions.

- Periodic payments (installments)**  
(Request must be received 7 business days prior to selected date or it will be processed the following month.)

◆ Payment cannot extend beyond life expectancy.

- Start new distribution (complete below)
- Change existing distribution (complete below)
- Stop existing distribution (proceed to Section 8)

#### Frequency

- Monthly  Quarterly  Twice per year  Annually

Day of month you want payment processed:

- 1<sup>st</sup> of month  20<sup>th</sup> of month

#### Payment Duration

- Specific dollar amount (amount certain):**  
\$ \_\_\_\_\_ (before taxes, if any)  
(Enter amount of each payment you wish to receive until account is expended or stopped)

- Number of years (period certain):** \_\_\_\_\_  
(Enter date through which you would like payments to continue)

◆ Amount will be calculated based on life expectancy and payment will be disbursed in accordance with frequency selected above.

- By checking this box, you certify that you understand the Special Tax Notice guidelines regarding distribution or installment payments (attached to this form).

### B. Direct rollover:

Transfer directly to another eligible account.  
(Select a choice below, and complete account information)

- Roll entire account directly over to the institution below. My non-taxable portion shall be placed in an after-tax account, separate from the taxable portion. *I have contacted the financial institution and confirmed that it will accept the rollover and account for my after-tax dollars.* (No taxes will be withheld.)
- Roll taxable portion over to institution below. Pay non-taxable portion to me. (Taxes will not be withheld on gains; gains will be rolled over with taxable portion.)
- Roll \$ \_\_\_\_\_ or \_\_\_\_\_% of the taxable portion over to the institution below. **Pay remainder to me** (taxable and non-taxable) and withhold applicable income taxes.
- Roll \$ \_\_\_\_\_ or \_\_\_\_\_% of the taxable portion over to the institution below. **Leave the remainder invested in my MERS account.**

### Account you are rolling funds into:

Direct rollover money will be mailed by check to you at the address provided in Section 1. The check will be made payable to the Financial Institution listed below.

If you wish to have your funds transferred via wire, please also attach Wire Transfer Instructions from your Financial Institution.

See **Medallion Signature Guarantee** information in Section 7 if requesting wire transfer.

Financial Institution/Company or Trustee name of eligible qualified plan or IRA

Individual account number

Phone

Financial Institution's Federal tax ID

Type of account

- 401(a)  401(k)  403(a)  403(b)
- IRA – 408(a) or 408(b)  Roth IRA  457(b)
- Other eligible account \_\_\_\_\_

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Last name\* (please print clearly)

Social Security Number\*

### 4. Payment delivery options

**Distribution to you:** If you selected any payments to be made to you. (Note: Checks and deposits are issued from *Alerus Financial*)

- Direct deposit** of your distribution into designated account (See **Medallion Signature Guarantee** information in Section 7. If Medallion Signature Guarantee is NOT included, a check will be mailed to you.)

- Checking account     Savings account

Financial Institution name

Phone

ABA routing number (9 digit)

Account number

- Distribution check** made payable to you will be mailed to your address from Section 1

### 5. Federal income tax withholding

If you do not make a choice below, a standard federal income tax rate will be withheld from your payment(s). If you want us to withhold a different amount, choose A or B below depending on your distribution selection in Section 3:

#### A. For lump sum payments (full or partial distributions):

Federal law requires a mandatory 20% to be withheld. If you would like **additional** federal taxes withheld, please indicate below.

**Additional** amount to be deducted from each payment:  $20\% + \frac{\text{Additional amount}}{\text{Total}}\% = \text{Total}\%$

#### B. For periodic payments (installments):

See Special Tax Notice (pages 4-6) that may apply to installments. If your distribution choice results in payments that are expected to last over a period of *more than 10 years*, you may provide a percentage to be withheld. If you make no selection, MERS will withhold 20%. You may select 0.

Amount to be deducted from each payment if different than standard 20%: \_\_\_\_\_%

### 6. State income tax withholding

**MERS will withhold the mandatory Michigan income tax rate from your distribution, unless one of the following applies:**

- Check here if all payments are exempt because you (or your spouse if joint filers) were born before 1946, and you do not want any amount withheld.
- Check here if you qualify for any other exemption shown on the MI W-4P and want your withholding calculated using those exemptions. **Complete Form MI W-4P and submit along with this form.**
- Check here if you wish to opt out of tax withholding. **Complete Form MI-W4P, check the box on line 1, and submit along with this form. Note:** If you (and your spouse if joint filers) 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 \_\_\_\_\_. MERS will withhold the amount required by that state.

You may obtain more information on Michigan tax withholding, including Form MI W-4P and instructions at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

\* Required field

## Defined Contribution Distribution/Direct Rollover Form

Last name\* (please print clearly)

Social Security Number\*

### 7. Medallion Signature Guarantee

 **Medallion Signature Guarantee** is required for any transaction:

- over \$100,000
- requiring a wire transfer or direct deposit
- being sent to a destination outside the U.S.
- being sent to an address other than the address of record on the account.

A signature guarantee is designed to protect you and MERS from fraud. You can get it from most banks, credit unions, and other financial institutions where you have an account. **A notary seal is NOT a signature guarantee.** Please contact your financial institution for specific requirements.

Use the box to the right to apply your financial institution's Medallion Signature Guarantee stamp. **Please submit original form.**

**Do NOT sign the signature space below** until directed to by your financial institution.

MEDALLION SIGNATURE GUARANTEE STAMP

### 8. Your signature

My signature acknowledges that I have read, understand and agree to all pages of this *Defined Contribution Distribution/Direct Rollover Form* and the attached *Special Tax Notice* and affirms that all information I have provided is true and correct to the best of my knowledge. I hereby waive the "applicable waiting period" required under IRS rules regarding payments from my 401(a) plan account, and I direct MERS to process the payment options selected on this form. I understand that funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held less than the period stated in the fund's prospectus or other disclosure documents. I will refer to the fund's prospectus and/or disclosure documents for more information. I understand that it is entirely my responsibility to ensure that this election conforms with all applicable provisions of the Internal Revenue Code and that the Plan into which I am rolling money over will accept the dollars, if applicable. I understand that I am liable for any income tax and/or penalties assessed by the IRS for any election I have chosen (and tax consequences for any outstanding loans, if applicable). I understand that once my payment has been processed, it cannot be changed.

Participant signature\*

Date (mm/dd/yyyy)\*

Participant name\* (please print clearly)

Participant SSN\*

If your distribution reason (in Section 2) is Disability, don't forget to complete Section 9 on the next page.

When you have completed this form, please mail it to MERS' recordkeeper at:

**Alerus Retirement Solutions**  
P.O. Box 64535  
St. Paul, MN 55164

**Questions?** Please contact MERS Service Center at 800.767.MERS (6377)  
*If you have speech or hearing difficulties and need assistance completing this form, contact the Michigan Relay Center at 800.649.3777.*

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Last name\* (please print clearly)

Social Security Number\*

### 9. Disability certification *(only required for Disability distribution)*

Only required if reason for distribution (Section 2) is Disability

**A. Describe your disability, what date it arose, and explain why you are unable to engage in substantial gainful activity:**

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**B. Date of disability:** \_\_\_\_\_

**C. One of the following must be provided as proof of your total and permanent disability.**

- I'm enclosing my valid Social Security Award Certificate.
- The certification below, completed by my physician.
- I previously submitted my proof of disability documentation.

**Physician's Certification of Total and Permanent Disability** *(to be completed by participant's physician)*

I hereby certify that the participant named on this form has become unable to perform his/her former job, or any substantial gainful activity comparable to the one in which he/she customarily engaged, by reason of a medically determinable physical or mental impairment that is expected to be of long continued and indefinite duration. I understand that this will serve as proof of the participant's total and permanent disability under §72(m)(7) of the Internal Revenue Code and will exempt the participant from paying the additional 10% income tax on early distributions.

Physician's signature

Date (mm/dd/yyyy)

Physician's name\* (please print clearly)

Name of hospital/clinic

Address of hospital/clinic

City

State

Zip

When you have completed this form, please mail it to MERS' recordkeeper at:

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P.O. Box 64535  
St. Paul, MN 55164

**Questions?** Please contact MERS Service Center at 800.767.MERS (6377)  
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# Your Rollover Options for Non-Roth Distributions – *Special Tax Notice*

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 with special tax rules in some employer plans). 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 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 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.

### 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 (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, 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 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);
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution; and
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA).

The Plan administrator 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 lives or joint life expectancy 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 made due to disability;
- 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 (QDRO);
- 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 requested to be withdrawn within 90 days of the first contribution; and
- Payments for certain distributions relating to certain federally declared disasters; and

### 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 (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).

### 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 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. 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, 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 rules under "If your payment includes employer stock that you do not roll over" and "If you were born on or before January 1, 1936" do 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. 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 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 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.

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.

#### **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 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 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 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 cashout of more than \$1,000 (not including payments from a designated Roth account in the Plan) will be directly rolled over to an IRA chosen by the Plan administrator or 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 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](http://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](http://www.irs.gov), or by calling 1-800-TAX-FORM.