

# Incoming Rollover/Transfer Form

## For MERS Individual Retirement Account (IRA)

### Frequently Asked Questions

#### When would I use this form?

This form is used when requesting to transfer assets from one qualified plan to an already established MERS Individual Retirement Account (IRA). This may also be referred to as a rollover. See question regarding types of eligible programs below.

#### What does MERS do with this form?

MERS uses this form to track participant requests and prepare the account for assets coming in. **It will still be up to you to contact the financial institution you are rolling funds from and request the transfer using their required process.**

#### How is it treated for tax purposes?

A transfer/rollover is not generally considered a taxable event provided that it meets certain requirements:

- A **transfer** of assets from one IRA to a MERS IRA of the same type is non-taxable and does not generate a 1099-R.  
OR
- A **direct rollover** is sent directly from provider to provider. You will receive a 1099-R from your previous institution, which will show a direct rollover occurred and indicate zero tax owed. You will use the 1099-R when completing your taxes for the applicable year.  
OR
- An **indirect rollover** of a distribution is a check you receive from another retirement account and you deposit into your MERS IRA within 60 days from the date of the distribution. You will receive a 1099-R from your previous institution which will show that a distribution has been taken. MERS will then list the amount deposited as a rollover contribution on your annual 5498 IRA Contribution Information tax form, so no taxes are owed on that amount.

*NOTE:* Any portion of the distribution that was withheld for federal income taxes and not deposited as a rollover amount may be considered a taxable distribution and could be subject to early withdrawal penalty.

#### Does the amount of the transfer/rollover affect the annual contribution limit set by the IRS?

No. Rollover/transfer amounts do not count towards the annual contribution limit set by the IRS.

#### What types of programs are eligible to transfer into a MERS IRA?

		Transfer To:		
		Traditional	Roth	
Transfer From:	Governmental 457(b)	Pre-tax	Yes	Yes <sup>1</sup>
		Roth	No	Yes <sup>2</sup>
	Employer Provided Plans (401(a), 403(a), 403(b), 401(k))	Qualified Pre-tax Plans <sup>2</sup>	Yes <sup>3</sup>	Yes <sup>1</sup>
		Designated Roth Accounts	No	Yes <sup>2</sup>
	Individual Retirement Accounts (IRA)	Traditional	Yes <sup>3</sup>	No
		Roth	No	Yes
		Simple	Yes	No
		SEP	Yes	No

<sup>1</sup> Must include in taxable income and be an in-plan rollover

<sup>2</sup> Must be a direct trustee-to-trustee transfer

<sup>3</sup> Must have separate accounts

# MERS IRA Incoming Rollover/Transfer Guide

## Frequently Asked Questions – *continued*

### How do I request to transfer my assets?

1. Contact your previous provider

Your previous provider may require you to complete additional paperwork. When contacting your previous provider, be sure to request any required forms and obtain any information about penalties or fees you may incur. Any forms you complete for the previous provider should be returned to that provider.

2. Complete this form (MD-804)

All completed forms should either be sent to *Alerus Retirement & Benefits* at the address indicated, or they may be uploaded through the File Submit function in your myMERS account.

### What if I am transferring multiple accounts?

Please complete a separate form for each qualified account balance you are choosing to transfer into this program.

### How long does it take to process the request?

It can typically take up to 30 days for the processing and delivery of the funds from the prior program provider to MERS.

### How will I know when my assets have been transferred?

Providers releasing assets must provide you with confirmation that your assets have been transferred – this may be sent electronically or through paper notice. In addition, you should receive one final quarterly statement that will show the assets have been transferred out of your account. To confirm that assets have been received

by MERS, you can log in to your myMERS account 24/7; if a rollover was done, rollover assets received will show as a “Contribution.”

### How will my transfer be invested?

Your transferred dollars will be invested in your current MERS IRA asset allocation (divided proportionally if you are invested in multiple funds). By default, this will be the age-appropriate MERS Retirement Strategy fund. You can make changes to your allocation choices any time through your myMERS account.

### What if I have non-Roth, post-tax contributions in the account assets I am rolling in?

The post-tax contributions in your account may be rolled over to a Roth IRA. However, any investment earnings in the account will be considered pre-tax amounts. Those pre-tax amounts may be rolled into a Traditional IRA and, in that case, will not be considered income until distributed from the Traditional IRA.

Example:

You made \$5,000 in post-tax contributions to a non-Roth retirement account. Through investment earnings over time, your account balance grew to \$6,000. You will need to open both a MERS Roth IRA and a MERS Traditional IRA, and may roll over your assets as follows:

- \$5,000 into your MERS Roth IRA
- \$1,000 into your MERS Traditional IRA

Note: If you intend to roll money into both Roth and Traditional MERS IRA accounts, you will need to submit two separate MERS IRA Incoming Rollover/Transfer forms, one for your Roth IRA and one for your Traditional IRA.

## Submitting this form

### You can submit this form online!

If you already have a myMERS account, you can also upload this form online. Look for the **File Upload** feature in the top navigation to easily and securely submit completed forms.

You may also mail completed form to MERS' recordkeeper at:

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

**!** **This process is not complete by your submitting this form.** Your previous provider must receive necessary permission and any applicable forms from you in order to release assets to MERS.

## MERS IRA Incoming Rollover/Transfer

Please print clearly • Retain a copy for your records

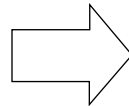
### 1. Information about you

Last name*	First name*	MI	Social Security Number*
IRA division code*	Email address		Phone number (with area code)*
6-digit number beginning with 800- found on your myMERS "Select Plan" dropdown			

### 2. Rollover/transfer type

- Direct Rollover or Transfer:** Funds are made payable from your current plan provider to your MERS IRA without being distributed to you in between.
- Indirect 60-Day Rollover:** You may roll over funds received as a distribution from an eligible account within the past **60 days**. The IRS will only allow one indirect 60-day IRA-to-IRA rollover within any 12-month period (remember, you can make unlimited Direct Rollovers or Transfers). Funds received as required minimum distributions from an existing IRA are not eligible to be rolled into an IRA. You may *not* roll over funds received as a required minimum distribution from another account. See [Special Tax Notice](#) for additional information regarding your options.

Tell us about the account you are transferring funds from:	
<input type="checkbox"/> Traditional IRA	<input type="checkbox"/> Roth IRA
<input type="checkbox"/> 401(k)/403(b)/457(b) Roth	<input type="checkbox"/> 401(k)/403(b)/457(b) Traditional
<input type="checkbox"/> Simple/SEP IRA	<input type="checkbox"/> 401(a) Retirement Plan
<input type="checkbox"/> Other eligible account _____	



To your established MERS IRA:
<input type="checkbox"/> <b>Roth</b> (Assets distributed from a pre-tax account and converted to a MERS Roth IRA must be reported to the IRS as a taxable distribution and are subject to applicable income tax.)
<input type="checkbox"/> <b>Traditional</b>

### 3. Rollover/transfer instructions

This form authorizes my previous provider to liquidate assets from my account and transfer them to MERS in the amount listed below:

Full Amount     Partial Amount: \$ \_\_\_\_\_ OR \_\_\_\_\_ %

### 4. Previous provider information

If the funds you want to roll over/transfer are currently held in a MERS account (Defined Contribution, 457 or IRA), please provide the name of your employer below. In this case, MERS will make the necessary arrangements to roll the funds into your MERS IRA.

MERS employer: \_\_\_\_\_

If the funds you want to roll over/transfer are currently held by any non-MERS institution, please provide the information below.

**You will need to contact your current plan provider to initiate the transfer and determine if there will be any penalties or fees. This process is NOT COMPLETE by submitting the form to MERS.**

Financial institution name*	Account number*		
Financial institution mailing address*			
City*	State*	Zip*	Phone*

In order to ensure accurate recordkeeping and tax reporting, MERS must receive accurate information regarding the source of the assets being rolled over/transferred. The provider sending the assets to MERS must report the amounts of Roth and/or traditional assets separately on the check stub or other documentation. See Special Tax Notice attached to this form for information regarding rollovers.

\* Required field

## MERS IRA Incoming Rollover/Transfer

Last name\* (please print clearly)

Social Security Number\*

### 5. Investment menu

To choose how to allocate your incoming funds, provide whole percentages below (**total allocated must equal 100%**). If this section is left blank, allocations will default to an age-appropriate Retirement Strategies fund.

#### “Do it for me”

Retirement Strategies	IC	
<a href="#">Retirement Income Fund</a>	40	%
<a href="#">2010 Retirement Strategy</a>	41	%
<a href="#">2015 Retirement Strategy</a>	42	%
<a href="#">2020 Retirement Strategy</a>	43	%
<a href="#">2025 Retirement Strategy</a>	44	%
<a href="#">2030 Retirement Strategy</a>	45	%
<a href="#">2035 Retirement Strategy</a>	46	%
<a href="#">2040 Retirement Strategy</a>	47	%
<a href="#">2045 Retirement Strategy</a>	48	%
<a href="#">2050 Retirement Strategy</a>	49	%
<a href="#">2055 Retirement Strategy</a>	4A	%
<a href="#">2060 Retirement Strategy</a>	4B	%
<a href="#">2065 Retirement Strategy</a>	4C	%

Please refer to the [Understanding the MERS Investments Menu](#) book and the [Fund Summary Sheets](#) for information regarding each investment option, including potential redemption fees, and restrictions ([www.mersofmich.com](http://www.mersofmich.com)).

#### “Help me do it”

Portfolios Built for You (Stocks/Bonds)	IC	
<a href="#">MERS Total Market Portfolio</a>	S9	%
<a href="#">MERS Global Stock Portfolio (100/0)</a>	S3	%
<a href="#">MERS Established Market Portfolio (60/40)</a>	S4	%
<a href="#">MERS Diversified Bond Portfolio (0/100)</a>	S5	%

Funds to Build Your Own Portfolio	IC	
<a href="#">Large Cap Stock Index</a>	RX	%
<a href="#">Mid Cap Stock Index</a>	S7	%
<a href="#">Small Cap Stock Index</a>	S8	%
<a href="#">Emerging Market Stock</a>	S2	%
<a href="#">International Stock Index</a>	RW	%
<a href="#">Real Estate Stock Index</a>	02	%
<a href="#">Bond Index</a>	03	%
<a href="#">High Yield Bond Index</a>	01	%
<a href="#">Short-Term Income</a>	S6	%

### 6. Transfer instructions (for your financial institution)

The information below is for your current financial institution. They will require the below in order to roll funds directly into your MERS IRA. Please contact your financial institution and make sure you have provided all of this information according to their requirements.

#### Wire instructions:

Alerus Financial, N.A., Grand Forks, ND

ABA #091300159

BNF: Alerus Financial, N.A. A/C #50129785

Further Credit: MERS IRA (Roth or Traditional) – Division Code, Participant full name, last four of SSN

Country: United States of America

#### Mailing instructions:

Alerus Retirement & Benefits

Attention: MERS Contributions

P.O. Box 64535

St. Paul, MN 55164-0535

For Benefit Of: MERS IRA (Roth or Traditional) – Division Code, Participant full name, last four of SSN

\* Required field

## MERS IRA Incoming Rollover/Transfer

Last name\* (please print clearly)

Social Security Number\*

### 7. Indirect 60-day rollover instructions

If you have received a distribution from an eligible account within the past 60 days and wish to roll it into your MERS IRA, make check payable to **Alerus Retirement & Benefits**. Include your **full name, last four of SSN, and MERS IRA Division Code** on the check and mail it to:

Alerus Retirement & Benefits

Attention: MERS Contributions

P.O. Box 64535

St. Paul, MN 55164-0535

### 8. Signature

My signature acknowledges that I have read, understand and agree to all pages of this Incoming Rollover Form, associated [IRA Fee Disclosures](#) and the Special Tax Notice provided at the end of this form and affirms that all information I have provided is true and correct to the best of my knowledge. I have also received information detailing the general program features, the investments offered, and all administrative charges and fees that may be deducted from the account(s) maintained on my behalf. I acknowledge that funds will be rolled into investment funds in accordance with allocation instructions currently active for my MERS IRA. 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. For any assets that I receive directly in the form of an indirect rollover check from my releasing entity, I have 60 days to turn the assets over to MERS for processing. I understand that I may incur an additional tax penalty if I fail to meet this required time frame.

I certify that assets rolling in from another qualified plan into the MERS IRA do not include non-Roth, post-tax contributions; I understand that it is my responsibility to work with the releasing entity to confirm this prior to assets being received by MERS.

My signature authorizes the plan provider stated in Section 4 of this form to disburse my account assets to MERS electronically (if applicable) according to the transfer instructions in Section 6.

Participant signature\*

Date (mm/dd/yyyy)\*

\* Required field

# 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](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.



# Special Tax Notice for ROTH DISTRIBUTIONS

## YOUR ROLLOVER OPTIONS

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 a Roth IRA or designated Roth account in an employer plan. This notice is intended to help you decide whether to do a rollover.

This notice describes the rollover rules that apply to payments from the Plan that are from a **designated Roth account**. If you also receive a payment from the Plan that is not from a designated Roth account, 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 designated Roth account 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?

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 portion of the payment that is earnings. If you are under age 59½, a 10% additional income tax on early distributions (generally, distributions made before age 59½) 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.

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

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457 plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, Roth IRAs are not subject to spousal consent rules, 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 Roth IRA or designated Roth account in an employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

**If you do not do a direct rollover**, you may still do a rollover by making a deposit (generally 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 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 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 a payment is not a qualified distribution and you are under age 59½,

you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over (including amounts withheld for income tax), unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the earnings 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 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/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 a Roth IRA, will the 10% additional income tax apply to early distributions from the IRA?**

If you receive a payment from a Roth IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA listed above are the same as the exceptions for early distributions from a plan. However, there are a few differences for payments from a Roth 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 (QDROs/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 a Roth 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 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. If the distribution attributable to the offset is not a qualified distribution and you do not roll over the offset amount, you will be taxed on any earnings included in the distribution (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over the earnings included in the loan offset to a Roth IRA or designated Roth account in an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers). You may also roll over the full amount of the offset to a Roth IRA.

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 repayments that results in a deemed distribution), then you have 60 days from the date the offset occurs to complete your rollover.

##### **If you receive a nonqualified distribution and 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 is not a qualified distribution and that you do not roll over, special rules for calculating the amount of the tax on the earnings in 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 receive a payment that is not a qualified distribution and you do not roll it over, you will not have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over, 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 that is not a qualified distribution made before age 59½ will be subject to the 10% additional income tax on earnings allocated to the payment (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 receive a nonqualified distribution, 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 nonqualified distributions 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 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, whether the payment is a qualified distribution generally depends on when the participant first made a contribution to the designated Roth account in the Plan. Also, 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 receive a nonqualified distribution and 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 a Roth IRA, you may treat the Roth IRA as your own or as an inherited Roth IRA.

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 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 Roth IRA. Payments from the inherited Roth IRA, even if made in a nonqualified distribution, will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited Roth IRA.

**Payments under a QDRO/EDRO.** If you are the spouse or a 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 Roth IRA or to a designated Roth account in an eligible employer plan that will accept it).

### If you are a nonresident alien

If you are a nonresident alien, you do not do a direct rollover to a U.S. IRA or U.S. employer plan, and the payment is not a qualified distribution, the Plan is generally required to withhold 30% (instead of withholding 20%) of the earnings 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 W8BEN 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 (only including payments from the designated Roth account in the Plan) are less than \$200, the Plan is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you can do a 60-day rollover.

Unless you elect otherwise, a mandatory cash-out from the designated Roth account in the Plan of more than \$1,000 will be directly rolled over to a Roth 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](http://www.irs.gov).

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