

# QP Hardship Distribution Request Form

This form should be used if you are an active employee and you wish to request a distribution of your pre-tax (non-Roth) and/or Roth assets due to a hardship. This form may not be used to withdraw elective deferrals unless you have no other distributions available from your employer's plan(s) to satisfy your hardship. Please be advised that no handwritten notes or instructions will be accepted or considered when this form is processed. Contact your plan administrator if you have any questions.

## PARTICIPANT INFORMATION

Social Security Number \_\_\_\_\_ Phone Number \_\_\_\_\_

First Name \_\_\_\_\_ Last Name \_\_\_\_\_

Email Address \_\_\_\_\_

Married  Not Married

**NOTE:** Your distribution will be paid to you by check and sent via regular mail to your current address on file. If your address has changed, please contact your plan administrator.

## DISTRIBUTION INSTRUCTIONS

Amount of Distribution Requested (select one):

\$ \_\_\_\_\_ (enter dollar amount)

**NOTE:** This amount is what will be distributed to you. Taxes and fees will be withdrawn from your account in addition to the amount requested here. If the amount requested exceeds the amount available, the distribution will be processed for the maximum amount available.

Maximum amount available

Reason for Distribution:

Medical expenses  Educational expenses  Home purchase  Prevention of foreclosure/eviction

Funeral expenses  Uninsured damage to principal residence (under Internal Revenue Code section 165)

Federal Emergency Management Agency (FEMA) declared disaster

Other \_\_\_\_\_

**NOTE:** The amount of the hardship distribution cannot be greater than the documented need.

## WITHHOLDING ELECTION

**FEDERAL WITHHOLDING** (Form W-4R/OMB No. 1545-0074)

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

- For nonperiodic payments, the default withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100% below. Generally, you can't choose less than 10% for payments to be delivered outside the United States and its possessions.

See the Withholding Instructions for more information.

**Withholding Election.** Complete this section if you would like a rate of withholding that is different from the default withholding rate.

See the instructions and the Marginal Rate Tables that follow for additional information.

**Enter the rate as a whole number (no decimals) \_\_\_\_\_%**

**STATE WITHHOLDING** (If applicable, select one)

Name of Withholding State \_\_\_\_\_

Withhold \_\_\_\_\_%

Withhold \$ \_\_\_\_\_

Do Not Withhold State Income Tax

**NOTE:** State income tax withholding may not be available for all states. If applicable, mandatory state income tax will be withheld from the distribution in accordance with state tax guidelines.

## CERTIFICATION AND AUTHORIZATION

I certify that I have read, understand, and agree with the information provided in the instructions to this form. I certify that I have obtained all available distributions from my employer's plan(s), if required, and I have insufficient cash or other liquid assets reasonably available to satisfy my financial need. In addition, I certify that my hardship distribution will not exceed the amount needed to satisfy my financial need.

I certify that the reason for my distribution is a permissible hardship distribution reason under the plan. I certify that I have appropriate supporting documentation to substantiate the reason for my hardship.

I acknowledge that I have timely received a written explanation of the optional forms of benefit payments and have received, if applicable, my spouse's consent to take a distribution. I understand there may be a distribution fee charged against my account for this transaction and have been advised to contact the plan administrator for a description of any applicable fees. I instruct the plan administrator to authorize a distribution from the plan as soon as administratively possible.

Name of Participant \_\_\_\_\_

Signature of Participant \_\_\_\_\_ Date \_\_\_\_\_

### Authorized Plan Representative Use Only

Name of Authorized Plan Representative \_\_\_\_\_

Signature of Authorized Plan Representative \_\_\_\_\_ Date \_\_\_\_\_

**NOTE:** To process this request in the most efficient manner, please utilize the website at \_\_\_\_\_

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**FORM SUBMISSION  
INSTRUCTIONS**

Please forward the *QP Hardship Distribution Request Form* to your plan administrator for approval. Once approved, please email the fully executed form to: [requests@ascensus.com](mailto:requests@ascensus.com).

Please be aware that all forms are processed in the order received. Incomplete or inconsistent information on the form may delay the processing of your request.

# Using the QP Hardship Distribution Request Form

Your plan generally permits you to withdraw your vested account balance when you or, in some cases, your beneficiary incur a financial hardship. (Refer to your *Summary Plan Description* to learn more.) If you or your beneficiary have experienced a hardship and you would like a distribution, please read the instructions below and complete the *QP Hardship Distribution Request Form* that accompanies these instructions. Once completed, the form should be forwarded to your plan administrator for approval. Failure to provide all required information and/or documentation will result in processing delays and may result in additional fees. Please be aware that no handwritten notes or instructions will be accepted or considered when this form is processed. Contact your plan administrator if you have any questions.

Your hardship must qualify as a hardship, as that term is defined in the plan, in order for the plan administrator to authorize a distribution to you. You must generally provide necessary supporting documentation to substantiate the reason for your hardship.

Your plan may allow you to certify that your hardship qualifies as a hardship distribution reason under the plan and that you have the necessary supporting documentation to substantiate the reason for your hardship. If your plan administrator relies upon your certification of your hardship, you will not be required to provide the supporting to the plan administrator for review. However, it is recommended that you retain a copy of such documentation in your files. Please see the *Distribution Verification Checklist* for examples of appropriate supporting documentation. You may contact your plan administrator to confirm if your plan permits this certification.

## Participant Information

Please enter your Social Security number, phone number, full name, and email address. Please be advised that the contact information that is requested will be used for purposes of processing this form only and it will not update your information on file. In addition, your email address will be used only to collect any necessary information to fulfill this request.

## Distribution Instructions

Please specify the amount of the distribution you wish to receive by entering a specific dollar amount or electing to receive the maximum amount available under your plan. If you request a specific dollar amount that exceeds the amount available, the distribution will be processed for the maximum amount available. The amount from all available sources will be dependent upon the distribution options in the plan. If the plan permits in-service distributions due to hardship and also hardship distribution of elective deferrals, the amounts distributed may include both employer contributions and elective deferrals. In addition, please select the reason for your hardship.

Your distribution will be deducted from your investment accounts and deducted from your money types proportionately, if permitted by the IRS. Your distribution will be paid to you by check and sent to your current mailing address on file. If your address has changed since your most recent statement, please update your information with your plan administrator.

## Withholding Election

See the *Withholding Instructions* for information about federal income tax withholding on your distribution.

## Certification and Authorization

You must indicate if you are certifying that your hardship qualifies as a hardship, as that term is defined in the plan.

You must authorize this distribution by signing and dating the *QP Hardship Distribution Request Form*.

## Processing Time

All forms are processed in the order received. Incomplete or inconsistent information on the form may delay the processing of your request.

### Authorized Plan Representative Use Only

Please sign and date the form to acknowledge that you, acting as a named and authorized representative of the plan, confirm that the information provided is complete and accurate and the request is in accordance with this plan. You acknowledge that the participant's vested account balance will be calculated based on the data you have provided. If the participant is married, you acknowledge that you have reviewed the completed *Participant Distribution Spousal Consent Form*, if applicable, and have found it to be in good order. You understand that elective deferrals may only be distributed on account of hardship after the participant has received all other distributions available under the plan if applicable. You authorize this request to be processed as instructed.

## Hardship Distribution Verification Checklist

The following table includes the permissible hardship reasons and examples of the related documentation that would adequately support the hardship. Please review this checklist and ensure that your request is for one of the following hardship reasons and determine if the documentation that you have to support the reason for the distribution is sufficient. While you are not required to submit the supporting documentation with your request, it is recommended that you retain documentation supporting your reason for the hardship distribution.

Reason	Comments	Eligible Documentation
<b>Medical expenses for participant, spouse, or dependent</b>	<p>May include prescription drugs, transportation costs, long-term care costs, or insurance premium costs.</p> <p>Does NOT include cosmetic surgery unless it is for the treatment of functional birth defects, or damage caused by accident, injury, or disfiguring disease.</p> <p><b>You cannot request reimbursement for bills that have already been paid.</b></p>	<ul style="list-style-type: none"> <li>A bill (less than six months old) for medical services not covered by insurance and a reasonable explanation of why insurance will not pay the bill. Explanation of Benefits statement is not a bill but may be provided to prove insurance coverage.</li> <li>Bill must clearly state the portion that is the patient's responsibility and is not eligible for reimbursement by another party.</li> <li>If expenses are for anyone other than the participant, proof of relationship or dependency is required. Marriage certificate, birth certificate, tax document showing dependency, or court documents demonstrating obligation to pay may be accepted as proof of relationship.</li> </ul>
<b>Purchase of participant's principal residence</b>	<p>Existing home (including a mobile or manufactured home) or land on which to immediately build a home.</p> <p>Construction costs may be considered.</p>	<p>Copy of signed purchase/sale contract which includes financing information and closing date, or estimate of closing costs (from finance institution) that includes closing date.</p>
<b>Post-secondary educational expense for participant, spouse, or dependent</b>	<p>May include tuition, related educational fees, or room and board expense, for up to the next 12 months.</p> <p>ONLY expenses related to college, graduate school, or trade/professional school will be considered.</p> <p>Cannot reimburse amounts already paid or bills for past semesters. Participant cannot request reimbursement for bills that have already been paid. Student loan repayments are not reimbursable, nor are bills for past semesters.</p>	<ul style="list-style-type: none"> <li>A bill including the institution's name, student's name, semester dates, amount due, and due date. <ul style="list-style-type: none"> <li>Bill must not be pending financial aid.</li> </ul> </li> <li>If expenses are for anyone other than the participant, proof of relationship or dependency is required. Proof may include: marriage certificate, birth certificate, tax document showing dependency, or court documents demonstrating obligation to pay.</li> </ul>
<b>To prevent eviction or foreclosure</b>	<p>For primary/principal residence only.</p> <p>Deadline for payment to avoid eviction must be at least seven days in the future to allow for processing time.</p>	<ul style="list-style-type: none"> <li>Letter from mortgage company or rental agency itemizing the amount required to avoid foreclosure or eviction and the deadline for payment.</li> <li>If you rent from a private landlord, a copy of the original lease agreement or signed written statement indicating a month-to-month lease.</li> <li>If eviction or foreclosure notice is in your spouse's name, a tax document or marriage certificate proving the relationship to you.</li> </ul>
<b>Burial/funeral expenses for participant's spouse, parent, child, or dependent</b>	<p>May include burial or cremation costs, flowers, car rental, and processional fees. Participant cannot request reimbursement for bills that have already been paid.</p>	<ul style="list-style-type: none"> <li>Death certificate and bill from appropriate funeral home, cemetery, etc.</li> <li>Certification that the deceased is the participant's spouse, parent, child, or dependent. Marriage certificate, birth certificate, or tax document showing dependency may be accepted as certification.</li> </ul>
<b>Repair of damages to the participant's principal residence</b>	<p>Damage must be due to a fire, storm, tornado, hurricane, earthquake, or other natural disaster.</p>	<p>Bill or estimate for repair or construction and denial letter from insurance company which clearly states that the insurance company will not pay for damage costs.</p>
<b>FEMA declared disaster</b>	<p>Expenses and losses incurred on account of a disaster declared by the Federal Emergency Management Agency.</p>	<p>Contact your plan administrator to learn what documents may be sufficient to support this hardship reason.</p>

# WITHHOLDING INSTRUCTIONS (Form W-4R/OMB No. 1545-0074)

## General Instructions

Section references are to the Internal Revenue Code.

**Future developments.** For the latest information about any future developments related to Form W-4R, such as legislation enacted after it was published, go to [www.irs.gov/FormW4R](http://www.irs.gov/FormW4R).

**Purpose of form.** Complete Form W-4R to have payers withhold the correct amount of federal income tax from your nonperiodic payment or eligible rollover distribution from an employer retirement plan, annuity (including a commercial annuity), or individual retirement arrangement (IRA). See below for the rules and options that are available for each type of payment. Don't use Form W-4R for periodic payments (payments made in installments at regular intervals over a period of more than 1 year) from these plans or arrangements. Instead, use Form W-4P, *Withholding Certificate for Periodic Pension or Annuity Payments*. For more information on withholding, see Pub. 505, *Tax Withholding and Estimated Tax*.

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

**Nonperiodic payments—10% withholding.** Your payer must withhold at a default 10% rate from the taxable amount of nonperiodic payments **unless** you enter a different rate in the Withholding Election section. Distributions from an IRA that are payable on demand are treated as nonperiodic payments. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering “-0-” in the Withholding Election section. See the specific instructions below for more information. Generally, you are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including “-0-”) on any payments to be delivered outside the United States and its territories.

**NOTE:** If you don't give Form W-4R to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld. Generally, for payments that began before 2023, your current withholding election (or your default rate) remains in effect unless you submit a Form W-4R.

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

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

**Payments to nonresident aliens and foreign estates.** Do not use Form W-4R. See Pub. 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, and Pub. 519, *U.S. Tax Guide for Aliens*, for more information.

**Tax relief for victims of terrorist attacks.** If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter “-0-” in the Withholding Election section. See Pub. 3920, *Tax Relief for Victims of Terrorist Attacks*, for more details.

### 2023 Marginal Rate Tables

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

Single or Married Filing Separately		Married Filing Jointly or Qualifying Surviving Spouse		Head of Household	
Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more
\$0	0%	\$0	0%	\$0	0%
13,850	10%	27,700	10%	20,800	10%
24,850	12%	49,700	12%	36,500	12%
58,575	22%	117,150	22%	80,650	22%
109,225	24%	218,450	24%	116,150	24%
195,950	32%	391,900	32%	202,900	32%
245,100	35%	490,200	35%	252,050	35%
591,975*	37%	721,450	37%	598,900	37%

\* If married filing separately, use \$360,725 instead for this 37% rate.

## Specific Instructions

### Withholding Election

**More withholding.** If you want more than the default rate withheld from your payment, you may enter a higher rate in the Withholding Election section.

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

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

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

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

If these two rates are the same, enter that rate in the Withholding Election section. (See Example 1 below.)

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

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

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

**Example 1.** You expect your total income to be \$60,000 without the payment. Step 1: Because your total income without the payment, \$60,000, is greater than \$58,575 but less than \$109,225, the corresponding rate is 22%. Step 2: Because your total income with the payment, \$80,000, is greater than \$58,575 but less than \$109,225, the corresponding rate is 22%. Because these two rates are the same, enter "22" in the Withholding Election section.

**Example 2.** You expect your total income to be \$42,500 without the payment. Step 1: Because your total income without the payment, \$42,500, is greater than \$24,850 but less than \$58,575, the corresponding rate is 12%. Step 2: Because your total income with the payment, \$62,500, is greater than \$58,575 but less than \$109,225, the corresponding rate is 22%. The two rates differ. \$16,075 of the \$20,000 payment is in the lower bracket (\$58,575 less your total income of \$42,500 without the payment), and \$3,925 is in the higher bracket (\$20,000 less the \$16,075 that is in the lower bracket). Multiply \$16,075 by 12% to get \$1,929. Multiply \$3,925 by 22% to get \$863.50. The sum of these two amounts is \$2,792.50. This is the estimated tax on your payment. This amount corresponds to 14% of the \$20,000 payment (\$2,792.50 divided by \$20,000). Enter "14" in the Withholding Election section.

**Privacy Act and Paperwork Reduction Act Notice.** The IRS asks for the information on this form to carry out the Internal Revenue laws of the United States. You are required to provide this information only if you want to (a) request additional federal income tax withholding from your nonperiodic payment(s) or eligible rollover distribution(s); (b) choose not to have federal income tax withheld from your nonperiodic payment(s), when permitted; or (c) change a previous Form W-4R (or a previous Form W-4P that you completed with respect to your nonperiodic payments or eligible rollover distributions). To do any of the aforementioned, you are required by sections 3405(e) and 6109 and their regulations to provide the information requested on this form. Failure to provide this information may result in inaccurate withholding on your payment(s). Failure to provide a properly completed form will result in your payment(s) being subject to the default rate; providing fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws. The IRS may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, the IRS would be happy to hear from you. See the instructions for your income tax return.

# QP DISTRIBUTION NOTICE

## Important Information About Your Qualified Retirement Plan Distribution

### INTRODUCTION

As a participant in your employer's qualified retirement plan, you have accumulated a vested account balance. You may receive your vested account balance only if you incur a triggering event. You may incur a triggering event if:

- you are no longer working for your employer,
- you attain the normal retirement age indicated in the Plan,
- you become disabled under the Plan's definition,
- your employer terminates the Plan,
- your Plan permits in-service distributions (may be limited to certain contribution sources),
- your Plan permits distributions during phased retirement (only applicable to certain plans and limited to participants that have attained the age specified in the Plan), or
- you incur a hardship (only applicable to certain plans and may be limited to certain contribution sources).

However, you must refer to your *Summary Plan Description* to identify the specific triggering events which apply under your Plan.

**NOTE:** Generally, payments from your employer's qualified retirement plan must be delayed for a minimum of 30 days after you receive this notice, to allow you time to consider your distribution options. Although you are entitled to consider your distribution options for a period of 30 days, you may waive this 30 day notice requirement. If you are subject to the Retirement Equity Act (REA) notice requirements and you waive the 30 day notice requirement, your employer must wait seven days from the date you received this notice before commencing distributions.

The law dictates the optional forms that your payments may take. The law also specifies how the different types of payments will be taxed. This notice summarizes your distribution options and illustrates the financial effect and the tax consequences of each distribution option.

PART ONE of this notice describes the Plan payment options available to you. PART TWO describes the payment options for your beneficiary(ies). PART THREE contains a special tax notice, required by the IRS, that explains the tax treatment of your Plan payment that is not from a designated Roth account and describes the rollover options available to you. PART FOUR contains a special tax notice, required by the IRS, that explains the tax treatment of your Plan payment from a designated Roth account and describes the rollover options available to you.

**NOTE:** The payment amounts indicated in this notice are only examples. You may obtain financial projections based upon your account balance by submitting a request, in writing, to the Plan administrator (usually the employer).

## PART ONE – PAYMENT OPTIONS FOR PLAN PARTICIPANTS

### IMPORTANT NOTICE TO PARTICIPANT

**Read the following message before reviewing your options.**

*Of the three options listed below, some may not be available to you and you must refer to your Summary Plan Description to identify the specific payment options that apply under your Plan.*

If your vested account balance does not exceed the Plan's cashout level at the time of distribution, the Plan administrator generally may pay your distribution to you in a single cash payment, regardless of whether you consent to the distribution. A distribution made without your consent is called a cashout distribution. If your Plan allows for cashout distributions of amounts less than \$5,000, a cashout distribution of an amount greater than \$1,000 that is an eligible rollover distribution must be directly rolled over by the Plan administrator to an individual retirement account (IRA) chosen by the Plan administrator. You may subsequently transfer the IRA to another IRA provider, once the IRA has been established. However, if your vested account balance exceeds the Plan's cashout level, you must generally consent to the form of payment, and therefore may, if you wish, postpone commencement of distributions from your account balance.

Your employer intends for your Plan account to provide income to you during retirement. If you take a distribution prior to retiring or spend your retirement savings too quickly, you may not have sufficient income to live on in retirement. If you terminate employment and leave your money in the Plan, a share of the Plan's administrative expenses may be charged to your account each year. Refer to your Plan administrator for an explanation of any administrative expenses that may be charged to the accounts of terminated participants.

If you choose to roll over your vested account balance to an IRA or other eligible retirement plan, the distributing Plan's investment options may not be available under the receiving retirement arrangement and the fees may differ from those charged to you if your balance remained in the Plan. Complete information concerning available investment options and fees currently charged by the Plan is available from your Plan administrator. Consult your financial advisor for a description of investments available to you outside of the Plan and any applicable fees associated with them.

### DISTRIBUTION OPTIONS

#### OPTION I — LUMP SUM PAYMENT

You may request a lump sum payment.

##### A. LUMP SUM PAYMENT DEFINED

A lump sum payment is the payment of your entire vested account balance.

##### B. FINANCIAL EFFECT AND TAX CONSEQUENCES OF A LUMP SUM PAYMENT

Generally a lump sum payment is included in your income and taxed in the year of the distribution. Most lump sum payments are eligible rollover distributions and would, therefore, be subject to the 20% withholding rules unless directly rolled over to another plan or IRA. See Parts Three and Four of this notice for more information.

#### OPTION II — INSTALLMENT PAYMENTS

You may elect to receive your vested account balance in installment payments. Installment payments for a period of less than 10 years are generally eligible rollover distributions and would, therefore, be subject to the 20% withholding rules unless directly rolled over to another plan or IRA. See Parts Three and Four of this notice for more information.

##### A. INSTALLMENT PAYMENTS DEFINED

Installment payments are payments distributed to you in any amount you choose at intervals that you determine within limits set by the trustee or custodian. For example, the payments could be paid to you annually, semiannually, quarterly, or monthly. The payment schedule you choose cannot be longer than your single life expectancy or, if you have a beneficiary named, the joint life expectancy of you and your beneficiary.

**B. FINANCIAL EFFECT AND TAX CONSEQUENCES OF INSTALLMENT PAYMENTS**

Generally, each installment payment will be included in your income in the year in which you receive it. For example, a participant who elects to receive \$500 per month will include \$6,000 (\$500 x 12 months) in income each tax year.

**OPTION III — ANNUITY CONTRACT**

You may purchase an annuity contract with your vested account balance. This distribution option allows you to choose the type of annuity contract you wish to purchase. However, you cannot elect payments in the form of a life annuity.

**A. ANNUITY CONTRACT DEFINED**

You may use your vested account balance to purchase a term certain annuity or any other form of annuity except a life annuity. A term certain annuity would distribute dollars to you and your beneficiary for a specified number of years.

**B. FINANCIAL EFFECT AND TAX CONSEQUENCES OF THE ANNUITY**

If you elect to use your vested account balance to purchase a term certain annuity, payments will be made to you (and, if applicable, the beneficiary of your annuity) for a specified number of years. For example, assume a participant age 65 retires with a \$10,000 account balance. A 10 year period certain annuity may provide him or her with a monthly payment equal to \$106.07. Generally, each payment is included in income in the year it is received.

The annuity will be provided by purchasing an annuity contract from an insurance company with your account balance under the plan.

This example is an estimate and should not be viewed as an assurance that an insurer is able to provide the specific amount disclosed.

**PART TWO – PAYMENT OPTIONS FOR BENEFICIARIES OF DECEASED PLAN PARTICIPANTS**

**IMPORTANT NOTICE TO BENEFICIARY**

*If you are the designated beneficiary of a deceased participant's vested account balance, you are eligible to receive a distribution. The form of the benefit depends on several factors including, but not limited to, the type of plan, the amount in the participant's account, your relationship to the participant, and the participant's date of death. Your options will also depend on whether you are an eligible designated beneficiary (a designated beneficiary who is 1) a spouse of the participant; 2) a child of the participant who is under the age of majority; 3) a beneficiary that is not more than 10 years younger than the participant; 4) disabled; or, 5) chronically ill). Of the options listed in Part One, above, some may not be available to you. If you have questions about your options contact the Plan administrator or seek tax or legal advice.*

**OPTION I — PARTICIPANT'S ACCOUNT BALANCE**

If the participant's vested account balance was \$5,000 or less at the time of distribution, the Plan administrator is required to pay your distribution to you in a single cash payment. If the participant's vested account balance exceeded \$5,000, you must consent to the form of payment.

**OPTION II — TYPE OF PAYMENT**

You may select Option I, II or III listed above. However, if you select the installment payment method described in Option II, the payment schedule you choose cannot be longer than your single life expectancy. The rollover option described in Parts Three and Four is available only if you are the spouse of the deceased participant. However, spouse and nonspouse beneficiaries may be able to directly roll over their balance to an inherited IRA as described in Parts Three and Four of this notice.

**PART THREE – PAYMENTS NOT FROM A DESIGNATED ROTH ACCOUNT**

**YOUR ROLLOVER OPTIONS**

You are receiving this notice because all or a portion of a payment you are receiving from your retirement plan (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, refer to Part Four of this notice for information on 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 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 (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 joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions after age 73 (if you were born after December 31, 1950), age 72 (if you were born after June 30, 1949 and before January 1, 1951), age 70½ (if you were born before July 1, 1949), or after death;
- Hardship distributions;
- Payments of employee stock ownership plan (ESOP) dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the Plan;
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution;
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there generally will be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA); and
- Distributions of certain premiums for health and accident insurance.

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 (1) will be at least age 50 in the year of the separation or (2) have at least 25 years of service under the Plan;
- Payments from a tax-qualified plan or section 403(b) plan made after you separate from service if you provided firefighting services and you (1) will be at least age 50 in the year of the separation or (2) have at least 25 years of service under the Plan;
- Payments made due to disability;
- Payments after your death;
- Payments of ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the Plan;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments 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;
- Payments of up to \$22,000 made in connection with federally-declared disasters;
- Phased retirement payments made to federal employees; and
- Payments made on or after the date you are certified by a physician as terminally ill.

### 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 exceptions 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 or following 25 years of service for qualified public safety employees and employees providing firefighting services) 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); 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;
- 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); and
- Payments of net income attributable to an excess contribution that is withdrawn by the tax return deadline for the year in which the contribution was made (including extensions).

### 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 your payment includes employer stock that you do not roll over**

If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the Plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the Plan. If you do a rollover for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or, generally, the Plan. The Plan administrator can tell you the amount of any net unrealized appreciation.

#### **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 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 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 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 73 (if you were born after December 31, 1950), age 72 (if you were born after June 30, 1949 and before January 1, 1951), or age 70½ (if you were born before July 1, 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 73 (if the participant was born after December 31, 1950), age 72 (if the participant was born after June 30, 1949 and before January 1, 1951), or age 70½ (if the participant was born before July 1, 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.

If you do not do a direct rollover to an inherited IRA, the Plan is required to withhold 20% of the payment for federal income taxes. You cannot waive the 20% withholding.

Payments under a QDRO. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a 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 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 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.

**PART FOUR – PAYMENTS FROM A DESIGNATED ROTH ACCOUNT**

**YOUR ROLLOVER OPTIONS**

You are receiving this notice because all or a portion of a payment you are receiving from your retirement plan (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, refer to Part Three of this notice for information on 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(b) plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, 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); and
- 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 either do a direct rollover or a 60-day rollover.

*If you do a direct rollover*, the Plan will make the payment directly to your Roth IRA or designated Roth account in an employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

*If you do 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 other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

### 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 73 (if you were born after December 31, 1950), age 72 (if you were born after June 30, 1949 and before January 1, 1951), age 70½ (if you were born before July 1, 1949), or after death;
- Hardship distributions;
- Payments of employee stock ownership plan (ESOP) dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the Plan;
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution;
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there generally will be adverse tax consequences if S corporation stock is held by an IRA); and
- Distributions of certain premiums for health and accident insurance.

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 (1) will be at least age 50 in the year of the separation or (2) have at least 25 years of service under the Plan;

- Payments from a tax-qualified plan or section 403(b) plan made after you separate from service if you provided firefighting services and you (1) will be at least age 50 in the year of the separation or (2) have at least 25 years of service under the Plan;
- Payments made due to disability;
- Payments after your death;
- Payments of ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the Plan;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments 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;
- Payments of up to \$22,000 made in connection to federally-declared disasters; and
- Payments made on or after the date you are certified by a physician as terminally ill.

**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 exceptions 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 or following 25 years of service for qualified public safety employees and employees providing firefighting services) 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 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;
- 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); and
- Payments of net income attributable to an excess contribution that is withdrawn by the tax return deadline for the year in which the contribution was made (including extensions).

**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 your payment includes employer stock that you do not roll over**

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

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

**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 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 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 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 73 (if the participant was born after December 31, 1950), age 72 (if the participant was born after June 30, 1949 and before January 1, 1951), or age 70½ (if the participant was born before July 1, 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.

If you do not do a direct rollover to an inherited IRA, the Plan is required to withhold 20% of the payment for federal income taxes. You cannot waive the 20% withholding.

Payments under a QDRO. If you are the spouse or a former spouse of the participant who receives a payment from the Plan under a 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 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 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 (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 cashout 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 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.