



## Automated Minimum Distribution Request

Refer to the *Guide* beginning on page 4 while completing this form. **You must return all pages (1-3) of this form.**

### 1. Information about you

Last name	First name	MI	Account ID or SSN
Home phone	Alternate phone	Account Extension (if applicable)	
Severance of employment	Date <u>    </u> / <u>    </u> / <u>    </u> Month Day Year		

### 2. Spousal information

Complete **ONLY** if you wish to use the Joint Life Expectancy method to calculate your Required Minimum Distribution. You may only use this method if: 1) your spouse is your sole beneficiary, **and** 2) your spouse is more than 10 years younger than you.

**You must attach a copy of your spouse's birth certificate or a copy of your spouse's driver's license.**

Name of spouse \_\_\_\_\_ Spouse's date of birth      /      /       
Month Day Year

### 3. Payment start date

**This form may not be used for a one-time distribution request.  
Contact MSRS at 800-657-5757 to obtain the proper form.**

Your annual Required Minimum Distribution payment will be mailed to your address on file unless you elect direct deposit in Section 5.

Payment start date (not deposit date)      /      /      (1st or 15th of the month only)  
Month Day Year

Frequency:  Monthly  Quarterly  Semi-Annually  Annually

Check this box if you are currently receiving periodic payments and would like to continue to receive these amounts.

Check this box if you turned age 70 ½ or retired from your employer in the previous calendar year and are required to take two required distributions this calendar year. The Required Minimum Distribution for the previous calendar year will be sent in a lump sum. The automated election on this form will apply to the current year and future required distributions.

### 4. Payment election - only complete if you have Roth funds

**Check one box only:**

Check this box if you have a Roth after-tax account balance and wish to deplete your Roth balance first.

Check this box if you have a Roth after-tax account balance and wish to deplete your pre-tax balance first.

**Note:** The payment is automatically prorated across all investment options.

## 5. Delivery options

The Required Minimum Distribution will be delivered to your address on file via regular U.S. mail (estimated delivery time is 7-10 business days) unless you elect the direct deposit option below. A recent change of address may delay your Required Minimum Distribution due to additional required authentication.

### Optional Delivery Options

- New Direct deposit via Automated Clearing House (ACH) - Notarized signature required in Section 7**  
Estimated delivery time is 2-3 business days after the Required Minimum Distribution is processed. If the banking information below is incomplete or not in good order, the Required Minimum Distribution will be sent as a check to your address on file via regular mail.
- Checking account**      **Include a copy of a preprinted voided check** or you may attach a letter on financial institution letterhead, signed by a representative from the receiving institution, which includes your name, checking account number and ABA routing number.
- Savings account**      **Include a letter of financial institution letterhead**, signed by a representative from the receiving institution, which includes your name, savings account number and ABA routing number.

All future MNDPC cash distributions will be deposited into this bank account.

Tape (**do not staple**) copy of preprinted voided check here



## 6. Federal and state income tax withholding

### FEDERAL INCOME TAX

Federal Income Tax will be withheld at 10% unless you elect one of the following:

- Withhold \$\_\_\_\_\_ or \_\_\_\_\_ % in federal income tax on my Required Minimum Distribution
- Do not withhold federal income tax on my Required Minimum Distribution

### STATE INCOME TAX

Minnesota does not mandate state income tax withholding. If you reside in a state that mandates state income tax withholding, it will be withheld regardless of any selection below. If you reside in a state that does not mandate state income tax withholding and would like state income tax withheld, please indicate an amount or percent below.

- Withhold \$\_\_\_\_\_ or \_\_\_\_\_ % in state income tax

**Federal and State Income Tax Withholding applies to all applicable money sources.**

## 7. Required authorization (please sign below)

Any person who knowingly presents a false or fraudulent claim is subject to criminal and civil penalties.

My signature acknowledges that I have received, read, understand and agree to all pages of the *Automated Minimum Distribution Request* form for Governmental 457(b) Plan and the *Guide* that accompanies the form. I hereby agree to the provisions of the Plan; authorize disclosure of any information necessary for administration of the Plan, and certify the information furnished on this form is true and correct to the best of my knowledge and belief. I understand that funds may impose fees on certain distributions if assets are held less than the period stated in the fund's prospectus or other disclosure documents. I will refer to the funds prospectus and/or disclosure documents for more information. I understand that it is entirely my responsibility to ensure that this election conforms with all applicable provisions of the Internal Revenue Code (the "Code"). I understand that I am liable for any income tax and/or penalties assessed by the IRS for any election I have chosen. I understand that once my payment has been processed, it cannot be changed.

Data collected on this form will be used by MSRS staff for identification and documentation. The individual's Social Security number, birth date and address are classified as private and will not be shared with an unauthorized person without written consent.

Participant's Signature \_\_\_\_\_ Date (Required) \_\_\_\_\_  
 Month / Day / Year

### NOTARY REQUIREMENT - FOR NEW DIRECT DEPOSIT ONLY

The date I sign this form must match the date on which my signature is notarized in this section.

**NOTE: Notary seal must be visible.**

**Statement of Notary** This request was subscribed and sworn (or affirmed) to before me \_\_\_\_\_ Notary Seal  
 on this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, by  
 State of \_\_\_\_\_ ) *name of participant* \_\_\_\_\_  
 )ss. proved to me on the basis of satisfactory evidence to be the person  
 County of \_\_\_\_\_ ) who appeared before me.  
 Notary public's signature \_\_\_\_\_ My commission expires \_\_\_\_\_

**OR**

MSRS Representative Signature \_\_\_\_\_ Date(Required) \_\_\_\_\_  
 Month / Day / Year

### Send all pages (1-3) to:



60 Empire Drive, Suite 300  
 St. Paul, MN 55103-3000



Fax: 1-888-529-1832



Telephone: 651-296-2761  
 Toll-free: 1-800-657-5757, option 3

### DID YOU REMEMBER TO:

- Return all three pages of the form.
- Sign and date the form.
- Signature of notary public.
- Include a voided check if requesting a new direct deposit.

Teletypewriter users and telecommunications-device-for-the-deaf (TDD) users should call the Minnesota Relay Service at 1-800-627-3529 and ask to be connected to MSRS at 651-296-2761.

# Automated Minimum Distribution Guide

## Acknowledgement and Agreement

### Before you begin

These instructions are designed to provide general information about the Required Minimum Distribution (RMD) requirements applicable to Governmental 457(b) plans like the MNDCP, under the Internal Revenue Code.

Complete the *Automated Minimum Distribution Request* form if you want your RMD amount automatically calculated and distributed to you each year. You will automatically receive your RMD amount based on the payment schedule you request. You only have to complete the attached form once to receive your annual RMD amount.

**To choose an amount in addition to your RMD amount, you must complete a separate *Distribution/Direct Rollover* form.**

Please read all pages of this guide before completing the *Automated Minimum Distribution Request* form. The guide provides information you need to make informed decisions regarding your RMD. If you need further clarification about the information in this guide, please contact MSRS.

You are strongly urged to consult with an accountant and/or tax advisor. While our representatives are able to explain the options to you, they cannot tell you which payment and/or tax withholding method is best for you. MSRS will not provide tax or legal advice. Additionally, neither this guide nor the *Automated Minimum Distribution Request* form represents tax or legal advice.

### Incomplete or Inaccurate Information

In the event that any section of the *Automated Minimum Distribution Request* form is incomplete or inaccurate, MSRS may not process your request. You may be required to complete a new form or provide additional or proper information before the transaction will be processed.

### Changes to Your Request

If you make a change to the *Automated Minimum Distribution Request* form as you are completing it, you must cross out any previously elected choice(s) and initial all changes. If you do not initial all changes, the form may be returned to you for verification.

### Self-Directed Brokerage (SDB) Account Notice

If you have an SDB account administered by TD Ameritrade, it is your responsibility to contact the SDB provider to transfer the funds to be distributed to the MNDCP core investments before MSRS can process your RMD.

In the event that the transfer of funds from your SDB account has not been received by MSRS prior to MSRS receipt of the *Automated Minimum Distribution Request* form, the following will occur: MSRS will process your request from the amount that is available in the core investment options in excess of the "core minimum."

The core minimum is the amount of investment funds that must be maintained in your core investment options at all times. For any further distributions/rollovers, you must transfer the appropriate funds from the SDB account into core investment options and submit an additional *Distribution* form.

### What are the minimum distribution requirements?

- You are required to begin taking RMDs by your required beginning date. Your required beginning date is April 1 of the calendar year following the later of: 1) the calendar year in which you reach age 70 ½ or 2) the calendar year in which you end employment from the employer sponsoring the MNDCP.
- If you elect to defer your first RMD to April 1st of the calendar year following the calendar year in which you turn age 70 ½ or end employment, you will be required to take two RMD's that year: 1) by April 1 following the year in which you turned age 70 ½ or ended employment and 2) by December 31 of that same year. You must take an RMD by December 31 of every calendar year thereafter.
- If you participate in more than one type of retirement plan (e.g., 401(a), 403(b), IRA), your RMD must be calculated and taken separately from each plan. MSRS will calculate your RMD ONLY on the assets in your MNDCP account.

### Failing to take your RMD

If you fail to take your RMD or if you withdraw less than your RMD amount in any year, the IRS may impose a 50 percent federal excise tax on the amount which should have been taken but was not. For example: If your RMD amount is \$2,000 and you only took a distribution equal to \$1,000, the excise tax would equal \$500.

### Completing the form

This form is divided into several sections; each section requires that you provide information or make an election regarding your distribution. Please read the instructions carefully.

# Automated Minimum Distribution Guide

## Acknowledgement and Agreement

### Information about you section

#### Last Name, First Name, Middle Initial

Your full name is required in order to properly identify your account. This must exactly match the name on our system or this request cannot be processed. Please refer to the website at [www.msrs.state.mn.us](http://www.msrs.state.mn.us) or your most recent account statement to determine how your name appears on our records.

#### Home Phone, Alternate Phone

This information will allow MSRS to contact you in the event that your request is not properly completed.

#### Account ID or Social Security Number

Your Account ID or social security number is required to properly identify your account and report income tax withholding information to the Internal Revenue Service.

#### Account Extension

An account extension (if applicable) identifies funds transferred to a beneficiary due to participant's death or alternate payee due to divorce. If you have more than one account (an extension account), you must complete a separate form for each account.

### About the calculation method

Your RMD is determined by dividing the prior year's December 31 account balance \* by your life expectancy factor taken from the IRS Uniform Lifetime tables. Your life expectancy is based on your age at the end of the calendar year.

\* Your RMD is calculated ONLY on the assets in your MNDCP account. Your entire account balance (of both pre-tax and Roth after tax amounts) is considered for the RMD calculation.

If your account balance represents both pre-tax and Roth after-tax amounts, the RMD is taken first from your pre-tax account balance, or if none, from your Roth after-tax account balance.

**To choose an amount in addition to your RMD amount, you must complete a separate *Distribution/Direct Rollover* form.**

### Spousal information section

Complete this section **ONLY** if:

1. you wish to use the joint and survivor calculation method instead of the method based solely on your life expectancy, **and**
2. your spouse is your sole beneficiary, **and**
3. your spouse is more than 10 years younger than you.

A copy of your spouse's birth certificate or a copy of your spouse's driver's license must accompany the form.

### Payment start date section

Select a payment start date, which can be either the 1st or the 15th of the month.

**The payment start date is the date the shares in your account are sold, it is not the date you will receive your proceeds.**

You must elect the frequency in which your RMD is paid: monthly, quarterly, semi-annually, or annually. If you do not elect a frequency, the default frequency will be annual.

If you have a current periodic payment already established and wish for it to continue, check the box. If the box is not checked, payments under your current periodic payment schedule will stop and you will only receive your RMD payment elected on this form.

### Payment election section

Automated RMD payments are prorated across all of your available investment options.

The payment will be taken from sources in the following order:

1. Pre-tax MNDCP contributions
2. Pre-tax rollovers from another 457(b) Plan
3. Pre-tax contributions made to your MNDCP prior to July 1992
4. Pre-tax rollover savings from another qualified retirement plan including a 403(b), 401(k), 401(a), or IRA
5. Roth after-tax MNDCP contributions
6. Roth after-tax rollovers from another 457(b) Plan
7. Roth after-tax balance you converted from your pre-tax balance
8. Roth after-tax rollover savings from another qualified retirement plan including a 403(b), 401(k), 401(a)
9. Roth after-tax balance converted from another pre-tax qualified retirement plan including a 403(b), 401(k), 401(a), or IRA

*Note:* If you have a Roth after-tax account balance, you may select one of the two options to indicate which balance (Roth after-tax or pre-tax) you would like to deplete first. Once the selected account balance is depleted, we will automatically debit from the remaining account balance.

# Automated Minimum Distribution Guide

## Acknowledgement and Agreement

### Direct deposit delivery option

Your Required Minimum Distribution payment will automatically be mailed to your address on file unless you elect direct deposit via ACH.

#### Direct Deposit Information

Check this box and complete this section only if you want your RMD payment electronically deposited into your checking or savings account.

To establish direct deposit, your signature must be notarized. If you do not provide a notarized signature, ACH will not be set-up on your account and a check will be mailed to the address on file.

There is no charge for direct deposit of your RMD payment.

**For deposit to your checking account**, you must attach a copy of a pre-printed voided check for the receiving account. You may also attach a letter on financial institution letterhead, signed by a representative from the receiving institution, which indicates your name, checking account number, and the ABA routing number.

**For deposit to your savings account**, you must attach a letter on financial institution letterhead, signed by a representative from the receiving institution, which indicates your name, savings account number, and the ABA routing number.

**The name on your checking or savings account must match the name on your MNDCP account.**

#### General Direct Deposit Information

A direct deposit request may be sent to a prepaid debit card, an IRA, or a business account. Further, any requests referencing a foreign financial institution or referencing a United States financial institution with a further credit to an account associated with a foreign financial institution will be rejected.

By choosing direct deposit, you are authorizing MSRS to initiate credit entries and, if necessary, debit entries and adjustments for any credit entries in error to your checking or savings account. You are also authorizing your financial institution, in the form of an electronic funds transfer, to credit and/or debit the same to such account.

MSRS will make payments in accordance with the directions you have specified on the *Automated Minimum Distribution Request* form.

It is your obligation to notify MSRS of any address or other changes affecting your direct deposit. You are solely responsible for any consequences and/or liabilities that may arise out of your failure to provide such notification.

By selecting a direct deposit, you acknowledge that MSRS is not liable for payments made by MSRS in accordance with properly completed Direct Deposit information.

### Federal and state income tax withholding

You have received and must read the attached *402(f) Notice of Special Tax Rules on Distributions*, which provides additional income tax withholding information. You are strongly urged to consult with a tax advisor to determine your appropriate income tax withholding.

#### FEDERAL INCOME TAX

The taxable portion of your RMD payment is subject to federal income tax withholding unless you elect not to have income tax withholding apply by checking the appropriate box.

Ten percent (10%) mandatory federal income tax withholding will apply to any RMD unless you elect not to have Federal Income tax withheld or you indicate your own dollar or percent to be withheld.

If you elect not to have federal income tax withheld, or do not have enough federal income tax withheld from your distribution, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.

#### Federal Income Tax on Non-Qualified Roth Distributions

If a portion of your distribution represents your Roth after-tax balance that is considered non-qualified, then the earnings only are subject to applicable income taxes.

A distribution of Roth balance is considered non-qualified if the distribution is made before five consecutive taxable years from the first day of the year in which you make a Roth deposit.

#### STATE INCOME TAX

Minnesota does not mandate state income tax withholding.

If you are a resident of a state which mandates state income tax withholding, it will be withheld accordingly. If you would like state income tax withheld, please indicate by completing the appropriate area on the *Automated Minimum Distribution Request* form.

#### Annual Tax Statement

Tax Form 1099-R will be issued by January 31 of the year following the year in which you received the RMD payment. Tax Form 1099-R reports any tax withholding amounts.

# Automated Minimum Distribution Guide

## Acknowledgement and Agreement

### Income tax withholding applicable to payments delivered outside the U.S.

If you are a U.S. citizen or resident alien and your payment is to be delivered outside the U.S. or its possessions, you may not waive federal income tax withholding.

If you are a non-resident alien, you must attach IRS Form *W8BEN* with an original signature. In general, the withholding rate applicable to your payment is 30 percent (30%) unless a reduced rate applies because your country of residence has entered into a tax treaty with the U.S. and the treaty provides for a reduced withholding rate or an exemption from withholding. To obtain the IRS Form *W8BEN*, call 1-800-TAX-FORM.

Contact your tax professional for more information.

### Required signature(s) and date

You must sign and date the *Automated Minimum Distribution Request* form. By signing this form, you attest that you have received, read, understand and agree to all provisions of the form, the *Guide* and the *402(f) Notice of Special Tax Rules on Distributions*. The *Automated Minimum Distribution Request* form must be notarized or signed by an MSRS Representative. The date of the notary or MSRS Representative signature must match the date you signed the form.

### Submitting the form

Once you have completed the *Automated Minimum Distribution Request* form, return pages 1-3 to the address or fax number indicated on the form.

You do not have to return this guide or the 402(f) Notice.

### Important note

Although every effort is made to keep the information in this guide current, it is subject to change without notice. Federal, state and local tax laws may be revised, and new plan provisions may be adopted by your Plan.

### OFAC

MSRS is required to comply with the regulations and requirements of the Office of Foreign Assets Control, Department of the Treasury (OFAC). As a result, MSRS cannot conduct business with persons in a blocked country or any person designated by OFAC as a specially designated national or blocked person. For more information, please access the OFAC Web site at <http://www.ustreas.gov/offices/eotffc/ofac>.

# 402(f) Notice of Special Tax Rules on Distributions

## This Special Tax Notice Applies to Distributions from Governmental 457(b) Plans

### General summary

This notice contains important information you will need before you decide how to receive Plan benefits. It explains when and how you can continue to defer federal income tax on your retirement savings when you receive a distribution.

This notice is provided to you because all or part of the payment that you will soon receive from one or more plans in which you participate may be eligible for rollover by you or your Plan Administrator to a Traditional or Roth IRA or to an eligible employer plan. A “rollover” is a payment by you or the Plan Administrator of all or part of your benefit to another eligible employer plan or IRA. A rollover to an eligible employer plan or Traditional IRA allows you to continue to postpone taxation of that benefit until it is paid to you. A rollover to a Roth IRA results in current income inclusion, but those amounts are then subject to the special Roth IRA rules regarding taxation upon later distribution. An “eligible employer plan” includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity, and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan). Your payment cannot be rolled over to a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). There are some special considerations before you elect to roll over your Plan benefit. First, an eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions. If this is the case, you may want to roll your distribution over to an IRA instead or split your rollover amount between the eligible employer plan in which you will participate and an IRA. Second, you should find out about any documents that are required to be completed before the receiving plan will accept a rollover. Finally, you should find out what limits the receiving plan will put on later distributions of your rollover account. For example, the receiving plan may restrict subsequent distributions of the rollover amount or may require your spouse’s consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover. You may also want to talk to your tax advisor before making any decisions.

If you have additional questions after reading this notice, you can contact your Plan Administrator.

## 1. Payments that can and cannot be rolled over

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover.

The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to tax rules that apply to the IRA or employer plan. Eligible rollover distribution cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

### The following types of payments cannot be rolled over.

#### A. Payments Spread over Long Periods

You cannot roll over a payment if it is part of a series of equal (or almost equal) installment payments that are made at least once a year and that will last for:

- Your lifetime (or a period measured by your life expectancy), or
- Your lifetime and your beneficiary’s lifetime (or a period measured by your joint life expectancies), or
- A period of 10 or more years.

#### B. Required Minimum Payments

Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a “required minimum payment” that must be paid to you.

#### C. Unforeseeable Emergency Distributions

A distribution on account of an unforeseeable emergency cannot be rolled over.

#### D. Distributions of Excess Contributions

A distribution that is made because legal limits on certain contributions were exceeded and cannot be rolled over.

#### E. Return of Automatic Enrollment Contributions

Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

## 2. Direct rollover

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a Traditional or Roth IRA or an eligible employer plan that will accept it.

# 402(f) Notice of Special Tax Rules on Distributions

You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Number 1 above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER (other than a rollover to a Roth IRA) until you later take it out of the Traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER to a Traditional IRA or an eligible employer plan.

A DIRECT ROLLOVER to a Roth IRA is included in income at the time of the rollover and may be subject to income tax withholding. There are some special rules that allow the rollover amounts to be included in income over more than one year, and your tax advisor can explain those in greater detail.

## **A. Direct Rollover to an Eligible Employer Plan**

If you are employed by a new employer that sponsors an eligible employer plan, and you want a DIRECT ROLLOVER to that plan, ask the Plan Administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you still can choose a DIRECT ROLLOVER to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the Plan Administrator of that plan before making your decision.

## **B. Direct Rollover to an IRA**

You can establish an IRA to receive the DIRECT ROLLOVER. If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a DIRECT ROLLOVER to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on Traditional IRAs (including limits on how often you can roll over between IRAs).

## **C. Change in Tax Treatment Resulting from a Direct Rollover**

The tax treatment of any payment from the eligible employer plan or Traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. See the section below entitled, "*10 percent Additional Income Tax on Early Distributions*" on page 3 of this Guide.

## **D. Direct Rollover to a Roth IRA**

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

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5 year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA.

Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10 percent 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 Publications 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

## **E. Rollover to a designated Roth account in the Plan**

You cannot roll over a distribution to a designated Roth account in another employer's plan. However, you can roll the distribution over into a designated Roth account in the distributing Plan. If you roll over a payment from the Plan to a designated Roth account in the Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10 percent additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the five-year period that begins on January 1 of the year of the rollover).

If you roll over the payment to a designated Roth account in the Plan, later payments from the designated Roth account that are qualified distributions will be not 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 five-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 five-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 percent additional income tax on early distributions (unless an exception applies).

# 402(f) Notice of Special Tax Rules on Distributions

However, if the distributee made a direct rollover to a designated Roth account in the plan of another employer, the 5-year period begins on January 1 of the year the distributee's first contribution was made 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 allocable to earnings after the rollover. The 10 percent additional income tax on early distributions will not apply to Section 457 plan distributions (unless the distribution from the 457 plan consists of funds that originated from a separate account holding rollover contributions from a 401(a) plan, 401(k) plan, a 403(b) plan, or an IRA).

**Once an in-plan conversion to a Roth has occurred, it is irrevocable.**

## 3. Payment paid to you

If your payment can be rolled over (see Number 1) and the payment is made to you in cash, it is subject to 20 percent federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a Traditional or Roth IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

### A. Mandatory Withholding

If any portion of your payment can be rolled over under Number 1, and you do not elect to make a DIRECT ROLLOVER, the plan is required by law to withhold 20 percent of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000 but choose to take the distribution in cash instead, only \$8,000 will be paid to you because the plan must withhold \$2,000 as income tax.

However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

### B. Voluntary Withholding

If any portion of your payment is taxable but cannot be rolled over under Number 1, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10 percent of the taxable amount will generally be taken out of this portion.

### C. Sixty-Day Rollover Option

If you receive a payment that can be rolled over under Number 1, you can still decide to roll over all or part of it to a Traditional or Roth IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over your payment, you must contribute the amount of the payment you received to an IRA (as described above) or eligible employer plan within 60 days after you receive the payment.

The portion of your payment that is rolled over will not be taxed until you take it out of the Traditional IRA or the eligible employer plan.

You can roll over up to 100 percent of your payment that can be rolled over under Number 1, including an amount equal to the 20 percent of the taxable portion that was withheld. If you choose to roll over 100 percent, you must find other money within the 60-day period to contribute to the Traditional IRA or the eligible employer plan, to replace the 20 percent that was withheld. On the other hand, if you roll over only the 80 percent of the taxable portion that you received, you will be taxed on the 20 percent that was withheld.

*Example: The taxable portion of your payment that can be rolled over under Number 1 above is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a Traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the Traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.*

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000. Also, the amount of any tax refund depends on the total income taxes you owe for the year on all income and the amount you have withheld during the year on all income.)

### If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

### D. 10 Percent Additional Income Tax on Early Distributions

You will not have to pay the 10 percent additional income tax on distributions from this governmental 457(b) 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 percent additional income tax on early distributions (unless an exception applies).

# 402(f) Notice of Special Tax Rules on Distributions

## Eligible Employer Plan Exceptions

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

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation.
- 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 governmental to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution

## IRA Exceptions

In general, the exceptions to the 10 percent additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse)
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments of 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).

## **E. Special Election by Eligible Retired Public Safety Officers**

If you are an “eligible retired public safety officer,” you may make an election to exclude up to \$3,000 of your otherwise taxable payment from your gross income, and not be taxed on the amount you exclude, by instead having your payment directly made to the provider of an accident or health insurance plan or qualified long-term care insurance contract covering you, your spouse, or your dependents. All distributions are combined from all of your eligible retirement plan (section 401(a), 457(b), 403(a) and 403(b) plans) for purposes of the \$3,000 limit.

You are an “eligible retired public safety officer” if you separated from service as a public safety officer of the employer maintaining the plan, and your separation from service was due to your disability or attainment of normal retirement age. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew. Contact the Plan Administrator for more information about this special notice.

## **4. Payments that include after-tax contributions**

### **If your payment includes after-tax contributions**

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

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

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000 of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals \$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.

# 402(f) Notice of Special Tax Rules on Distributions

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.

## 5. Payments after death of the participant

If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10 percent additional income tax on early distributions and the special rules for public safety officers do not apply.

### 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 percent additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½.

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

### If you are a Surviving Beneficiary other than a Spouse

If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than an 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 percent additional income tax on early distributions. You will have to receive required minimum distributions from the Inherited IRA.

### If you are an Alternate Payee

If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payments to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10 percent 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 percent, the Plan is generally required to withhold 30 percent 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 IRA Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

## 6. Other special rules

**If a payment is one in a series of payments for less than 10 years**, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

**If your payments for the year are less than \$200** (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover and is not required to withhold for 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, see IRA Publication 3, Armed Forces' Tax Guide.

## 7. State income tax

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

## 8. 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 a federal tax treatment of payments from employer plans in; IRS Publication 575, Pension and Annuity income; IRS Publication 590, Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM.