



Refer to the *Guide* beginning on page 5 while completing this form. **You must return all pages (1-4) of this form.**

## 1. Information about you

Last name	First name	MI	Account ID or SSN
Home phone	Alternate phone		Account extension (if applicable)

## 2. Payment reason

A periodic payment may not begin until 30 days after your severance of employment date.

- Severance of Employment date        /        /         
Month Day Year
- QDRO Recipient

## 3. Periodic payment election

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

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

Frequency:  Monthly  Quarterly  Semi-Annually  Annually

Payment of an Amount Certain \$ \_\_\_\_\_ (gross amount only)

Payment for a Period Certain \_\_\_\_\_ (number of years)

Contribution Source: \_\_\_\_\_ otherwise follows Contribution Source hierarchy (see page 6 of *Guide*)  
Optional

**Note:** Periodic payments are prorated across all investment options.

## 4. Delivery options

The periodic payment 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 periodic payment due to additional required authentication.

Exception: If direct deposit information is already on file with MNDCP (banking information received by MNDCP after July 1, 2018), any periodic payments will automatically be sent as a direct deposit using that banking information.

### Optional Delivery Option

- New Direct deposit via Automated Clearing House (ACH) - Notarized signature required in Section 6**  
Estimated delivery time is 2-3 business days after the distribution is processed. If the banking information below is incomplete or not in good order, the 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 MNDCP cash distributions will be deposited into this bank account.

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



## 5. Federal and state income tax withholding

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### FEDERAL INCOME TAX

#### Federal Income Tax on periodic payment amounts scheduled to last less than 10 years

Federal income tax will be automatically withheld at 20%.

I would like additional income tax withheld in the amount of \$ \_\_\_\_\_ OR \_\_\_\_\_ % (above the 20% already withheld)

**Federal Income Tax on periodic payment amounts of 10 years or longer** or over your life expectancy will be withheld at a rate for a married individual with three exemptions unless you elect one of the following:

I elect \$ \_\_\_\_\_ OR \_\_\_\_\_ % withholding

Do not withhold federal income tax on my periodic payment

#### Federal Income Tax on Non-Qualified Roth Distributions (see *Distribution Guide* for explanation)

You are not subject to federal income tax on qualified distributions from your Roth account. However, earnings on non-qualified distributions are subject to 20% federal income tax withholding.

I would like additional federal income tax withheld on my non-qualified Roth distribution in the amount of \$ \_\_\_\_\_ OR \_\_\_\_\_ % (above the 20% already withheld)

### 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

## 6. 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 *Periodic Payment Request* form for Governmental 457(b) Plans, the *Guide* and the *402(f) Notice of Special Tax Rules on Distributions*. 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.

Federal law requires that you must receive the attached *Notice of Special Tax Rules on Distributions* no less than 30 days and not more than 180 days prior to requesting a distribution. By signing, I acknowledge that I have read and received the *Notice of Special Tax Rules on Distributions* within the last 180 days and/or waive my right to wait 30 days prior to requesting this distribution.

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 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  
*name of participant* \_\_\_\_\_  
State of \_\_\_\_\_ )  
proved to me on the basis of satisfactory evidence to be the person  
County of \_\_\_\_\_ )ss. who appeared before me.  
Notary public's signature \_\_\_\_\_ My commission expires \_\_\_\_\_

**OR**

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

### Send all pages (1-4) 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 four pages of the form.
- Sign and date the form.
- Include a voided check and notarized signature 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.

# Periodic Payment Request Guide

## Acknowledgement and Agreement

### Before you Begin

Please read all pages of this guide before completing the *Periodic Payment Request* form. The guide provides information you need to make informed decisions regarding your payment. 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 before making your final decision and in the completion of this *Periodic Payment Request* form. 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 form represents tax or legal advice.

Distributions are not allowed until 30 days after your severance of employment date. Your funds cannot be released until your employer confirms that you are entitled to take a distribution or rollover from your MNDCP account, when applicable.

### Incomplete or Inaccurate Information

In the event that any section of the *Periodic Payment 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 *Periodic Payment 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.

### 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.

### Participant information

#### 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 your request is not properly completed.

#### Account ID or Social Security Number (SSN)

Your Account ID or Social Security number is required to properly identify your account and report any 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.

### Payment reason

You must designate a withdrawal reason. The following is a brief description of each of the reasons listed.

### Severance of Employment

If you are requesting a periodic payment from your account due to severance of employment, check this box and indicate the date you severed employment with the employer that sponsored this Plan. Periodic payments are not allowed until 30 days after your severance of employment date.

### QDRO Recipient

If you received the MNDCP proceeds as a result of a Qualified Domestic Relations Order (QDRO) and wish to receive periodic payments, check this box.

### Periodic payment election

There is a 30-day wait period from the time you sever employment until the time of your first payment. 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 will be sold, not the date you will receive your proceeds.** You may not elect a future-dated periodic payment start date more than 90 days from the date of a signed form.

You must select the frequency of your payment; monthly, quarterly, semi-annually, annually. Allow approximately seven to ten business days from your payment start date to receive your distribution check by mail.

Periodic payments may be deposited directly into your bank account at no charge. To do that, please complete the *Direct Deposit via Automated Clearing House* option under the *Delivery Options* section.

**Note regarding Self Directed Brokerage (SDB) accounts administered by TD Ameritrade:** In the event that a periodic payment option is requested and sufficient funds have not been transferred from the SDBA account into the core investment options prior to MSRS receipt of the *Periodic Payment Request* form, your periodic payment will process for the available amount and then stop. You will receive a letter asking that you initiate a transfer.

You will be required to resubmit a new *Periodic Payment Request* form in order for your periodic payment to commence again. The terms of your Plan may require the liquidation of funds in your SDB account to make required payments, such as required minimum distributions. You are responsible for ensuring that the periodic payment options as elected meets the minimum distribution requirements, if applicable.

# Periodic Payment Request Guide

## Periodic Payment Options

### Payment of an Amount Certain

Designate the dollar amount you wish to receive on a regular installment basis (monthly, quarterly, semi-annually, annually). Your payments will continue until your account balance is zero. The number of payments you receive will vary depending on the performance of your underlying investment options.

### Payment for a Period Certain

You will receive payments on a regular installment basis (monthly, quarterly, semi-annually, annually). You must indicate how long the payment should be paid to you (for example five years). Payment amounts will depend on the length of time in years during which you elect to receive payments, the periodic basis that you choose, and the performance of your underlying investment options.

Your payment amount will be calculated by dividing your current account balance by the number of remaining payments. For example, if that payout is to be monthly for 4 years, the initial payout amount will be equal to 1/48 of the account balance. The second payment will be 1/47 of your balance; the third will be 1/46, and so on.

Your payment is recalculated each time a payment is distributed; therefore, the amount of each payment typically differs. The payment amount will vary depending on the performance of the underlying investment options. Your balance will be zero by the end of the term selected.

### Periodic Payment Process

Periodic payments are automatically prorated across all of your available investment options.

If you have multiple contribution sources, you may elect which source your periodic payment will come from. If you do not designate a source, the payment will be taken in the following order:

1. Pre-tax MNDCCP contributions
2. Pre-tax rollovers from another 457(b) Plan
3. Pre-tax contributions made to your MNDCCP 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 MNDCCP 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

Distributions from multiple investment options or sources may require multiple transactions over multiple days.

## Delivery options

**A distribution check for your scheduled periodic 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 if you want the payment amount electronically deposited into your checking or savings account.

To establish Direct Deposit via ACH, you must have your signature on the form 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 any periodic 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 MNDCCP account.**

If you have provided banking information, it will be added to your account for future distributions.

### General Direct Deposit Information

A direct deposit request may not 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 *Periodic Payment Request* form until such time that you notify MSRS you wish to cancel the direct deposit. You must provide notice of cancellation to be effective with respect to all of your subsequent payments.

# Periodic Payment Request Guide

MSRS reserves the right to terminate the direct deposit for any reason and will notify you in the event of such termination by sending notice to your last known address on file with MSRS.

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.

If you do not have enough federal income tax withheld from your periodic payment, 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 periodic payments

Twenty percent (20%) mandatory federal income tax withholding will apply to all amount certain or period certain periodic payments scheduled to continue for less than 10 years.

If your periodic payments are payable over your life expectancy or are scheduled to continue for a period certain of 10 years or more, you may elect your own withholding amount or no withholding. If no election is made, federal income tax will be withheld at a rate for a married individual with three (3) withholding exemptions, regardless of your marital status.

Your tax withholding election will apply to any periodic payment amounts including the portion that represents your Required Minimum Distribution (RMD).

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

If a portion of your distribution represents Roth after-tax assets 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:

1. the distribution is made before age 59½;

AND

2. the distribution is made before five consecutive taxable years from the first day in which you made 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 *Periodic Payment Request* form.

## 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 your *Periodic Payment 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 *Periodic Payment Request* form must be notarized or signed by an MSRS Representative if requesting Direct Deposit via ACH. The date of the notary or MSRS Representative signature must match the date you signed the form.

## Submitting the Periodic Payment Request Form

Once you have completed the *Periodic Payment* form, return pages 1-4 to the address or fax number indicated on the form. You do not have to return the *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

Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment.

### 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*".

## **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).

This 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, a 401(k) plan, a 403(b) plan, or an IRA). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

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, Individual Retirement Arrangements (IRAs).

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

If the distributee rolls over the payment 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 the distributee takes 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). This 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, a 403(b) plan, or an IRA. For payments from the plan in 2010 that are rolled over to a designated Roth account in the plan (and that are not distributed from that account until after 2011, the taxable amount of the rollover will be taxed half in 2011 and half in 2012, unless the distributee elects to be taxed in 2010).

If the distributee rolls 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 the distributee attains age 59½ (or after the distributee's death or disability) and after the distributee has had a designated Roth account in the plan for a period of at least 5 years. The 5-year period described in the preceding sentence begins on January 1 of the year the distributee's first contribution was made to the designated Roth account.

# 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
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment.
- 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 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 generally included in the payment. 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.

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 a portion is paid to you, each of the payments will include an allocable portion of 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. In this case, if you roll over \$10,000 to an 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.