Kentucky Retirement Systems
Perimeter Park West | 1260 Louisville Rd. | Frankfort KY 40601-6124
Phone: (502) 696-8800 | Fax: (502) 696-8822 | kyret.ky.gov

Form 4525
Revised 03/2019

Application for Refund of Member Contributions and Direct Rollover/Direct Payment Selection

The earliest a refund may be processed is 45 days following termination of employment. KRS does not guarantee the date a refund will be issued or the date it will be received once mailed from our office.

Required Information: Failure to complete all items and sign this form could result in delays. This form and verification of termination must be filed with our office before a refund or rollover will be issued.

Member Information

Member Name:		Member ID:	
Address:	City:	State:	Zip Code:
Work Phone:	Daytime Phone:	Date of Birth:	

System	Name of Agency Refund/Rollover Requested From	Termination Date		
		Month	Day	Year
☐ Kentucky Employees Retirement System (KERS)				
☐ County Employees Retirement System (CERS)				
☐ State Police Retirement System (SPRS)				

Distribution of Payment Election: If you are unsure about the information to provide in this section, please contact our office for assistance from a counselor to avoid possible delays in processing your benefits.

I elect a complete distribution of my payment as follows:

If your refund will include taxable monies, you must select one option from this column.

Taxable Portion (Monies have not yet been taxed)

- ☐ Direct Rollover
- ☐ Paid Directly to me (less 20% withholding*)
- ☐ Partial Rollover in the amount of $__________, balance (less 20% withholding*) paid to me.

If your refund will include non-taxable monies, you must select one option from this column.

Non-Taxable Portion (Monies have already been taxed)

- ☐ Direct Rollover
- ☐ Paid Directly to me
- ☐ Partial Rollover in the amount of $__________, balance paid to me.

Please complete Page 2. Complete Page 3 only if you select a rollover.

Member Information

Member Name:	Member ID:

Employer Information: If you have terminated employment with a participating agency within the last 6 months, please have your former employer complete the information below.

Employer Name: ____________________ Employer Code: ____________________

Termination Date: ____________________ Were there wages reported to KRS after termination? ☐ Yes ☐ No

If so, were those wages earned prior to the termination? ☐ Yes ☐ No

Signature of Agency Official: ____________________ Date: ____________________

Printed Name of Agency Official: ____________________

Title: ____________________ Agency Phone Number: ____________________

Acknowledgments: Subject to penalty of KRS 523:100

- I acknowledge that federal and state law both require a bona fide separation from service with agencies participating in Kentucky Retirement Systems or entities affiliated with participating agencies in order for Kentucky Retirement Systems to pay a retirement benefit or to pay a refund of a retirement account.
- If I am taking a refund of my retirement account, I affirm that I have had a separation from service with agencies affiliated with agencies participating in Kentucky Retirement Systems or entities affiliated with participating agencies. I also affirm that I do not have a prearranged agreement to return to a participating agency or entities affiliated with participating agencies after my separation from service.
- I understand that the term "separation from service" as used in this affidavit means a complete severance of any kind of employment relationship (including but not limited to a relationship as an independent contractor or leased employee) with agencies participating in Kentucky Retirement Systems or entities affiliated with participating agencies.
- I understand that the term "prearranged agreement" as used in this affidavit means any contemplation of return to employment with agencies participating in Kentucky Retirement Systems or entities affiliated with participating agencies.
- I understand that the terms "agencies participating in Kentucky Retirement Systems" and "participating agency" as used in this affidavit are to be construed in a broad manner, and include not only the agency itself, but also any entities affiliated with participating agencies, regardless of whether such entities are holding themselves out as legally separate entities.
- I acknowledge that if I fail to comply with federal and state law regarding bona fide separation from service, I will be required to repay all refunded contributions paid in error.
- I acknowledge that I have full understanding that any person who provides a false statement, report, or representation is subject to the penalty in accordance with KRS 523.010, et seq.

Certification

I certify that I have read the enclosed SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS and have selected the distribution option indicated above. I understand that my payment will not be processed until this form is completed and returned to the retirement office. I understand that I have a right to at least 30 days in which to make my decision regarding receipt or rollover of these funds, and by signing and returning this form, I waive my right to the full 30-day period. I understand that if I elect to receive any or all of the taxable portion directly, 20% of the taxable portion paid to me will be withheld for my federal income taxes.* I understand that no tax will be withheld if I have the entire taxable portion rolled over directly to an IRA, qualified plan, or other retirement plan that can accept the rollover. If I elect to have any or all of the payment rolled over, I will have the Trustee receiving the rollover complete page 3 of this form. I understand that by taking a refund, I am forfeiting all service credit and eligibility for future retirement benefits. If I am a vested member under retirement Tier 3 (participation date is on or after 01|01|2014), **I understand that by taking a refund, I will not be eligible to pay into KRS again if I should become reemployed with a participating agency.**

***If you are a nonresident alien, the mandatory withholding rate is 30% instead of 20%.**

Signature: ____________________ Date: ____________________

Witness Signature: ____________________ Date: ____________________

Note: Signature of Member is required. Signature of Witness is also required. Failure to sign form and have your signature witnessed by another person will result in the form being voided.

Member Information

Member Name:	Member ID:

Direct Rollover Information: To be completed by Trustee of IRA or eligible plan receiving rollover. Please complete both sections if the distribution will include a taxable portion and a non-taxable portion.

Taxable Portion *(Monies have not yet been taxed)*

- ☐ Traditional Individual Retirement Account/Annuity
- ☐ Roth Individual Retirement Account/Annuity
- ☐ 401(a) Qualified Plan, 403(a) Qualified Annuity, 403(b) Annuity Contract, or 457(b) Governmental Plan

Make check payable to: ____________________

Account number (if applicable): ____________________

Mail check to: ____________________

As agent for the above named plan, I certify that the above plan is an eligible plan and will accept the rollover for the benefit of the distributee of pre-tax dollars that would otherwise be taxable upon distribution.

Trustee/Agent Signature: ____________________ Phone: ____________________

Title: ____________________ Date: ____________________

Non-Taxable Portion *(Monies have already been taxed)*

- ☐ Traditional Individual Retirement Account/Annuity
- ☐ Roth Individual Retirement Account/Annuity
- ☐ 401(a) Qualified Plan or 403(b) Annuity Contract

Make check payable to: ____________________

Account number (if applicable): ____________________

Mail check to: ____________________

As agent for the above named plan, I certify that the above plan is an eligible plan and will accept the rollover for the benefit of the distributee of post-tax dollars, and will separately account for such post-tax dollars, in the case of a 401(a) qualified plan or a 403 (b) annuity contract.

Trustee/Agent Signature: ____________________ Phone: ____________________

Title: ____________________ Date: ____________________

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Special Tax Notice
Application for Refund of Member Contributions

This notice explains how you can continue to defer federal income tax on your retirement savings in the Kentucky Employees Retirement System, County Employees Retirement System, or State Police Retirement System (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits. YOU MAY REQUEST A PAPER COPY OF THIS NOTICE FROM THE PLAN ADMINISTRATOR AT NO CHARGE TO YOU.

This notice is provided to you by Kentucky Retirement Systems (your "Plan Administrator") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to an IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA). For a distribution made after December 31, 2007, your payment can be rolled over to a Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your modified adjusted gross income cannot exceed $100,000 and you must not be married filing separately). 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).

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. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if an eligible employer plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to an IRA or split your rollover amount between the employer plan in which you will participate and an IRA. If an eligible employer plan accepts your rollover, the 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.

If you have additional questions after reading this notice, you can contact your Plan Administrator at 1-502-696-8800 or 1-800-928-4646.

Special Tax Notice Regarding Plan Payments

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

1. Certain payments can be made directly to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
2. The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER to a traditional IRA or an eligible employer plan:

- *Your payment will not be taxed in the current year and no income tax will be withheld. (See Special Rules for Rollover to Roth IRAs.)*
- *You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional IRAs. (See Special Rules for Rollover to Roth IRAs.)*
- *The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.*

Special Rules for Rollover to Roth IRAs. Note that for a distribution made after December 31, 2007, you can choose a rollover to a Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your modified adjusted gross income cannot exceed $100,000 and you must not be married filing separately). If you make a rollover of your distribution to a Roth IRA, the taxable amount of your distribution will be included in your taxable income (except for any portion of the distribution that represents a return of your after-tax contributions to the Plan). You may be able to elect to delay recognizing the distribution as part of your taxable income until 2011 and 2012 if you elect a rollover to a Roth IRA in the 2010 taxable year. A rollover of your distribution to a Roth IRA avoids the 10% tax on early distributions received prior to the date you reach age 59-1/2, become disabled, or retire under the terms of the Plan, subject to rules on conversions. You should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- *You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.*

- *The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you may have to pay an additional 10% tax. See special note for qualified public safety employees.*

- *You can roll over all or part of the payment by paying it to your IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over to a traditional IRA or eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan.*

- *If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.*

Qualified Public Safety Employees. On and after August 18, 2006, if you are a "qualified public safety employee" who terminates employment in the calendar year in which you are age 50 or older, and receive an eligible rollover distribution, you will not have to pay the additional 10% tax on a payment that is eligible for rollover and PAID TO YOU. You are a "qualified public safety employee" if you are an employee of a State or political subdivision of a State (such as a county or city) whose principal duties include services requiring specialized training in the area of police protection, firefighting services, or emergency medical services for an area within the jurisdiction of the State or political subdivision.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

Payments That Can and Can Not be Rolled Over

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers, or beginning January 1, 2008, they can be rolled over to a Roth IRA. Payments from a plan 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. If you are a surviving spouse, beneficiary, or alternate payee (who is a spouse or former spouse), see those sections for rules that apply specifically to you.

After-tax Contributions. If you made after-tax contributions to the Plan, these contributions may be rolled into either an IRA or to certain employer plans that accept rollovers of the after-tax contributions (see Special Rules for Rollover to Roth IRAs). The following rules apply:

1. **Rollover into an IRA.** You can roll over your after-tax contributions to an IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

2. **Rollover into an Employer Plan**. Beginning January 1, 2007, you can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) to another 401(a) plan or to a Code section 403(b) annuity contract using a direct rollover if such other plan or annuity contract (defined contribution or defined benefit) provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions.

If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers,you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. You can also roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or to a traditional IRA; however, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan. You CANNOT roll over after-tax contributions to a governmental 457 plan.

The following types of payments cannot be rolled over:

Payments Spread over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) 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 years or more.*

Required Minimum Payments. Beginning when you reach age 70-1/2 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.

Corrective Distributions. A distribution that is made because legal limits on certain contributions were exceeded cannot be rolled over. The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

Direct Rollover

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to an IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution. Except a direct rollover to a Roth IRA on or after January 1, 2008, you are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER 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. If you are a surviving spouse, beneficiary, or alternate payee, see those sections for rules that apply specifically to you.

DIRECT ROLLOVER to an IRA. You can open a traditional IRA, or beginning January 1, 2008, a Roth 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 IRAs (including limits on how often you can roll over between IRAs).

Note: If you elect a direct rollover to a Roth IRA, the rollover amount will be taxable to you. You should be aware that estimated tax payments may be due. See IRS Publication 575, Publication 590, and Publication 505 for more important information concerning Roth IRA rollover requirements.

DIRECT ROLLOVER to a Plan. If you are employed by another employer that has 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 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.

DIRECT ROLLOVER of a Series of Payments. If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections entitled “Additional 10% Tax if You Are under Age 59-1/2“ and “Special Tax Treatment if You Were Born before January 1, 1936.”

Payment Paid to You

If your payment can be rolled over and the payment is made to you in cash, it is subject to 20% 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 an IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply. If you are a surviving spouse, beneficiary, or alternate payee, see those sections for rules that apply specifically to you.

Income Tax Withholding

Mandatory Withholding. If any portion of your payment can be rolled over and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% 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, 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”), 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. There will be no income tax withholding if your payments for the year are less than $200.

Optional Withholding. If any portion of your payment is taxable but cannot be rolled over, the mandatory withholding rules do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over (except after-tax amounts), you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. Unless you roll over your distribution to a Roth IRA, the portion of your payment that is rolled over will not be taxed until you take it out of the IRA or eligible employer plan. If you roll over to a Roth IRA, the distribution will be included in your taxable income for the year in which it was paid to you.

If you want to roll over a payment you received to a traditional IRA or eligible employer plan, you can roll over up to 100% of your payment including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, 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% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over 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.)

Additional 10% Tax If You Are under Age 59-1/2. If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55 (age 50 for qualified public safety employees), (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments that do not exceed the amount of your deductible medical expenses, (7) payments to a qualified public safety employee who separates from service during or after the year reaching age 50, or (8) a qualified reservist distribution from a deemed IRA or attributable to elective deferral under a 401(k) plan or 403(b) annuity. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from a plan qualified under section 401(a) that can be rolled over (see "Payments that Can and Can Not Be Rolled Over") and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59-1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59-1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described in the following section.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to an IRA, governmental 457 plan, or 403(b) taxsheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

Retired Public Safety Officers

If you are an “eligible retired public safety officer” (as defined by the Pension Protection Act of 2006 (“PPA”)), you may make an election to exclude from federal gross income up to $3,000 of your retirement plan benefits used for “qualified” health insurance or long term care insurance premiums. An eligible public safety officer must be separated from service due to disability or attainment of normal retirement age. Consult your tax preparer to determine if you qualify for the PPA definition of public safety officer and to determine which premium payments qualify.

If you want to take advantage of this exclusion, you must report the amount claimed on Form 1040. The instructions to Form 1040 explain that the taxable amount received from the Plan, reduced by the amount of qualified premiums deducted and paid by the Plan (not to exceed $3,000), must be entered on line 16b of the Form 1040. Next to the entry, in the margin, you must write the letters “PSO.” This is an annual election —you will need to report the exclusion for each year in which you want to claim the exclusion. Note: The Form 1099-R that you receive from the Plan Administrator will report this amount as taxable.

Surviving Spouses And Alternate Payees

In general, the rules summarized in this notice that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in the Plan results from a “qualified domestic relations order,” which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in “Payments That Can and Can Not Be Rolled Over”, paid in a DIRECT ROLLOVER to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

Beneficiaries

If you are a beneficiary other than a surviving spouse or an alternate payee and receive a distribution on or after January 1, 2007, you can choose to be paid in a DIRECT ROLLOVER to a traditional IRA, which will be treated as an inherited IRA subject to the minimum distribution rules applicable to beneficiaries. Beginning January 1, 2008, you may choose a DIRECT ROLLOVER to an inherited Roth IRA. You cannot choose a direct rollover to an eligible employer plan, and you cannot roll over the payment yourself.

If you choose to have the distribution PAID TO YOU, the mandatory withholding rules described in Part III do not apply to you.

Special Rules for Surviving Spouses, Alternate Payees & Other Beneficiaries

If you are a surviving spouse, an alternate payee (who is a spouse or former spouse), or another beneficiary, your payment is generally not subject to the additional 10% tax described in “Payment Paid to You”, even if you are younger than age 59-1/2. If you are a surviving spouse, an alternate payee (who is a spouse or former spouse), or another beneficiary, you may be able to use the special tax treatment for lump sum distributions, as described in “Payment Paid to You”. If you receive a payment because of the employee’s death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan. Distributions to a member’s estate will not be eligible for rollover. An automatic 10% federal income tax will be withheld from distributions to an estate unless the appropriate form is completed by the estate representative choosing not to have withholding apply.

How To Obtain Additional Information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment.The rules described in this notice are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS’s Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.