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

Print Form

Form 6025
Revised 7/2015

Direct Rollover/Direct Payment Election Form for a Member or a Beneficiary of an Eligible Rollover Distribution

Required Information: Failure to complete all items and sign this form could delay the processing of your lump sum/ monthly benefit.

Recipient Information

Member Name:		Member ID:	
If you are not the member, please provide your name and Social Security Number (SSN) below.			
Name:		SSN:	
Address:	City:	State:	Zip Code:
Is this a new address? ◯ Yes ◯ No			

This form must be completed if you are electing to receive an "eligible rollover distribution." **Failure to complete this form could delay the processing of your lump sum/monthly benefit.** If you are the member, the following payment options are "eligible rollover distributions": Actuarial Refund, Partial Lump Sum, and Refund of Contributions. If you are a beneficiary, the following payment options are "eligible rollover distributions": Actuarial Refund, Refund of Contributions, $5,000 Death Benefit, and 60 Months Certain.

Please read the enclosed SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS. **If you have questions about the SPECIAL TAX NOTICE, please contact a qualified tax advisor. Kentucky Retirement Systems employees are not qualified to answer questions concerning your tax status or the effects of the federal tax laws and regulations**. After you have read the SPECIAL TAX NOTICE, you must complete the following form to certify that you have read the SPECIAL TAX NOTICE and to make your selections with regard to treatment of your payment.

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 distribution will include a taxable portion, you must select one option from this column. Taxable Portion (Monies have not yet been taxed)	If your distribution will include a non-taxable portion, you must select one option from this column. Non-Taxable Portion (Monies have already been taxed)
☐ Direct Rollover	☐ Direct Rollover
☐ Paid Directly to me (less 20% withholding*)	☐ Paid Directly to me
☐ Partial Rollover in the amount of $__________, balance (less 20% withholding*) paid to me.	☐ Partial Rollover in the amount of $__________, balance paid to me.
Complete page 2 only if you select a rollover	

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. If I elect to have any or all of the payment rolled over, I will have the Trustee receiving the rollover complete the back of this form. I understand that in the case of monthly payments, my selection will remain in effect for each monthly payment until I change my election.

Signature:_______________________________________ Date: ________________________

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

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: ____________________

*** If you are a non-spouse beneficiary, you may only rollover your payment to an "inherited" individual retirement account/annuity. The "inherited" IRA may be either a traditional IRA or a Roth IRA.**

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Print

Special Tax Notice
Application for Direct Rollover or Direct Payment

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. Please keep in mind that this notice addresses extremely complex financial and tax matters, and the decisions you make can very significantly affect your future. We recommend that you always consult with tax, financial and legal advisers before making any decision that impacts your financial future.

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.

This notice also includes special instructions for non-member beneficiaries, such as a surviving spouse, and instructions for nonresident aliens.

What KRS Payments 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, an eligible employer plan that accepts rollovers, or 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.

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.

For example, a monthly lifetime benefit may not be rolled over.

Required Minimum Payments. When you reach age 70-1/2 or retire, whichever is later, a certain portion of an eligible rollover distribution 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.

Governmental 457(b) Plan. You CANNOT roll over after-tax contributions to a governmental 457 plan.

The following common types of payments may generally be rolled over:

- A lump sum payment of your contribution account.
- A series of periodic payments of less than 10 years.
- A lump sum death benefit.

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. The following rules apply:

(a) 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.

(b) 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.

How can a rollover affect my taxes?

You will be taxed on a payment that is an eligible rollover distribution from the Plan if you do not roll it over. 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. If you are under age 59 ½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). See the section titled "If I don't do a rollover, will I have to pay the 10% additional income tax on early distribution?" for more details.

If you do a rollover to a traditional IRA or an eligible employer plan, you will not have to pay tax until you receive payments later from the IRA or plan, and the 10% additional income tax will not apply if those payments are made after you are age 59 ½ (or if an exception applies).

If you do a rollover to a Roth IRA, you will be taxed on the amount rolled over (reduced by any after-tax amount). However, if you are under age 59 ½ at the time of the rollover, the 10% additional income tax will not apply. See the section titled "If you roll over your payment to a Roth IRA" for more details.

Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an eligible employer plan (a tax-qualified section 401(a) plan, section 403(b) plan, or governmental section 457(b) deferred compensation 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 of the rolled over amount in the future. Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer 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 may 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 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 (502) 696-8800 or 1-800-928-4646.Once again, we recommend that you also discuss these matters with your tax, financial and legal advisors.

Special Tax Notice Regarding Plan Payments

What options do I have for my payment?
There are two ways you may be able to receive a Plan payment that is eligible for rollover:

(1) Certain payments can be directly rolled over to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit; or

(2) The payment can be paid to you.

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.

How do I do a rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

<u>If you do a direct rollover</u>, the Plan will make the payment directly to your IRA or an employer plan.

Direct Rollover to an IRA. You can open 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. In choosing an IRA, you should verify that the IRA you are considering 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).

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. 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 and ask for their assistance in preparing the necessary documents to establish the account and accomplish the rollover.

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 may 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, as explained below. 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 section entitled "If you were born on or before January 1, 1936."

If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes. If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59 ½ (unless an exception applies).

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, **except**:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary) (This means that your lifetime monthly benefits are not eligible for rollover.)
- Required minimum distributions after age 70 ½ (or after death)
- Corrective distributions of contributions that exceed tax law limitations

The Plan administrator or the payor can tell you what portion of a payment is eligible for rollover. If any portion of your payment is taxable but cannot be rolled over, 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, 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.

If I don't do a rollover of an eligible rollover distribution, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. **This tax is in addition to the regular income tax on the payment not rolled over.**

However, the 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the 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 Note: For this purpose, 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 a political subdivision.
- Payments made due to your disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO) to an alternate payee who is a spouse or former spouse, child, or dependent of the member
- Payments up to the amount of your deductible medical expenses

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- 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).

Special Rules Situations

If your payment includes 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. The following rules apply:

(a) ***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.

(b) Rollover into an Employer Plan. 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.

If you rollover your payment to a Roth IRA
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 should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA. The Plan administrator is not responsible for verifying your eligibility to make a rollover to a Roth IRA. (IRS Notice 2008-30)

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% 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). 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 59 ½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime.

You cannot roll over a payment from the Plan to a designated Roth account in an employer plan. **Note:** 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. You should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA.

If you miss the 60-day rollover deadline

If your payment is paid to you and you miss the 60-day deadline to do a roll over, 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).

If you were born on or before January 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment may apply to you. 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. 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 below. Please call your Plan Administrator to learn the details of these special rules, which are very complex.

Ten-Year Averaging. If you receive a lump sum distribution and you were born on or 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 on or 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) tax-sheltered 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. For more information, see IRS Publication 575, Pension and Annuity Income, and IRS Form 4972.

If you are an eligible retired public safety officer and your pension payment is used to pay for health coverage or qualified long-term care insurance

If you retired as an eligible public safety officer and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments paid directly as premiums to an accident or health plan or a long term care insurance contract that your employer maintains for you, your spouse, or your dependents, up to a maximum of $3,000 annually. An eligible public safety officer for this purpose is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew. Consult your tax adviser to determine if you qualify for this income tax exclusion.

The Form 1099-R that you receive from the Plan Administrator will report the deducted insurance premium as taxable. 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.

Spouses and Beneficiaries: If you are not a Plan member

Payments after death of the member. If you receive a distribution after the member's death that you do not rollover, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the *member* was born on or before January 1, 1936.

Surviving Spouses. If you receive a payment from the Plan as the surviving spouse of a deceased member, you have the same rollover options that the member would have had, as summarized 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 59 ½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70 ½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the member had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the member 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 member would have been age 70 ½.

Note that a spouse for federal tax law purposes must be a person of the opposite sex to whom you are married.

Non-Spouse Beneficiaries. If you are a beneficiary other than a surviving spouse, you can choose to be paid in a direct rollover to an IRA, which will be treated as an inherited IRA. (You cannot choose a direct rollover to an eligible employer plan, and you cannot roll over the payment yourself.) This means that even though you establish the IRA, it must be established in your name as the beneficiary of the Plan Member. As a result, you will not be treated as the owner of the IRA (the deceased member will be considered the owner) and you will not be able to make any additional contributions to this IRA. In addition, once your benefits are transferred to this IRA, they may not be rolled over further to another IRA or retirement plan. Finally, distributions from the inherited IRA must begin in accordance with the federal income tax law's required minimum distribution rules applicable to IRA beneficiaries.

Effective January 1, 2010, if you do not do a direct rollover to an inherited IRA, the Plan must withhold 20% of the payment for federal income tax. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

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.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the member who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the member would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). If you are an alternate payee other than the spouse or former spouse of the member and the member has died, you generally have the same options as a surviving non-spouse beneficiary, so that the only rollover option you have is to do a direct rollover to an inherited IRA. 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. Payments under the QDRO will not be subject to the 10% additional income tax on early distributions if you are the spouse or former spouse, child, or dependent of the member.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. For this purpose, a "U.S. IRA" is an IRA at a bank or insurance company organized in the U. S. or a U.S. possession. It may also include a U.S. branch of a bank organized in a foreign country, which is subject to Federal Reserve Board supervision, or a foreign insurance company, which is subject to state regulatory supervision, provided that you receive a Form W-8IMY from the bank branch or insurance company and you report the payment on Form 1042-S.

If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

If your payments for the year are less than $200, 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.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.

For More Information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, we suggest that you consult with the Plan Administrator or a professional tax, financial or legal 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, IRS Publication 590, Individual Retirement Arrangements (IRAs), and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from your local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORMS.