

## Refund of Contributions Application

In order to request a refund of your contributions, you must complete this application and submit it to MFPRSI. Please complete Parts A and B of this application. If married your spouse must complete Part C. Your employer must complete Part D. Return the completed application to MFPRSI. Your refund will be processed within 60 days after the later of the following:

1. The date MFPRSI receives this completed application, or
2. The date of the final contribution from your employer on your behalf is received by MFPRSI.

**Minimum notice period:** You have the right to consider your decision whether to elect a direct rollover of the eligible portion of your distribution for at least 30 days after you receive this notice. If you sign and return this application form to MFPRSI less than 30 days after you receive this notice, MFPRSI will treat the receipt of your signed form as a waiver of any unexpired portion of the minimum 30-day period.

Please note the following:

- This distribution does not, under any circumstances, include contributions made by the employer on behalf of the member.
- You may be eligible to choose to receive a vested retirement benefit MFPRSI instead of a refund of contributions. In order to be eligible for a vested retirement, you must have at least 4 years of credited service and must also leave your contributions with MFPRSI. For more information on vested retirement, please contact MFPRSI.
- We will mail an IRS 1099R form for this distribution to your last known address, on or before January 31 of the year following the year in which the payment was made. Please keep your address current with MFPRSI to receive the 1099-R form in a timely manner.

### Part A – General Applicant Information

First Name	Last Name	Last 5 digits of SSN	Date of Birth
Street Address		City	State
Email		Phone	

1. Has there been a divorce decree which includes a division of the benefit payments from the retirement system? Yes  No   
 If "yes," you are required to forward a copy of the divorce decree.

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### Part B – Member’s Statement

To be completed by the applicant:

I certify that my employment with the City of \_\_\_\_\_ terminated on \_\_\_\_\_  
Name of CityDate

I further certify I am not employed by any other Iowa police or fire department associated with MFPRSI.

- Pursuant to law, I hereby request a refund of the full amount of my accumulated contributions to MFPRSI plus allowable interest. I acknowledge that by accepting a refund of my contributions, I waive all rights to any and all benefits provided by MFPRSI and, if applicable, the predecessor local pension plan of which I was a member at the time my contributions were made. After reading the **“Special Tax Notice Regarding Plan Payments,”** I make the following distribution election:

Choose A, B, C, or D

- A. A direct rollover of my entire Refund of Contributions to an IRA or qualified plan (pre-tax and after tax contributions plus interest). See Section 2.
- B. A direct rollover of the pre-tax portion of my Refund of Contributions to an IRA or qualified plan (pre-tax contributions plus interest). See Section 2.
- C. A direct rollover of the following portion of my Refund of Contributions to an IRA or qualified plan (see Section 2) with the balance (less income tax withholding) paid in lump sum: \_\_\_\_\_  
Amount to be rolled over to an IRA or qualified plan, not less than \$500
- D. A lump sum payment of my entire Refund of Contributions (less income tax withholding), sent to:

\_\_\_\_\_  
 Financial Institution

\_\_\_\_\_  
 Routing Number

\_\_\_\_\_  
 Account Number

**Important: Attach a voided check in order for MFPRSI to verify your financial institution information.**

- Requirements if you wish to rollover your funds by selecting A, B, or C above.

You must provide documentation from the financial institution you have chosen to receive the rollover. The documentation must clearly identify and include:

- An account has been established in your name to receive the rollover.
- To whom the rollover check should be made payable.
- To what address the rollover payment should be sent.
- Contact information, should we have questions regarding the rollover.
- Signed letter of acceptance by a representative of the financial institution.

3. Marital status (check one):     Married     Not Married

4. Executed Date: \_\_\_\_\_

5. Member’s Signature: \_\_\_\_\_

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### Part C – Spouse’s Statement

Consent of spouse for refund of contributions:

I, \_\_\_\_\_ spouse of the member, hereby consent to the refund of contributions

Print Name

and waive all claims for spousal benefits from the System for the period of membership service for which the contributions are refunded. I understand that I have the right to not consent to the refund, and I understand the financial effect of the election not to receive benefits. I understand that my consent is irrevocable.

\_\_\_\_\_  
Signature of Spouse

\_\_\_\_\_  
Date

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### Part D – Employer’s Section

The member identified in Part A is applying to MFPRSI for a refund of his or her contributions. As the member’s employer, your certification of certain aspects of the member’s employment is needed. Please complete Part D of this application.

Once you have completed Part D, please return this application to the member who is responsible for submitting it to MFPRSI. Please retain a copy of the application for your files. If you have questions or require additional information, please contact the MFPRSI at the address or telephone number listed on the first page of this application. Your cooperation is appreciated.

Please provide the following information for the member identified in Part A of this application.

Date of Hire: \_\_\_\_\_

Last Day on the Job: \_\_\_\_\_

Last day applicant was considered an employee of the city. Include any vacation days used before actual termination.

Date of Final Payroll: \_\_\_\_\_

\_\_\_\_\_  
Signature of City Official

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

## Refund of Contributions Application

### Supplemental Notice to MFPRSI Members and Beneficiaries

#### **Distributions to members:**

Under the existing distribution options, only refunds are “eligible rollover distributions” and are thus subject to mandatory federal income tax withholding. All other distributions to a member will not be eligible for a rollover treatment and will not be subject to the mandatory 20% federal income tax withholding requirements. However, all other distributions to members will be subject to the voluntary withholding rules briefly described below.

#### **Distributions to survivors:**

Any remaining guaranteed survivor distributions under option 5 and any lump-sum survivor benefits constitute eligible rollover distributions and are subject to the mandatory 20% federal income tax withholding requirements if not rolled over. Monthly annuity payments are not eligible for direct rollover treatment and are not subject to the mandatory 20% federal income tax withholding requirements. These distributions will be subject to the voluntary withholding rules briefly described below.

#### **Voluntary Withholding:**

Under the current voluntary federal income tax withholding rules, MFPRSI must withhold 10% from the taxable portion of a lump-sum distribution paid to a non-spouse beneficiary unless the beneficiary requests otherwise. In addition, MFPRSI must withhold the appropriate amount from all monthly distributions payable to a member or a member's spouse pursuant to the voluntary withholding rules specified by the IRS unless the recipient requests no withholding. Unless the recipient of these monthly benefits specifies a withholding request, the IRS requires MFPRSI to withhold an amount calculated based on the presumption that the recipient is married and claims three withholding exemptions.

#### **Note:**

A portion of a distribution from MFPRSI may represent the return of the member's own contributions made prior to 1995 on an after-tax basis (the member's “basis”) and may be excludible from taxable income for that reason.

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### Explanation for Plans Qualified Under Section 401(a), Section 403(a) Annuity Plans, or Section 403(b) Tax-Sheltered Annuities

#### Special tax notice regarding plan payments

This notice explains how you can continue to defer federal income tax on your retirement savings in MFPRSI (the “Plan”) and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the 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 a traditional IRA, a Roth IRA subject to the limitations described below), 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 (except for a rollover to a Roth IRA as described below). Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA). 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; therefore, 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 a 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 a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional 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 888.254.9200.

#### Summary

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 a traditional IRA or Roth 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**:

- Your payment will not be taxed in the current year (except for a rollover from a pre-tax account to a Roth IRA, as described below) and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or Roth 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.
- If your payment is rolled to a traditional IRA or an eligible employer plan, then the taxable portion will be taxed later when you take it out. 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.

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.
- You may roll over all or part of the payment by paying it to your traditional IRA, Roth IRA, or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over to the traditional IRA or eligible employer plan will not be taxed until you take it out.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, then 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, then you will be taxed on the 20% that was withheld and that is not rolled over.

### **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.

## **More Information**

### **Payments That Can and Cannot 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 a Roth IRA, or to an eligible employer plan that accepts rollovers. 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.

#### **A. After-Tax Contributions**

If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

1. Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA, either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is considered the taxable portion and how much is considered 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 Service 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 a Roth IRA. Effective for distributions made after December 31, 2009, you may roll your after-tax contributions into a Roth IRA
3. Rollover into an Employer Plan. You may roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or a section 403(a) annuity plan to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You may also roll over after-tax contributions from a section 403(b) tax-sheltered annuity to another section 403(b) tax-sheltered annuity using a direct rollover if the other tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, then 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; also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

**B. 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);
- 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 occurs later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own 5% or more of your employer.

Hardship Distributions. A hardship distribution cannot be rolled over.

ESOP Dividends. Cash dividends paid to you on employer stock held in an employee stock ownership plan cannot be rolled over.

Corrective Distributions. A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

Loans Treated as Distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover as discussed in Part III below. Ask the Plan Administrator of this Plan if distribution of your loan qualifies for rollover treatment.

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts that cannot be rolled over.

**Direct Rollover**

A *direct rollover* is a direct payment of the amount of your Plan benefits to a traditional IRA, a Roth IRA, or an eligible employer plan that will accept it. You may choose a *direct rollover* of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a *direct rollover* to a traditional IRA or an eligible employer plan until you later take it out. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a *direct rollover*. This Plan might not let you choose a *direct rollover* if your distributions for the year are less than \$200. See paragraph B. below for the tax treatment of rollovers to a Roth IRA.

**A. Direct Rollover to a Traditional IRA.**

You may open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional 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).

**B. Direct Rollover to a Roth IRA.**

You may also open a Roth IRA to receive the direct rollover subject to the limitations described in this paragraph. If you directly roll over a pre-tax distribution to a Roth IRA, then the taxable portion of the distribution is subject to taxation for the taxable year in which the distribution occurs (except that a special taxation rule applies to distributions during 2010 that you roll over to a Roth IRA, under which the distribution can be subject to taxation ratably during 2011 and 2012). *For distributions before January 2, 2010, you may not roll over a distribution from a pre-tax account to a Roth IRA if your adjusted gross income for the year exceeds \$100,000.* However, the adjusted gross income limit on direct rollovers does not apply to distributions after December 31, 2009.



**C. Direct Rollover to a Plan.**

If you are employed by a new 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 and even if your new employer's plan does not accept a rollover, you may choose a *direct rollover* to a traditional 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.

**D. Direct Rollover of a Series of Payments.**

If you receive a payment that can be rolled over to a traditional 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.

**E. 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 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 sections below 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 (see Part I above) 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 a traditional IRA or an eligible employer plan that accepts rollovers. You may also roll your payment to a Roth IRA subject to the limitations described above. If you do not roll it over, special tax rules may apply.

**A. Income Tax Withholding:**

1. *Mandatory Withholding.* If any portion of your payment can be rolled over under Part I above 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" 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. There will be no income tax withholding if your payments for the year are less than \$200.
2. *Voluntary Withholding.* If any portion of your payment is taxable but cannot be rolled over under Part I above, 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, then 10% 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.
3. *Sixty-Day Rollover Option.* If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA, a Roth 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 the IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over to a traditional IRA or an eligible employer plan will not be taxed until you take it out.

You may roll over up to 100% of your payment that can be rolled over under Part I above, 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 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 under Part I 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.)

#### **B. 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; (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) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k); (5) payments that are paid directly to the government to satisfy a federal tax levy; (6) payments that are paid to an alternate payee under a qualified domestic relations order; or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59 1/2, unless one of the exceptions applies.

#### **C. Special Tax Treatment If You Were Born before January 1, 1936.**

If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to an 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. (See also "Employer Stock or Securities", below.) A lump sum distribution is a payment made within a one-year time frame 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 below.

1. *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.
2. *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 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. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

#### **D. Employer Stock or Securities.**

There is a special rule for a payment from the Plan that includes employer stock (or other employer securities). To use this special rule, 1) the payment must qualify as a lump sum distribution, as described above, except that you do not need five years of plan participation, or 2) the employer stock included in the payment must be attributable to “after-tax” employee contributions, if any. Under this special rule, you may have the option of not paying tax on the “net unrealized appreciation” of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the employer stock while it was held by the Plan. For example, if employer stock was contributed to your Plan account when the stock was worth \$1,000 but the stock was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock unless you roll over the stock. The stock can be rolled over to an IRA or another eligible employer plan, either in a direct rollover or a rollover that you make yourself. Generally, you will no longer be able to use the special rule for net unrealized appreciation if you roll the stock over to an IRA or another eligible employer plan.

If you receive only employer stock in a payment that can be rolled over, then no amount will be withheld from the payment. If you receive cash or property other than employer stock as well as employer stock in a payment that can be rolled over, then the 20% withholding amount will be based on the entire taxable amount paid to you (including the value of the employer stock determined by excluding the net unrealized appreciation). However, the amount withheld will be limited to the cash or property (excluding employer stock) paid to you.

If you receive employer stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as 10-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

#### **E. Repayment of Plan Loans.**

If your employment ends and you have an outstanding loan from your Plan, your employer may reduce (or “offset”) your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or an IRA within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, then no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you (other than any employer securities). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

#### **Surviving Spouses, Alternate Payees, and Other Beneficiaries**

In general, the rules summarized above 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 Part I above) paid in a DIRECT ROLLOVER to a traditional IRA, a Roth IRA, or to an eligible employer plan or paid to you. If you have the payment paid to you, you may keep it or roll it over yourself to a traditional IRA, a Roth IRA, or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a surviving beneficiary other than a spouse or alternate payee, the only rollover option you have is a direct rollover to an inherited IRA. The inherited IRA must be titled in a manner that reflects the decedent and the beneficiary, such as "Jessica Jones, as beneficiary of William Jones." If you elect a direct rollover of the death benefit to an IRA, the Plan Administrator will pay the death benefit directly to the IRA that you have designated. A direct rollover amount is not subject to taxation at the time of the rollover, and the taxable portion of your direct rollover will be taxed later when you take it out of the IRA. You will have to receive required minimum distributions from the inherited IRA.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59 1/2.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock as described in Part III above. 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.

## 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 above 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](http://www.irs.gov), or by calling 1-800-TAX-FORM.