

**WISCONSIN NECA-IBEW RETIREMENT PLAN**  
**2730 DAIRY DRIVE SUITE 101**  
**MADISON WI 53718**  
**PHONE: (608) 276-9111 // FAX: (608) 288-9103**

**PLAN # 523879-01 DISTRIBUTION ELECTION FORM**  
**DISABILITY RETIREMENT**

I hereby make application for a Disability Retirement Benefit under the Wisconsin NECA-IBEW Retirement Plan (the "Plan"). To be eligible for a Disability Retirement Benefit, you must demonstrate that your employment was terminated due to a condition that has persisted for at least 26 weeks and satisfies one of the following conditions:

- 1. Occupational Disability.** An occupational disability is a physical or mental condition that prevents you from performing the normal duties of your occupation.
- 2. Total and Permanent Disability.** A total and permanent disability is a physical or mental condition that prevents you, as determined by the Social Security Administration, from securing any gainful employment.

To receive a Disability Retirement Benefit, you must submit proof of your disability to the Trustees. This proof may include evidence that you receive Social Security benefits or workers compensation benefits, or medical evidence from a licensed physician. The Trustees may request that you undergo semi-annual medical exams, at your expense, to verify continued disability.

Your Disability Retirement Benefit will terminate if: (a) you return to work, (b) the Trustees determine that you have sufficiently recovered to resume work, (c) you refuse to undergo a periodic medical examination requested by the Trustees, (d) your account has been depleted, or (e) you die.

**Before completing the benefit payment election form please read these instructions and the enclosed special tax notice regarding plan payments carefully. You may wish to consult with advisors such as your accountant or tax attorney before completing the election form.**

**INSTRUCTIONS**

**PART I: Participant Information**

Please complete Part I by printing all of the information requested.

**PART II: Benefit Election**

After you have read these Instructions and the enclosed *Special Tax Notice*, complete Part II to indicate the benefit form you wish to elect.

As required under Federal law, the Fund compares the value of each type of optional form of benefit under the Plan to the value of your estimated account balance. The goal of this comparison is to help you make informed choices about the form in which you receive your retirement benefits. The Fund has determined that all optional forms of benefits under the plan have approximately the same value as the value of your estimated account balance. If you would like information regarding how these values were calculated or

would like comparisons based on your specific information, please call or send a written request to the Plan, c/o Bonnie DeLap, Plan Administrator, Wisconsin Electrical Employees Benefit Funds, 2730 Dairy Drive Suite 101, Madison, WI 53718 (1-800-422-2128).

### **BENEFIT OPTIONS**

Under the terms of the Plan, the normal form of benefit is a Qualified Joint and Survivor Annuity (“QJSA”). If you are married, the QJSA is a Joint and 50% Survivor Annuity. Under this form of payment, your account balance is used to purchase an annuity from a legal reserve life insurance company. The annuity will provide a monthly benefit for the remainder of your life. Following your death, the annuity will pay your spouse a monthly benefit equal to 50% of your monthly benefit. You are also permitted to increase the benefit payable to your surviving spouse to 75% of your monthly benefit. However, your monthly benefit will be decreased to account for the increased payment to your surviving spouse.

If you are not married, the QJSA is a single life annuity. Under this form of payment, your account balance is used to purchase an annuity from a legal reserve life insurance company. The annuity will provide a monthly benefit for the remainder of your life. Under a single life annuity, no benefits are payable following your death.

You may elect to receive your benefits in one of the forms described below. If you are married, the consent of your spouse will be required in order for your election of the alternative benefit form to be valid. See Part IV below for information concerning the requirements for your spouse's consent.

Any unpaid portion of your account at the time of death shall be paid in accordance with the Beneficiary Designation Form on file with the Plan Administrator or, if no Beneficiary Designation Form is on file, with the terms of the Plan.

### **Installment Payments**

If you elect your benefit to be paid in installment payments, you can elect to receive monthly, quarterly or annual installments over a period extending beyond your 60<sup>th</sup> birthday.

If you are age 55 or older, you may change the frequency or amount of your installment payments once per year, provided the installment payments continue to extend beyond your 60<sup>th</sup> birthday.

Installment payments that do not extend for ten years or more and are not anticipated to exceed your life expectancy are eligible for a direct rollover. If you choose to rollover your installment payments option, no amount will be withheld for payment of federal income taxes. If you do not elect for your payment to be rolled over or your payment is ineligible for rollover, the Plan must withhold 20% of your distribution for federal income tax purposes.

### **Lump Sum Cash Distribution and Installment Payments**

If no contributions have been made to the Plan on your behalf for two or more years, you may elect to receive a \$5,000 lump sum, with the remainder of your account balance paid in monthly distributions paid over a period extending beyond your 60<sup>th</sup> birthday. If, after your lump sum is deducted, your subsequent installment payments will be less than \$200 per month, your entire account balance will be distributed in a single lump sum.

Installment payments that do not extend for ten years or more and are not anticipated to exceed your life expectancy are eligible for a direct rollover. If you choose to rollover your installment payments, no amount will be withheld for payment of federal income taxes. If you do not elect for your payment to be rolled over or your payment is ineligible for rollover, the Plan must withhold 20% of your distribution for federal income tax purposes.

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**DISTRIBUTION ELECTION FORM  
EARLY RETIREMENT – (Members under age 60)**

**PART I: PARTICIPANT INFORMATION (please print)**

Name: \_\_\_\_\_ Social Security No.: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Last Date Worked: \_\_\_\_\_ Date Disability Began: \_\_\_\_\_

Employer's Name: \_\_\_\_\_

Nature of Disability (illness, injury, hospitalization):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Type of Disability:  Occupational Disability /  Total & Permanent Disability

Marital Status:  Married  Single  Divorced  Widowed

Spouse's Name: \_\_\_\_\_ Spouse's Social Security No.: \_\_\_\_\_

Spouse's Address (if different): \_\_\_\_\_

**Enclose documentation of your disability status including, but not limited to, determination of disability from the Social Security Administration, documentation related to workers compensation benefits, or medical evidence from a licensed physician.**

**PART II: BENEFIT ELECTION (check one option only)**

I have read the *Special Tax Notice*. I elect to have benefits from the Plan paid as indicated below. If I am married and I do not elect a nontransferable annuity contract from a legal reserve life insurance company (item 1), I understand that my election is not valid unless my spouse consents to my election by signing the Spouse's consent form.

### **Occupational Disability Benefit Election**

**Nontransferable Annuity Contract.** I hereby request a distribution of my account balance under the Plan in the form of a nontransferable annuity contract purchased from a legal reserve life insurance company paying. *I understand that I will receive a selection of annuity contracts from which I will need to choose and return before my distribution will begin.*

Single Life Annuity (*unmarried participants only*);  
 Joint and 50% Survivor Annuity (*married participants only*); or  
 Joint and 75% Survivor Annuity (*married participants only*).

**Occupational Pension Disability Installment Payment.** I hereby request a monthly disability distribution under the Plan in the amount of \$ \_\_\_\_\_ (minimum of \$200 up to a maximum of \$750). You must submit medical evidence from a licensed physician as proof of your disability and be off for six consecutive months before applying for this option along with this application.

### **Total and Permanent Disability Benefit Election**

**Nontransferable Annuity Contract.** I hereby request a distribution of my account under the Plan in the form of a nontransferable annuity contract purchased from a legal reserve life insurance company paying. *I understand that I will receive a selection of annuity contracts from which I will need to choose and return before my distribution will begin.*

Single Life Annuity (*unmarried participants only*);  
 Joint and 50% Survivor Annuity (*married participants only*); or  
 Joint and 75% Survivor Annuity (*married participants only*).

**Installment Distributions.** I hereby request a disability distribution under the Plan in the amount of \$ \_\_\_\_\_ per **Month / Quarter / Year** (circle one option). This option can be increased or decreased once per year.

**Lump Sum Distribution.** I hereby request a lump sum distribution of my account balance under the Plan paid to me in cash. The Plan can pay your lump sum distribution via check or direct deposit. **To receive your distribution payment via direct deposit, please contact Empower to add your banking information 1-833-569-2433.**

### **PART III: TAX WITHHOLDING ELECTION AND ROLLOVER OPTION**

**Federal Tax Withholding.** The attached *Special Tax Notice Regarding Plan Payments* describes the federal income tax withholding rules in great detail, as well as other special tax rules that may apply to your benefit. Please read the information carefully, make an election and sign and date the form.

**Lump Sum Distributions and Installment Payments Paid Over Less Than Ten Years.** If your benefit is paid in a lump sum distribution or a series of installment payments paid over a period of less than ten years,

the Plan will automatically withhold 20% for payment of federal income taxes. You can elect to have more than 20% withheld from your payment. Complete a Form W-4P or Form W-4R as applicable if you want more than 20% of your benefit payment withheld for payment of federal income taxes.

**Annuities and Installment Payments Paid Over More Than Ten Years.** If you elect to receive your benefit in the form of an annuity or in a series of installment payments made over a period of ten years or more, you must complete a Form W4-P to determine federal tax withholding.

**Direct Rollover.** If you elect to rollover all or a portion of your account balance into an eligible retirement plan or IRA, then no amount will be withheld. This option is only available if you elected a lump sum distribution or series of installment payments paid over a period of less than ten years. I elect to have my distribution directly rolled over as follows (please select one option):

- Rollover to another qualified employer retirement plan pursuant to Code Section 401(a);
- Rollover to a Code section 403(b) plan pursuant to Code section 403(b);
- Rollover to a governmental Code section 457 plan pursuant to Code section 457;
- Rollover to my IRA pursuant to Code Section 408;
- A cash payment to me of \$ \_\_\_\_\_ (of which 20% will be withheld for federal taxes) and a direct rollover of \$ \_\_\_\_\_ (at least \$500) to the following IRA custodian or eligible retirement plan, qualified pursuant to Code sections 408 or 401(a);
- A Rollover to a Roth IRA (please indicate below whether or not you want to have federal income tax withheld from our Plan benefit). If you elect not to have federal income tax withheld, or if you do not have enough federal income tax withheld, you may be responsible for payment of estimated federal income tax on the taxable portion of your distribution (IRS Form 1040ES) and state income tax. You also may be subject to tax penalties under the estimated tax payment rules if your payments of estimated tax and withholding, if any, are not adequate.
  - I do not want federal income taxes withheld from my rollover to my Roth IRA.
  - Withhold a total of \_\_\_\_ % of this rollover for federal income tax purposes.

Complete this information if you elect to roll over all or part of your distribution to another retirement plan or IRA.

**Pay the following gross amount to me: \$ \_\_\_\_\_**

**Roll the following amount to another employer's plan: \$ \_\_\_\_\_**

Name of receiving employer plan: \_\_\_\_\_

\_\_\_\_\_  
*Street Address or P.O. Box*

*City, State & Zip*

Name of trustee/custodian: \_\_\_\_\_

Send to the attention of: \_\_\_\_\_

**Roll the following amount to an IRA: \$ \_\_\_\_\_**

Name of receiving trustee: \_\_\_\_\_

\_\_\_\_\_ *Street Address or P.O. Box*

\_\_\_\_\_ *City, State & Zip*

Account number or identifier: \_\_\_\_\_

Send to the attention of: \_\_\_\_\_

**State Tax Withholding.** Additionally, your distribution may be subject to state income taxes. Each state differs as to whether a portion of your benefit must be withheld for payment of state income taxes and, if so, the portion that must be withheld. If you live in one of the following states, you may elect to make a state income tax withholding election: **Alabama, Colorado, Georgia, Idaho, Michigan, Minnesota, Missouri, Mississippi, Montana, North Dakota, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, South Carolina, Utah, Wisconsin, and West Virginia.**

- I do not want state income taxes withheld from my benefit payments.
- Withhold a total of \_\_\_\_% of this distribution for state income tax purposes.

**DELIVERY METHOD**  
**(Please Select One)**

- U.S. MAIL (Free)
- Express Delivery (\$50 with tracking, it will be pulled from your retirement account.)
- Electronic Delivery (Free) You must log into Empower or call 1-833-569-2433 to set up your own banking information. This is not an Option for Rollovers.

## PART IV: PARTICIPANT CERTIFICATION

By completing this form, I declare my intent to retire and sever employment with all Employers that participate in and contribute to the Wisconsin NECA-IBEW Retirement Plan (the "Plan"). By retiring, I declare that at this time, I do not intend to return to work, in any capacity, for my Employer or any other Employer participating in the Plan. I further declare that I will be bound by all the rules and regulations of the Plan. To that end, I will contact the Plan Office in writing and in advance if I intend to engage in employment with my Employer or any other Employer participating in the Plan or Prohibited Employment, which is defined as follows:

Work for 40 hours or more or for eight days or more in a month (*i.e.*, a calendar month or an employer's four- or five-week payroll period) in employment or self-employment of the type described below after a Participant or former Participant attains age 60:

- In the same industry in which the Employee was employed and accruing benefits under the Plan at the time pension benefits commenced or would have commenced if the Participant or former Participant had not remained in or returned to such work;
- In the same "trade or craft" in which the Participant or former Participant was employed at any time while covered by the Plan or supervisory activities relating to such trade or craft (trade or craft extends to any job or occupation using the same skill or skills); and
- In the State of Wisconsin.

Please contact the Plan at the address below to provide notice regarding work in Prohibited Employment or if you have any questions regarding Prohibited Employment:

Board of Trustees of the Wisconsin NECA-IBEW Retirement Plan  
Wisconsin Electrical Employees Benefit Funds  
2730 Dairy Drive, Suite 101  
Madison, WI 53718

Additionally, I understand the following:

1. If I have misrepresented my retirement status, my retirement status will be revoked, my benefits will be terminated and I will be required to repay any benefits that I have received to the Plan, plus interest. I also understand that the Plan may also reduce future benefit payments to recover overpayments that I received, plus interest.
2. I am not entitled to receive my benefit payment for any month during which I am engaged in Prohibited Employment in any month in which I am credited with at least 40 hours of service.
3. I must notify the Board of Trustees in writing within 30 days of my return to any type of employment. In my notice to the Trustees, I will provide the date and nature of my re-employment. If I do not provide proper notice to the Trustees, there is a presumption that I am engaged in Prohibited Employment and, accordingly, my benefit payments may be suspended. In addition, my benefit payments may be subject to a delay when they later resume.

4. My benefit payments will recommence only after I have notified the Trustees in writing and completed any requisite forms acknowledging that I am no longer engaged in Prohibited Employment. No benefit will be payable for those months following cessation of Prohibited Employment and prior to the Trustees' receipt of such notification and any required forms.

## **PART V: BENEFICIARY DESIGNATION**

Complete the following beneficiary designation if you are not electing a lump sum payment and would either like to change your current beneficiary designation or do not have a beneficiary designation on file for any undistributed Plan benefit.

I hereby revoke all prior designations of Primary Beneficiaries and Contingent Beneficiaries for my Plan account and designate the following Beneficiaries.

- Note if you are married and you designate a person(s) (including a trust) other than your spouse as a Primary Beneficiary of your death benefits under the Plan, you must obtain written spousal consent on this form. In addition you must be at least age 35 or terminated from employment to designate a nonspouse beneficiary as your Primary Beneficiary for your Plan account.
- If you are married and you are naming a nonspouse beneficiary as your Primary Beneficiary, your spouse must provide written consent on the attached Spousal Consent and Agreement.
- To name additional beneficiaries, attach another page to this form and include the Plan name, your name, Social Security Number, date and signature.

### **Primary Beneficiaries**

Name of Beneficiary	Relationship	Address of Beneficiary	Benefit % (Must total 100%)

### **Contingent Beneficiaries**

Name of Beneficiary	Relationship	Address of Beneficiary	Benefit % (Must total 100%)

**Participant's Signature**

I hereby apply for the above designated benefit. I understand that the Plan will rely on the information I have provided in processing my request. I further understand that I am responsible for its accuracy in the event any dispute arises with respect to the transaction. I acknowledge that I have read the attached **Special Tax Notice Regarding Plan Payments**. I understand the tax implications regarding his disbursement, including that if I am entitled to an eligible rollover distribution, I have the right to consider whether or not to elect a direct rollover for at least 30 days after this special tax notice is provided. By signing this form, I am waiving this notice period. The taxable portion of any distribution that is eligible for "rollover" is subject to a *mandatory 20% federal income tax withholding*, unless that amount is directly rolled to an Individual Retirement Account (IRA) or to another plan in which I am a participant.

Current federal tax rules require your plan sponsor to notify you, in writing, of certain requirements you must meet to receive a cash distribution from your retirement plan. By signing the approval section below, you waive the required 30-day notice and you will receive a distribution from your retirement plan without delay, but no sooner than 8 days from your receipt of this form, under the terms of your retirement plan. Also, by signing below, you affirm that you will have received a general description and explanation of the optional forms of benefits, if any, available to you and a written notice describing the general tax rules applicable to this distribution.

I have read the explanation of the Qualified Joint and Survivor Annuity ("QJSA") and other payment options that was provided and I know that I have the right to receive my benefits as a joint and survivor annuity if I am married or a life annuity if I am not married. I also know I can waive the right to annuity payments, with the consent of my spouse if I am married. I understand that if I waive those rights I can change my mind and revoke the waiver at any time before my payments begin. I have at least 30 days to decide whether or not to waive the annuity payments. By consenting to this distribution, I understand I am waiving my right to a life annuity.

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(Participant's Name - PLEASE PRINT)

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(Date)

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(Signature of Participant)

**PLEASE ATTACH A COPY OF THE MEMBER'S DRIVERS LICENSE**

**PART VI: SPOUSAL CONSENT**

**\*Spouse's signature must be witnessed by a notary or a Plan representative**

I, \_\_\_\_\_ (*name of Participant's spouse*), am the spouse of \_\_\_\_\_ (*name of Participant*). I understand that I am entitled to a spousal death benefit under the Plan based on the participant's account balance at the time of his or her death. I understand that if this spousal benefit is in the form of a "qualified joint and survivor annuity" or QJSA, an explanation of the QJSA and other payment options was provided to the participant with this waiver form. I realize that the participant cannot waive this spousal benefit and obtain a distribution in the form requested unless I consent. I acknowledge that the transaction requested by the participant may reduce or eliminate any benefit otherwise payable to me following the participant's death.

I understand that my spouse has requested payment of retirement benefits from the Wisconsin NECA-IBEW Retirement Plan in a form other than the QJSA. I understand that the form of payment selected by my spouse is different from the benefit for me I am legally entitled to require and that I may receive no benefits following my spouse's death. With that understanding, agree that my spouse can receive retirement benefits in the form of a lump sum / installment / optional annuity (**circle the form your spouse has elected and you agree to**) instead of the Qualified Joint and Survivor Annuity. (*Complete the following if the participant elected to designate or change his or her designated beneficiaries*) I also agree to my spouse's choice of \_\_\_\_\_ (*insert beneficiary name*) as the beneficiary who will receive \_\_\_\_\_ % of the survivor benefits from the plan after my spouse dies. I understand my spouse cannot choose a different form of benefits or a different beneficiary unless I agree to the change.

Current federal tax rules require your plan sponsor to notify you, in writing, of certain requirements you must meet to receive a cash distribution from your retirement plan. By signing the approval section below, you waive the required 30-day notice and you will receive a distribution from your retirement plan without delay, but no sooner than 8 days from your receipt of this form, under the terms of your retirement plan. Also, by signing below, you affirm that you will have received a general description and explanation of the optional forms of benefits, if any, available to you and a written notice describing the general tax rules applicable to this distribution.

*[Signature page to follow]*

(Spouse's Name - Please Print)

(Date)

(Signature of Spouse\*)

(Spouse's Address - if Different)

Acknowledgement Before Notary Public:

State of: \_\_\_\_\_

County of: \_\_\_\_\_

Before me, a Notary Public in and for said County and State, personally appeared \_\_\_\_\_ who acknowledged the execution of the above Spouse's Consent to Participant's Election, and who, having been duly sworn, stated that any representations contained therein are true and that he (or she) executed such Consent as his (or her) free and voluntary act.

Witness my hand and Notary Seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

Signature: \_\_\_\_\_

Name (Please Print): \_\_\_\_\_

My Commission expires: \_\_\_\_\_ Resident of: \_\_\_\_\_ County, \_\_\_\_\_

Witness by Plan Representative:

The undersigned representative of the Plan states that he (or she) witnessed the execution of the foregoing Spouse's Consent and that such spouse acknowledged the execution of the above Spouse's Consent to Participant's Election and stated that any representations contained therein are true and that he (or she) executed such Consent as his (or her) free and voluntary act.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name (Please Print): \_\_\_\_\_

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**SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS**

**YOUR ROLLOVER OPTIONS**

You are receiving this notice because all or a portion of a payment you are receiving from the Wisconsin NECA-IBEW Retirement Plan (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to pursue such a rollover.

This notice describes the rollover rules that apply to payments from the Plan that are not from a designated Roth account (a type of account with special tax rules in some employer plans).

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

**GENERAL INFORMATION ABOUT ROLLOVERS**

**How can a rollover affect my taxes?**

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59 ½ and do not make a rollover, you will also have to pay a 10% additional income tax on early distributions (unless another exception described below applies). However, if you make a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59 ½ (or if another exception applies).

**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 employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

**How do I make a rollover?**

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

If you elect a direct rollover, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to make a direct rollover.

If you do not elect a direct rollover, you may still make 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. If you do not elect a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash received). 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 59½ (unless another exception applies).

### **How much may I roll over?**

If you wish to make 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)
- Required minimum distributions after age 72 (or after death)
- Corrective distributions of contributions that exceed tax law limitations
- Payments of certain automatic reenrollment contributions requested to be withdrawn within 90 days of the first contribution;

The Plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

### **If I don't make a rollover, will I have to pay the 10% additional income tax on early distributions?**

If you are under age 59 1/2, 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.

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 made due to 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);
- Payments up to the amount of your deductible medical expenses;

- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days;
- Payments excepted from the additional income tax by federal legislation relating to certain emergencies and disasters.

**If I make 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 the 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 \$100,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

**Will I owe State income taxes?**

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

**SPECIAL RULES AND OPTIONS**

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

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

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you elect a direct rollover of only a portion of the amount paid

from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions.

If you make a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can make a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

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

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

#### **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 might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

#### **If you roll over your payment to a Roth IRA**

If you roll over a payment from the Plan 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).

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. For more information see IRS Publication 590, Individual Retirement Arrangements (IRAs).

## **If you are not a plan participant**

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

**If you are a surviving spouse.** If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½ (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949).

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 participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70 ½ (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949).

**If you are a surviving beneficiary other than a spouse.** If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to elect a direct rollover to an inherited IRA. 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.

**Payments under a qualified domestic relations order.** If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it, if you qualify under the rules and regulations of the Plan). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

## **If you are a nonresident alien**

If you are a nonresident alien and you do not elect 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. If the amount withheld exceeds the amount of tax you owe (as may happen if you make 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 a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than \$200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 (not including payments from a designated Roth account in the Plan) will be directly rolled over to an IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed \$5,000 (not including any amounts held under the plan as a result of prior rollover made to the plan).

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

### **FOR MORE INFORMATION**

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590, Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORM.

You may contact your Plan administrator at 1-800-422-2128.