



# Base Plan Account Withdrawal

## Purpose of the Form

- Use this form to choose how you want PERSI to handle the withdrawal of your PERSI Base Plan contributions and interest when you terminate employment with a PERSI employer.

## Instructions

- Read "About Form RS108," attached.

Member Information			
Name – First, Middle, Last			Social Security Number
Mailing Address	Street or P.O. Box		
	City	State	Zip Code
Daytime Phone Number (include area code)		Date of Birth – mm/dd/yyyy	
Marital Status <input type="checkbox"/> Single <input type="checkbox"/> Married		Date of Termination – mm/dd/yyyy	
Name of Last PERSI Employer		Is this a change of Address? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Withdrawal Options (choose one)
<input type="checkbox"/> <b>A.</b> I elect to receive all of my PERSI Base Plan contributions and interest (less a 20% federal withholding tax on the tax-deferred portion).
<input type="checkbox"/> <b>B.</b> I elect to transfer all of my Base Plan tax-deferred contributions and interest directly to another eligible retirement plan or IRA (\$200 minimum). See <b>If You Choose B or C</b> , below.
<input type="checkbox"/> <b>C.</b> I elect to transfer \$ _____ (\$500 minimum) of my Base Plan tax-deferred contributions and interest directly to another eligible plan or IRA and have the balance remaining paid to me (minus a 20% withholding tax on the tax-deferred portion). See <b>If You Choose B or C</b> , below.

If You Choose B or C			
Check one of the following choices and provide the requested information.			
<input type="checkbox"/> IRA <input type="checkbox"/> Eligible retirement plan	Name of IRA or Retirement Plan		Account Number
Name of Trustee or Custodian (name to which the check will be payable)			Plan Phone Number (include area code)
Mailing Address	Street or P.O. Box		
	City	State	Zip Code



Base Plan Account Withdrawal - continued	
Name – First, Middle, Last	Social Security Number

Member Acknowledgment and Certification	
<p>I certify that the information I provided above is true and correct. I understand and acknowledge that by withdrawing my PERSI Base Plan funds I cease to be a PERSI member and I am no longer eligible for any PERSI benefits. I also understand and acknowledge that I have read and understand "About RS108" and that a withdrawal from the PERSI Base or Choice 401(k) Plan is subject to all applicable plan provisions, PERSI statutes and rules and to applicable state and federal law, including the conditions of withdrawal and taxation described in "About RS108".</p> <p>I have been provided options for withdrawal of my base plan contributions and I have chosen the option indicated above. I have received and read <i>Special Tax Notice Regarding Plan Payments</i> within the last 180 days. I have had the opportunity to consult a professional tax advisor and have full knowledge of the tax consequences of my choice of distribution options.</p> <p>I further acknowledge that in order to process my withdrawal application, PERSI will contact my current employer to confirm my separation from service and, to the extent my permission for such contact is required by law, I hereby give such consent.</p>	
Signature	Date

Notary Public for Member	
State of _____, County of _____ On this _____ day of _____, _____, before me _____, a notary public, personally appeared _____, personally known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same.	<b>Seal</b>
Notary Public Signature	
My Commission Expires On	

Spouse Acknowledgment (Required if married)	
I am the spouse of the member named above. I understand and give my consent to the withdrawal option indicated above.	
Name – First, Middle, Last	
Signature	Date

Notary Public for Spouse	
State of _____, County of _____ On this _____ day of _____, _____, before me _____, a notary public, personally appeared _____, personally known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same.	<b>Seal</b>
Notary Public Signature	
My Commission Expires On	

# About Form RS108

## Instructions

- 1 Complete pages 1 and 2.
- 2 If your address has changed mark '**Yes**' in the address change box.
- 3 If you are married your spouse must also sign this form.
- 4 All signatures must be notarized.
- 5 Your refund will be sent to your home address of record. Direct Deposit is not offered.
- 6 Send pages 1 and 2 to PERSI.

### Notes

- If you have any questions regarding your eligibility for an account withdrawal or the status of your request, contact PERSI at 1-800-451-8228 or 208-334-3365.
- Be sure to send PERSI your address change in writing if you move. Your benefit checks will not be forwarded by the U.S. Postal Service.
- If you have a PERSI Choice 401(k) Plan account and wish to withdraw those funds, call ACS (plan recordkeeper) at 1-866-437-3774. Online distributions are now available, contact ACS for more information. Choice 401(k) Plan distribution requests are processed by ACS within three business days, and the check is mailed to your home address of record.

## Considerations in Making Your Decision

**After** leaving employment that is covered by PERSI, you can do one of the following:

- Leave your Base Plan funds in PERSI.
- Receive a refund of your Base Plan contributions and accrued interest.

Contributions made by your employer are **not** refundable.

You must not be employed in any capacity (even part time) by the same PERSI employer you worked for while making contributions. The date you sign your request form must be after the date you terminate work.

If you leave your Base Plan contributions in PERSI, your Base Plan account will continue to earn interest and your retirement credits will be preserved. This is particularly important if you are vested to a lifetime monthly retirement benefit (generally 60 months or more of membership service, with some exceptions), or if you plan to return to public employment.

If you are not vested and your accumulated contributions are equal to or exceed \$1000, you may leave your Base Plan account in PERSI, where it will continue to earn interest. If you are not vested and your accumulated contributions are less than \$1000, your balance is automatically payable to you in three years. PERSI will contact you to initiate a refund.

## Conditions of PERSI Plan Account Withdrawal

By submitting this form, you are certifying the following:

- You have separated from employment with a PERSI employer and will not return to work for the same employer within 90 days of the separation (all agencies of the State of Idaho are considered one employer).
- You have not been guaranteed reemployment with the same employer.
- You are not now employed in a PERSI eligible position by a PERSI employer.
- You understand that this request is for a Base Plan withdrawal only.

### Withdrawal Voids All Base Plan Benefits

Withdrawal of your Base Plan account voids your membership in the PERSI Base Plan and any retirement credit you may have accumulated with PERSI. If you are eligible for a vested retirement allowance, withdrawing your funds cancels any lifetime monthly benefit to which you may have been entitled. If you return to work in an eligible position for a PERSI employer, you can repay your contributions, plus interest, to reinstate your months of credited service.

### Returning to Work Within 90 Days

If you withdraw your Base Plan account and are reemployed by the same PERSI employer **within 90 days** of your termination from work, or are guaranteed a right to reemployment with the same employer, you are required to repay your funds with interest to PERSI (all agencies of the State of Idaho are considered one employer).

## Taxation

PERSI is required by law to withhold federal taxes of 20% on withdrawal payments of tax-deferred contributions and interest, unless you rollover your funds directly to another eligible retirement plan or IRA (see **Tax Notice Regarding IRS Code and PERSI Base Plan Account Withdrawals** below). In addition to any applicable federal, state, or local taxes, you may be required to pay a federal tax penalty of 10% on your tax-deferred contributions and interest. PERSI suggests that you consult with a tax or financial advisor about current tax requirements.

## Payments

### If Payment Is to You

If you request an account withdrawal more than two months after terminating employment, you will receive all of your accumulated contributions with interest in one payment.

If you request an account withdrawal before two months have passed, your account balance may be paid out in two payments. The first payment, which includes all but the last two months of contributions, is processed two weeks after PERSI receives this form RS108 from you, form RS109 from your employer, and a copy of your divorce decree (if applicable). The remainder of your accumulated contributions is paid 90 days after the first payment.

### If Payment Is a Direct Rollover to Another Eligible Plan or IRA

Payment(s) are forwarded directly to the specified eligible retirement plan or IRA. The timing of the transfer is the same as if paid to you.

## Tax Notice Regarding IRS Code and PERSI Base Plan Account Withdrawals

**You should also review the Supplement to Special Tax Notice Regarding Plan Payments and the Special Tax Notice Regarding Plan Payments attached to this form RS108**

This notice contains important information you need before you decide how to receive your benefits from PERSI.

You can take PERSI Base Plan payments in two ways. You can have **all or any portion** of your withdrawal either (1) paid in direct rollover or (2) paid to you.

A direct rollover is a payment of your PERSI Base Plan benefits to your Individual Retirement Account (IRA) or to another eligible plan. (PERSI is a 401(a) plan.) Your choice will affect the taxes you owe. After you have selected a withdrawal option, it is irrevocable.

### If You Choose a Direct Rollover

- Your payment will not be taxed in the current year (see below regarding Roth IRA conditions) and no income tax will be withheld by PERSI.
- Your payment will be made directly to your IRA or to other eligible plan that accepts your rollover.
- Your payment will be taxed when you withdraw the funds from the traditional IRA or eligible plan.
- In the case of a rollover to a Roth IRA, the rollover is subject to the same rules as a rollover from a traditional IRA to a Roth IRA, including inclusion in income of the distribution amount at the time of the rollover, except the 10% early withdrawal penalty would not apply.

### If You Choose to Have Your PERSI Base Plan Benefits Paid to You

- You will receive 80% of the payment. PERSI is required to withhold 20% of the payment and send it to the IRS as federal income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year. You may be able to use special tax rules that reduce the tax you owe. However, if you receive the payment before age 59½, you may also be required to pay an additional 10% tax penalty.
- You can rollover the payment within 60 days of receiving it by paying the funds to your IRA or other eligible plan. The amount rolled over will not be taxed until you withdraw it from the IRA or eligible plan. This rollover is different than a direct rollover.
- If you want to rollover 100% of the withdrawal to an IRA or eligible plan, **you must find other money to replace the 20% that was withheld**. If you rollover the 80% that you received, you will be taxed on the 20% that was withheld and not rolled over.



# Supplement to the Special Tax Notice Regarding Plan Payments

## Purpose of this Notice

- This notice contains information that changes some of the information in the attached Special Notice.
- The Pension Protection Act of 2006 made the following changes please read this carefully.

## Direct Rollovers to Roth IRAs

Effective January 1, 2008, eligible distributions paid from the Plan may be rolled over to a Roth individual retirement account ("Roth IRA") either directly from the Plan or within 60 days after you receive the distribution. However, if your distribution is issued before 2010, you must meet certain income limitations (described below) in order to do so. Please note, if you are a non-spouse beneficiary of a deceased participant, your eligible distribution may only be rolled over directly from the Plan to the Roth IRA.

**Inclusion of Distribution in Income.** If you elect to roll your distribution over to a Roth IRA, the taxable portion of your distribution will be included in your gross income. However, the distribution will not be subject to the additional 10% tax, as described in the Special Tax Notice, which may apply on distributions to a participant before age 59 ½. For rollovers occurring in 2010, unless you elect to include the amount of your Roth IRA rollover in your gross income on your federal income tax return for 2010, one half of the taxable portion of your Roth IRA rollover will be included in your gross income in 2011, and the other half of the taxable portion will be included in your gross income in 2012.

**Tax Withholding.** If the rollover is made directly from the Plan, it will not be subject to the mandatory 20% federal income tax withholding described in the Special Tax Notice. If you elect a direct rollover to a Roth IRA, income tax will not be withheld on your distribution, even though the taxable amount of the distribution will be includible in your gross income as described above. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are insufficient. To avoid owing these penalties, you may wish to consider either paying estimated taxes for the year in which your Roth IRA rollover will be included in income, or increasing the tax withholding on other income that you receive during that year.

**Eligible Distributions.** Your distribution may be rolled over to a Roth IRA only if it would otherwise be eligible to be rolled over to a traditional IRA or another eligible retirement plan. Please refer to Section I of the Special Tax Notice ("PAYMENTS THAT CAN OR CANNOT BE ROLLED OVER") for an explanation of the kinds of distributions that cannot be rolled over.

**Income Limitations.** Before January 1, 2010, you may **NOT** roll over your eligible distribution to a Roth IRA if either:

- Your modified adjusted gross income\* exceeds (including the income of both you and your spouse if you are married) \$100,000

Or

- You are married, but you and your spouse file separate federal income tax returns.
- Special rules may apply if you are married and you do not live with your spouse for any portion of the year.

*\*See the instructions to IRS Form 8606 for a definition of "modified adjusted gross income" for this purpose.*

**The Plan will not monitor whether you are eligible to roll over to a Roth IRA (IRS Notice 2008-30). It is your responsibility to determine whether you satisfy the income and other applicable requirements.**

If you make an error in determining your eligibility to roll over to a Roth IRA, you will be required to recharacterize your rollover. See "How Do You Recharacterize a Contribution" in IRS Publication 590 for details.

### Non-spouse Beneficiaries – Direct Rollovers

Eligible distributions paid from the Plan to the non-spouse beneficiary of a deceased member may be directly rolled over to an eligible individual retirement account (IRA). Beneficiaries for this purpose are individuals and certain member established trusts that comply with IRS guidance. An estate is not an eligible beneficiary.

If you are a beneficiary who is not the surviving spouse or an ex-spouse alternate payee of the member, you may elect to have an eligible distribution directly rolled over from the Plan to an eligible IRA and defer taxation of such amount until the benefit is paid out either:

- By the end of the fifth calendar year following the date of the member's death
- OR
- Over your life expectancy (using IRS tables) provided payments begin by the end of the calendar year following the calendar year of the member's death.

**Eligible Distributions.** Distributions eligible to be directly rolled over to an eligible IRA by a non-spouse beneficiary include lump sum distributions and distributions of certain partial payments, but do not include required minimum distribution amounts payable under Section 401(a)(9) of the Internal Revenue Code.

**Eligible IRA.** A non-spouse beneficiary must set up a *special* IRA for this purpose, to which no other contributions (including rollovers) may be made. **An existing IRA may not be used.** This special IRA is treated by the Internal Revenue Service as an inherited IRA.



# Special Tax Notice Regarding Plan Payments

## Purpose of this Notice

- This Notice contains important information that you will need to review before deciding how to receive your benefits from the plan. Please keep this Notice for your reference.

## About *Special Tax Notice*

This notice explains how you can continue to defer federal income tax on your retirement savings in the "Plan" and provides 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 or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you.

Your payment cannot be rolled over to a Roth IRA, 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 (the "Code"), including a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if 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.

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

### 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 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

## 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 you receive 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.

## I. 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 to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, 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.

**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:

- a) **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 the taxable portion and how much is the after-tax portion. If you roll over your 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) 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 can 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 the 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, 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.

The following types of payments **cannot** be rolled over:

**Payments Spread Over Long Periods.** You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- Your lifetime (or a period measured by your life expectancy), or
- Your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- A period of 10 years or more.

**Required Minimum Payments.** Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% 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 should be able to tell you if your payment includes amounts which cannot be rolled over.

## II. Direct Rollover

A direct rollover is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a direct rollover of all or any portion of your payment that is an eligible rollover distribution, as described in Part 1 above. You are not taxed on any taxable portion of your payment for which you choose a direct rollover until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a direct rollover. This Plan may not let you choose a direct rollover if your distributions for the year are less than \$200.

**Direct Rollover to a Traditional IRA.** You can 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).

**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. Even if your new employer's plan does not accept a rollover, you can 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.

**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.

**Change in Tax Treatment Resulting from a Direct Rollover.** The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your direct rollover might be different than if you received your benefit in a taxable distribution directly from the plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gains 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 a traditional 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 59½" and "Special Tax Treatment if You were Born before January 12, 1936".

## III. 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. If you do not roll it over, special tax rules may apply.

### Income Tax Withholding

**Mandatory Withholding.** If any portion of your payment can be rolled over under Part 1 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 tax withheld, which will be credited against any income tax you owe for the year. There may be no income tax withholding if your payments for the year are less than \$200.

**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, an amount will be taken out of this portion of your payment for federal income tax withholding.

**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 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 a traditional IRA or eligible employer plan within 60 day after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% 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 traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

### III. Payment Paid to You (continued)

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 this \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

**Additional 10% Tax if You are Under Age 59½.** If you receive a payment before you reach age 59½ 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 59½ unless one of the exceptions applies.

**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 a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution", it may be eligible for special tax treatment. (See also "employer stock or securities" below.) A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ 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 receive the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

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

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

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

**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 a traditional 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

### III. Payment Paid to You (continued)

roll the stock over to a traditional IRA or another eligible employer plan.

If you receive only employer stock in a payment that can be rolled over, 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, 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.

**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 eligible employer plan or a traditional 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, 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.

### IV. 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 or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, such as a child or domestic partner, 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 or paid to you. You may not roll over the payment to yourself or to an eligible employer plan. The IRA accepting the transfer is treated like a non-spouse inherited IRA, under which benefits must be distributed in accordance with the applicable required minimum distribution rules. In general, distributions from the rollover IRA must either be paid to you in full within 5 years of the employee's death or must commence within 12 months of the employee's death over your life expectancy. The benefits cannot be rolled over again from the rollover 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 59½.

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 five 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 web site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORMS.