

# University of San Diego Defined Contribution Retirement Plan Final Distribution Form

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Social Security Number				Last Name		First Name		M.I.
Street #		Street Name				Apt/Suite		
City		State		Zip Code		Plan Entry Date		
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<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Date of Birth		Date of Hire		Telephone Number		Division/Location Code		

**Your check will be sent to your address of record. Please call contact your employer to confirm/change your address.**

## **STEP 1** Specify the Reason for Your Distribution (check one; see the attached INSTRUCTIONS)

- Termination of Employment       Retirement       Disability

## **STEP 2** Choose Your Method of Payment (elect one or more methods, as appropriate, and complete; see the attached INSTRUCTIONS; if you are married and do NOT elect a Qualified Joint and Survivor Annuity, you must complete STEP 5)

- Direct Rollover:**  
... (check one) →  **Full Rollover:** Rollover 100% of my vested account balance to the following Retirement Plan or IRA.  
 **Partial Rollover:** Pay \$ \_\_\_\_\_ or \_\_\_\_\_ % of my vested account balance to me and roll over the remainder to the following Retirement Plan or IRA.  
... (check one) →  **Scudder Trust Company IRA** (complete and return the attached IRA Application; see the attached INSTRUCTIONS)  
 **Other ... (check one)**  
 **IRA:** Name of IRA Custodian: \_\_\_\_\_  
IRA Account Number (if known): \_\_\_\_\_  
 **Other Retirement Plan:**  
Name of Plan: \_\_\_\_\_  
Name of Plan's Trustee (or Custodian, if applicable): \_\_\_\_\_

- Lump Sum Distribution** (paid to you and subject to 20% mandatory withholding)  
 Partial distribution. Distribute only \$ \_\_\_\_\_.
- Installment Payments**  
 over the following period: \_\_\_\_\_ (for applicable limits, see the attached INSTRUCTIONS).  
 of the following fixed amount: \$ \_\_\_\_\_.  
Payments to be made: (check one) →  monthly     quarterly     semi-annually     annually
- Qualified Joint and Survivor Annuity** (see the attached INSTRUCTIONS).

## **STEP 3** Make a Withholding Election (complete only if you elect installment payments or a qualified joint and survivor annuity as the method of payment or if you elect a lump sum and wish to have more than the mandatory 20% withheld; see the attached INSTRUCTIONS)

- Do not withhold any federal income taxes. (This election is not appropriate for lump sum distributions.)  
 Withhold \_\_\_\_\_ % or \$ \_\_\_\_\_ from each payment.

**STEP 4****Sign the Form** (indicate your marital status and sign below; see the attached INSTRUCTIONS)

I certify under penalty of perjury that I have read and understand the *Participant Certifications* contained in the attached INSTRUCTIONS, and they are all true. I also have read and understand the *Participant's Waiver of the Qualified Joint and Survivor Annuity* contained in the attached INSTRUCTIONS (if I am choosing to waive this form of distribution).(if I am choosing a Life Only annuity).

My marital status is:  Not Married or  Married (if married and requesting a distribution other than a *Qualified Joint and Survivor Annuity Life Only Annuity*, spouse's consent must be obtained below.)

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

**STEP 5****Get Your Spouse's Consent** (if required; see the attached INSTRUCTIONS)

I certify that I have read and understand the *Spousal Consent to Waiver* contained in the attached INSTRUCTIONS, and consent to the participant's waiver of a Qualified Joint and Survivor Annuity in order to receive the form of payment elected on this DISTRIBUTION FORM.

Spouse's Signature: \_\_\_\_\_ Date \_\_\_\_\_

Witness: \_\_\_\_\_ Date \_\_\_\_\_ (check below as appropriate)

I am:  an official plan representative, or  a Notary Public. State \_\_\_\_\_  
My commission expires: \_\_\_\_\_

**STEP 6****Return Form to your Employer**

The company agrees to the terms stated above.

Plan Administrator Signature: \_\_\_\_\_ Date \_\_\_\_\_

# University of San Diego Defined Contribution Retirement Plan Final Distribution Form Instructions

## **STEP 1** Specify the Reason for Your Distribution

- Check one of the permitted reasons for distribution.

## **STEP 2** Choose Your Method of Payment

- Check the box(es) that describe the methods, or combination of methods, of payment you want.
- If you terminate employment and your considered vested account balance does not exceed \$5000, you will automatically receive a lump sum distribution unless you return this DISTRIBUTION FORM requesting a direct rollover *before* the date your account will be cashed out. The Plan does not consider the balance of your Employee Rollover Contribution Account, if any, when determining whether your benefit will be cashed out.
- If you are married and do not elect a Qualified Joint and Survivor Annuity, you must obtain your spouse's consent by completing STEP 5.
- If you are married and you elect to receive a Life Only Annuity, you must obtain your spouse's consent by completing STEP 5. If you elect to rollover your assets, we will send a check to your address of record (made payable to the IRA custodian or Retirement Plan trustee you identify) for you to forward to the IRA custodian or Retirement Plan trustee or custodian, if applicable. It is important for you to confirm that the IRA or Retirement Plan you name will accept a direct rollover of your distribution.
- If you are making a direct rollover that includes shares of employer stock, you must confirm that the IRA or Retirement Plan you name will accept such shares.
- If any portion of your distribution is eligible to be directly rolled over but is not (*e.g.*, a lump sum), the mandatory 20% federal income tax withholding will apply to the portion that was not directly rolled over. **You can avoid mandatory 20% federal income tax withholding by electing a direct rollover.** If you wish to have more than the mandatory 20% withheld, specify this in STEP 3. You may elect to roll over 100% of your vested account balance or only a portion of it. For information regarding the types of distributions that are eligible to be rolled over, refer to your SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS.
- If your account address is in a state which requires mandatory state income tax withholding on this distribution, such withholding may also apply.
- If you elect to have installment payments over a fixed period, the installment period may not exceed "your life expectancy" under Code § 401(a)(9).
- Installments may be paid in the fixed amount you indicate on the form.
- You may elect to have installments paid on a monthly, quarterly, semi-annual or annual basis. If installments will be paid over a period of 10 or more years, you must complete STEP 3.
- If you elect to receive a life-contingent annuity you must complete STEP 3. You also must contact your employer to arrange for the purchase of such contract.

## **STEP 3** Make A Withholding Election

### **Elective Federal Withholding:**

- *If you elect one of the following methods of payment, you must check one of the two boxes and complete as necessary. (Note: the following are only examples and may not all be available on your DISTRIBUTION FORM):*
  - An annuity or installments paid over your life or life expectancy (or you and your beneficiary's joint lives or life expectancies);
  - An annuity or installments paid over a specified period of 10 or more years. Refer to the SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS.
- A lump sum distribution is subject to mandatory 20% federal withholding. However, if you elect a lump sum payment and wish to have more than 20% withheld, check box 2 and indicate the amount you want withheld.
- If your distribution is subject to elective federal withholding and you do NOT make a proper elective withholding election, your annuity (or installment) payments will automatically be subject to federal withholding as if they were *wages* being paid to you and you are *married with three (3) dependents*.
- Regardless of your election, you will remain liable for any federal income tax on the distribution amount and any penalty tax that may be due (*e.g.*, if you are under age 59 ½). You may also be subject to penalties under the federal estimated tax payment rules if your tax payments and withholding amounts are not sufficient.

**Mandatory State Withholding:** If your account address is in a state which requires mandatory state income tax withholding on this distribution, such withholding may also apply.

## **STEP 4** Sign the Form

**Participant Certifications:** *By signing the attached DISTRIBUTION FORM, I am certifying under penalty of perjury that the following statements are true:*

- I am eligible to receive a distribution under the terms of the Plan.
- I understand that if I am under age 59 ½, a 10% early withdrawal penalty may apply to any distribution paid to me.
- I understand that my distribution will be paid to me as soon as administratively practicable following proper completion and submission of this DISTRIBUTION FORM. If I request a distribution less than 30 days after receiving the SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS, I waive my right to 30 days' notice of the information contained in the SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS.

- If I have elected a direct rollover, I have confirmed that the IRA custodian/Retirement Plan trustee or custodian, if applicable, will accept a direct rollover of my distribution.

**Participant's Waiver of the Qualified Joint and Survivor Annuity:** *By signing the attached DISTRIBUTION FORM, I am certifying that the following statements are true:*

- I have correctly indicated my marital status on the DISTRIBUTION FORM;
- I understand that my benefit under the Plan will be paid in the form of a Qualified Joint and Survivor Annuity (if I am married) or a Life Only Annuity (if I am not married), unless I waive this form of distribution. I have received and read the JOINT AND SURVIVOR ANNUITY NOTICE, and understand the financial effect of waiving a Qualified Joint and Survivor Annuity (or a Life Only Annuity);
- If I am married and elect a Life Only Annuity, I understand that my benefit under the Plan will instead be paid in the form of a Qualified Joint and Survivor Annuity, unless I waive this form of distribution. I have received and read the JOINT AND SURVIVOR ANNUITY NOTICE, and understand the effect of waiving a Qualified Joint and Survivor Annuity;
- I understand that I may waive the Qualified Joint and Survivor Annuity only if my spouse consents to my waiver (see Step 5); and
- I may revoke my waiver within 7 days after returning the DISTRIBUTION FORM.

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**STEP 5**     **Get Your Spouse's Consent** (complete if you are married and NOT electing a Qualified Joint and Survivor Annuity)

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**Spousal Consent to Waiver:** *By signing the attached DISTRIBUTION FORM, I am certifying that the following statements are true:*

- I am the Participant's spouse;
- I have received and read the DISTRIBUTION FORM and the JOINT AND SURVIVOR ANNUITY NOTICE, and understand that my spouse is waiving a Qualified Joint and Survivor Annuity in order to receive the form of payment elected on the DISTRIBUTION FORM;
- I understand that as a result of this waiver, I may be entitled to a lesser benefit than I otherwise would be;
- I understand that I have 30 days to consider my decision, but that I will be deemed to have waived the remaining portion of this 30-day period once my spouse returns the completed DISTRIBUTION FORM;
- I voluntarily consent to my spouse's waiver of the Qualified Joint and Survivor Annuity, realizing that I have the right to withhold my consent and that my spouse's waiver is not valid without it; and
- I understand that once I give my consent I cannot revoke it, unless my spouse first revokes his/her waiver.

# **SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS – 109/111**

Please supply the participant with this form whenever they are requesting a distribution.

This notice explains how you can continue to defer federal income tax on your retirement savings in your company's plan (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 person or entity who administers your plan (your "Plan Administrator") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a "traditional" individual retirement account or annuity (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), which are not traditional IRAs. An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

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

## **SUMMARY**

A payment from the Plan that is eligible for 'rollover' can be taken in two ways. You can have **all or any portion** of your payment either **1) PAID IN A "DIRECT ROLLOVER"** or **2) 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.
- Your payment will be made directly to your traditional IRA or, if you choose, to another eligible retirement 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 retirement 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 your Plan benefits eligible for rollover PAID TO YOU**

- You will receive only 80% of the taxable portion of the payment, because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable portion 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 also 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 another eligible employer plan that accepts your rollover within 60 days of receiving the payment. The taxable amount rolled over will not be taxed until you take it out of the traditional IRA or eligible retirement plan.
- If you want to roll over 100% of the taxable portion of the payment to a traditional IRA or another eligible employer plan, you must find other money to replace the 20% 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.

# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS – 109/111

Please supply the participant with this form whenever they are requesting a distribution.

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

### 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 another 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. Special rules apply to after-tax contributions.

**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 retirement plans that accept rollovers of after-tax contributions, and the following rules apply:

- a. **Rolled into a Traditional IRA.** You can roll over your after-tax contributions either directly (see section II. "Direct Rollovers" below) or indirectly (see section III. "Payment Paid to You - Sixty-Day Rollover Option" below). 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. Once you roll your after-tax contributions into a traditional IRA, those amounts CANNOT be rolled into an employer plan. You should keep track of the after-tax contributions rolled to an IRA, and report them to the IRS on the applicable forms.
- b. **Rolled into an Employer Plan.** You may be able to roll over after-tax contributions to an employer plan that is qualified under Code section 401(a) or a 403(a) annuity plan if the other plan provides a separate accounting for amounts rolled over, including for the after-tax contributions and earnings thereon. You CANNOT roll over after-tax contributions to a 403(b) plan or to a governmental 457 plan. To roll your after-tax contributions into an employer plan that accepts these rollovers, you must instruct your current Plan Administrator to do the rollover on your behalf as a direct rollover. You cannot have the after-tax contributions paid to you first.

Note: Not all plans will accept rollovers of after-tax contributions. Check with the employer of the receiving plan to make sure after-tax contributions will be accepted.

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 ten years or more.

**Required Minimum Payments.** Beginning in the later of the year you reach age 70½ or retire, a certain portion of your payment cannot be rolled over because it is a “required minimum payment” that must be paid to you. However, if you own more than 5% of the employer, this special rule regarding rollovers of minimum required payments applies when you reach age 70 ½, whether or not you are still employed.

**Hardship Withdrawals.** Hardship withdrawals are not eligible for rollover.

**Corrective Distributions.** A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded is not eligible for rollover.

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

# **SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS – 109/111**

Please supply the participant with this form whenever they are requesting a distribution.

**Loans Treated as Distributions.** 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 your Plan Administrator if distribution of your loan can qualify for rollover treatment.

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

## **II. DIRECT ROLLOVER**

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to a traditional IRA or another eligible employer plan that will accept it. If you choose a direct rollover, you are not taxed on the taxable portion of a payment until you later take it out of the traditional IRA or the eligible retirement plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a direct rollover.

**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. In choosing a traditional IRA, you may wish to consider whether the traditional IRA you choose will allow you to change all or a part of your investments 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 retirement plan, and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. An eligible retirement plan is not legally required to accept a rollover and may choose to accept only certain types of funds as rollovers. 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 restrict subsequent distributions of the rollover amount, or may require spousal consent to any subsequent distribution. Check with the new employer's plan administrator before making your decision.

**Direct Rollover of a Series of Payments.** If you receive eligible rollover distributions that are paid in a series for less than ten 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.

You should check with your Plan Administrator to determine the options available under your employer's Plan.

**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 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 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 59 1/2 " and "Special Tax Treatment if You Were Born before January 1, 1936."

## **III. PAYMENT PAID TO YOU**

If you have the payment made to you in cash, it is subject to 20% Federal income tax withholding on the taxable portion (state withholding may also apply). The taxable portion of the payment is taxed in the year you receive it unless, within 60 days of receipt, you roll it over to a traditional IRA or another eligible retirement plan that accepts rollovers. If you do not roll it over, special tax rules may apply (as explained below).

### **Income Tax Withholding:**

**Mandatory Federal Income Tax 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 will withhold 20% of the taxable amount. This amount is sent to the IRS as income tax withholding. For example, if your amount eligible for direct rollover is \$10,000 (which is entirely taxable), 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 on the following page), you will report the full \$10,000 as a taxable payment from the Plan. You will report the \$2,000 as tax withheld, and it will be credited against any federal income tax you owe for the year.

# **SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS – 109/111**

Please supply the participant with this form whenever they are requesting a distribution.

**Voluntary Federal Income Tax Withholding.** If any portion of your payment is not eligible for direct rollover under Part I above but is taxable, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion of your payment (however, you may still need to pay the tax when you file your return). If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of voluntary withholding, ask the Plan Administrator for the election form and related information.

**Sixty-Day Rollover Option.** If you have an amount eligible for direct rollover under Part I above paid to you, you can still decide to roll over all or part of it to a traditional IRA or another eligible retirement plan that accepts rollovers. If you decide to roll over your payment, **you must make the rollover within 60 days after you receive the payment.** The taxable portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible retirement plan.

You can roll over up to 100% of the amount that was eligible for direct rollover under Part I above, including an amount equal to the 20% 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 to the eligible retirement plan to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

**Example:** The amount of your distribution eligible for direct rollover is \$10,000, which is entirely taxable, 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 eligible retirement plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund 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 your payment if it is (1) paid to you because you separate from service with your employer during or after the year you reach age 55, (2) paid because you retire due to disability, (3) paid to you 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, (5) paid to an alternate payee under a qualified domestic relations order, (6) paid directly to the government to satisfy a federal tax levy, or (7) not in excess of 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 on Certain Distributions if You Were Born before January 1, 1936.** If your distribution that is eligible for rollover is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump sum distribution," it may be eligible for special tax treatment. (See also "Employer Stock or Securities" on the following page.) 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 because you have reached age 59½ or have separated from service with your employer (or, in the case of a self-employed individual, because you have reached age 59½ or have become disabled). For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least 5 years before the year in which you received the distribution. The special tax treatment for lump sum distributions is described below.

**Ten-Year Averaging .** If you receive a lump sum distribution and you were born before January 1, 1936, you may make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). The 10-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over 10 years.

# **SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS – 109/111**

Please supply the participant with this form whenever they are requesting a distribution.

**Capital Gain Treatment.** In addition, if you receive a lump sum distribution, 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 (if any) taxed as long-term capital gain at the 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, a governmental 457 plan or from an IRA not originally attributable to a qualified plan. If you have previously rolled over a payment from the Plan (or certain other similar plans of the employer), you cannot use this special tax 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, you will not be able to use this special tax treatment for later payments from that IRA, plan or annuity. Also, if you roll over only a portion of 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. Additional restrictions are described in IRS Form 4972, which has more 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, two requirements must be met:

**First**, either the payment must qualify as a lump sum distribution, as described above, except that you do not need five years of plan participation, or the employer stock included in the payment must be attributable to after-tax employee contributions, if any.

**Second**, you must not roll over the payment to a traditional IRA or an eligible employer plan.

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 is worth \$1,200 when you receive it, you would not have to pay tax on the \$200 increase in value until you later sell 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 (including any net unrealized appreciation) can be rolled over to a traditional IRA or another eligible employer plan that accepts rollovers of stock, either in a direct rollover or a rollover that you make yourself.

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 amount paid to you (including the value of the employer stock but excluding the net unrealized appreciation). However, the amount withheld will be taken only from the value of 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 you end your employment and 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 unless the loan has been defaulted and already reported as a deemed distribution for tax purposes. 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 retirement 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% Federal income tax withholding amount will be based on the entire taxable amount paid to you, including the amount of the loan offset. The amount withheld will be taken only from the value 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.

# **SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS – 109/111**

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Please supply the participant with this form whenever they are requesting a distribution.

## **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. Some of the rules summarized above also apply to a deceased employee’s beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a beneficiary (including children) other than the surviving spouse or a former spouse who is an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself. If you are an alternate payee, or a surviving spouse, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to a traditional IRA or to another eligible retirement plan that accepts rollovers. 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 Section 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 Section 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. State tax rules may be different than federal law, and certain states may not recognize all of the provisions of the Code described above for state tax law purposes. 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 a professional tax advisor *before* you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement 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 by calling 1-800-TAX-FORMS. The publications are also available on the Internet at [www.irs.gov](http://www.irs.gov).