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## DEATH BENEFIT DISTRIBUTION FORM

### Painting Industry Profit Sharing Annuity Plan

(For Spouse Beneficiaries Only)

Please complete the following information (type or print).

|                           |                                    |                                    |              |
|---------------------------|------------------------------------|------------------------------------|--------------|
| <b>BENEFICIARY'S NAME</b> | <b>SOCIAL SECURITY NO.</b>         | <b>RELATIONSHIP TO PARTICIPANT</b> |              |
|                           |                                    |                                    |              |
| <b>ADDRESS</b>            |                                    | <b>CITY</b>                        | <b>STATE</b> |
|                           |                                    |                                    |              |
| <b>PHONE NUMBER</b>       | <b>BENEFICIARY'S DATE OF BIRTH</b> |                                    |              |
|                           |                                    |                                    |              |
| <b>PARTICIPANT'S NAME</b> | <b>SOCIAL SECURITY NO.</b>         | <b>PARTICIPANT'S DATE OF DEATH</b> |              |
|                           |                                    |                                    |              |

As a beneficiary of the Participant named above, you are entitled to receive a distribution from the Plan. The amount payable on your behalf under the Plan will be referred to as your vested account.

Your vested account is eligible for rollover to an IRA. In general, any amounts you do not roll over are subject to mandatory 20% federal income tax withholding as well as any state tax withholding, if applicable. However, tax withholding is not mandatory if you fall into one of these scenarios:

- Distribution is being made in the 5<sup>th</sup> calendar year following the participant's death. In this case, the distribution is no longer eligible for rollover and optional withholding applies to the entire distribution.
- The participant was over age 70½ and was receiving required minimum distributions at the time of death, in which case a portion of any distribution will also be a required minimum distribution (RMD). The RMD is subject to optional income tax withholding and cannot be rolled over.

You should contact your tax advisor for more information on how these rules apply to you. If one of these scenarios applies to you, your distribution will be subject to 10% federal tax withholding and any state tax withholding, if applicable, unless you return a completed **TAX WITHHOLDING ELECTION FORM** along with this **DEATH BENEFIT DISTRIBUTION FORM**.

Generally, distribution of your entire vested account must be made by the December 31<sup>st</sup> of the 5<sup>th</sup> calendar year following the Participant's death. If you elect to receive your distribution in the form of installment payments over your life expectancy, the installment payments must commence no later than the December 31<sup>st</sup> of the calendar year following the death of the Participant, or if you are the sole designated beneficiary of the Participant, the December 31<sup>st</sup> of the calendar year in which the Participant would have attained age 70½, if later. These rules may limit the installment options provided on this **DEATH BENEFIT DISTRIBUTION FORM**.

If your vested account exceeds \$1,000, you have the right under the provisions of the Plan to receive a monthly annuity that is equivalent in value to your vested account. As of \_\_\_\_\_(mm/dd/yy), your vested account balance is \$\_\_\_\_\_.

The annuity option shown below has been calculated to begin immediately. You also have the option to waive this annuity benefit and receive one of the optional forms of benefit described in the Optional Forms section below. If your vested account is \$1,000 or less, the annuity option is not available.

I have read the "Special Tax Notice Regarding Plan Payments," and I hereby make the following request for distribution:



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## Painting Industry Profit Sharing Annuity Plan

(For Spouse Beneficiaries Only)

Please complete the following information (type or print).

| BENEFICIARY'S NAME | SOCIAL SECURITY NO. | RELATIONSHIP TO PARTICIPANT |
|--------------------|---------------------|-----------------------------|
|                    |                     |                             |

**I. SINGLE LIFE ANNUITY (Complete if your vested account exceeds \$1,000. If you waive the annuity option, you must complete the Optional Forms section below.)**

**Single Life Annuity.** I understand that under a Single Life Annuity, I will receive an approximate monthly benefit of \$\_\_\_\_\_\* payable to me for as long as I live.

\*The benefit amount has been calculated assuming your date of birth is the same as that of your deceased spouse. If you choose this option, you must call John Hancock to request a new **DEATH BENEFIT DISTRIBUTION FORM** based on your actual date of birth.

I do not want a Single Life Annuity. Pay my vested account in accordance with the form of payment elected under the Optional Forms section.

**NOTE:** The annuity amount was calculated based upon your vested account balance stated in this **DEATH BENEFIT DISTRIBUTION FORM**, the 1994 Group Annuity Reserving Table and the latest available GATT interest rate, and your spouse's age. If you elect this form of payment, the annuity will be recalculated using your actual date of birth. The annuity will be purchased from an insurance company. Accordingly, it is important to note that the insurance company's rates may produce a higher or lower annuity than is illustrated here.

**NOTE ALSO:** If you have elected an annuity, you will be subject to the optional federal income tax withholding rules, and you must complete the enclosed **TAX WITHHOLDING ELECTION FORM**.

**II. OPTIONAL FORMS (Complete if your vested account is \$1,000 or less, or if you have declined the annuity options above.)**

**NOTE:** The following election will apply to the payment of your entire vested account.

In the event a portion of your distribution is a required minimum distribution, that portion will be paid to you and it will be subject to optional federal income tax withholding, and you must complete a **TAX WITHHOLDING ELECTION FORM**.

**Elect One:**

**A. Payment Rolled Over To An IRA or Retirement Plan** - I elect to have my vested account distributed in cash and my eligible distribution payable to an Individual Retirement Account ("IRA") or retirement plan.

**B. Payment With Partial Rollover To An IRA or Retirement Plan** - I elect to have my vested account distributed in cash. I further elect to have \_\_\_\_\_% (if you fail to specify a percentage to be rolled over, you will automatically have 100% rolled over) of my eligible distribution payable to an IRA or retirement plan and have the balance, if any, paid directly to me. I understand that, with respect to the taxable amount paid to me, if any, I may be subject to mandatory 20% federal income tax withholding and any state tax withholding, if applicable.

**C. Payment Paid To Me** - I elect to have my vested account distributed in cash and paid to me. I understand that, with respect to the taxable portion of my distribution, I may be subject to mandatory 20% federal income tax withholding and any state tax withholding, if applicable.



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**DEATH BENEFIT DISTRIBUTION FORM**  
**Painting Industry Profit Sharing Annuity Plan**  
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| BENEFICIARY'S NAME | SOCIAL SECURITY NO. | RELATIONSHIP TO PARTICIPANT |
|--------------------|---------------------|-----------------------------|
|                    |                     |                             |

- D. Installments** - My vested account balance exceeds \$1,000, and I elect to have my vested account distributed to me in (select one): [ ] monthly / [ ] annual installments over my life expectancy. My date of birth is \_\_\_\_/\_\_\_\_/\_\_\_\_. I understand that my distribution will be subject to 10% federal income tax withholding and any state tax withholding, if applicable, unless I return a completed **TAX WITHHOLDING ELECTION FORM**.

**III. PAYEE INFORMATION FOR IRA OR RETIREMENT PLAN (Complete this section ONLY if you elected an option to roll over all or a portion of your distribution to an IRA or retirement plan.)** If you choose to roll over all or a portion of your distribution to an IRA or retirement plan, a check in the designated amount will be mailed to you and it will be your responsibility to deliver it to the financial institution or retirement plan.

Generally, you have the option to roll over your distribution to an IRA, Roth IRA, or retirement plan. Refer to the enclosed *Special Tax Notice* regarding these rollover options and their tax consequences. You may also want to contact a financial advisor. If you want to roll over your distribution to a Roth IRA (Roth conversion), check the Roth IRA box below and fill in the IRA information. If you elect this option, you will be subject to taxes. However, no amount will be withheld from the rollover for payment of these taxes.

**Payee Information:** My rollover should be made payable to (check one and complete below):

- IRA**
                         
  **Roth IRA**
                         
  **Retirement Plan**

\_\_\_\_\_  
**Name of IRA Financial Institution or Retirement Plan**

**IV. SIGNATURE**

I understand that once payments have commenced, my election made above is irrevocable.

I understand that payment will be mailed to the address provided on this form. I also understand that this address will be used for all tax reporting purposes. I understand that I may have this distribution directly deposited into my bank account by accessing mylife.jhrps.com to set up my banking information. I also understand that if I previously received a distribution from the Plan via automatic deposit, this distribution will automatically be sent to the same bank account unless I change my banking information by accessing mylife.jhrps.com prior to submitting this request.

Signature of Beneficiary: \_\_\_\_\_ Date: \_\_\_\_\_



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|--------------------|---------------------|-----------------------------|
|                    |                     |                             |

**TO BE COMPLETED BY PLAN ADMINISTRATOR**

The request for the above Beneficiary is:

APPROVED

NOT APPROVED

If approved, the Custodian is hereby authorized to process the request.

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

Date form received by Plan Administrator: \_\_\_\_\_

**Return this form to: Fund Office, Board of Trustees, Painting Industry Profit Sharing Annuity Plan, 8257 Dow Circle, Cleveland, OH 44136.**



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**TAX WITHHOLDING ELECTION FORM**  
**Painting Industry Profit Sharing Annuity Plan**

| PAYEE'S NAME | SOCIAL SECURITY NO. |
|--------------|---------------------|
|              |                     |

**NOTE: Refer to your Election Form to determine whether this form is required.**

Use this form to elect to have no federal income tax withheld from your distribution (**excluding eligible rollover distributions**) or to have additional amounts of tax withheld from your distribution. Whether or not you elect to have federal income tax withheld, you are liable for payment of federal income tax on the taxable portion of your distribution. If you elect to have no amount withheld from your distribution, or if you do not have enough federal income tax withheld, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient, particularly if you have other sources of income not subject to withholding (such as interest, dividends, taxable Social Security). If federal income tax is withheld from your distribution, state income tax, if applicable, will also be withheld and your distribution will be reduced by such amounts. If your state does not require mandatory state income tax withholding, you may elect to have state income tax withheld and your distribution will be reduced accordingly.

- **Periodic Payments** - If you do not return this form and you elect annuity or installment payments for a period of 10 or more years, federal and any applicable state income tax will be withheld from the taxable portion of your payments as if you were a married individual claiming three withholding allowances.
- **Nonperiodic Payments (for Required Minimum Distributions and IRA Account Holders)** - If you do not return this form and elect a lump sum distribution, 10% federal and any applicable state income tax will be withheld from the taxable portion of your distribution.

Your tax withholding election will remain in effect until you cancel it. You may change or cancel your election at any time by requesting a new form by contacting John Hancock. You may obtain additional instructions and worksheets to assist you in completing this form by requesting the official IRS Form W-4P at 1-800-TAX-FORM or on the Internet at [www.irs.ustreas.gov](http://www.irs.ustreas.gov). You may want to seek the advice of a professional tax advisor prior to completing this form.

**I. ELECTION FOR WITHHOLDING (Check box A or box B)**

- A. I do not elect** to have federal or state income tax withheld from my distribution payments. (Skip Section II and sign Section III.)
- B. I elect** to have federal and/or state income tax withheld from my distribution payments. (Complete Option A or B in Section II and sign Section III.)

**II. TAX WITHHOLDING (Complete Option A if you want withholding based on marital status and allowances or Option B if you want withholding based on a flat dollar amount.)**

- A. WITHHOLDING BASED ON MARITAL STATUS AND ALLOWANCES** - Withhold federal and applicable state income tax based on my marital status and number of allowances as indicated below. I understand that my marital status and number of allowances will be used to determine the amount of federal and applicable state income tax withheld from my payment and that if the amount of my payment is such that no tax withholding is required based on my election, no withholding will occur unless I indicate an additional dollar amount to be withheld.

Marital Status:     Single     Married     Married, but withhold at higher Single rate

Total number of allowances: \_\_\_\_\_

Additional amount, if any, to be withheld for federal income tax: \$ \_\_\_\_\_

Flat dollar amount to be withheld for state income tax: \$ \_\_\_\_\_



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**TAX WITHHOLDING ELECTION FORM**  
**Painting Industry Profit Sharing Annuity Plan**

| PAYEE'S NAME | SOCIAL SECURITY NO. |
|--------------|---------------------|
|              |                     |

**Note:** If your state requires state income tax withholding and you elect federal withholding, the required state amount will be withheld unless you request a dollar amount that is greater than the amount required by law. If your state does not have state income tax, no state tax will be withheld.

**B. WITHHOLDING BASED ON A FLAT DOLLAR AMOUNT** - Withhold federal and state income tax as indicated below.

Amount to be withheld for federal income tax: \$ \_\_\_\_\_

Amount to be withheld for state income tax: \$ \_\_\_\_\_

**Note:** If your state requires state income tax withholding and you elect federal withholding, the required state amount will be withheld unless you request a dollar amount that is greater than the amount required by law. If your state does not have state income tax, no state tax will be withheld.

**III. SIGNATURE**

I certify that the information provided on this form is correct.

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

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**Return this form to: Fund Office, Board of Trustees, Painting Industry Profit Sharing Annuity Plan, 8257 Dow Circle, Cleveland, OH 44136.**

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# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS ROLLOVER OPTIONS

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You are receiving this notice because all or a portion of a payment that you are eligible to receive from the Painting Industry Profit Sharing Annuity Plan (the "Plan") may be permitted to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do 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). If you also receive a payment from a designated Roth account in the Plan, you will be provided a different notice for that payment, and the Plan administrator or the payor will tell you the amount that is being paid from each account.

You may have the right to defer your distribution which is described in the "Right to Defer Distribution" section. 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.

## RIGHT TO DEFER DISTRIBUTION

Depending on your vested account balance and the Plan provisions, you may be able to defer distribution of your account. If you are eligible to defer and elect to do so, you may continue to invest your account in the Plan's investment options to the extent permitted by the Plan. By deferring distribution you will have access to investment options that may not be generally available on similar terms outside the Plan. Fees and expenses (including administrative or investment-related fees) outside the Plan may be different than those that apply to your account under the Plan. Refer to the Plan's Summary Plan Description ("SPD") or contact John Hancock at [mylife.jhrps.com](http://mylife.jhrps.com) or at 1.800.294.3575 to determine if the option to defer distribution is available to you. Your account will be subject to any restrictions and/or fees disclosed in the SPD, enrollment materials, and any required notices, copies of which you previously received. Additional copies as well as detailed Plan and investment information are available through John Hancock.

## 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 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do 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 59½ (or if an 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.

If your Plan provides for a designated Roth account, it may also allow in-plan Roth rollovers of amounts not currently held in the designated Roth account. See the section below titled "If your Plan permits a rollover to a designated Roth account in the Plan" for more information.

### How do I do a rollover?

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

If you do 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 do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). 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 an exception applies).

### How much may I roll over?

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

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary).
- Required minimum distributions after age 70½ (or after death).
- Hardship distributions.
- ESOP dividends.
- Corrective distributions of contributions that exceed tax law limitations.
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends).
- Cost of life insurance paid by the Plan.
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA).



# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS ROLLOVER OPTIONS

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

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

If you are under age 59½, 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 from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation.
- Payments made due to disability.
- Payments after your death.
- Payments of ESOP dividends.
- Corrective distributions of contributions that exceed tax law limitations.
- Cost of life insurance paid by the Plan.
- Payments made directly to the government to satisfy a federal tax levy.
- Payments made up 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 of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

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

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments 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 included in the payment, so you cannot take a payment of only after-tax contributions. However, 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. In addition, special rules apply when you do a rollover, as described below.

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 do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth 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.





# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS ROLLOVER OPTIONS

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## **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 your payment includes employer stock that you do not roll over**

If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability or the participant's death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the Plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the Plan. If you do a rollover for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or employer plan. The Plan administrator can tell you the amount of any net unrealized appreciation.

## **If you have an outstanding loan that is being offset**

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the loan offset to an IRA or employer plan.

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

## **If your payment is from a governmental section 457(b) plan**

If the Plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the Plan even if you are under age 59½ (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences are that you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rules under "If your payment includes employer stock that you do not roll over" and "If you were born on or before January 1, 1936" do not apply.

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

If the Plan is a governmental plan, you retired as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of \$3,000 annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain or member of a rescue squad or ambulance crew.

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

If you roll over the 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 59½ (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 your Plan permits a rollover to a designated Roth account in the Plan**

You cannot roll over a distribution to a designated Roth account in another employer's plan. However, you can roll the distribution over into a designated Roth account in the distributing Plan. If you roll over a payment from the Plan to a designated Roth account in the Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10% additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover).

If you roll over the payment to a designated Roth account in the Plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the



# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS ROLLOVER OPTIONS

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designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account 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).

## **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 and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the 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 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 70½.

**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 do 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). 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 do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

## **Other special rules**

If 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 a 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

