

Hardship Withdrawal Form

READ THE ATTACHED IRS SPECIAL TAX NOTICE: IF YOUR PLAN ALLOWS FOR AN ANNUITY OPTION, READ THE WRITTEN EXPLANATION OF QUALIFIED JOINT AND 50% CONTINGENT SURVIVOR ANNUITY FORM OF BENEFIT BEFORE COMPLETING THIS FORM.

INSTRUCTIONS AND INFORMATION FOR COMPLETING THIS FORM

THIS FORM MUST BE COMPLETED AND SIGNED BY YOU (AND YOUR SPOUSE IF YOU ARE MARRIED) AND THE PLAN ADMINISTRATOR, TRUSTEE OR AN AUTHORIZED SIGNER. If any information is missing or incomplete you may be required to complete a new form or provide additional information before the distribution can be processed. There may be a charge to process this distribution request which is deducted directly from the distribution check. Please check with your employer to determine if you are subject to this charge.

If your distribution will be sent to an address outside of the United States, Puerto Rico, the U.S. Virgin Islands or Guam, you must also submit either an IRS Form W-9 to certify you are a U.S. person or a Form W-8BEN if you are a non-resident alien with respect to the U.S. To obtain these forms or for assistance in determining which form you should submit, please go to the IRS website at www.irs.gov or consult with a tax advisor. If you do not submit one of these forms along with this form, 30% tax withholding will be applied to your distribution.

PARTICIPANT INSTRUCTIONS

1. Complete Sections B-G. If you are married, complete Section F, Spousal Consent.
2. Your signature is required in Section G. **(Please note: A signature guarantee is required for distributions of \$150,000 or more)**
3. Submit this form to your Employer for signature and processing. **Do not mail this form directly to the Processing Center listed at the end of this form.**

EMPLOYER INSTRUCTIONS

1. Review guidelines below to ensure proper documentation has been received.
2. Complete Section A.
3. Your signature is required in Section G. **(Please note: A signature guarantee is required for distributions of \$150,000 or more)**
4. Submit this form to the Processing Center.

HARDSHIP WITHDRAWAL GUIDELINES

1. Monies requested must be used for one of the following purposes:
 - To pay costs directly related to the purchase of a participant's principal residence;
 - To pay post-secondary tuition and educational expenses of a participant, spouse, dependent(s) or beneficiary(s) for the next 12 months;
 - To pay un-reimbursed medical and/or hospital expenses for a participant, spouse, dependent(s) or beneficiary(s);
 - To prevent eviction from or foreclosure on the mortgage of a participant's principal residence;
 - To pay for funeral or burial expenses for the participant's deceased parent, spouse, child, dependent or beneficiary(s); or
 - To pay for expenses to repair damage to the participant's principal residence that would qualify for a casualty loss deduction under Code Section 165 (determined without regard to whether the loss exceeds ten percent (10%) of adjusted gross income).

You are required to provide proof of this hardship to your Employer.

2. Participants must exhaust all available resources to obtain monies, within reason *(if applicable)*.
3. The amount of the request must not be in excess of the amount required to satisfy the need, but may include federal, state, or local taxes and penalties.



SECTION A. Plan Information

Central California Child Development Services, Inc.

Company/Employer Name

CCCDS Retirement Savings Plan

601447

Plan Name

Contract Number

Division Number (if applicable)

SECTION B. Participant Information – Please print

Social Security Number

Date of Birth (MM-DD-YYYY)

Date of Hire (MM-DD-YYYY)

Last Name

First Name

MI

Street Address/Apt. No.

City

State

Zip Code

()
Phone Number

Email Address

Marital Status: Married Not Married

MAIL DELIVERY

If no address is provided in Section B, the address on file will be used to process this request. All checks will be sent via First Class Mail unless the Overnight Mail box is checked below.

Send check overnight mail A fee (up to \$50) will be deducted from your account. *Please note:* A street address must be provided.

SECTION C. Hardship Reason

My hardship withdrawal request is for the purpose of meeting the financial need(s) indicated below:

- Purchase of a Principal Residence** (excluding mortgage payments; must provide a signed contract by buyer and seller to your Employer)
- College/Post-Secondary Tuition** (provide tuition bill for period within the next 12 months for self, spouse, dependents or beneficiary(s) to your Employer)
- Medical Expenses** (must provide unreimbursed medical bill indicating insurance portion or denial letter from insurance carrier for self, spouse, dependents or beneficiary(s) to your Employer)
- Foreclosure/Eviction - Principal Residence** (must provide foreclosure or eviction notice to your Employer)
- Funeral or Burial Expenses** (provide a bill for funeral or burial expenses for your parent, spouse, child, dependent or beneficiary(s) to your Employer)
- Damage to Principal Residence** (provide a bill for expenses to repair your principal residence, along with a statement certifying that the damage qualifies for a casualty loss deduction under Code Section 165 to your Employer)

I have provided supporting documentation as indicated below:

<u>Type of Hardship</u>	<u>Date</u>	<u>Type of Documentation</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

SECTION D. Hardship Amount

The amount of money I will need to satisfy this hardship is \$ _____ (an amount must be specified, or the "Maximum Allowed" under your plan).

Note: Your payout will automatically be prorated against all investment options. You may increase your hardship amount to include the taxes that would be withheld if elected.



SECTION E. Income Tax Withholding

FEDERAL INCOME TAX WITHHOLDING

Withholding elections determine the amount of your distribution that will be withheld and paid to the respective tax authorities, in anticipation of income taxes due on the taxable portion of your distribution. This withholding in no way represents your final liability due on these amounts and you should consult with your tax advisor regarding appropriate reporting on your annual income tax returns. You remain liable for the full amount of any taxes due, including any early withdrawal penalties. Therefore, you may need to pay additional taxes and could incur penalties if withholding or estimated tax payments for the year are not enough to cover your liability.

Your distribution will be subject to a 10% withholding unless you select a different percentage between 0% and 100% on IRS Form W-4R.

In addition to the standard 10% withholding, you may also withhold an additional 10% to cover an early withdrawal penalty, if applicable.

The IRS Form W-4R can be found at <https://www.irs.gov/pub/irs-pdf/fw4r.pdf> or from www.irs.gov. If the appropriate form is not included, the default withholding will apply.

STATE INCOME TAX WITHHOLDING

The state of withholding will be presumed to be the state that has been provided in your address as previously provided on the form. Tax withholding rules vary by state. More likely than not, your home state (a) requires a minimum withholding amount when federal withholding is required; (b) requires withholding unless you can opt out; (c) allows a voluntary withholding election; or (d) does not have state income tax and does not permit withholding. Unless requested, state withholding will not be deducted for states with voluntary withholding. *Some states require the completion of their State Withholding Certificate to make an independent election. Consult with your tax advisor or state revenue department to obtain the most up-to-date information and to confirm if your state's withholding form is required to be submitted. If permitted by your state, please select one of the options below.*

- NO, I ELECT NOT TO HAVE STATE INCOME TAX WITHHELD
- YES, I ELECT TO HAVE ____% AS STATE INCOME TAX WITHHELD
- YES, I ELECT TO HAVE \$____ (WHOLE DOLLAR ONLY) AS STATE INCOME TAX WITHHELD
- YES, I ELECT TO HAVE STATE INCOME TAX WITHHELD USING THE DEFAULT FILING STATUS AS PER MY STATE OF RESIDENCE WITHHOLDING CERTIFICATE (Note: ONLY CHECK THIS BOX FOR PERIODIC PAYMENTS WITHHOLDING).

NOTE: Withholding may be greater if the amount you select is less than the minimum required. Withholding will be processed for states that require withholding or do not allow you to opt out without your state's form.

SECTION F. Spousal Consent

Check with your Employer/Plan Administrator or your Summary Plan Description to determine whether this plan is subject to spousal consent requirements. **If spousal consent** is required, complete this section. Otherwise skip to Section G.

You must have your spouse's signature notarized or have a plan representative witness your spouse's signature if your vested account balance is greater than \$5,000. However, if the vested account balance is less than \$5,000 spousal consent is not required.

Spousal Consent

I, the undersigned spouse of the participant, understand that federal law requires that I consent in writing to any distribution from the plan unless that distribution is in the form of a joint and survivor annuity. I have read the IRS Special Tax Notice provided to me and hereby waive my rights to have the amount of the hardship distribution payable in an annuity. I understand the effects of this waiver and consent to the hardship distribution elected by my spouse.

Signature of Participant's Spouse: _____ Date: _____

Statement of Plan Representative or Notary Public

The spouse whose signature I have witnessed is known to me and signed this form in my presence.

Plan Representative: _____ Date: _____

Notary Public Signature: _____ Date: _____

PLACE SEAL HERE (if applicable)



SECTION G. Participant Signature

Signature Guarantee – Place Medallion Stamp Below (Required if distribution is \$150,000 or more.)

A request for a withdrawal of \$150,000 or more requires that this completed form be stamped with a *medallion signature guarantee*. You can obtain a medallion signature guarantee from a financial institution such as a commercial bank, savings bank, credit union, or broker-dealer. **A notary is NOT a medallion signature guarantee.**

The original form, stamped with the medallion signature guarantee, must be presented to your Plan Administrator for approval.

Please note, for this purpose, the value of the withdrawal is based on the amount available (for full distributions and rollovers) on the date of processing and multiple withdrawal requests within a 14-day period that total \$150,000 or more will be subject to the medallion signature guarantee requirements.

Participant's Distribution is \$150,000 or more Medallion Signature Guarantee – Place Medallion Stamp Below
Empty space for medallion stamp

PARTICIPANT SIGNATURE

The above information and any substantiating documentation is true and correct to the best of my knowledge. I understand and agree that Transamerica Retirement Solutions, LLC, its parents, affiliates, subsidiaries, related companies, employees, agents, officers and directors (a) are not responsible for determining whether my request satisfies applicable tax or other legal requirements, and (b) have no liability to me or any other person for any adverse consequences resulting from payment of my hardship withdrawal as requested. I understand that a copy of this form must be submitted to my employer/plan administrator. In addition, I acknowledge that I have received the "Special Tax Notice Regarding Payments From Qualified Plans."

My signature acknowledges that the required documentation will be submitted with this form for approval by the Plan Sponsor. In addition, I acknowledge that I have read, understand and agree to all the terms of this Distribution Request form, and affirm that all information that I have provided is true and correct. Further, I acknowledge that I have received the "Special Tax Notice Regarding Payments From Qualified Plans" and other required notices. The above information is true and correct to the best of my knowledge. I further understand that I may revoke this election at any time prior to the distribution taking place.

As part of my request for the above financial hardship, I certify that: (1) I have insufficient cash or other assets available for liquidation to satisfy the immediate and heavy financial need that exists on account of this hardship and that borrowing from a commercial source to satisfy the need would be counterproductive and would increase the amount of the need; (2) I have obtained all distributions currently available under all of my employer's plans; and (3) upon request of the Plan Administrator, I will provide independent written evidence of my financial hardship amount.

Signature of Participant

Date

MUST BE COMPLETED BY THE PLAN ADMINISTRATOR, TRUSTEE OR AUTHORIZED SIGNER ONLY

The participant is entitled to a vested benefit of _____% of company contributions.

Please refer to your Plan Document for the vesting schedule.

By signing below, I hereby authorize Transamerica to process and forward the distribution described in this form. This request is in compliance with plan provisions.

If spousal consent is not provided, then in accordance with the terms and provisions of the plan and under the current law, spousal consent is not required for payment of the requested benefit.

By: Signature of Plan Administrator, Trustee or Authorized Signer

Date

Print Name of Plan Administrator, Trustee or Authorized Signer

Date

A photocopy of this form and any supporting documentation should be kept for your records and maintained according to government auditing standards.

Once this form has been completed with all of the necessary information and required signatures, please forward to the Processing Center for processing. This form cannot be processed without the Plan Administrator, Trustee or Authorized Signer's signature.

FOR PLAN ADMINISTRATOR USE ONLY-MAIL TO: Processing Center, 6400 C Street SW, Cedar Rapids, IA 52499 or Fax# 833-200-9987





Explanation of Distribution Options

This information only applies to defined contribution retirement plans that are not subject to the joint and survivor annuity requirements. The information provided in this Explanation is intended to be general in nature; not all plan provisions and options are available under your plan. To confirm the specific terms of your plan, please refer to your Summary Plan Description or contact your Plan Administrator.

General

As a plan participant, you may have the right to receive benefits when you reach your normal retirement age under the plan or terminate employment, provided your plan account has monies in it available for your withdrawal. If your plan allows in-service withdrawals for hardship or upon your attainment of age 59 1/2 or for any other reasons, you may also elect to receive benefit payments if you have satisfied the applicable plan requirements.

Please note, the plan may provide that if the cash value of your benefit is less than a specified amount (generally \$5,000 or less, if any), your benefit will be paid to you in a single sum, or automatically rolled over to an IRA (if required by federal law) unless you elect otherwise.

Under the provisions of the plan, you may request that your benefit be paid under the optional form of benefit which is best suited to your particular needs and circumstances. The amount of monthly income payable will depend upon the form of payment elected, your age (and your designated beneficiary's age) as well as your vested account balance as of your retirement date, or, if earlier, date of this election.

Summary of Forms of Benefit (Availability of the following options will depend upon plan provisions)

Single Sum Payment: The vested balance in your account will be paid in a single sum.

Installment Payment (specific limitations may apply to this option under the terms of your plan): The vested balance in your account will be paid in monthly, quarterly, semi-annual or annual installment payments.

Partial Payment: The vested balance in your account will be paid in partial payments.

Fixed Period Certain Annuity - No "Life" Guarantee: A monthly income is payable to you beginning on your benefit starting date, in equal installments over a specified period of not less than 12 nor more than 240 months. If you die during the specified period elected, the income will be continued for the remainder of the specified period to your designated beneficiary. You may elect that such payment to your beneficiary is to be made in a single sum.

Straight Life Annuity - No "Years" Certain: A lifetime monthly income is payable to you, beginning on your benefit starting date and continuing until the last payment due before your death. If you die after your benefit starting date, there will be no death benefit payable. If you are married, you may elect this form of payment only with your spouse's consent.

Life Annuity with Period Certain: A lifetime monthly income is payable to you, beginning on your benefit starting date and continuing until the last payment due before your death. If you die during the period certain which begins on your benefit starting date, the monthly income will be continued to your designated beneficiary for the remainder of the period certain. The beneficiary may elect that such payment be made in a lump sum.

Joint and Survivor Annuity: A lifetime monthly income is payable to you, beginning on your benefit starting date and continuing until the last payment due before your death. Upon your death, your joint annuitant will receive a monthly income for life equal to, depending on the provisions of your plan, at least one-half (and not more than 100%) of the amount of monthly income you were receiving. If you are married, your joint annuitant must be your spouse unless your spouse consents to another annuitant on a form provided by the Plan Administrator.

Election of Annuity Benefit

If you are married (and your plan provides annuities as a form of benefit) and you wish to elect an annuity form of benefit, other than a Joint and Survivor Annuity with your spouse as your joint annuitant, your spouse must consent to your election, in writing, witnessed by your Plan Administrator or a Notary Public, during the 180 day period before your benefit starting date. If you are married and wish to designate a person other than your spouse as your joint annuitant, you must obtain your spouse's written consent to your beneficiary designation. (If established to the satisfaction of your Plan Administrator that your spouse cannot be located, spousal consent is not required.) Your spouse's consent must be made on a special form available from your Plan Administrator.



Comparison of Forms of Benefit

These examples compare benefits under forms of payment that may be available under the plan. These examples are based on specific assumptions and certain interest rates and mortality rates. The amounts shown are estimates, provided to illustrate the differences among the various options and are not intended to represent the actual amount payable to you. Upon your request, a more precise calculation will be provided. Your request should be sent to the address below if in writing. If you wish to call in your request, see the number provided below for you to call.

Assume a participant retiring at age 65 has a beneficiary of the same age and a \$200,000 account balance.

Age 65 Commencement

Form of Benefit	Benefit to Participant	Benefit to Spouse/Beneficiary After Participant's Death
Qualified Joint and Survivor Annuity		
50%	\$ 914.31 per month	\$ 457.16 per month
66.7%	\$ 890.56 per month	\$ 593.71 per month
75%	\$ 879.15 per month	\$ 659.36 per month
100%	\$ 846.58 per month	\$ 846.58 per month
Straight Life Annuity	\$ 993.76 per month	
Life Annuity with 5 Years Certain	\$ 988.91 per month	
Life Annuity with 10 Years Certain	\$ 974.01 per month	
Period Certain 5	\$ 3,392.05 per month	
Period Certain 10 Years	\$ 1,814.58 per month	

Any annuity elected will be provided by purchasing an annuity contract from an insurance company with your vested account balance under the plan. Dollar amounts shown do not reflect any required tax withholding, ongoing account expenses, or possible fees charged by the annuity provider.

Election Rights

You have at least 30 days to consider which form of benefit payment you want to elect. If, after receiving this Explanation, you affirmatively elect a distribution, your distribution may be made less than 30 days from the date this Explanation was given to you. If you elect an annuity form of payment:

- Your distribution election is revocable until the later of (a) your benefit starting date, or (b) prior to the expiration of the 7-day period that begins the date after you receive this Explanation;
- Your benefit starting date is a date after the date you received this Explanation;
- Distribution in accordance with your benefit election is paid more than 7 days after the date this Explanation was provided.

Consequences of Your Taking the Distribution Instead of Deferring Receipt of the Distribution

If you are eligible to receive a distribution from the plan, but also have the right to defer receipt of such distribution because, e.g., the value of your nonforfeitable account balance exceeds \$5,000 (or such lower automatic cash-out limit set by the plan), your decision not to defer receipt of your distribution includes the following consequences if you do not directly (or indirectly within 60 days of receipt of the distribution) roll over your distribution to an IRA or another eligible retirement plan: (1) you will be taxed on the taxable amount of the distribution in the year the distribution is made and will no longer be able to defer the taxation of the distribution, (2) an IRS early distribution 10% penalty tax may apply to the taxable portion of your distribution if you receive the distribution either before attaining age 59 ½ or after separating from service before the year in which you attain age 55, and (3) you will lose the opportunity to defer the taxation of future earnings on your distribution.

Please note that some currently available investment options may not be generally available on similar terms outside the Plan. In addition, fees and expenses (including administrative or investment-related fees) outside the Plan may be different from fees and expenses that apply to the Plan's accounts. Please contact your financial advisor for additional information.

Your plan may include other provisions that might affect your decision whether to defer receipt of a distribution. You should review the plan's summary plan description before deciding to elect a distribution, and discuss this issue with your tax advisor. A copy of the plan's summary plan description is available from the Plan Administrator.

Right to Request Participant-Specific Information

You have the right to request specific information with respect to each form of benefit available to you under the plan, including a description of the financial effect of electing each form of benefit available to you under the plan. Written requests should be sent to your Plan Administrator.



YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from your employer's retirement plan is eligible to be rolled over to a Traditional IRA, a Roth IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

Section I of 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 in some employer plans that is subject to special tax rules).

Section II applies if you also receive a payment from a designated Roth account in the Plan, in which case the plan administrator or the payor will tell you the amount that is being paid from each account.

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.

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.

Section I: GENERAL INFORMATION ABOUT ROLLOVERS FROM YOUR RETIREMENT PLAN (Not Including Any Designated Roth Account)**How can a rollover affect my taxes?**

You will generally be taxed on a payment from the Plan if you do not roll it over. However, rollovers to a designated Roth account within the Plan or to a Roth IRA that are not from a designated Roth account are subject to taxation, as discussed below. 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 (generally, distributions made before age 59½), 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 59 1/2 (or if an exception to the 10% additional income tax applies).

What types of retirement accounts and plans may accept my rollover?

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, IRAs are not subject to spousal consent rules 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.

You may also roll over the payment to a designated Roth account within the Plan.

How do I do a rollover?

There are two ways to do a rollover. You can generally 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. Generally, 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 59 1/2 (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 joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions after age 70 ½ (if you were born before July 1, 1949), after age 72 (if you were born after June 30, 1949) or after death;
- Hardship distributions;
- Payments of employee stock ownership plan (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 that you request to withdraw within 90 days of your first contribution;
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there generally will be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA); and
- Distributions of certain premiums for health and accident insurance



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 59 1/2, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and 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 joint lives or joint life expectancies of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be 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 under a qualified domestic relations order (QDRO);
- Payments of up to \$5,000 made to you from a defined contribution plan if the payment is a qualified birth or adoption distribution;
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- 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 that you request to withdraw within 90 days of your first contribution;
- Payments excepted from the additional income tax by federal legislation relating to certain emergencies and disasters; and
- Phased retirement payments made to federal employees.

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 on the part of the distribution that you must include in income, 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:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply.
- 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); and
- 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.

Additional exceptions apply for payments from an IRA, including:

- Payments for qualified higher education expenses,
- Payments up to \$10,000 used in a qualified first-time home purchase, and
- 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 address any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS For Payments From Your Retirement Account (Not Including Your Designated Roth Account)

If your payment includes after-tax contributions:

After-tax contributions included in a payment are not taxed. If you receive a partial payment of your total 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 the 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 by you, the portion 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 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.

Similarly, if you do a 60-day rollover to an IRA of only a portion of a payment made to you, the portion 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, 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.

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

If you miss the 60-day rollover deadline:

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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-A, *Contributions to 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 59 1/2, 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 generally, the 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 outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason (such as a failure to make level loan repayments that results in a deemed distribution), then you have 60 days from the date the offset occurs to complete your rollover.

If you were born on or before January 1, 1936:

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

If 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 59 1/2 (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 59 1/2 will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences include 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 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 a payment from the Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. In general, the 10% additional income tax on early distributions will not apply. However, if you take the amount rolled over



out of the Roth IRA within the 5 year period that begins on January 1 of the year of the rollover, the 10% additional income tax will apply (unless an exception applies).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59 1/2 (or after your death or disability, or as a qualified first-time home buyer 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)*

You may roll over a payment from the Plan to a designated Roth account within the Plan.

If you do a roll over 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. In general, the 10% additional income tax on early distributions will not apply. However, if you take the amount rolled over out of the Roth IRA within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional income tax will apply (unless an exception applies).

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 59 1/2 (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 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 generally will 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 deceased 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 59 1/2 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 70 1/2 (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949).

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70 1/2 (if the participant was born before July 1, 1949) or age 72 (if the participant was born after June 30, 1949).

If you are a surviving beneficiary other than a spouse: If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to 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 QDRO. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a QDRO, you generally have the same options and the same tax treatment that 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). However, 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 do 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 federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cash-out 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 cash-out 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 on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, *Armed Forces' Tax Guide*. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

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, or by calling 1-800-TAX-FORM.

Section II: FOR PAYMENTS FROM A DESIGNATED ROTH ACCOUNT

YOUR ROLLOVER OPTIONS

This section of the notice applies if you are receiving all or a portion of a payment from your employer's plan that is eligible to be rolled over to a Roth IRA or designated Roth account in an employer plan. This notice is intended to help you decide whether to do a rollover.

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

GENERAL INFORMATION ABOUT ROLLOVERS FOR PAYMENTS FROM A DESIGNATED ROTH ACCOUNT

How can a rollover affect my taxes?

After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the Plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the portion of the payment that is earnings. If you are under age 59½, a 10% additional income tax on early distributions (generally, distributions made before age 59½) will also apply to the earnings (unless an exception applies). However, if you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions.

If the payment from the Plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution from a designated Roth account in the Plan is a payment made after you are age 59 1/2 (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 the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a direct rollover to a designated Roth account in the Plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the plan or, if earlier, to the designated Roth account in the other employer plan.

What types of retirement accounts and plans may accept my rollover?

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457 plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, Roth IRAs are not subject to spousal consent rules and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

How do I do a rollover?

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

If you do a direct rollover, the Plan will make the payment directly to your Roth IRA or designated Roth account in an employer plan. You should contact the Roth 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 (generally within 60 days) into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59 1/2 (unless an exception applies).

If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings.

If you do not do a direct rollover and the payment is not a qualified distribution, the plan is required to withhold 20% of the earnings 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 to a Roth IRA, you must use other funds to make up for the 20% withheld.

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 joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions after age 70 ½ (if you were born before July 1, 1949) after age 72 (if you were born after June 30, 1949) or after death;
- Hardship distributions;
- Payments of employee stock ownership plan (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 that you request to withdraw within 90 days of your first contribution; and
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there generally will be adverse tax consequences if S corporation stock is held by an IRA); and
- Distributions of certain premiums for health and accident insurance

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 a payment is not a qualified distribution and you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over (including amounts withheld for income tax), unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the earnings 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 joint lives or joint life expectancies of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be 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 under a qualified domestic relations order (QDRO);
- Payments of up to \$5,000 made to you from a defined contribution plan if the payment is a qualified birth or adoption distribution;
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- 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 that you request to withdraw within 90 days of your first contribution; and
- Payments excepted from the additional income tax by federal legislation relating to certain emergencies and disasters.

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

If you receive a payment from a Roth IRA when you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions on



the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA listed above are the same as the exceptions for early distributions from a plan. However, there are a few differences for payments from a Roth IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply.
- 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 a Roth IRA of a spouse or former spouse); and
- 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.

Additional exceptions apply for payments from an IRA including:

- Payments for qualified higher education expenses,
- Payments up to \$10,000 used in a qualified first-time home purchase, and
- 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 address any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

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. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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-A, *Contributions to Individual Retirement Arrangements (IRAs)*.

If your payment includes employer stock that you do not roll over:

If you receive a payment that is not a qualified distribution and you do not roll it over, you can apply a special rule to payments of employer stock (or other employer securities) that are paid in a lump sum after separation from service (or after age 59 1/2, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock included in the earnings in the payment will not be taxed when distributed to you from the Plan and will be taxed at capital gain rates when you sell the stock. If you do a rollover to a Roth IRA for a nonqualified distribution that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the distribution), you will not have any taxable income and the special rule relating to the distributed employer stock will not apply to any subsequent payments from the Roth IRA or generally, the Plan. Net unrealized appreciation is generally the increase in the value of the employer stock after it was acquired by the Plan. The plan administrator can tell you the amount of any net unrealized appreciation.

If you receive a payment that is a qualified distribution that includes employer stock and you do not roll it over, your basis in the stock (used to determine gain or loss when you later sell the stock) will equal the fair market value of the stock at the time of the payment from the Plan.

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 outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. If the distribution attributable to the offset is not a qualified distribution and you do not roll over the offset amount, you will be taxed on any earnings included in the distribution (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over the earnings included in the loan offset to a Roth IRA or designated Roth account in an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers). You may also roll over the full amount of the offset to a Roth IRA.

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason, (such as a failure to make level repayments that results in a deemed distribution), then you have 60 days from the date the offset occurs to complete your rollover.

If you receive a nonqualified distribution and 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 is not a qualified distribution and that you do not roll over, special rules for calculating the amount of the tax on the earnings in 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 receive a payment that is not a qualified distribution and you do not roll it over, you will not have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over, 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 that is not a qualified distribution made before age 59½ will be subject to the 10% additional



income tax on earnings allocated to the payment (unless an exception applies). Other differences include 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 receive a nonqualified distribution, are an eligible retired public safety officer, and your 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 nonqualified distributions 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 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 generally will be taxed in the same manner described elsewhere in this notice. However, whether the payment is a qualified distribution generally depends on when the participant first made a contribution to the designated Roth account in the plan. Also, 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 receive a nonqualified distribution and you were born on or before January 1, 1936” applies only if the deceased 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 a Roth IRA, you may treat the Roth IRA as your own or as an inherited Roth IRA.

A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59 1/2 will be subject to the 10% additional income tax on early distributions (unless an exception applies).

If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 70 ½ (if the participant was born before July 1, 1949) or age 72 (if the participant was born after June 30, 1949).

If you are a surviving beneficiary other than a spouse: If you receive a payment from the Plan because of the participant’s death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited Roth IRA. Payments from the inherited Roth IRA, even if made in a nonqualified distribution, will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited Roth IRA.

Payments under a QDRO. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a QDRO, you generally have the same options and the same tax treatment that the participant would have (for example, you may roll over the payment to your own Roth IRA or to a designated Roth account in an eligible employer plan that will accept it).

If you are a nonresident alien:

If you are a nonresident alien, you do not do a direct rollover to a U.S. IRA or U.S. employer plan, and the payment is not a qualified distribution, the Plan is generally required to withhold 30% (instead of withholding 20%) of the earnings 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 & Foreign Entities.

Other special rules:

If a payment is one in a series of payments for less than 10 years, your choice whether to do 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 (only including payments from the designated Roth account in the Plan) are less than \$200, the Plan is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cash-out of more than \$1,000 will be directly rolled over to an IRA chosen by the plan administrator or the payor. A mandatory cash-out 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 on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, *Armed Forces’ Tax Guide*. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

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, or by calling 1-800-TAX-FORM.





Qualified Joint and Survivor Annuity Benefit Explanation

This information only applies to defined contribution retirement plans subject to the joint and survivor annuity requirements. The information provided in this Explanation is intended to be general in nature; not all plan provisions and options are available under your plan. To confirm the specific terms of your plan, or to confirm if your plan is subject to these requirements, please refer to your Summary Plan Description or contact your Plan Sponsor.

General

As a plan participant, you may generally receive benefits when you reach your normal retirement age under the plan or terminate employment, provided your plan account has monies in it available for your withdrawal. However, some money purchase plans require an employee who terminates employment prior to the early/normal retirement age under the plan to wait until a certain age to withdraw his/her funds. If your plan allows in-service withdrawals for hardship or upon your attainment of age 59 1/2 or for any other reasons, you may also elect to receive benefit payments if you have satisfied the applicable plan requirements. If you are married on the date your benefit payments begin, you will be paid automatically in the form of a Qualified Joint and Survivor Annuity. This means that you will receive a monthly benefit for the rest of your life, and then after you die, your spouse, if living, will receive a monthly benefit for as long as he or she lives.

Your surviving spouse's monthly benefit must be at least half of (and not more than 100%) the monthly benefit you would have received. Receiving benefits in this form usually means that your monthly benefits will be less than what you would receive under other forms of benefit. The reason for this difference is that Qualified Joint and Survivor Annuity benefits are intended to be paid over two lifetimes (yours and your spouse's).

You may elect to receive benefits in a form other than a Qualified Joint and Survivor Annuity, but your spouse must consent to this election, in writing, witnessed by your Plan Sponsor or a Notary Public. If you wish to designate a person other than your spouse as your beneficiary, you must obtain your spouse's written consent to your beneficiary designation. If established to the satisfaction of your Plan Sponsor that your spouse cannot be located, spousal consent is not required. Generally, your benefit election may be made and/or cancelled only during the 180 days before your benefit starting date. If you waive the Qualified Joint and Survivor Annuity, then cancel such waiver prior to the date that benefit payments begin, your benefit will be paid in the form of a Qualified Joint and Survivor Annuity pursuant to the provisions of the plan. If you properly waive the Qualified Joint and Survivor Annuity benefit, you may elect one of the forms of benefit indicated below.

Please note, the plan may provide that if the cash value of your benefit is less than a specified amount (generally \$5,000 or less, if any), your benefit will be paid to you in a single sum, or automatically rolled over to an IRA (if required by federal law).

If you are *not* married on the date your benefit payments begin, you will be paid automatically in the form of a Straight Life Annuity unless you elect a different form of benefit. Under a Straight Life Annuity, you are paid a monthly benefit for your lifetime with no benefit payable upon your death.

Upon written request to your Plan Sponsor, you may obtain further information, including the approximate amounts payable under the Qualified Joint and Survivor Annuity and other forms of benefit available under the plan.

Under the provisions of the plan, you may, with your spouse's consent if you are married, request that your benefit be paid under the optional form of benefit which is best suited to your particular needs and circumstances. The amount of monthly income payable will depend upon the form of payment elected, your age (and your designated beneficiary's age) as well as your vested account balance as of your retirement date, or, if earlier, date of this election.

Summary of Forms of Benefit

Qualified Joint and Survivor Annuity - Beneficiary is Surviving Spouse: A lifetime monthly income is payable to you, beginning on your benefit starting date and continuing until the last payment due before your death. If you are married on the date your benefit payments begin, upon your death your surviving spouse will, depending on the provisions of your Plan Sponsor's plan, receive a monthly income for life equal to at least one-half (and not more than 100%) of the amount of monthly income you were receiving.

Life Annuity with Period Certain: A lifetime monthly income is payable to you, beginning on your benefit starting date and continuing until the last payment due before your death. If you die during the period certain which begins on your benefit starting date, the monthly income will be continued to your designated beneficiary for the remainder of the period certain. The beneficiary may elect that such payment be made in a lump sum.

Straight Life Annuity - No Years Certain: A lifetime monthly income is payable to you, beginning on your benefit starting date and continuing until the last payment due before your death. If you die after your benefit starting date, there will be no death benefit payable. If you are not married on the date benefits are to begin, payment will be made in this form unless you elect another form of benefit.

Fixed Period Certain Annuity - No Life: A monthly income is payable to you beginning on your benefit starting date, in equal installments over a specified period of not less than 60 nor more than 240 months. If you die during the specified period elected, the income will be continued for the remainder of the specified period to your designated beneficiary. You may elect that such payment to your beneficiary is to be made in a single sum.



Contingent Annuity - Beneficiary is *not* Surviving Spouse: A lifetime monthly income is payable to you, beginning on your benefit starting date and continuing until the last payment due before your death. If you are survived by the contingent annuitant (beneficiary) you have named, a monthly income will be continued during the lifetime of the contingent annuitant. If you are married, you must obtain your spouse's consent to the designation of the contingent annuitant. The percentage of the reduced benefit which you may specify to be continued to the contingent annuitant may be either 100%, 75%, 66 2/3%, or 50%.

Single Sum Payment: Instead of lifetime monthly income payments, the vested balance in your account will be paid in a single sum.

Installment Payment (specific limitations may apply to this option under the terms of your plan): Instead of lifetime monthly income payments, the vested balance in your account will be paid in installment payments.

Partial Payment: Instead of lifetime monthly income payments, the vested balance in your account will be paid in partial payments.

Comparison of Forms of Benefit

These examples compare benefits under a Qualified Joint and Survivor Annuity and other forms of benefit that may be available under the plan. The examples are based on specific assumptions and certain interest rates and mortality rates. The amounts shown are estimates, provided to illustrate the differences among the various options and are not intended to represent the actual amount payable to you. Upon your request, a more precise calculation will be provided. Your request should be sent to the address below if in writing. If you wish to call in your request, see the number provided below for you to call.

Assume a participant retiring at age 65 has a spouse of the same age and a \$200,000 account balance.

Age 65 Commencement

Form of Benefit	Benefit to Participant	Benefit to Spouse/Beneficiary After Participant's Death
Qualified Joint and Survivor Annuity		
50%	\$ 914.31 per month	\$ 457.16 per month
66.7%	\$ 890.56 per month	\$ 593.71 per month
75%	\$ 879.15 per month	\$ 659.36 per month
100%	\$ 846.58 per month	\$ 846.58 per month
Straight Life Annuity	\$ 993.76 per month	
Life Annuity with 5 Years Certain	\$ 988.91 per month	
Life Annuity with 10 Years Certain	\$ 974.01 per month	
Period Certain 5	\$ 3,392.05 per month	
Period Certain 10 Years	\$ 1,814.58 per month	

Any annuity elected will be provided by purchasing an annuity contract from an insurance company with your vested account balance under the plan. Dollar amounts shown do not reflect any required tax withholding.

Note: Please refer to your Summary Plan Description or contact Transamerica (Retirement Analysis Department) at 800-755-5803 x 1203424 for more information regarding the annuity options that are available under the plan.

Joint and Survivor Annuity Waiver Rights

You have at least 30 days to consider whether to waive the Qualified Joint and Survivor Annuity and elect another form of benefit. If, after receiving this Explanation, you affirmatively elect a distribution and your spouse consents to that form (if necessary), your distribution may be made less than 30 days from the date this Explanation was given to you provided:

- Your distribution election is revocable until the later of (a) your benefit starting date, or (b) prior to the expiration of the 7-day period that begins the date after you receive this Explanation;
- Your benefit starting date is a date after the date you received this Explanation;
- Distribution in accordance with your benefit election is paid more than 7 days after the date this Explanation was provided.

Consequences of You Taking the Distribution Instead of Deferring Receipt of the Distribution

If you are eligible to receive a distribution from the plan, but also have the right to defer receipt of such distribution because, e.g., the value of your nonforfeitable account balance exceeds \$5,000 (or such lower automatic cash-out limit set by the plan), your decision not to defer receipt of your distribution includes the following consequences: (1) if you do not make a rollover within 60 days of receipt of the payment, you will be taxed on the taxable amount of the distribution not rolled over, and (2) for participants who are under 59 1/2 and/or who separated from service prior to the year they attained 55 at the time they take the distribution, an IRS early distribution 10% penalty tax may apply to the taxable portion of such distribution.

Right to Request Participant-Specific Information

You have the right to request specific information with respect to each form of benefit available to you under the plan, including a description of the financial effect of electing each form of benefit available to you under the plan. Written requests should be sent to Transamerica, 6400 C Street SW, Cedar Rapids, IA 52499, (Attn: Retirement Analysis Department) or call 800-755-5803 x1203424.

