BUILDING PUBLIC SECTOR RETIREMENT SECURITY

BENEFIT WITHDRAWAL FORM

457 Deferred Compensation Plans

Please follow the steps shown below to ensure we are able to process your request in a timely manner. This packet is used to request withdrawals from your 457 Deferred Compensation Plan account **following retirement or separation from service with your employer**. For all other withdrawal requests (e.g., unforeseeable emergency withdrawals while you are still employed, purchase of service credits), please log in to Account Access at www.icmarc.org/login or contact ICMA-RC for the appropriate forms.

1. **Complete the form applicable to your desired payment request**
   - **Recurring Installment Payments —** Complete the *Installment Payment Form*
   - **One-Time Payments —** Complete the *One-Time Payment Form*

   If you have more than one account, submit a separate withdrawal form for each account.
2. **Is this your first request following separation from service?** If so, your former employer must sign the form to confirm you are eligible to withdraw money. Failure to obtain the required employer signature could delay the processing of your withdrawal request.
3. **For all installment payment requests,** please also attach a voided check or deposit slip with the completed form so we can establish direct deposit with your bank.
4. **Fax or mail the completed form(s) to ICMA-RC.**

   Fax: ICMA-RC
ATTN: Workflow Management Team
202-682-6439

   Mail: ICMA-RC
ATTN: Workflow Management Team
P.O. Box 96220
Washington, DC 20090-6220

   Please keep a copy of the completed form for your records.

TIME FRAME FOR PAYMENTS

Following the receipt of your properly completed withdrawal form, one-time payments will be distributed as soon as possible (typically within three business days). Please submit requests to initiate installment payments at least five business days prior to the payment date you select and submit requests to change or stop payments at least five business days prior to your next scheduled payment date.

At ICMA-RC, we take security of our participants retirement assets seriously. We have stringent security measures in place and we continuously apply enhancements to safe guard your assets.

Additional precautions are taken when processing withdrawal requests. Adding new or, changing existing information on file with ICMA-RC will result in verification of the entry which may delay your withdrawal.

Thank you for saving your retirement assets with ICMA-RC. If you have separated from service with the 457 Deferred Compensation Plan sponsor, you are eligible to withdraw funds from your account at any time, but you are generally not required to take withdrawals until after you attain age 70½. You can continue to receive tax advantages and ICMA-RC services throughout your working and retirement years. Note: while 457 plan withdrawals are generally not subject to early withdrawal penalty taxes, assets transferred to another type of retirement plan and then distributed may be subject to the additional tax.

MAKING A SMART WITHDRAWAL DECISION

ICMA-RC helps you maintain retirement security throughout your working and retirement years. After separating from service with your employer, you have important decisions to make about your retirement assets, including the money in your 457 Deferred Compensation Plan. Please take time to carefully review your options.

Withdrawing in Retirement

If you have retired, or will retire soon, congratulations! We hope this is a very positive event and that your retirement savings help you realize your retirement dreams. You need to think about when and how to withdraw your assets. **Consider working with your ICMA-RC representative to develop a withdrawal strategy** that addresses:

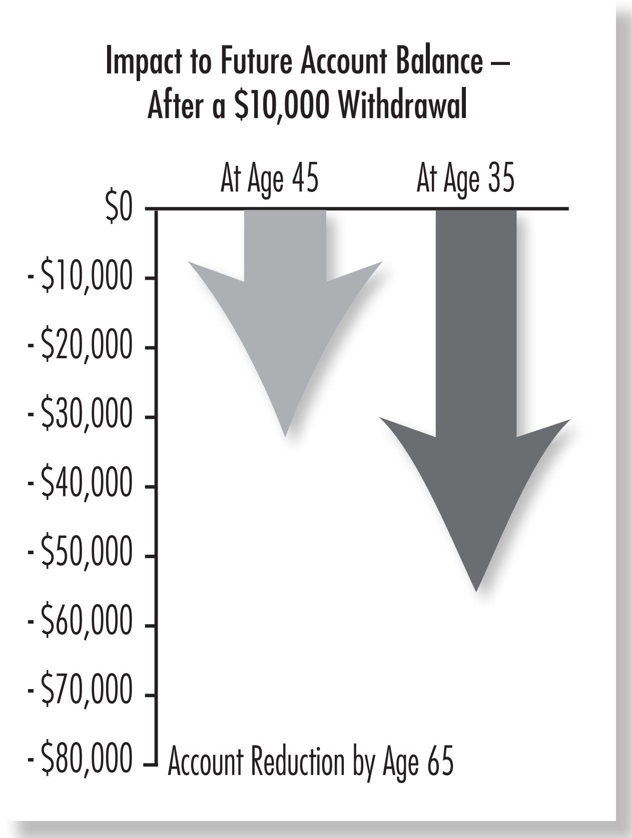
- **any potential gap** between all your sources of income, such as employer-sponsored retirement plans, pensions, Social Security, and annuity products (including lifetime income funds), and ongoing expenses; and
- **how much you should withdraw** from your investments to maintain your desired standard of living but not outlive your money.

Considering a Withdrawal Before Retirement?

If you are in between jobs, withdrawing from your retirement funds should generally be a last resort. The economic costs of withdrawal are likely to be much greater than the benefit of receiving the money earlier.

Why? You pay taxes much sooner than necessary and you lose out on the potential for that money to grow in a tax-advantaged account for your future retirement needs.

Assuming a 6% return, a 45-year-old employee who withdraws $10,000 could reduce his or her account balance by over $30,000 at age 65; a 35-year old employee could see a reduction of nearly $60,000.



If, however, you have no other options, consider only withdrawing what you absolutely need. That way you'll have more to build on for the future.

Making a Decision

Your ICMA-RC Retirement Plans Specialist or Certified Financial Planner™ can help you sort through your options and learn about investment and withdrawal strategies that maximize your chances of meeting your retirement goals. Visit www.icmarc.org/retiree for additional guidance.

INSTALLMENT PAYMENT FORM

- Submit this form to initiate, change, or stop installment payments from your 457 Deferred Compensation Plan account.
- For your first request following separation from service, your former employer must sign section 8 of this form to confirm you are eligible to withdraw money from the account.

1 PARTICIPANT INFORMATION (COMPLETE ALL FIELDS IN THIS SECTION)

Employer Plan Number: ___ ___ ___ ___ ___ ___ Employer Plan Name: ____________________

Social Security Number: ___ ___ ___ – ___ ___ – ___ ___ ___ ___ Date of Birth: *(MM/DD/YYYY)* ___ ___ / ___ ___ / ___ ___ ___ ___

Preferred Phone Number: (___ ___ ___) ___ ___ ___ – ___ ___ ___ ___ Email Address: ____________________

Full Name of Participant: ____________________

LAST FIRST M.I.

Mailing Address: ____________________

City: ____________________ State: ___ ___ Zip Code: ___ ___ ___ ___ ___ – ___ ___ ___ ___

2 REASON FOR REQUEST

New Installment Request: ☐ Retirement/Separation from service ☐ Disability (Certification required)

Change/Stop Request: ☐ Change Payments ☐ Stop Payments. Payments will be stopped as soon as possible.

3 INSTALLMENT PAYMENTS

1. **PAYMENT DATE:** Specify the beginning payment date *(MM/DD/YYYY)*: ___ ___ / ___ ___ / ___ ___ ___ ___
   Your payments will generally be sent on the day of the month specified above. In some situations, your payment may be sent on a different day to ensure the payment is made in the scheduled month. If the day prior to your payment date is a holiday or weekend, the payment may be sent one to two business days later than the day you select. If you do not select a date, your payment will be sent as soon as possible and future payments will be scheduled to occur on the same day of the month.

2. **PAYMENT OPTION:** Select one installment payment option only. You can make changes to your scheduled payments at any time.
   - ☐ Payments of $__________________ until account is exhausted (payments must be a minimum of $100).
   - ☐ Payments that will exhaust the account over exactly ___ ___ years. *(NOTE: The amount of each installment payment under this option will vary based on changes in your account balance, since each payment is calculated separately using the value of your account and the number of remaining payments.)*
   - ☐ Required minimum distribution (RMD) payments only. Calculated each year to comply with RMD rules. *(See the Additional Information section for more information on RMDs.)*

3. **PAYMENT FREQUENCY:** ☐ Monthly ☐ Quarterly ☐ Semi-Annual ☐ Annual

4. **NON-457 ROLLOVER ASSETS –** If applicable, check the following box if you rolled in money from another type of retirement plan (e.g., a 401 plan). Review the Additional Information section for more details.
   ☐ The above schedule qualifies for an exception to the early withdrawal penalty tax. I understand that I may owe tax penalties if the payment schedule does not qualify for such an exception.

5. **DIRECT DEPOSIT INFORMATION:** Attach a voided check with your completed form. If you do not include a voided check, or if the bank information is incorrect or incomplete, your payments will be sent in the mail rather than by direct deposit. Please contact your bank to confirm the below information.

   If you have previously had payments from this account sent via direct deposit to your checking or savings account and want to use the same deposit instructions for future payments, please check this box: ☐

   Name of Financial Institution: ____________________

   Phone Number: (___ ___ ___) ___ ___ ___ – ___ ___ ___ ___ Type of Account: ☐ Checking ☐ Savings

   Routing Number (9 digits): ___ ___ ___ ___ ___ ___ ___ ___ ___ Account Number: ____________________

   Name on Account: ____________________

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INSTALLMENT PAYMENT FORM

457 DEFERRED COMPENSATION PLANS |

Employer Plan Number: ___ ___ ___ ___ ___ ___

Social Security Number: ___ ___ ___ – ___ ___ – ___ ___ ___ ___

4 ROLLOVER ASSETS DEPLETION ORDER

If your account contains rollover assets from a plan other than a 457 Deferred Compensation Plan, such as a 401(a) or 401(k) plan, the 457 plan assets will be distributed first, followed by rollover assets unless you select option 2 or 3 below.

1. ☐ Distribute 457 plan assets first, followed by any rollover assets from a non-457 plan. *(Default Election)*
2. ☐ Distribute 457 plan assets only. *(Cease payments when all 457 assets have been paid.)*
3. ☐ Distribute non-457 rollover assets only. *(Cease payments when all non-457 rollover assets have been paid.)*

5 ROTH ASSETS DEPLETION ORDER

If your account contains Roth assets, non-Roth assets will be distributed first unless the following box is checked: ☐

6 TAX WITHHOLDING ELECTION

Specify the percentage of each payment you want withheld for federal and state income taxes. ICMA-RC automatically withholds taxes as required by federal and/or state rules and may need to withhold more than the amount you request. When you file your tax return(s), you may owe more or get a refund back, based on your specific tax situation, and you are responsible for the payment of applicable federal and state income taxes. Review the *Special Tax Notice Regarding Plan Payments* for information on tax withholding requirements and eligible rollover distributions.

Federal Income Taxes (Check one box only)

1. Payments projected to last less than 10 years – The IRS requires a **minimum of 20%** be withheld.
   - ☐ Withhold only 20% for federal income tax. ***(Default)***
   - ☐ In addition to the mandatory 20%, please withhold ___ ___ % for federal income tax. (For Example: If you want a total of 33% withheld for federal income tax, enter 13%)
2. Payments over a period of 10 years or more (and RMD payments) – These payments are not subject to mandatory federal tax withholding. You may request to have no federal tax withheld by entering "0."
   - ☐ Withhold ___ ___% for federal income tax. (Default uses a status of married with three allowances)

State Income Taxes: Withhold ___ ___% for state income tax. *(ICMA-RC may need to withhold more than the percentage you request, if your state requires a minimum percentage to be withheld. You should seek state tax advice from the appropriate state department of revenue if you have questions regarding state tax withholding requirements.)*

State in which you will file income taxes (if different from the address shown in section 1 of this form): ___ ___

U.S. Citizen: ☐ Yes ☐ No

IRS Form 1099-R: Taxable amounts will be reported on a Form 1099-R, which will be sent to you in January following the year of a distribution.

7 PARTICIPANT SIGNATURE

I hereby authorize the VantageTrust Company (hereinafter call the "Trust") to credit the account referenced in section 3 for any amount owed to me for retirement benefit payments. This authorization agreement is to remain in full force and effect until the Trust has received written notification from me of its termination in such time and in such manner as to afford the Trust and depository a reasonable opportunity to act on it. This authorization agreement may also be terminated by the Trust. In the event that the Trust notifies the bank that funds to which I am not entitled have been deposited to my account inadvertently, I hereby authorize and direct the bank to return said funds to the Trust..

I acknowledge I have received and read the Additional Information section of this withdrawal form and the *Special Tax Notice Regarding Plan Payments* and I hereby waive the applicable 30 day waiting period required under Section 402(f) of the Internal Revenue Code. I direct ICMA-RC to process the payment request indicated on this form. As required by law, and under the penalty of perjury, I certify that the Social Security number (Taxpayer Identification Number) I provided is correct.

Participant Signature: ______________________________ Date: ___ ___ / ___ ___ / ___ ___ ___ ___

8 PLAN SPONSOR/EMPLOYER AUTHORIZATION

By signing, the employer confirms the participant is eligible to receive payments out of the retirement plan designated in section 1. This section does not need to be completed if the employer has already notified ICMA-RC of the participant's separation from service.

Participant's Last Day of Employment: ___ ___ / ___ ___ / ___ ___ ___ ___ *(MM/DD/YYYY)*

Employer Signature: ______________________________ Date: ___ ___ / ___ ___ / ___ ___ ___ ___

Name *(Please Print)*: ______________________________ Title: ______________________________

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ONE-TIME PAYMENT FORM (457)

- Submit this form to request a one-time payment from your 457 Deferred Compensation Plan account.
- Please review the Additional Information section in this packet prior to submitting the completed form.
- Return the completed form *(with the authorized employer signature in section 8)* to ICMA-RC.

1 PARTICIPANT INFORMATION (COMPLETE ALL FIELDS IN THIS SECTION)

Employer Plan Number: ___ ___ ___ ___ ___ ___ Employer Plan Name: ____________________

Social Security Number: ___ ___ ___ – ___ ___ – ___ ___ ___ ___

Date of Birth: *(MM/DD/YYYY)* ___ ___ / ___ ___ / ___ ___ ___ ___

Preferred Phone Number: (___ ___ ___) ___ ___ ___ – ___ ___ ___ ___

Email Address: ____________________

Full Name of Participant: ____________________

LAST FIRST M.I.

Mailing Address: ____________________

City: ____________________ State: ___ ___ Zip Code: ___ ___ ___ ___ ___ – ___ ___ ___ ___

2 REASON FOR WITHDRAWAL

Select one option only in this section

☐ Retirement/Separation from Service ☐ Disability (Certification required)

3 PAYMENT OPTION

PAYMENT DATE: Your payment will be sent as soon as possible following the receipt of your request in good order.

☐ **Option A** — 100% lump sum payment of entire account balance *(Complete sections 4, 6, and 7, as applicable)*

☐ **Option B** — One-time payment of $__________________ *(Complete sections 4–7, as applicable)*

4 ROLLOVER ASSETS DEPLETION ORDER

If your account contains rollover assets from a plan other than a 457 Deferred Compensation Plan, such as a 401(a) or 401(k) plan, the 457 plan assets will be distributed first, followed by rollover assets unless you select option 2 or 3 below.

1. ☐ Distribute 457 plan assets first, followed by any rollover assets from a non-457 plan. *(Default Election)*
2. ☐ Distribute 457 plan assets only. *(Cease payments when all 457 assets have been paid.)*
3. ☐ Distribute non-457 rollover assets only. *(Cease payments when all non-457 rollover assets have been paid.)*

5 ROTH ASSETS DEPLETION ORDER

If your account contains Roth assets, non-Roth assets will be distributed first unless the following box is checked: ☐

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Employer Plan Number: ___ ___ ___ ___ ___ ___

Social Security Number: ___ ___ ___ – ___ ___ – ___ ___ ___ ___

6 TAX WITHHOLDING ELECTION

Specify the percentage of each payment you want withheld for federal and state income taxes. ICMA-RC automatically withholds taxes as required by federal and/or state rules and may need to withhold more than the amount you request. When you file your tax return(s), you may owe more, or get a refund back, based on your specific tax situation, and you are responsible for the payment of applicable federal and state income taxes. Review the *Special Tax Notice Regarding Plan Payments* for information on tax withholding requirements and eligible rollover distributions.

Federal Income Taxes *(Check one box only)*

The IRS generally requires a **minimum of 20%** be withheld for all one-time payments.

☐ Withhold only 20% for federal income tax. (Default)

☐ In addition to the mandatory 20%, please withhold ___ ___ % for federal income tax. (For Example: If you want a total of 33% withheld for federal income tax, enter 13%)

State Income Taxes

Withhold ___ ___% for state income tax. *(ICMA-RC may need to withhold more than the percentage you request, if your state requires a minimum percentage to be withheld. You should seek state tax advice from the appropriate state department of revenue if you have questions regarding state tax withholding requirements.)*

State in which you will file income taxes (if different from the address shown in section 1 of this form): ___ ___

U.S. Citizen: ☐ Yes ☐ No

IRS Form 1099-R: Taxable amounts will be reported on a Form 1099-R, which will be sent to you in January following the year of a distribution.

7 PARTICIPANT SIGNATURE

I acknowledge I have received and read the Additional Information section of this withdrawal form and the *Special Tax Notice Regarding Plan Payments* and I hereby waive the applicable 30 day waiting period required under Section 402(f) of the Internal Revenue Code. I direct ICMA-RC to process the payment request indicated on this form. As required by law, and under the penalty of perjury, I certify that the Social Security number (Taxpayer Identification Number) I provided is correct.

Participant Signature: ______________________________ Date: ___ ___ / ___ ___ / ___ ___ ___ ___

8 PLAN SPONSOR/EMPLOYER AUTHORIZATION

By signing, the employer confirms the participant is eligible to receive payments out of the retirement plan designated in section 1. This section does not need to be completed if the employer has already notified ICMA-RC of the participant's separation from service.

Participant's Last Day of Employment: ___ ___ / ___ ___ / ___ ___ ___ ___ *(MM/DD/YYYY)*

Employer Signature: ______________________________ Date: ___ ___ / ___ ___ / ___ ___ ___ ___

Name *(Please Print)*: ______________________________ Title: ______________________________

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ADDITIONAL INFORMATION

Email Confirmations

ICMA-RC is now sending many confirmation notices via email, including confirmations related to your withdrawal requests. Please be sure to provide your email address in section 1 of the form.

Beneficiary Designations

ICMA-RC recommends that you confirm that we have current beneficiary information. Please review and update your beneficiary information as appropriate by accessing your account online at www.icmarc.org/login.

Federal Tax Withholding — "No Withholding" Requests

Lump sum payments and installment payments paid over short periods of time are eligible to be rolled-over to another employer-sponsored retirement plan or to an IRA and are subject to an IRS mandated 20% federal income tax withholding. If you request substantially equal installment payments over a period of 10 years or more, your payments will not be subject to mandatory withholding and ICMA-RC will honor requests for "no withholding" of federal tax or for withholding amounts less than 20% in federal tax.

Required Minimum Distributions (RMDs)

After you reach the age of 70½ (or separate from service, *if later*), the IRS requires that you withdraw at least a minimum amount from your 457 Deferred Compensation Plan account each year. The RMD amount is calculated by ICMA-RC using your balance in the plan at the end of the previous year and a life expectancy factor provided by the IRS.

Provided that ICMA-RC has been notified of your separation from service, we will review your account annually to ensure you are satisfying your RMD. ICMA-RC may increase your payment amounts (or send you an additional payment) to ensure that you meet the RMD each year.

If you only wish to withdraw the minimum amount from your account each year, select the "Required minimum distribution (RMD) payments only" option in section 3 of the *Installment Payment Form.* Payments from your account will begin after you reach age 70½.

Failure to withdraw the RMD amounts within the timeframes specified in this packet may result in IRS penalty taxes equal to 50% of the amount that was not withdrawn from the account within the required timeframe.

Withdrawal Penalties

457 plan contributions and associated earnings that remain in the plan until paid are not subject to an early withdrawal penalty tax. However, rolled-in assets may be subject to a 10% early withdrawal penalty tax if withdrawn prior to age 59½, unless an exception to the penalty applies. Check the applicable box in section 3 of the *Installment Payment Form* if you have rollover assets in your account and are selecting a withdrawal schedule that qualifies for an exception to the early withdrawal penalty tax. By checking the box, you confirm your understanding that you are solely responsible for ensuring the payment schedule qualifies for such an exception and that you may owe additional tax penalties if the payment schedule does not qualify for such an exception

Exceptions to the penalty are listed in the *Special Tax Notice Regarding Plan Payments.* ICMA-RC does not withhold any portion of your payment to cover potential tax penalties. The calculation and payment of any such penalty is your responsibility and will be carried out when you file your tax return. Additional information on early withdrawal penalties is available in IRS Publication 575, which is available on the IRS website at www.irs.gov or by calling 800-829-3676.

VT Retirement IncomeAdvantage Fund

If your plan offers the VT Retirement IncomeAdvantage Fund (the Fund), any assets you have invested in the Fund will be excluded from your withdrawal request. If you would like to initiate withdrawals from the Fund, please contact ICMA-RC for the appropriate withdrawal forms.

You can transfer assets from the Fund to other investment options available in your plan if you would like to have them distributed with your withdrawal request. However, you should be aware that withdrawals from the Fund prior to Lock-In proportionately reduce guaranteed values.

After Lock-In, Excess Withdrawals will proportionately reduce and potentially terminate available guarantees. For additional information, please review the *VT Retirement IncomeAdvantage Fund Important Considerations* document.

VantageBroker

If your plan offers VantageBroker, any assets you have invested in VantageBroker will be excluded from your withdrawal request. In order to withdraw funds from your brokerage account, you must first transfer the assets back to your core account at ICMA-RC. You can liquidate assets in your brokerage account and transfer the assets back to your core account online. Settlement of the sale of investments held in your brokerage account may take up to three business days.

Special Tax Notice Regarding Plan Payments

This notice applies to distributions from 401(a), 401(k), 403(b), and 457(b) plans with ICMA-RC, including distributions from Roth and non-Roth accounts in the plans.

ROLLOVER OPTIONS AVAILABLE

You are receiving this notice because all or a portion of a payment you are receiving from your account is eligible 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. Please review and consider the information in the notice before you begin withdrawing funds from your account with ICMA-RC.

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

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

- **Non-Roth Assets** — 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 (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 59½ (or if an exception applies).

- **Roth Assets** — 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 earnings in the payment. 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 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 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?

- **Non-Roth Assets** — 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.

- **Roth Assets** — 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 that will accept the rollover (a tax-qualified plan, section 403(b) plan, or governmental section 457 plan). 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, no spousal consent rules apply to Roth IRAs 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 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,

- **Non-Roth Assets** — 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). 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).

- **Roth Assets** — 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 59½ (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). 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 lives or joint life expectancy of you and your beneficiary);
- Required minimum distributions after age 70½ (or after death);
- Hardship distributions;
- 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;

ICMA-RC 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?

- **Non-Roth Assets** — 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 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.

- **Roth Assets —** If a payment is not a qualified distribution and you are under age 59½, 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 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 lives or joint life expectancy 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;
- 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 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 requested to be withdrawn within 90 days of the first contribution;
- Payments for certain distributions relating to certain federally declared disasters; and
- Phased retirement payments made to federal employees.

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

- **Non-Roth Assets** — 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.

- **Roth Assets** — If you receive a payment from a Roth IRA when you are under age 59½, 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 traditional or Roth IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from a traditional or 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 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).

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 you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rules under "If you were born on or before January 1, 1936" do not apply.

- **Non-Roth Assets** — If the distribution is from non-Roth assets, another 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).

- **Roth Assets** — If the distribution is from Roth assets, another 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).

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 non-Roth 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.

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 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.

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, then you have 60 days from the date the offset occurs to complete your rollover.

- **Non-Roth Assets —** 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).

- **Roth Assets —** 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.

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 is not a qualified distribution from a designated Roth account and that you do not roll over, special rules for calculating the amount of the tax on the payment (for Roth assets, on any earnings taxed) might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

If you are an eligible retired public safety officer and your payment (including a nonqualified Roth distribution) 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 (including nonqualified Roth 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 roll over your payment of non-Roth assets to a Roth IRA

If you roll over a payment of non-Roth assets 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-A, *Contributions to Individual Retirement Arrangements (IRAs),* and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs).*

If you do a rollover from non-Roth assets to a designated Roth account in the same Plan (in-plan Roth conversion)

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 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, whether the payment is a qualified distribution from a designated Roth account 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 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 and receive a payment of non-Roth assets from the Plan, 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 spouse and receive a payment of Roth assets from the Plan, 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 59½ 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 70½.

If you are a surviving beneficiary other than a spouse and receive a payment of non-Roth assets from the Plan, 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.

If you are a surviving beneficiary other than a spouse and receive a payment of Roth assets from the Plan, 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 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 and the same tax treatment that the participant would have (for example, you may roll over the payment as described in this notice). 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 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 (treating Roth and non-Roth assets separately) 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 can do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than $1,000 (treating Roth and non-Roth assets separately) will be directly rolled over to an IRA chosen by the Plan administrator or 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 mounts 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-A, *Contributions to Individual Retirement Arrangements (IRAs);* IRS Publication 590-B, *Distributions from 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.

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SUMMARY DESCRIPTION

This publication provides a summary of the rules governing the payment of funds from your 457 Deferred Compensation Plan. The actual rules governing your benefits are contained in state retirement laws and the federal tax code. This publication is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this publication and what is contained in the law, the applicable law will govern.

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