



# IUOE LOCAL 501 INDIVIDUAL ACCOUNT PLAN TRUST FUND

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## Instructions to Applicant for a Distribution from the IUOE Local 501 Individual Account Plan Trust Fund

### **Please submit copies of the following documents with your application for benefits:**

- Birth Certificate for you and your spouse (see below for alternative documents\*)
- Certified Copy of Marriage Certificate
- Copy of current driver's license or current state I.D. (with photo) for you and your spouse.
- Copy of Social Security Card for both you and your spouse.
- If you have ever been divorced or legally separated, please submit a complete copy of your Judgment(s) of Divorce and Qualified Domestic Relations Orders (including Separation Agreements, Property Settlement Agreements and any similar or related orders with any attachments).
- If you are requesting Contributions, benefits, and service credit for military service, please submit copies of your induction and discharge papers and the Credit for Uniformed Service for the United States Form.

### **\*ALTERNATIVE PROOF OF AGE DOCUMENTS – accepted when birth certificate is unavailable.**

In order to be eligible for retirement benefits, you are required to produce proof of your age. The following is a list of the documents that may serve as proof of your age. Some of these documents are better proof than others. The list is arranged starting with the best type of proof, and going down to the less desirable types of documents. You are required to furnish the best type of proof that is available. You do not have to furnish the original of any of these documents; you may submit a photocopy.

1. A baptismal certificate or a statement as to the date of birth shown by a church record, certified by the custodian of such record.
2. Notification of registration of birth in a public registry of vital statistics.
3. Hospital birth record, certified by a custodian of such record.
4. A foreign church or government record.
5. A signed statement by the physician or midwife who was in attendance at birth, as to the date of birth shown on their records.
6. Naturalization record.
7. Immigration papers.
8. Military record.
9. Passport.
10. School record, certified by the custodian of such record.
11. Vaccination record, certified by the custodian of such record.
12. An insurance policy, which shows the age or date of birth.
13. Marriage records showing date of birth or age (applications for marriage license or church record, certified by the custodian of such record; or marriage certificate).
14. Document showing approval of Social Security Pension.
15. Other evidence, such as signed statements from persons who have knowledge of the date of birth, voting records, poll-tax receipts, driver's license, etc.

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Mailing Address: P.O. Box 990 ♦ West Covina, CA 91793  
Physical Address: 1050 Lakes Drive Suite 120 ♦ West Covina, CA 91790  
8311 West Sunset Road Suite 250 ♦ Las Vegas, NV 89113  
Phone 626·646·1079 ♦ Toll Free 800·320·0106 ♦ Facsimile 626·931·1368  
[www.oelocal501benefits.org](http://www.oelocal501benefits.org) ♦ [staff@oelocal501benefits.org](mailto:staff@oelocal501benefits.org)



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## DISTRIBUTION APPLICATION

I hereby make application for benefits from the IUOE Local 501 Individual Account Plan Trust Fund and certify that the information listed below is correct:

### **Participant Information:**

Name \_\_\_\_\_

Social Security Number \_\_\_\_\_ Date of Birth \_\_\_\_\_

Address \_\_\_\_\_

Home Phone Number \_\_\_\_\_ Alternate Phone Number \_\_\_\_\_

Date last worked under covered Employment \_\_\_\_\_ E-mail \_\_\_\_\_

### **Spouse Information:**

Name \_\_\_\_\_ Date of Marriage \_\_\_\_\_

Social Security Number \_\_\_\_\_ Date of Birth \_\_\_\_\_

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### **Type of Benefit – select one:**

\_\_\_ Retirement – Age 62; provided no Contributions made for at least three (3) consecutive calendar months.

\_\_\_ Termination Benefit – Regardless of age; 24 consecutive calendar months with no contributions.

\_\_\_ Disability Retirement – Entitlement to Social Security Disability Benefit under Title II of the Social Security Act.

\_\_\_ Receipt of a pension from the Central Pension Fund of the International Union of Operating Engineers and Participating Employers.

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\_\_\_\_\_  
Signature of Participant/Applicant

\_\_\_\_\_  
Date

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## OPTION ELECTION FORM\*

Participant Name \_\_\_\_\_

SS# \_\_\_\_\_

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### **SINGLE PARTICIPANT**

\_\_\_\_ **Single Life Annuity** – Payable monthly for the Life of the Participant

\_\_\_\_ **Lump Sum Payment** ☐ Cash Distribution

\_\_\_\_ **Lump Sum Payment** ☐ Qualified Rollover Distribution

\_\_\_\_ **Lump Sum Payment & Single Life Annuity Combination**

\* If an Accumulated Share is payable which amounts to less than \$5,000, then such Accumulated Share shall be paid only on the lump sum basis.

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### **MARRIED PARTICIPANT** (Must be legally married at least one year)

\_\_\_\_ **50% Survivor Annuity** – Payable monthly for the Life of the Participant,  
with a 50% survivor annuity for the life of the Spouse  
(If you do NOT choose this option, your Spouse must complete the Spousal Consent Form.)

\_\_\_\_ **75% Survivor Annuity** – Payable monthly for the Life of the Participant,  
With a 75% survivor annuity for the life of the Spouse

\_\_\_\_ **Lump Sum Payment** ☐ Cash Distribution

\_\_\_\_ **Lump Sum Payment** ☐ Qualified Rollover Distribution

\* If an Accumulated Share is payable which amounts to less than \$5,000, then such Accumulated Share shall be paid only on the lump sum basis.

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\_\_\_\_\_  
Signature of Participant/Applicant

\_\_\_\_\_  
Date

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\_\_\_\_\_  
Signature of Spouse, If Married

\_\_\_\_\_  
Date



# IUOE LOCAL 501 INDIVIDUAL ACCOUNT PLAN TRUST FUND

## QUALIFIED ROLLOVER DISTRIBUTION ELECTION FORM\*

**\*\*ONLY COMPLETE THIS FORM IF YOU HAVE ELECTED THE QUALIFIED ROLLOVER DISTRIBUTION OPTION\*\***

I hereby acknowledge receipt of the SPECIAL TAX NOTICE regarding payments which explains my right to choose how my Plan benefit will be distributed and taxed. I understand the contents of the SPECIAL TAX NOTICE, and that I have at least thirty days from the date that I received the SPECIAL TAX NOTICE to decide how I want my Plan benefit paid. I hereby affirmatively elect the following (Check only one):

\_\_\_\_\_ I hereby elect to have my entire Plan benefit paid in a direct rollover to my IRA.

\* If an Accumulated Share is payable which amounts to less than \$5,000, then such Accumulated Share shall be paid only on the lump sum basis (a distribution directly to you).

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

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

Your Name (please print): \_\_\_\_\_

SSN: \_\_\_\_\_

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### DIRECT ROLLOVER INSTRUCTIONS:

If you have elected a direct rollover of your Accumulated Share, please complete the section below:

Company Name of Custodian of your IRA: \_\_\_\_\_

Your IRA Account Number: \_\_\_\_\_

Address of the Custodian of IRA: \_\_\_\_\_

Contact person at Custodian (printed): \_\_\_\_\_

Contact Phone Number: \_\_\_\_\_

Authorized Signature of Custodian: \_\_\_\_\_

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# IUOE LOCAL 501 INDIVIDUAL ACCOUNT PLAN TRUST FUND

## CERTIFICATION OF MARITAL/SINGLE STATUS

Federal Law requires the Trustees to confirm whether a previous spouse is entitled to any portion of your Accumulated Share. As such, it is necessary that we request the following certification and supporting documentation. **Failure to complete this form fully, including signing it in front of a notary public, and providing ALL documentation requested, will result in a delay of the processing of your application.**

Participant Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Current marital status: ☐ SINGLE, NEVER MARRIED  
☐ SINGLE, PREVIOUSLY MARRIED\*  
☐ MARRIED, NO PREVIOUS MARRIAGES  
☐ MARRIED, WITH PREVIOUS MARRIAGE(S)\*  
☐ LEGALLY SEPARATED\*

\*If you have had previous marriages, please list the names of your ex-spouses, the date(s) of marriage and date(s) of divorce (if any of your previous marriages ended due to the death of your spouse at the time, please list the date of death):

Ex-spouse's Name                      Date of Marriage                      Date of Divorce/Death

Please provide complete copies of ALL marriage certificates, divorce decrees, separation agreements, Qualified Domestic Relations Orders and any other accompanying documents related to the termination of your previous marriage(s). If any previous spouses have passed away, please provide a copy of the death certificate(s). If you do not have these documents, you should contact the appropriate court through which the proceedings occurred in order to obtain certified copies.

I hereby certify, subject to the penalty of perjury, that the above information is, to the best of my belief and knowledge, true and complete. ANY PERSON WHO SUPPLIES A FALSE CERTIFICATION IN CLAIMING A BENEFIT FORFEITS ANY RIGHT HE OR SHE MAY HAVE TO THE BENEFIT AND, UPON DISCOVERY, BECOMES LIABLE FOR FULL REPAYMENT OF ANY MONEY RECEIVED AS A CONSEQUENCE.

\_\_\_\_\_  
Your Signature

\_\_\_\_\_  
Your Social Security No.

\_\_\_\_\_  
Today's Date

**DO NOT SIGN AND DATE THIS FORM UNLESS YOU ARE IN THE PRESENCE OF A NOTARY.**

Subscribed to and sworn to before me,  
This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public, \_\_\_\_\_ County  
State of \_\_\_\_\_  
My Commission expires \_\_\_\_\_

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# IUOE LOCAL 501 INDIVIDUAL ACCOUNT PLAN TRUST FUND

## WAIVER OF 30-DAY NOTICE REQUIREMENT

I, \_\_\_\_\_, acknowledge that I have been informed that federal law prohibits the Fund from paying benefits to me until at least 30 days after my spouse and I have received a written explanation of the 50 % and 75% Husband and Wife form, including my right to waive that form with the written consent of my spouse, the effect of such a waiver and the right my spouse and I each have to revoke that waiver and consent. I have also been informed that I may waive that 30 day notice period and instead elect a 7 day notice period, which will permit the Fund to commence payment of benefits to me no less than 7 days after my spouse and I received the written explanation, provided my spouse also consents in writing to waiver of the 30 day notice period.

{☐} I elect to waive the 30 day notice period.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Participant Signature

**A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.**

### **TO BE COMPLETED BY NOTARY PUBLIC**

State of \_\_\_\_\_

County of \_\_\_\_\_

On \_\_\_\_\_, before me, \_\_\_\_\_ personally  
NAME, TITLE OFFICER – E.G., “JANE DOE, Notary Public

appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity (ies), and by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the state of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

\_\_\_\_\_  
Signature of Notary Public

My Commission expires: \_\_\_\_\_

\*Notice to Notaries: Federal Law (i.e., the Retirement Equity Act of 1984) requires that the above Form must be executed in the presence of an authorized Plan representative or a Notary Public. Accordingly, it is most important that you not only witness the actual signature identified above, but also examine their credentials to satisfy yourself that they are, in fact, the same persons as the ones identified.

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# IUOE LOCAL 501 INDIVIDUAL ACCOUNT PLAN TRUST FUND

## SPOUSAL CONSENT TO WAIVER OF 30-DAY NOTICE REQUIREMENT

I am the legal spouse of \_\_\_\_\_. I acknowledge that I have been informed that my spouse wishes to waive the requirement that we receive, at least 30 days before the Fund pays benefits to my spouse, a written explanation of the 50 % and 75% Husband and Wife form, including my spouse's right to waive the 50% and 75% Husband and Wife form with my written consent, the effect of such a waiver and the right my spouse and I each have to revoke that waiver and consent, and to elect instead a 7 day notice period as permitted by federal law. I consent to the election of my spouse to waive the 30 day notice period.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Spouse Signature

**A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.**

### TO BE COMPLETED BY NOTARY PUBLIC

State of \_\_\_\_\_

County of \_\_\_\_\_

On \_\_\_\_\_, before me, \_\_\_\_\_ personally  
NAME, TITLE OFFICER – E.G., "JANE DOE, Notary Public

appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity (ies), and by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the state of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

\_\_\_\_\_  
Signature of Notary Public

My Commission expires: \_\_\_\_\_





# IUOE LOCAL 501 INDIVIDUAL ACCOUNT PLAN TRUST FUND

## TAX WITHHOLDING FORM

NAME: \_\_\_\_\_

SS#: \_\_\_\_\_

I hereby request the following tax withholding beginning with my first monthly benefit check:

### FEDERAL TAX WITHHOLDING

(Please choose ONE option)

Filing Status:

Number of Exemptions: \_\_\_\_

☐ Single

☐ Married

☐ Single but withhold at Married rate

☐ Withhold the amount of \$\_\_\_\_\_ in addition to my filing status

☐ Do NOT Withhold Taxes

### STATE TAX WITHHOLDING

(Please choose ONE option)

Filing Status:

Number of Exemptions: \_\_\_\_

☐ Single

☐ Married

☐ Single but withhold at Married rate

☐ Withhold the amount of \$\_\_\_\_\_ in addition to my filing status

☐ Do NOT Withhold Taxes

Signature \_\_\_\_\_

Date \_\_\_\_\_

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# IUOE LOCAL 501 INDIVIDUAL ACCOUNT PLAN TRUST FUND

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## YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the IUOE Local 501 Individual Account Plan Trust Fund is eligible to be rolled over to an Individual Retirement Account (“IRA”) or an employer plan. This notice is intended to help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to payments from the Plan that are not from a designated Roth account (a type of account with special tax rules in some employer plans). 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.

### A. GENERAL INFORMATION ABOUT ROLLOVERS

#### 1. How can a rollover affect my taxes?

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). If, however, 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).

#### 2. Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

#### 3. 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.

a. If you do a direct rollover, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover. If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit.

b. 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). 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 federal income tax (and potential State tax penalties) on early distributions if you are under age 59½ (unless an exception applies).

#### **4. 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)
- 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)

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

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

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. **This tax is in addition to the regular income tax on the payment not rolled over.**

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to certain disabilities
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- 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
- 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.

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

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

There are, however, a few differences for payments from an IRA, including:

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

Please note that state or local income tax is withheld only for those states where such withholding is mandatory. If you reside in a state that has a state income tax, and the state does not have a mandatory withholding rule, you will be responsible for any state income taxes due on the taxable portion of your distribution. You should also be aware that some states have not yet changed their laws to take into account the expanded rollover rules that became effective January 1, 2002. In certain situations a rollover now permitted under federal law may be subject to taxation under state law; however, once the rollover is taxed under state law, the state would not tax this amount again when later you receive it as a distribution.

Note: California assesses a 2.5% tax penalty for early distributions from a Retirement Plan.

**B. SPECIAL RULES AND OPTIONS**

**1. If you miss the 60-day rollover deadline**

Generally, the 60-day rollover deadline cannot be extended. The IRS has, however, the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

**2. If you have an outstanding loan that is being offset**

(This section of the IRS Notice does not apply inasmuch as the Plan does not offer Participant loans.) If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan,

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

### **3. 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.

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

You can roll over a payment from the Plan made before January 1, 2010 to a Roth IRA only if your modified adjusted gross income is not more than \$100,000 for the year the payment is made to you and, if married, you file a joint return. These limitations do not apply to payments made to you from the Plan after 2009. If you wish to roll over the payment to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into a Roth IRA.

If you roll over the payment 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). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

You cannot roll over a payment from the Plan to a designated Roth account in an employer plan.

### **5. If you are not a Plan Participant**

a. Payments after death of the Participant. If you receive a distribution after the Participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions does 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.

## **SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS**

This notice contains important information you will need before you decide how to receive your benefits from the IUOE Local 501 Individual Account Plan Trust Fund.

### **SUMMARY**

A payment from the Plan that is eligible for "Rollover" can be taken in two ways. You can have all or any portion of your payment either 1) PAID IN A "DIRECT ROLLOVER" or 2) PAID TO YOU. A rollover is a payment of your Plan benefits to your individual retirement arrangement (IRA) or to another qualified employer plan. This choice will affect the tax you owe.

#### **If you choose a DIRECT ROLLOVER**

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your **IRA** or, if you choose, to another qualified employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the **IRA** or the employer plan.

#### **If you choose to have your Plan benefits PAID TO YOU**

- You will receive only 80% of the payment, because the Plan administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you also may have to pay an additional 10% tax.
- You can roll over the payment to your IRA or to another qualified employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to roll over 100% of the payment to an IRA or an employer plan, **you must find other money to replace the 20% that was withheld.** If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

## MORE INFORMATION

- I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER
- II. DIRECT ROLLOVER
- III. PAYMENTS PAID TO YOU
- IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

### I PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to another employer plan that accepts rollover. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution. The following types of payments **cannot** be rolled over:

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

- your lifetime (or your life expectancy), or
- your lifetime and your beneficiary's lifetime (or life expectancies), or

**Required Minimum Payments** - Beginning in the year you reach age 70½, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you.

### II. DIRECT ROLLOVER

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution", as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

**Direct Rollover to an IRA** - You can open an **IRA** to receive the direct rollover. (The term "IRA," as used in this notice includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an **IRA**, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, **Individual Retirement Arrangements**, for more information on IRAs (including limits on how often you can roll over between IRAs).

**Direct Rollover to a Plan** - If you are employed by a new employer that has a plan, and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. If your new employer's plan does not accept a rollover, you can choose a direct rollover to an IRA.

**Direct Rollover of a Series of Payments** - If you receive eligible rollover distributions that are paid in a series for less than ten years, your choice to make or not make a direct rollover for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

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

If you have the payment made to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

#### **Income Tax Withholding:**

**Mandatory Withholding** - If any portion of the payment to you is an eligible rollover distribution, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if you're eligible rollover distribution is \$10,000; only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full \$10,000 as a payment from the Plan. You will report the \$2,000 as a tax withheld, and it will be credited against any income tax you owe for the year.

**Voluntary Withholding** - If any portion of your payment is not an eligible rollover distribution but is taxable, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. To elect out of withholding, ask the Plan administrator for the election form and related information,

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

You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

**Example:** Your eligible rollover distribution is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to an IRA or employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of the \$2,000 withheld.

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

**Additional 10% Tax If You Are Under Age 59½** - If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax does not apply to your payment if it is (1) paid to you because you separate from the service with your employer during or after the year you reach age 55, (2) paid because you retire due to disability, (3) paid to you as equal (or almost equal) payments over your life expectancy (or you and your beneficiary's lives or life expectancies), or (4) used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

**Special Tax Treatment** - If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump sum distribution", it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you because you have reached age 59½ or have separated from service with your employer (or, in the case of a self-employed individual, because you have reached age 59½ or have become disabled). For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least 5 years. The special tax treatment for lump sum distributions is described below.

**Five-Year Averaging** - If you receive a lump sum distribution after you are age 59½, you may be able to make a one-time election to figure the tax on the payment by using "5- year averaging". Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over 5 years.

**Ten-Year Averaging If You Were Born Before January 1, 1936** - If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates) instead of 5-year averaging (using current tax rates). Like the 5-year averaging rules, 10- year averaging often reduces the tax you owe.

**Capital Gain Treatment If You Were Born Before January 1, 1936** - In addition, if you receive a lump sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan (if any) taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If you have previously rolled over a payment from the Plan (or certain other similar plans of the employer), you cannot use this special tax treatment for later payments from the Plan. If you roll over your payments to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in IRS Form 4972, which has more information on lump sum distributions and how you elect the special tax treatment.

#### IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payment to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order" which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers. If you are a beneficiary other than the surviving spouse, you **cannot** choose a direct rollover, and you **cannot** roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10% tax described in section III above, even if you're younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in section III. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

#### HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor **before** you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in the IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office or by calling 1-800-TAX-FORMS.