

## **Santa Barbara Local No. 5 Pension Application - What to return checklist**

### **This checklist is to help you to expedite your Pension Application Process**

1. [ ] **Verification Form** - 1 page, complete and sign bottom portion of document. This form is to verify your status as to if you are eligible for a Normal Distribution (Age 62 or older) or an early Distribution (Under age 62) This form is required for processing of your application.
2. [ ] **Election Form For Benefits** - 3 Pages, Complete all three pages, If you were or are married, you must have your Spouse or Ex-Spouse sign on the bottom of page 3 and her signature needs to be notarized. This form is required for processing of your application. If you have been divorced please provide QDRO.
3. [ ] **Election or Rejection of Direct Rollover to an IRA or Retirement Plan** - 1 page, This form needs to be completed and signed. If you are choosing to have your distribution rolled over into a Qualified Account, this is the document you would use to give us your Qualified Retirement Account information. This form is required for processing of your application.
4. [ ] **Form W4P** - 1 page, This form needs to be completed and signed. If you are applying for a Lump Sum Distribution, please note that there will be Mandatory Federal Withholding of 20% of your distribution, so only put additional amount you want withheld on this form, otherwise please indicate -0-. If you are rolling over your distribution this still needs to be completed for the file. This form is required for processing of your application.
5. [ ] **Age 62 or older** - After completing all forms as listed above (1-4), nothing further required.

[ ] **Age 45 to 62. Write a letter** to the Employment Development Department office at: Benefits Payment Records Unit MIC 7, 2752 Kilgore Road, Rancho Cordova, CA 95670, and Attention: Base Wages – Request a Base Wage by Employer Report for the last two available years. Be sure to properly identify yourself with your Name and Social Security Number. If you want to expedite processing, send a postage paid return envelope with letter. Submit the print out you receive back from the EDD along with the balance of this application to the Trust office.

#### **Under age 45 and out of trade for five years.**

[ ] **Write a letter** to the Employment Development Department office at: Benefits Payment Records Unit MIC 7, 2752 Kilgore Road, Rancho Cordova, CA 95670, and Attention: Base Wages – and request a Base Wage by Employer Report for the last two available years. Be sure to properly identify yourself with your Name and Social Security Number. If you want to expedite processing, send a postage paid return envelope with letter. Submit the print out you receive back from the EDD along with the balance of this application to the Trust office.

[ ] Go to your local Social Security office and request a “Detailed Earnings Record” Form 7050, listing of employment contributions made on your behalf for the past five years. Submit both the document from the EDD and the SSA to the Trust office along with the balance of this application

### **IMPORTANT NOTE**

**No application will be processed unless all required documents accompany the application.)**

SANTA BARBARA LOCAL NO. 5  
PENSION PLAN

APPLICATION FOR WITHDRAWAL OF FUNDS  
(Termination or cessation of craft activities)

General Instructions:

Your rights to withdraw moneys from the Santa Barbara Local No. 5 Pension Fund for reasons of termination require that the participant provide proof of withdrawal from craft work. If you are age 45 or older, you must have terminated your employment with any contributing employer to the Trust and also cease work in the trade. If you are under age **45**, you must provide proof that you have not performed craft work for the last five-year period. (Article VI, sections 6.1 & 6.4 of the rules and regulations of the Plan)

If you believe you qualify for distribution under the rules set forth above, fill out the remainder of this form and the following pages. You will be required to provide information on your past employment as verified by the State of California. Employment Development Department and the Social Security Administration.

Work Cessation Verification

**Age 62 or older.** No verification by an outside agency such as the Employment Development Department or the Social Security Administration is required. Complete the verification section of this document and submit the balance of this application to the Trust office.

**Age 45 to 62.** Contact the Employment Development Department office at: Benefits Payment Records Unit MIC 7, 2752 Kilgore Road, Rancho Cordova, CA 95670, and Attention: Base Wages – and request a Base Wage by Employer Report for the last two available years. Be sure to properly identify yourself with your Name and Social Security Number. Submit the printout you receive back from the EDD along with the balance of this application to the Trust office.

**Under age 45 and out of trade for five years.** Contact the Employment Development Department office at: Benefits Payment Records Unit MIC 7, 2752 Kilgore Road, Rancho Cordova, CA 95670, and Attention: Base Wages – and request a Base Wage by Employer Report for the last two available years. Be sure to properly identify yourself with your Name and Social Security Number. Also go to your local Social Security office and request a “Detailed Earnings Record” Form 7050, listing of employment contributions made on your behalf for the past five years. Submit both the document from the EDD and the SSA to the Trust office along with the balance of this application

(Note - No application will be processed unless all required documents accompany the application.)

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**Verification - Mandatory to be completed by all Applicants**

I, \_\_\_\_\_, a participant in the Santa Barbara Local No. 5 Pension Plan, declare:

1. I was born on \_\_\_\_\_, 19\_\_\_\_\_.
2. My last work in covered employment was in the month of \_\_\_\_\_,  
Year \_\_\_\_\_, for \_\_\_\_\_.

If there are questions on this application I can be reached at Phone: \_\_\_\_\_.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
(sign above)

\_\_\_\_\_  
Date

**ELECTION FORM FOR BENEFITS UNDER  
SANTA BARBARA LOCAL NO. 5 PENSION PLAN**

**\* Note - This form must be completed in its entirety to process all Pension Distribution Applications**

**Participant's Name** \_\_\_\_\_.

**Social Security No.** \_\_\_\_\_.

**I hereby make application to receive retirement benefits commencing on \_\_\_\_\_,  
in accordance with the Plan's provisions for (check one):**

☐ Normal Retirement      ☐ Disability Retirement      ☐ Other

**I am (check all that apply):** ☐ Married    ☐ Unmarried    ☐ Divorced    ☐ Remarried

☐ Other \_\_\_\_\_.

In executing this form, I acknowledge that (a) I have received an explanation of my right to payment in the form of a Qualified Joint & Survivor Annuity as well as a summary of the various benefit options under the Plan and have reviewed such application and summary prior to completing this form; (b) this form must be complete and signed prior to the date benefit payments begin in order to be effective; (c) any failure to correctly indicate marital status may invalidate my election; and (d) this election is revocable by completing and submitting a new written election prior to the date plan benefits begin.

**DATE OF DISTRIBUTION**

If the proposed date of distribution is earlier than your normal retirement age (or your age is 62, if later), your consent is required under law in order to commence distribution. By signing this election form, you will be considered to have consented to distribution beginning on the date indicated above.

**MARRIED PARTICIPANTS**

If you are married when benefit payments begin, you will automatically receive your benefits as a Qualified 50% Joint & Survivor annuity unless you waive this form and your spouse consents to the waiver. Under this form of payment, the Plan will use your account balance to purchase an annuity contract from an insurance company. Under the annuity contract, you receive a reduced monthly benefit for your lifetime and, upon your death, 50% of your monthly benefit is continued to your spouse for his or her lifetime. If your spouse consents in writing as indicated on this form, you may waive the Qualified 50% Joint & Survivor Annuity and elect one of the optional forms listed below.

**Please check one:**

☐ I accept the Qualified 50% Joint & Survivor Annuity.  
Spouse's Name \_\_\_\_\_  
Spouse's Date of Birth \_\_\_\_\_

☐ I waive the Qualified 50% Joint & Survivor Annuity. (In order for this waiver to be effective, your spouse must consent to the waiver by signing this form as indicated on Page 3.) Select one of the optional forms of payment listed on Page 2.

## UNMARRIED PARTICIPANTS AND THOSE ACCEPTING THE WAIVER OF THE ANNUITY

Indicate the payment form in which your benefits are to be paid by checking one of the forms of payment listed below. Benefits will automatically be paid in the form of a life annuity if you do not elect one of the other options listed below. Should you become married prior to the date benefits begin under the Plan, your election will no longer be effective and you should file a new form which includes your spouse's consent.

### **FORMS OF PAYMENT**

If you are not married or if you are married and waive (with the consent of your spouse) the Qualified 50% Joint & Survivor Annuity, you may elect one of the following forms of payment (**check one**):

☐ **Lump Sum Distribution.** This form pays your benefit in one lump sum. ☐ All or \$\_\_\_\_\_.00

☐ **Direct Rollover.** This form transfers your entire account balance to a Trustee which you indicate. This form of distribution requires the completion of a Rollover Election Form.

☐ **Life Annuity.** Under this form of payment, your account balance is used to purchase an annuity contract which will provide you with monthly benefits for your lifetime. All payments stop upon your death.

☐ **Joint & Survivor Annuity.** This benefit pays you a reduced monthly income for your lifetime and, upon your death, 50% or 100% (circle one) of your monthly income is continued to your beneficiary for life. (Please name your beneficiary in the space entitled "Spouse or Beneficiary" below. ) If your beneficiary is someone other than your spouse, adjustments may be made to the payments in order to comply with certain minimum distribution requirements imposed by law.

☐ **Installment Benefit** This form pays you monthly benefits over a fixed number of years, as you select. Actual monthly payments may vary due to income earned on your remaining plan account balance. Monthly payments shall not be in an amount less than \$500.00. Select one of the following installment options:

☐ a. Payments over a period measured by your life expectancy

☐ b. Payments monthly or quarterly in the amount of \_\_\_\_\_. (Not to exceed 10 years)

### **SPOUSE OR BENEFICIARY (This information is required for processing of ALL Benefit Election)**

Name \_\_\_\_\_ Relationship \_\_\_\_\_

Date of Birth \_\_\_\_\_ Address \_\_\_\_\_

(Attach additional sheets for additional beneficiaries)

### **ADDRESS**

Benefit payments should be sent to this address:

(You may only skip this section if you elected a Direct Rollover form of Distribution)

\_\_\_\_\_  
\_\_\_\_\_

**SIGNATURE OF PARTICIPANT**

Participant's Name \_\_\_\_\_

Participant's Signature \_\_\_\_\_

Date \_\_\_\_\_

**SPOUSAL CONSENT FOR WAIVER OF QUALIFIED ANNUITY**

(This spousal consent is REQUIRED when a married participant has waived the Qualified 50% Joint & Survivor Annuity.)

I hereby acknowledge that I am the spouse of the participant identified above, that I have read and understand all of the above, that I consent to and understand the effect of my spouse's waiver of the Qualified 50% Joint & Survivor Annuity payment form and the election of the optional form of payment and/or beneficiary indicated above. I further understand that as a result of such waiver, I shall not be entitled to any survivor benefits under the Plan upon the death of my spouse, except and only to the extent that I have been named as a beneficiary under the payment option elected above by my spouse. I understand that I do not have to consent to the waiver of the Qualified Joint & Survivor Annuity form. However, if I do consent by signing below, I may not revoke my consent. My consent will only be revoked if my spouse revokes the payment and/or beneficiary designations made herein above by my spouse may not be changed at any time at which I am married to such spouse (other than to reinstate the Qualified Joint & Survivor Annuity payment form) without the written consent on a form similar to this one.

Spouse's Name \_\_\_\_\_  
(Printed)

Date \_\_\_\_\_

Spouse's Signature \_\_\_\_\_

(Please note the Spouse's signature is required to either be notarized or witnessed by a Plan Representative)

STATE OF \_\_\_\_\_ )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
\_\_\_\_\_,  
20 \_\_\_\_, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public

OR as alternative to Notary Public, spouse's signature may be witnessed by a Plan Representative as follows:  
The foregoing instrument was executed before me on the date indicated below.

PLAN REPRESENTATIVE \_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## SANTA BARBARA MASONRY UNION LOCAL NO. 5 PENSION PLAN AND TRUST

### Election or Rejection of Direct Rollover to an IRA or Retirement Plan

**ATTENTION:** BEFORE COMPLETING THIS FORM YOU SHOULD READ THE SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS CAREFULLY. YOU ALSO MAY WISH TO CONSULT YOUR TAX ADVISOR BEFORE MAKING THIS ELECTION. COMPLETE THIS FORM ONLY IF YOU WILL RECEIVE A PAYOUT IN A LUMP SUM, PARTIAL LUMP SUM OR A SERIES OF PAYMENTS FOR A SCHEDULED PERIOD OF LESS THAN 10 YEARS.

Participant's Name / Spouse-Beneficiary's Name

Social Security Number

Street Address

City

State

Zip Code

If you will receive part or all of your benefits as a lump sum, partial lump sum or a series of payments for a scheduled period of less than 10 years, that payment will be an "eligible rollover distribution." You may elect to have part or all of that distribution transferred directly to an Individual Retirement Account (IRA) or to another qualified retirement plan (if it accepts rollovers). If you choose **not** to have an eligible rollover distribution transferred directly to an IRA or other retirement plan, the Plan is required to withhold 20 percent of the payment for federal income taxes. This withholding does not increase our taxes, but will be credited against any income tax you owe. (For further information on direct rollovers and withholding, please read the Special Notice Regarding Plan Payments that the Plan has given to you.)

If your benefit is more than \$500, you may choose to have only part of the payment directly rolled over, and to have the rest paid to you. Withholding will be taken out of any part that is not directly rolled over. If you want to have only part of your payment directly rolled over, please tell us the amount (at least \$500) that you would like to roll over.

Check below to indicate whether or not you elect a direct rollover of your pension payment:

☐ I do not want to roll over any of my payment to an IRA or other qualified retirement. Pay me the full amount of my benefits, after withholding 20 percent for Federal income taxes as required by law.

☐ I want to roll over my payment directly to an IRA or other qualified retirement plan that accepts rollovers. The IRA or other retirement plan is named below.

☐ I would like to have only **part** of my payment directly rolled over. Please roll over \$\_\_\_\_\_ to the IRA or qualified retirement plan named below, and pay the remainder of my benefit to me, after withholding 20 percent for federal income taxes as required by law.

If you elected a direct rollover, you must provide all of the following information. If we do not receive this information within 45 days, the Plan will make the payment to you after deducting the legally required withholding. [**OR**, until you provide this information, no direct rollover can be made.]

Name of IRA Trustee or Qualified Retirement Plan

Account Number

Mailing Address of Trustee

City

State

Zip Code

Participant Signature

Date

**SANTA BARBARA LOCAL NO. 5  
PENSION TRUST**  
**Post Office Box 430 West Covina, CA 91793**  
**Telephone (626) 646-1080 Toll Free (877) 516-0586 FAX (626) 931-1368**

**ATTACHMENT A**  
**SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS**

This notice explains how you can continue to defer federal income tax on your retirement benefits in the Santa Barbara Local No. 5 Pension Trust (the "Plan") if you receive a lump sum distribution and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by your Plan Administrator because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a traditional IRA, a Roth IRA, or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan). Your payment **cannot** be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact your Plan Administrator at (805) 686-1677.

## **SUMMARY**

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to a traditional IRA or to a Roth IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- To a Traditional IRA or an eligible employer plan, your payment will **not** be taxed in the current year and no income tax will be withheld. However generally, you are taxed on the amount of the rollover to a Roth IRA. Please read the discussion below regarding "DIRECT ROLLOVER to Roth IRA" as to when and to what extent you **will** be taxed if you choose a DIRECT ROLLOVER to a Roth IRA. You may also wish to consult a professional tax adviser.
- You choose whether your payment will be made directly to your traditional IRA, your Roth IRA, or to an eligible employer plan that accepts your rollover. Your payment **cannot** be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because the Plan is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA, your Roth IRA, or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. However, since you will be taxed for the amount rolled over to a Roth IRA at the time of the rollover, please read the section below, "DIRECT ROLLOVER to Roth IRA," and consider consulting a tax professional as to the tax consequences of a rollover to a Roth IRA.
- If you want to roll over 100% of the payment to a traditional IRA, a Roth IRA, or an eligible employer plan, you must find other money to replace the 20% of the taxable portion 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.

### Your Right to Waive the 30-Day Notice Period.

Generally, neither a direct rollover nor a payment can be made from the Plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an

affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan.

## **MORE INFORMATION**

### **I. Payments That Can And Cannot Be Rolled Over**

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to a traditional IRA, a Roth IRA, or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

Required Minimum Payments. Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a “required minimum payment” that must be paid to you. Special rules apply if you own more than 5% of your employer.

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

### **II. Direct Rollover**

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA, a Roth IRA, or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. For a traditional IRA or eligible employer plan, you are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the IRA or plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200. Remember, the tax rules are different if you choose a DIRECT ROLLOVER to a Roth IRA, as described below.

DIRECT ROLLOVER to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

DIRECT ROLLOVER to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled “Additional 10% Tax if You Are under Age 59½” and “Special Tax Treatment if You Were Born before January 1, 1936.”

DIRECT ROLLOVER to 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 rollovers from the Plan to a Roth IRA beginning in 2010.

The amount of the rollover from the Plan to a Roth IRA will be treated as a distribution for income tax purposes and is includible in your gross income. 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).

For payments from the Plan to a Roth IRA after 2010, you must include the amount of your rollover as part of your gross income in the year of the rollover.

You do not have to take required minimum distributions from a Roth IRA during your lifetime. You cannot roll over a payment from the Plan to a designated Roth account in an employer plan. For more information, see IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.



### III. Payment Paid To You

If your payment can be rolled over (see Part I above) and the payment is instead made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer 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 your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$5,000, only \$4,000 will be paid to you because the Plan must withhold \$1,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$5,000 as a taxable payment from the Plan. You must report the \$1,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA, a Roth IRA, or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA, a Roth IRA, or eligible employer plan 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 traditional IRA or the eligible employer plan. The tax rules are different for a Roth IRA as indicated above.

You can roll over up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA, the Roth IRA, or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over under Part I above is \$5,000, and you choose to have it paid to you. You will receive \$4,000, and \$1,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$4,000, you may roll over the entire \$5,000 to a traditional IRA a Roth IRA, or an eligible employer plan. To do this, you roll over the \$4,000 you received from the Plan, and you will have to find \$1,000 from other sources (your savings, a loan, etc.). The entire \$5,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$5,000 to a traditional IRA or an eligible employer plan, when you file your income tax return you may get a refund of part or all of the \$1,000 withheld.

If, on the other hand, you roll over only \$4,000, the \$1,000 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 \$1,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$5,000.)

Additional 10% Tax If You Are under Age 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments that do not exceed the amount of your deductible medical expenses, or (7) payments made after your death. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment 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 that is payable to you after you have reached age 59½ or because you have separated from service with your employer. For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

Ten-Year Averaging. 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). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre- 1974 participation in the Plan 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. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll

over your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional 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 payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

**If you are a surviving spouse or an alternate payee**, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA, a Roth IRA, an eligible employer plan, or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA, a Roth IRA, or to an eligible employer plan. Thus, you generally have the same choices as the employee as described above in this notice. In addition, if you choose to do a rollover to a traditional IRA or a Roth IRA, you may treat the IRA as an Inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that required minimum distributions from your IRA do not have to start until after you are age 70½.

However, if you treat the IRA as an inherited IRA and if the participant had started taking required minimum distributions, you must 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 beneficiary other than a surviving spouse or an alternate payee**, the only rollover option you have is to do a direct rollover to an inherited traditional IRA or an inherited Roth 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 spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59½.

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

### HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. You can ask questions of your Plan Administrator, **but you should consult with a professional tax advisor before you take a payment of your benefits from your Plan.** Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORMS.