

PLUMBERS & STEAMFITTERS LOCAL 166
PROFIT SHARING ANNUITY PLAN
PO BOX 99485, TROY, MICHIGAN 48099-9485
248-641-4966 OR Toll-Free 855-641-4966

Types of Benefits & Eligibility Requirements

Below is a list of the various benefit options as well as the eligibility requirements for each. Please read through them carefully to determine which option fits your individual situation best. This application also contains a Checklist that can be used as a guide to ensure you have all required forms and documents completed.

- ❖ **Normal Retirement** – 59 ½ years of age (termination of Employment)
- ❖ **In-Service Distribution** – 59 ½ years of age (continuing Employment)
- ❖ **Termination of Employment** – If participant does not work within the union for a period of twelve (12) consecutive months, they are entitled to their full distribution (participant must apply for distribution)
- ❖ **Disability Benefit:**
(STOP HERE and contact the Pension Office. You will need to complete a separate Disability Application.)
 - I. Participant must be totally and permanently disabled from performing work as an Employee
 - II. Participant must be in Covered Employment at the time of the Disability
 - a. Participant is considered to be in Covered Employment at the time of the Disability if the Participant is in Covered Employment at any time during the 24 months which precedes the Disability
 - III. Participant must submit reports from at least two (2) attending physicians detailing the nature of the disability and stating in the physician's opinion that the disability incurred by the Participant has lasted or can be expected to last for a continuous period of not less than twelve (12) months and prevents such Participant from performing duties as an Employee OR the Participant must submit proof that the Participant has been awarded a Disability Benefit under the Social Security Act.
 - IV. Commencement date will be the later of
 - a. The date which is six (6) months following the date the Disability was incurred; or
 - b. The expiration of payments made to the Participant from any wage continuation program maintained by the Union or the Participant's Employer
- ❖ **Hardship Distribution:**
(STOP HERE and contact the Pension Office. You will need to complete a separate Hardship Application.)
 - I. Participants are limited to one (1) Hardship Distribution per (twelve) 12 consecutive month period
 - II. Participant may apply for a hardship for the following reasons: 1) medical expenses, 2) or the need to prevent eviction or foreclosure from a primary residence
 - III. Hardship request must be at least \$1,000 but no more than 50% of the vested account balance

PLUMBERS AND STEAMFITTERS LOCAL NO. 166
PROFIT SHARING ANNUITY PLAN
DC Distribution Application

Instructions to Applicant for a Defined Contribution Distribution

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

- Birth Certificate for you and your spouse
- Marriage License
- Copy of current driver's license or current state I.D. (with photo) for 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).

CHECKLIST OF ITEMS TO SUBMIT WITH YOUR BENEFIT APPLICATION:

Please utilize the checklist below to ensure that you have completed your application fully. This will expedite the application process. Missing documents and incomplete application forms will delay the processing of your application. Items that are in **bold** MUST be signed in front of a Notary Public (date of both signatures must match).

- ❖ Distribution Application Form
- ❖ **Spousal Consent to Lump Sum Form**
- ❖ Lump Sum Distribution Election Form
- ❖ **Certification of Marital/Single Status**
- ❖ Statement of Application Receipt
- ❖ **Thirty (30) Day Waiver Form**
- ❖ Copy of your birth certificate
- ❖ Copy of your spouse's birth certificate
- ❖ Copy of your marriage license
- ❖ Copy of your photo ID
- ❖ Copy of your spouse's photo ID
- ❖ Copy of any and all previous divorce decrees, Qualified Domestic Relations Orders, Separation Agreements, etc.

Please review the forms you are submitting to make sure that you have completed all blanks, signed where necessary, including the signature of a notary public where applicable and answered the questions accurately and completely.

STATEMENT OF APPLICATION RECEIPT

(Married participants ONLY)

In order to comply with Federal Regulations related to the 30-day waiver form (enclosed with this application), the Fund Office must have a statement from you indicating the date you received an explanation of your benefit options.

Please indicate the date you received this application packet: _____

Your Signature: _____

(Please return with your application)

**PLUMBERS AND STEAMFITTERS LOCAL NO. 166
PROFIT SHARING ANNUITY PLAN
DISTRIBUTION APPLICATION**

I hereby make application for benefits from the Plumbers and Steamfitters Local No. 166 Profit Sharing Annuity Plan and certify that the information listed below is correct:

NAME _____ SOC. SEC. # _____

ADDRESS: _____ DATE OF BIRTH _____

_____ HOME PHONE # _____

_____ CELL PHONE # _____

Last Day Worked _____ Last Employer _____

Type of Benefit:

- Normal Retirement (age 59 ½) Separation Benefit due to Termination of Employment
(Terminates service with an Employer and does not engage in any
 In-Service Distribution (age 59 ½) work within the trade jurisdiction for a period of twelve (12)
consecutive months.)

Distribution Options (Please select only ONE of these 4 options):

Lump Sum Payment Options (payable as Cash or Rollover – complete the Lump Sum Distribution Election Form to indicate your choice.):

- Full Distribution **OR** Partial Distribution* - in the amount of \$ _____

***Partial distributions are subject to the following limitations:**

Partial distributions are limited to two times per year, in any amount. This option is not available if your account balance is less than \$5,000.

Annuity Option:

- Qualified Joint & Survivor Annuity (Normal Form of Benefit)

Monthly Payment Option:

- Monthly Payments** – in the amount of \$ _____

****Monthly payments are subject to the following limitations:**

Monthly payment amounts must be a minimum of \$50.00. The monthly payment amount may be changed two times per year. This option is not available if your account balance is less than \$5,000.

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.

Signature of Participant/Applicant

Date

FOR OFFICE USE ONLY:

Plan Manager: _____

Date: _____

LUMP SUM DISTRIBUTION ELECTION FORM

I hereby acknowledge receipt of the SPECIAL TAX NOTICE REGARDING PLUMBERS AND STEAMFITTERS LOCAL NO. 166 PROFIT SHARING ANNUITY PLAN PAYMENTS which explains my right to choose how my Lump Sum Distribution 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 the entire lump sum amount paid in a direct rollover to my IRA*.
- I hereby elect to have the entire lump sum amount paid directly to me and I understand that 20% of my lump sum amount must be withheld for federal taxes.
- I hereby elect to have my lump sum amount divided as follows:
I elect to have \$_____ paid in a direct rollover to my IRA* and to have the remainder of my lump sum amount paid directly to me.
OR
I elect to have \$_____ paid directly to me in cash and to have the remainder of my lump sum amount paid in a direct rollover to my IRA*.
I understand that in either case above, 20% of the amount to be paid directly to me in cash must be withheld for federal taxes.

Participant's Signature: _____ **Date:** _____

*You must complete the section below if you wish to rollover all or a portion of your lump sum distribution.

DIRECT ROLLOVER INSTRUCTIONS:

If you have elected a direct rollover of all or part of your lump sum, please complete the section below:

Company Name of Custodian of your IRA: _____

Your IRA Account Number: _____

Mailing Address for the Rollover Check: _____

Authorized Signature of Custodian: _____

Printed Name of Custodian: _____

Phone Number of Custodian: _____

**SPOUSAL CONSENT TO A PARTICIPANT'S ELECTION TO WAIVE PAYMENT
IN THE FORM OF A QUALIFIED JOINT AND SURVIVOR ANNUITY**

This form is to be completed by the Participant's SPOUSE

- A. I acknowledge that I have read and understand the following:
1. My spouse is a Participant in the Plumbers and Steamfitters Local No. 166 Profit Sharing Annuity Plan.
 2. The Plan is an Annuity Plan, which provides for the following forms of distribution options.
 - **QUALIFIED JOINT & SURVIVOR ANNUITY.** A Participant who is married on the date the payment of benefits begins shall receive benefits in the form of a Qualified Joint & Survivor Annuity.
 - **LUMP SUM DISTRIBUTION.** Full distribution of 100% of the value of the Participant's Credit Account or Partial distribution in any amount (of which may be taken no more than twice per year and provided the Participant's Credit Account balance is not less than \$5,000.
 - **MONTHLY PAYMENTS.** Monthly benefit payable in any amount, with a minimum of \$50.00 per month and provided the Participant's Credit Account balance is not less than \$5,000.
 3. My Spouse's election of either the Lump Sum Distribution (full or partial) or Monthly Payment Optional Form of Benefit will not be effective unless I consent to that election. My consent must be in writing, include my acknowledgment of the effects of such an election, and must be witnessed by a representative of the Annuity Fund or by a Notary Public.
 4. I fully understand that if my spouse elects either the Lump Sum Distribution (full or partial) or Monthly Payment Optional Form of Benefit that upon his death, I will not receive any benefit from the Annuity Fund on his behalf.
- B. I acknowledge that I have read and understand the information set out in this form. I hereby consent to my spouse's election to waive and/or reject the 50% Qualified Joint & Survivor Form of distribution and to take the Single Lump Sum Payment. I understand that I will not be entitled to any benefit subsequent to his death.

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

Signature of PARTICIPANT'S SPOUSE

Date

Place Notary Stamp Here

Subscribed to and sworn to before me,
This _____ day of _____, 20____.

Notary Public, _____ County
State of _____
My Commission expires _____

Seal

***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 signatures identified above, but also examine their credentials to satisfy yourself that they are, in fact, the same persons as the ones identified."

CERTIFICATION OF MARITAL/SINGLE STATUS

Federal Law requires the Trustees to confirm whether a previous spouse is entitled to any portion of your pension benefits. 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: _____ Last four digits of SSN: _____

- Current marital status:
- SINGLE, NEVER MARRIED
 - SINGLE, PREVIOUSLY MARRIED*
 - MARRIED, NO PREVIOUS MARRIAGES
 - MARRIED, WITH PREVIOUS MARRIAGE(S)*

*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):

<u>Ex-spouse's Name</u>	<u>Date of Marriage</u>	<u>Date of Divorce/Death</u>
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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.

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

Signature of PARTICIPANT _____

Date _____

Place Notary Stamp Here

Subscribed to and sworn to before me,
This _____ day of _____, 20____.

Seal

Notary Public, _____ County

State of _____

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 signatures identified above, but also examine their credentials to satisfy yourself that they are, in fact, the same persons as the ones identified."

WAIVER OF 30-DAY WAITING PERIOD

*****BOTH SIGNATURES MUST BE WITNESSED BY A NOTARY PUBLIC*****

PARTICIPANT WAIVER

I, _____, hereby 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 Qualified Joint and Survivor Annuity 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.

By signing below, I hereby elect to waive the 30-day notice period:

Participant Signature _____ Date _____

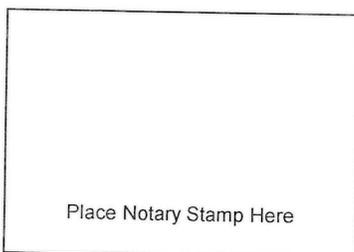
SPOUSAL CONSENT TO WAIVER OF 30 DAY NOTICE REQUIREMENT

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 Qualified Joint and Survivor form, including my spouse's right to waive the Qualified Joint and Survivor 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.

By signing below, I hereby consent to the election of my spouse to waive the 30 day notice period:

Spouse Signature _____ Date _____

Both Signatures Witnessed by Notary Public:



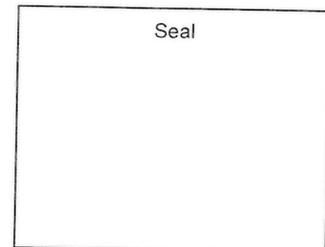
Subscribed to and sworn to before me,

This _____ day of _____, 20____.

Notary Public, _____ County

State of _____

My Commission Expires _____



IF THIS FORM IS NOT SIGNED AND RETURNED, YOUR APPLICATION WILL BE HELD FOR 30 DAYS AFTER RECEIPT OF YOUR APPLICATION BEFORE PAYMENT OF YOUR BENEFIT CAN BE MADE.

2. OVERNIGHT MAIL DELIVERY FROM UNITED PARCEL SERVICE (UPS)

A check will be released for overnight delivery within 7 calendar days from the date that Transamerica receives all required documentation and approvals. A fee (up to \$50) will be deducted from your Transamerica account or from the distribution amount. If the payment is greater than \$250,000, a Direct Deposit is recommended.

To deliver the check to an alternate address, indicate the name of the addressee and that address below. If an alternate address is not listed, the check will be mailed to the address listed on the withdrawal request.

Contact Name: _____

Street Address: _____

City, State, Zip: _____

Note: UPS will not deliver to a PO Box, military post office or US territory, except Puerto Rico.

I certify that the information provided on this form is correct and complete. I authorize the overnight fee (up to \$50) to be deducted from my account balance.

X _____ **X** _____ **X** _____
Participant Signature Date Social Security Number



Form WH-4
State Form 48845
(8/2 / 8-08)

State of Indiana
Employee's Withholding Exemption and County Status Certificate

This form is for the employer's records. Do not send this form to the Department of Revenue.
The completed form should be returned to your employer.

Full Name _____ Social Security Number or ITIN _____

Home Address _____ City _____ State _____ Zip Code _____

Indiana County of Residence as of January 1: _____ (See instructions)

Indiana County of Principal Employment as of January 1: _____ (See instructions)

How to Claim Your Withholding Exemptions

1. You are entitled to one exemption. If you wish to claim the exemption, enter "1"
Nonresident aliens must skip lines 2 through 6. See instructions
2. If you are married and your spouse does not claim his/her exemption, you may claim it, enter "1"
3. You are allowed one (1) exemption for each dependent. Enter number claimed.....
4. Additional exemptions are allowed if: (a) you and/or your spouse are over the age of 65 and/or
(b) if you and/or your spouse are legally blind.

Check box(es) for additional exemptions: You are 65 or older or blind Spouse is 65 or older or blind
Enter the total number of boxes checked.....

5. Add lines 1, 2, 3, and 4. Enter the total here

6. You are entitled to claim an additional exemption for each qualifying dependent (see instructions).....

7. Enter the amount of additional state withholding (if any) you want withheld each pay period \$ _____

8. Enter the amount of additional county withholding (if any) you want withheld each pay period..... \$ _____

I hereby declare that to the best of my knowledge the above statements are true.

Signature: _____ Date: _____

Special Tax Notice Regarding Plan Payments (Including Payments From Your Designated Roth Account, If Applicable)

YOUR ROLLOVER OPTIONS

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

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

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

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

Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

Section I: GENERAL INFORMATION ABOUT ROLLOVERS FROM YOUR RETIREMENT PLAN (Not Including Any Designated Roth Account)

How can a rollover affect my taxes?

You will generally be taxed on a payment from the plan if you do not roll it over. However, rollovers to a designated Roth account within the plan or to a Roth IRA that are not from a designated Roth account are subject to taxation, as discussed below. If you are under age 59 1/2 and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59 1/2 (or if an exception applies).

Where may I roll over the payment?

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

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

How do I do a rollover?

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

If you do a direct rollover, the plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59 1/2 (unless an exception applies).

How much may I roll over?

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

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70 1/2 (or after death)
- Hardship distributions
- ESOP dividends
- Corrective distributions of contributions that exceed tax law limitations
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends)
- Cost of life insurance paid by the plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA).

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

If you miss the 60-day rollover deadline:

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

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

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

If you have an outstanding loan that is being offset:

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

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

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

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

If the plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the plan even if you are under age 59 1/2 (unless the payment is from a separate account holding rollover contributions that were made to the plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59 1/2 will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences are that you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rules under "If your payment includes employer stock that you do not roll over" and "If you were born on or before January 1, 1936" do not apply.

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

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

If you roll over your payment to a Roth IRA:

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 59 1/2 (or after your death or disability, or as a qualified first-time home buyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.

You may roll over a payment from the plan to a designated Roth account within the plan, but you cannot roll over a payment from the plan to a designated Roth account in another employer plan.

How do I do a rollover?

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

If you do a direct rollover, the plan will make the payment directly to your Roth IRA or designated Roth account in an employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

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

If you do a direct rollover of only a portion of the amount paid from the plan and a portion is paid to you, each of the payments will include an allocable portion of the earnings in your designated Roth account.

If you do not do a direct rollover and the payment is not a qualified distribution, the plan is required to withhold 20% of the earnings for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

How much may I roll over?

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

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70 1/2 (or after death)
- Hardship distributions
- ESOP dividends
- Corrective distributions of contributions that exceed tax law limitations
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends)
- Cost of life insurance paid by the plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if S corporation stock is held by an IRA).

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

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

If a payment is not a qualified distribution and you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over (including amounts withheld for income tax), unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the earnings not rolled over.

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

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Payments of ESOP dividends
- 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
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

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

If you receive a payment from a Roth IRA when you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA listed above are the same as the exceptions for early distributions from a plan. However, there are a few differences for payments from a Roth IRA, including:

- There is no special exception for payments after separation from service.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to a Roth IRA of a spouse or former spouse).
- 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?

This notice does not describe any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

If you miss the 60-day rollover deadline:

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

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

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

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

If you have an outstanding loan that is being offset:

If you have an outstanding loan from the plan, your plan benefit may be offset by the 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, if the distribution is a nonqualified distribution, the earnings in the loan offset 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 earnings in the loan offset to a Roth IRA or designated Roth account in an employer plan.

If you receive a nonqualified distribution and you were born on or before January 1, 1936:

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

If you receive a nonqualified distribution, are an eligible retired public safety officer, and your pension payment is used to pay for health coverage or qualified long-term care insurance:

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

If you are not a plan participant:

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, whether the payment is a qualified distribution generally depends on when the participant first made a contribution to the designated Roth account in the plan. Also, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you receive a nonqualified distribution and you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.