

# I.U.P.A.T. OF WESTERN PA ANNUITY FUND

## INSTRUCTIONS TO PARTICIPANT'S APPLICATION FOR FINANCIAL HARDSHIP WITHDRAWAL

### Application

Use the Participant's Application for Financial Hardship Withdrawal to apply for a lump sum financial hardship withdrawal from your Post-1/1/2004 Employer Contribution Account under the I.U.P.A.T. of Western PA Annuity Fund.

In order to receive a financial hardship withdrawal, you must have a financial need that cannot be satisfied from your or your spouse's other financial resources, and you cannot be eligible for a retirement distribution, a disability distribution or a termination of employment distribution.

File the completed Application with the Fund Office, along with:

- (1) evidence of your financial need (see "Application for Hardship Withdrawal - Section III of the Application " below); and
- (2) if divorced, any qualified domestic relations order, divorce decree or property settlement that relates to your Accounts under the Annuity Fund. (If you are divorced, your former spouse will be treated as your spouse and you will be considered married for the purpose of this application to the extent required by a qualified domestic relations order.)

Once filed, by written notice to the Fund Office, you may revoke or change your Application for Financial Hardship Withdrawal at any time up to the date payment of the withdrawal is made. After that date, it cannot be revoked or changed.

Your Application for Financial Hardship Withdrawal has important tax and legal consequences. You should consider it carefully and consult with an attorney or tax advisor before completing the Application.

### Time of Payment

Lump sum payment of your financial hardship withdrawal will be made as soon as reasonably practicable following the date your completed application for the financial hardship withdrawal is approved. However, under current IRS rules, the payment cannot be made within the seven-day period following the date you are provided with these Instructions.

Also, under current IRS rules:

- (1) You have the right to a 30-day period after you are provided with these Instructions to consider your application for a financial hardship withdrawal. You may waive that right by filing the Application within this 30-day period.
- (2) You must be provided with these Instructions no earlier than 180 days before the date payment of your financial hardship withdrawal is made. Accordingly, if, when you return the Application, the payment cannot be made within 180 days of the date you were provided with these Instructions, the payment will not be made and you will have to obtain another set of Instructions before you can apply for the financial hardship withdrawal.

### Application for Financial Hardship Withdrawal - Section III of the Application

In Section III, check one or more boxes to specify the financial need(s) for which you are requesting a financial hardship withdrawal and enter the dollar amount you wish to withdraw to satisfy that financial need. You may also enter the amount you estimate is necessary to pay federal, state, and local income taxes and penalties reasonably expected to result from the withdrawal. The gross amount of your hardship withdrawal cannot exceed the amount necessary to satisfy your financial need plus estimated income taxes and penalties.

You may receive a hardship withdrawal for the following financial needs:

- (1) **Medical Expenses.** The amount must be for medical care provided to you, your spouse, your child or your dependent, or must be necessary to obtain medical care for you, your spouse, your child or your dependent. The medical expenses cannot be reimbursable by insurance or under a medical plan. Medical expenses for this purpose are generally the medical expenses deductible on your federal income tax return (without regard to the 7.5% of adjusted gross income limitation). Attach as evidence of your financial need, copies of bills, receipts or estimates from health care providers or facilities for the medical care. If any amount has been reimbursed by an insurance company or medical plan, include the explanation of benefits provided by the insurance company or medical plan.
- (2) **Educational Expenses.** The amount must be necessary to pay tuition, related educational fees or room and board for primary, secondary, post-secondary or special education for you, your spouse, your child or your dependent. Attach as evidence of your financial need, a copy of a bill or receipt for the tuition, related fees and/or room and board. Indicate all expected or received student assistance.
- (3) **Purchase of Principal Residence.** The amount must be necessary for the purchase of your principal residence, excluding mortgage payments. Attach as evidence of your financial need, a copy of an executed agreement of sale.
- (4) **Eviction or Foreclosure.** The amount must be necessary to prevent an eviction from your principal residence or a foreclosure on the mortgage on your principal residence. Attach as evidence of your financial need, the notice of eviction or the notice of foreclosure showing the amount owed, or any documentation indicating that such an eviction or foreclosure is imminent.
- (5) **Casualty Damage.** The amount must be necessary to repair damage to your principal residence resulting from a fire, storm, flood, landslide, subsidence or cave in, earthquake, or other similar sudden and unexpected casualty event. The amount cannot be reimbursable by insurance or other sources. Attach as evidence of your financial need, evidence of the casualty event and bills or receipts for the repair of the damage or an estimate from a contractor or insurance company adjustor of the amount necessary to repair the damage. If any amount is reimbursable by insurance or other sources, include an explanation or statement of the reimbursable amount.
- (6) **Funeral Expenses.** The amount must be necessary to pay for normal burial or funeral expenses for your spouse, your parent, your child or your dependent. Funeral expenses include expenses for cremation, burial plot or crypt, casket or vault, opening and closing of a burial plot or crypt, and up to \$2,500 for a monument. Attach as evidence of your financial need, copies of bills, receipts or estimates for the funeral expenses and a copy of the death certificate.

#### **Federal Income Tax Withholding Election - Section IV of the Application**

Complete Section IV to make your federal income tax withholding election for the financial hardship withdrawal. If you make no election, federal income tax will be withheld at a 10% rate.

If you do not elect withholding, or if you do not have enough withheld from the withdrawal, you may be responsible for the payment of quarterly estimated tax payments. You may be subject to tax penalties if your withholding and estimated tax payments for your income for a year are insufficient. Additional information on the withholding of federal income tax can be found in the instructions to IRS Form W-4P.

#### **Participant's Signature and Certification - Section V of the Application**

Note that by your signature, you certify that you have a financial need that cannot be satisfied by your or your spouse's other financial resources. The Board of Trustees has the authority and discretion to request evidence or documentation of your and your spouse's financial resources before approving your Application. Note also that by your signature, you agree to reimburse the Annuity Fund for any payments that you are ineligible to receive.

## **Spouse's Consent - Section VI of the Application**

If you are married, your spouse must consent to your election to take a financial hardship withdrawal by completing Section VI of the Application.

Although your spouse's consent is voluntary, once given, it is irrevocable. Your spouse's consent applies only to the payment of this financial hardship withdrawal. Thus, your spouse's consent will be required (if still married) for your later election of a form of distribution other than the Immediate 100% Joint and Survivor Annuity for the remaining balance of your Accounts.

Note that if you are divorced, your former spouse will be treated as your spouse and you will be considered married for this purpose to the extent required by a qualified domestic relations order.

## **Additional Tax for Distribution to Participants Under Age 59½**

Because you will be younger than age 59½ when you receive the financial hardship withdrawal, you will be responsible for the payment of an additional 10% income tax penalty on the withdrawal unless the withdrawal is paid by the purchase of a life annuity or joint or survivor annuity or in substantially equal periodic payments over your life expectancy (or over the joint life expectancy of you and your beneficiary), the withdrawal does not exceed the amount of your deductible medical payments, or one of the other exceptions of the Internal Revenue Code applies. Additional information on this 10% tax can be found in IRS Form 5329.

## **Right to Defer Distribution**

You have the right to defer the distribution of your Accounts until the required date of distribution. This is done by not filing the Application.

Section I: Participant Information

Name: Soc. Sec. No: Address: Birth Date: City: State: Zip Code: Telephone: Home Local Location: Home Local No:

Section II: Martial Status/Spouse Information

I am not married. I am married. Spouse's Name: Birth Date: Soc. Sec. No:

Section III: Application for Financial Hardship Withdrawal

I hereby apply for a lump sum financial hardship withdrawal from my Post-1/1/2004 Employer Contribution Account under the Annuity Fund on account of: (Attach Evidence of Financial Need - See Instructions)

- Nonreimbursable medical expenses or nonreimbursable expenses necessary to obtain medical care
Tuition, fees and room and board for primary, secondary, post-secondary or special education
Purchase of principal residence
Eviction from principal residence or mortgage foreclosure on principal residence
Repair of casualty damage to principal residence
Funeral expenses
Plus Estimated Income/Penalty Taxes
Gross Amount of Financial Hardship Withdrawal Request

Section IV: Federal Income Tax Withholding Election

I hereby elect the following federal income tax withholding: (Elect only one - See Instructions)

- No withholding of federal income tax
Withholding of federal income tax equal to % of the Gross Amount of Hardship Withdrawal

Section V: Participant Signature and Certification

I hereby certify that the information furnished above is true and correct to the best of my knowledge, and I hereby further certify that:

- 1. the gross amount of my financial hardship withdrawal request is not more than my financial need plus reasonably expected income and penalty taxes; and
2. my financial need cannot be satisfied from other financial resources reasonably available to me and my spouse, including by (i) reimbursement or payment from insurance or otherwise, (ii) payment from my or my spouse's compensation, savings, investments, or other assets, (iii) other withdrawals or loans available from the Annuity Fund, and (iv) borrowing from a commercial source on reasonable commercial terms.

I understand that all payments are governed by the document for the Annuity Fund, and that the Board of Trustees has the sole authority and discretion to determine my eligibility for a financial hardship withdrawal. I hereby authorize all action necessary to implement the elections made above, and I agree to reimburse the Annuity Fund for any payments not provided for by the document.

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

Section VI: Spouse's Consent

(If you are married, your spouse must consent to your election to take a financial hardship withdrawal. However, spousal consent is not required if the balance of all of your Accounts is \$5,000 or less.)

I certify that I am the lawful spouse of the above-named Participant, and I hereby consent to my spouse's election to take a financial hardship withdrawal paid in the form of a lump sum payment. I hereby acknowledge that:

- 1. Without my consent, my spouse's election to take a financial hardship withdrawal will not be effective; and the effect of my consent is that the financial hardship withdrawal will be paid in a lump sum and an Immediate 100% Joint and Survivor Annuity will not be purchased for the payment of the financial hardship withdrawal.
2. My consent is voluntary, but once given, it is irrevocable. My consent applies only to the payment of this financial hardship withdrawal, and I will have the right (if still married) to consent to his or her later election of a form of distribution other than the Immediate 100% Joint and Survivor Annuity for the remaining balance of his or her Accounts.

Spouse's Signature: \_\_\_\_\_ Date: \_\_\_\_\_
(Sign in Presence of Notary Public)

State of: \_\_\_\_\_. County of: \_\_\_\_\_. On \_\_\_\_\_, 20\_\_\_\_, the above-named spouse appeared before me and acknowledged that he or she signed this Spouse's Consent for the reasons set forth herein.

[SEAL] Notary Public: \_\_\_\_\_
Commission Expires: \_\_\_\_\_

Section VII: Administrative Use Only

Application for Withdrawal and Instructions sent on \_\_\_\_\_. Application for Withdrawal received on \_\_\_\_\_.

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

You are receiving this notice because all or a portion of a payment you are receiving from the I.U.P.A.T. of Western Pennsylvania Annuity Fund (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

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

### **GENERAL INFORMATION ABOUT ROLLOVERS**

#### **How can a rollover affect my taxes?**

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59 ½ 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 the age of 59 ½ (or if an exception to the 10% additional income tax applies).

#### **Where types of retirement accounts and plans may accept my rollover?**

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, 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.

#### **How do I do a rollover?**

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

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

*If you do not do a direct rollover*, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to amount of cash and property received). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59 ½ (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 a rollover. Any payment from the plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary).
- Required minimum distributions after age 70 ½ (if you were born before July 1, 1949), after age 72 (if you were born after June 30, 1949), or after death.
- Hardship distributions.
- 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). However, a loan offset amount is eligible for rollover, as discussed below under “Special Rules and Options.”

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

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

If you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

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

- Payments made after you separate from service (i.e., when you no longer work in Covered Employment) if you will be at least age 55 in the year of the separation.
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary).
- Payments made due to disability.
- Payments after your death.
- Corrective distributions of contributions that exceed tax law limitations.
- Payments made under qualified domestic relations order (QDRO).
- Payments made directly to the government to satisfy a federal tax levy.
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year).
- Certain payments made while you are on active duty if you were member of a reserve component called to duty after September 11, 2001 for more than 179 days.
- Payments excepted from the additional income tax by federal legislation relating to certain emergencies and disasters.

## **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 59 ½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of separation does not apply.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.

Additional exceptions apply for payments from an IRA, including:

- Payments for qualified higher education expenses;
- Payments up to \$10,000 used in qualified first-time home purchase, and
- Payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

## **Will I owe State income taxes?**

This notice does not address any State or Local income tax rules (including withholding rules).

## **SPECIAL RULES AND OPTIONS**

### **If you miss the 60-day rollover deadline**

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

### **If 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 offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax

on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers.)

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

### **If you were born on or before January 1, 1936**

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

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

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59 ½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)* and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

### **If you 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, 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 deceased participant was born on or before January 1, 1936.

- **If you are a surviving spouse.** If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant

would have had, as described elsewhere in the notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59 ½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70 ½ (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949).

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

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

*Payments under a qualified domestic relations order.* If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options and the same tax treatment that the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). However, payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

### **If you are a nonresident alien**

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

### **Other Special Rules**

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than \$200, the Plan is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

Unless you elected otherwise, a mandatory cashout of more than \$1,000 will be directly rolled over to an IRA chosen by the Plan administrator. A mandatory cashout is a payment from a plan to a participant made before age 62 and without consent, where the participant's benefit does not exceed \$5,000 (not including any amounts held under the Plan as a result of a prior rollover made to the Plan).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publications 3, *Armed Forces' Tax Guide*. You may also have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at [www.irs.gov](http://www.irs.gov).

### **FOR MORE INFORMATION**

You may wish to consult with the Plan administrator or a professional tax advisor before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*; IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*; and IRA Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, on the web at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORM.