



# BENEFIT WITHDRAWAL PACKET

## 457 Deferred Compensation Plans

Please follow the steps shown below to ensure we are able to process your request in a timely manner. This packet is used to submit your initial withdrawal request following retirement or separation from service with your employer. For all other withdrawal requests (e.g., emergency withdrawals while you are still employed, purchase of service credits), please access your account online at [www.icmarc.org/login](http://www.icmarc.org/login) or contact ICMA-RC for the appropriate forms.

1. **Complete each section of the *Benefit Withdrawal Form*.** If you have more than one account at ICMA-RC, submit a separate withdrawal form for each account.
2. **Have the plan sponsor sign section 12 of the form.** If this is your initial request for a withdrawal from the account following separation from service, your former employer will need to sign the form to confirm that you are eligible to withdraw funds from the account. Failure to obtain the required employer signature could delay the processing of your withdrawal request.
3. **For all installment payment requests,** please also complete the enclosed *Direct Deposit Authorization Form* and attach a voided check.
4. **Fax or mail the completed form(s) to ICMA-RC.**

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

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

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

### TIMEFRAME FOR PAYMENTS

Following the receipt of your properly completed withdrawal form, one-time payments will be distributed as soon as possible (typically within 1–2 business days) or in accordance with your instructions. The timing of installment payments will vary based on the options you select in section 5 of the withdrawal form.

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

## MAKING A SMART WITHDRAWAL DECISION

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

### Withdrawing in Retirement

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

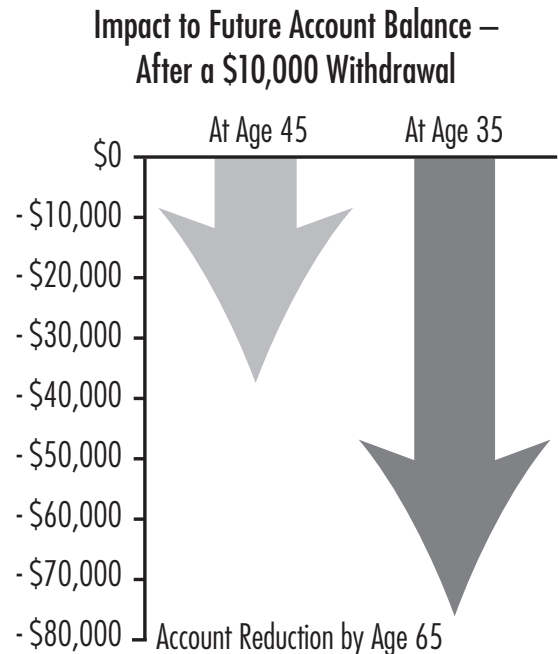
- **the gap between all your sources of lifetime income**, such as pensions, Social Security, and annuity products (including lifetime income funds), and ongoing expenses;
- **how much you should withdraw** from your investments to maintain your desired standard of living but not outlive your money;
- **from which investments you should withdraw** to maintain your ideal level of investment risk; and
- **the impact of taxes**; any assets you have in nonretirement or Roth accounts, for example, are likely to be taxed differently than your 457 plan.

### Considering a Withdrawal Before Retirement?

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

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

*Assuming a 7 percent return, a 45-year-old employee who withdraws \$10,000 could reduce his or her account balance by nearly \$40,000 at age 65; a 35-year-old worker would see a reduction of more than \$76,000.*



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

### Making a Decision

Your ICMA-RC Retirement Plans Specialist or Certified Financial Planner™ can help you sort through your options, including developing an overall investment and withdrawal strategy that maximizes your chances of meeting your retirement goals, no matter how long you live. Visit [www.icmarc.org/retiree](http://www.icmarc.org/retiree) for additional guidance.



# BENEFIT WITHDRAWAL FORM

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1. Use this form to initiate withdrawals from your 457 deferred compensation plan account.
2. Return the completed form (with the authorized employer signature in section 12) to ICMA-RC.
3. Please review the Additional Information section in this packet prior to submitting the completed form.

## 1 PARTICIPANT INFORMATION (COMPLETE ALL FIELDS IN THIS SECTION)

Employer Plan Number: \_\_\_\_\_ Employer Plan Name: \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Date of Birth: (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_ Date of Hire: (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_

Full Name of Participant: \_\_\_\_\_  
LAST FIRST M.I.

Mailing Address: \_\_\_\_\_

City \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Daytime Phone Number: (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ Email Address: \_\_\_\_\_

## 2 REASON FOR WITHDRAWAL

- Retirement/Separation from Service     Disability (Certification required)

## 3 BEGINNING PAYMENT DATE

Select one option only:     As soon as possible (default)    **OR**     \_\_\_\_/\_\_\_\_/\_\_\_\_ (MM/DD/YYYY)

## 4 PAYMENT OPTIONS

- Option A** 100% lump sum payment of entire account balance (Complete sections 5, and 10-12)
- Option B** One-time payment of \$ \_\_\_\_\_ (Complete sections 5, and 7-12, as applicable)
- Option C** Installment payments (Complete sections 6-12)
- Option D** One-time payment of \$ \_\_\_\_\_ followed by installments (Complete sections 6-12)

**CHANGING YOUR PAYMENT SCHEDULE** — Please note that you can make changes to your scheduled payments at any time by completing the *Payment Schedule Change Form*, available online at [www.icmarc.org/forms](http://www.icmarc.org/forms).

## 5 ALTERNATE ADDRESS TO SEND PAYMENTS (IF APPLICABLE)

Check the box below and provide an alternate mailing address to have your payment(s) sent to an address that differs from the address shown in section 1.

Alternate Mailing Address: Street \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_



# BENEFIT WITHDRAWAL FORM

Employer Plan Number: \_\_\_\_\_ Social Security Number: \_\_\_\_\_

## 6 INSTALLMENT PAYMENTS

Complete this section only if you selected Option C or D in section 4. You must also complete the **Direct Deposit Authorization Form** (required for installment payments).

- Select one installment payment option only:
  - Payments of \$ \_\_\_\_\_ until account is exhausted (payments must be a minimum of \$100)
  - Payments that will exhaust the account over exactly \_\_\_\_\_ years (Note: The amount of each installment payment under this option will vary based on changes in your account balance, since each payment is calculated separately using the value of your account and the number of remaining payments.)
  - Required minimum distribution (RMD) payments only. Calculated each year to comply with RMD rules. (See the Additional Information section in this packet for more information on RMDs.)
- Select a payment frequency:  Monthly  Quarterly  Semi-Annual  Annual
- Select a payment cycle:  Cycle 1  Cycle 2  Cycle 3  Cycle 4  
Your payments will be sent on the Wednesday following the first (Cycle 1), second, third or fourth Tuesday of the month, depending on the payment cycle you select.
- Additional options (select if applicable)
  - Payments should include a cost of living adjustment (COLA) and increase automatically each year based on inflation. Not available for RMD payments.
  - Payment schedule is 72(t) compliant. Only applies to non-457 rollover assets.

Be sure to **also complete the Direct Deposit Authorization Form**. With direct deposit, your payments will be sent directly to your checking or savings account on the same day you would have otherwise mailed a check, making the payment available 3–5 days earlier than a mailed check.

## 7 FUND DEPLETION ORDER (OPTIONAL)

Payments will be withdrawn pro-rata from all eligible investments, unless you specify a fund depletion order below. You can select a maximum of three (3) funds. The full balance of the first fund will be depleted first; the full balance of the second fund will be depleted second; the full balance of the third fund will be depleted third; then withdrawals will be prorated among all eligible investments remaining in your account.

First Fund: \_\_\_\_\_ Second Fund: \_\_\_\_\_ Third Fund: \_\_\_\_\_

## 8 ROLLOVER ASSETS DEPLETION ORDER

If your account contains rollover assets from another plan type (i.e., a plan other than a 457 deferred compensation plan such as a 401(a) or 401(k) plan), the 457 plan assets will be distributed first, followed by any rollover assets from a non-457 plan unless you select option 2 or 3 below.

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

## 9 ROTH ASSETS DEPLETION ORDER

Non-Roth assets will be distributed prior to any Roth assets, unless the following box is checked:



# BENEFIT WITHDRAWAL FORM

Employer Plan Number: \_\_\_\_\_ Social Security Number: \_\_\_\_\_

## 10 TAX WITHHOLDING ELECTION

Please review the *Special Tax Notice Regarding Plan Payments* for information on tax withholding requirements and eligible rollover distributions. ICMA-RC automatically withholds taxes according to the applicable required federal and/or state rules and may be required to withhold more than the amount specified by you in this section. You can request to have additional amounts above the required amounts withheld for federal and/or state taxes. Income taxation of payments from retirement plans varies from state-to-state. You should seek state tax advice from the appropriate state department of revenue if you have questions regarding state tax withholding requirements.

Please use whole percentages only.

Withhold **FEDERAL** income tax at the rate of \_\_\_\_\_% **OR**  No withholding

Withhold **STATE** income tax at the rate of \_\_\_\_\_% **OR**  No withholding

Please declare your residency state if **different** than your permanent address: \_\_\_\_\_

**IRS Form 1099-R:** Taxable amounts will be reported on a Form 1099-R, which you will receive in January following the year of the distribution. You are ultimately liable for the payment of applicable federal and state income taxes.

**Withdrawal Penalties:** 457 plan contributions and associated earnings that remain in the plan until paid are not subject to an early withdrawal penalty tax. However, rolled-in assets may be subject to a 10% early withdrawal penalty tax if withdrawn prior to age 59½, unless an exception to the penalty applies. Exceptions to the penalty are listed in the *Special Tax Notice Regarding Plan Payments*. ICMA-RC does not withhold any portion of your payment to cover potential tax penalties. The calculation and payment of any such penalty is your responsibility and will be carried out when you file your tax return. Additional information on early withdrawal penalties is available in IRS Publication 575, which is available on the IRS website at [www.irs.gov](http://www.irs.gov) or by calling 800-829-3676.

## 11 PARTICIPANT SIGNATURE

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

Participant Signature: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

I am a U.S. citizen:  Yes  No

## 12 PLAN SPONSOR/EMPLOYER AUTHORIZATION

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

Participant's Last Day of Employment: \_\_\_\_/\_\_\_\_/\_\_\_\_ (MM/DD/YYYY)

Employer Signature: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Name (Please Print): \_\_\_\_\_ Title: \_\_\_\_\_

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# DIRECT DEPOSIT AUTHORIZATION FORM | 1 OF 2

## FOR INSTALLMENT PAYMENTS ONLY

1. Use this form to have your installment payments sent via direct deposit to your bank account. *(Direct deposit is not available for lump sum and one-time payments.)*
2. Attach a voided check with your completed *Direct Deposit Authorization Form*.

## PARTICIPANT INFORMATION

Employer Plan Number: \_\_\_\_\_ Employer Plan Name: \_\_\_\_\_ State: \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Date of Birth: (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_ Daytime Phone Number (\_\_\_\_) \_\_\_\_\_-\_\_\_\_\_

Full Name of Participant \_\_\_\_\_

LAST \_\_\_\_\_ FIRST \_\_\_\_\_ M.I. \_\_\_\_\_

## DIRECT DEPOSIT AUTHORIZATION FOR INSTALLMENT PAYMENTS

Complete this section only if you selected an installment payment option on the *Benefit Withdrawal Form*.

**Electronic direct deposit is only available for installment payments.** If you requested a lump sum or one-time payment option, a check will be mailed to your permanent address.

Please contact your bank to confirm the below information. Incorrect information will delay the processing of your direct deposit request. Also, please note that the first payment may be issued as a check rather than an electronic deposit. All subsequent deposits will be completed electronically. **Please attach a voided check with your completed form.**

Type of Authorization:  Initial Authorization  Change

<b>PLEASE ATTACH A VOIDED CHECK HERE.</b>	<b>Please contact your bank for this information. Incorrect information will delay electronic deposit processing. See page 2 of 2 of this form for an example of a check and the information needed.</b>	
	<b>Type of Depositor Account</b>	<b>Depositor Account Number</b>
	<input type="checkbox"/> Checking <input type="checkbox"/> Savings	_____
	Name on your bank account _____	
	Name of Financial Institution _____	
<b>Financial Institution's Direct Deposit Routing Number</b>	<b>Financial Institution's Telephone Number</b>	
_____	(____) _____-_____	

*Prior to a payment being sent, a successful test transmission with your bank must take place. If problems are encountered and not resolved prior to your first payment, a check may be sent rather than a direct deposit. Incorrect or incomplete bank information will delay the processing of your request.*

## SIGNATURE

**Direct Deposit Authorization** *(for installment payments)*

I hereby authorize the VantageTrust Company (hereinafter call the "Trust") to credit the account referenced in section 2 of this form for any amount owed to me for retirement benefit payments. This authorization agreement is to remain in full force and effect until the Trust has received written notification from me of its termination in such time and in such manner as to afford the Trust and depository a reasonable opportunity to act on it. This authorization agreement may also be terminated by the Trust In the event that the Trust notifies the bank that funds to which I am not entitled have been deposited to my account inadvertently, I hereby authorize and direct the bank to return said funds to the Trust as soon as possible.

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

Social Security Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Name (Last, First, M.I.): \_\_\_\_\_

## DIRECT DEPOSIT AUTHORIZATION FORM INSTRUCTION

**A.** Be sure current address is shown.

JOHN AND JANE DOE  
1234 Main Street  
Anytown, VA 11111

345

12-345/678

Pay to the  
order of

\$

20

Dollars

First National Bank  
of Anytown, VA  
Anytown, VA 11111

Memo

**B.** Financial institution's routing number for direct deposit. Please call your bank to verify this number is correct for direct deposit. If the number is not correct, it will result in delays.

①:123456789②

③123 456 7④

345

**C.** Your account number.



## ADDITIONAL INFORMATION

### Beneficiary Designations

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

### Required Minimum Distributions (RMDs)

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

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

If you only wish to withdraw the minimum amount from your account each year, select the “Required minimum distribution (RMD) payments only” option in section 5. Payments from your account will begin after you reach the age of 70½.

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

### VT Retirement Income Advantage Fund

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

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

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

### VantageBroker

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

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# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

*This notice applies to distributions from 401(a), 401(k), and 457(b) plans with ICMA-RC.*

**T**his notice contains important information you should consider before you begin withdrawing funds from your ICMA-RC retirement plan (the Plan). Please review the potential tax consequences associated with receiving a distribution from your account and your options for continuing to defer federal taxes by transferring the funds directly to another eligible retirement plan through a direct rollover. The following items are discussed in detail and are intended to give you the information you need to make an informed decision regarding your benefit payments:

- I. General Information About Rollovers
- II. Special Rules and Options
- III. Roth Assets — 457 and 401(k) Plans

Rules that apply to most payments from the Plan are described in section

I. Special rules that only apply in certain circumstances are described in sections II and III.

## I. GENERAL INFORMATION ABOUT ROLLOVERS

### What is a rollover?

A rollover is a payment from your employer sponsored retirement plan that is transferred to another eligible employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) or IRA (an individual retirement account or individual retirement annuity). Assets that are rolled over to another eligible plan or Traditional IRA are not taxed until they are later withdrawn from the receiving plan.

### How can a rollover affect my taxes?

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

### Where may I roll over the payment?

You may roll over the payment to either an IRA or an employer plan that will accept the rollover. The rules of the IRA or employer plan receiving 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. 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. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies). Note that 457 plan assets held in a 457 plan until withdrawn are not subject to a 10% additional income tax.

### How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover.

Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70½ (or after death)
- 401(k) hardship distributions
- 457 unforeseeable emergency withdrawals
- 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

ICMA-RC can tell you what portion of a payment is eligible for rollover.

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

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the 401(a) or 401(k) plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

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

- Payments made after you separate from service if you will be at least age 55 in the year of the separation

- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- 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 (applies to the 401(k) plan only)

### **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 59½ (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies).

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

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

- There is no exception for payments after separation from service that are made after age 55.
- The exception for qualified domestic relations orders (QDROs) does not apply (although special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

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

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

## **II. SPECIAL RULES AND OPTIONS**

### **If your plan payment includes after-tax contributions**

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the payment. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

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

Generally, the 60-day rollover deadline cannot be extended. However, the Internal Revenue Service (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 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 an 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. "If you were born on or before January 1, 1936" does not apply to the 457 plan. For more information, see IRS Publication 575, Pension and Annuity Income.

## **If you are an eligible retired public safety officer and your 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 a payment to a designated Roth account in the same plan (in-plan Roth conversion)**

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 the amount rolled over is subsequently withdrawn within the 5-year period that begins on January 1 of the year of the rollover).

Distributions from the designated Roth account will be tax-free if the requirements for a qualified distribution are met. For additional information regarding qualified distributions, please refer to Section III (ROTH ASSETS — 457 & 401(k) PLANS) of this document.

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

No income tax withholding is required for any taxable portion of your payment for which you choose a direct rollover. However, you are responsible for paying the taxes due for the year of the rollover. You must have other money from which you can pay the taxes; however, you may elect to have voluntary withholding apply to the taxable portion of your distribution.

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

## **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 and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

**If you are a surviving spouse.** 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 this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

**If you are a surviving 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 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). 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).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.



### III. ROTH ASSETS — 457 & 401(k) PLANS

This section describes the rollover rules that apply to distributions of Roth assets from a 457 or 401(k) plan, and contains important information you will need before you make a decision to withdraw Roth assets from your employer sponsored retirement plan. Unless otherwise stated below, the information described in sections I and II apply (e.g., income tax withholding).

All distributions of Roth assets from your employer sponsored retirement plan include a pro-rata share of contributions and associated earnings. Roth contributions are made on an after-tax basis and are not taxed when they are later withdrawn. However, the earnings portion of the distribution may be tax-free or taxable, depending on whether or not the requirements for a qualified distribution are met.

#### **Qualified “Tax-Free” Distributions**

Distributions of Roth assets are qualified if:

- a period of five years has passed since January 1 of the year in which the first contribution (including rollovers) was made to your Roth account; and
- you are at least 59½ years old (or disabled or deceased)

If the requirements for a qualified distribution are not met, and the portion of the distribution attributable to earnings is not rolled-over to another eligible plan (see below), the earnings portion of the distribution will be taxable. ICMA-RC will be required to withhold 20% of the earnings for federal income taxes, and any earnings associated with Roth elective deferrals to a qualified 401(k) or 403(b) plan will also be subject to an additional 10% early withdrawal penalty tax, unless an exception applies (exceptions are listed on page 2).

#### **Do direct rollovers of Roth assets from other retirement plans impact the five-year period used in determining whether or not withdrawals from the plan are qualified?**

Yes. The five-year period is calculated using the year of your first Roth contribution (including rollovers) to the plan from which assets are being rolled out of or rolled to, whichever is earlier. For example, if you do a direct rollover of Roth assets from a previous employer’s retirement plan where you began making Roth deferrals prior to your current employer’s plan, the earlier date will be used to determine whether or not distributions from your current plan will be qualified.

#### **Can Roth assets be rolled over to another plan?**

Yes. However, the receiving plan must be a Roth IRA or have a Roth deferral feature and be able to accept and provide recordkeeping for Roth assets (e.g., 457/401(k)/403(b) plans with a Roth deferral feature). You will not pay taxes on the amounts that are rolled over. When the assets are subsequently distributed from the receiving plan, the earnings portion of the distribution will be tax-free if the requirements for a qualified distribution are met.

You should contact the administrator of the receiving plan to obtain the appropriate rollover forms. If you request a direct rollover, ICMA-RC will make the payment directly to the receiving plan.

#### **What happens if I roll over Roth assets from my employer’s plan to a Roth IRA?**

You will not pay taxes on the amounts that are rolled over, and those amounts will become subject to the tax rules that apply to the Roth IRA. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- The date when you are eligible to receive qualified distributions from a Roth IRA is determined by the date of your first Roth IRA contribution, and will not be impacted by any rollovers from an employer plan.
- Roth IRAs are not subject to lifetime required minimum distribution (RMD) rules, so you are never forced to withdraw your assets.
- Roth IRA assets can be rolled over to another Roth IRA, but are not eligible to be rolled over to an employer’s 457/401(k)/403(b) plan, even if the employer plan allows Roth deferrals.
- To ensure proper tax reporting on distributions from your Roth IRA, you must keep track of the aggregate amount of after-tax contributions in all of your Roth IRAs.

#### **If a distribution of Roth assets is paid directly to me, can I still roll over the assets?**

Yes, but the available options depend on whether or not the distribution was qualified or nonqualified.

- **Qualified Distributions** — If a qualified distribution of Roth assets is paid to you, the assets can still be rolled over to another eligible plan (e.g., 457/401(k)/403(b) plans with a Roth deferral feature, or a Roth IRA) by depositing the funds into the Roth IRA within 60 days of the distribution.
- **Nonqualified Distributions** — If a non-qualified distribution of Roth assets is paid to you, the portion of the distribution attributable to earnings can still be rolled over to another employer sponsored retirement plan within 60 days. The full amount of the distribution can be rolled over to a Roth IRA.

#### **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 59½, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA listed on page 2 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).

#### **FOR MORE INFORMATION**

You may wish to consult with a professional tax advisor, before taking a payment from the Plan. For plan-related questions, please contact ICMA-RC's Investor Services at 800-669-7400. 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 and IRS Publication 590, Individual Retirement Arrangements (IRAs). These publications are available from a local IRS office, on the web at [www.irs.gov](http://www.irs.gov), or by calling 800-TAX-FORM.

## **SUMMARY DESCRIPTION**

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

