

# TSA/403(b)(7) Distribution Request

## State Farm Mutual Funds®

This form is used to request a one-time distribution, Required Minimum Distribution (RMD) payments, or to establish a systematic withdrawal plan from a TSA/403(b)(7). For hardship withdrawals, please complete the 403(b) Hardship Withdrawal form. A separate form must be completed for each account from which you wish to take a distribution.

If you have any questions or need additional information before completing this form, please call **1-800-447-4930**.

**Before completing this form please review the General Provisions on page 6.**

**Your employer or the third party administrator must complete Section 9.**

### 1 Participant Information

First Name	MI	Last Name	
Address			Social Security Number
City	State	ZIP Code	
Day Telephone (include area code)	Date of Birth (MM/DD/YYYY)	Plan Number	

### 2 Reason for Distribution

I understand all distributions are subject to my plan provisions. I qualify for a distribution based on the following event:

(Please indicate amount in **Section 3**)

- A. Required Minimum Distribution (RMD)**
- B. Due to Disability** – (A physician's letter stating you are permanently disabled must be attached)
- C. Withdrawal over age 59 1/2**
- D. Severance from Employment** on \_\_\_\_\_ .  
Date

**E. Plan Termination**

**F. Removal of Excess Deferral (choose one)**

I am timely correcting an excess deferral my employer made for \_\_\_\_\_ on \_\_\_\_\_ .  
Tax Year Date

Note: If more than one deferral was made for a taxable year, the last deferral made is deemed the deferral that is being corrected, up to the excess amount identified by you as the amount to be returned in Section 3.

I am correcting an excess deferral after my tax filing due date (including extensions).

### 3 Amount of Distribution

- Distribute the entire account balance.
- Distribution in the amount of:

Dollars	Fund
	(If you do not indicate a fund, your redemption will be taken proportionally from each fund.)
\$ _____	from _____
\$ _____	from _____
\$ _____	from _____
\$ _____	from _____

If the amount requested exceeds the amount available for withdrawal, the maximum amount available will be withdrawn.

If redeeming B shares, the amount received may be less than the amount requested to cover the contingent deferred sales charge.

See your *Prospectus* for specific guidelines.

## 4 Systematic Withdrawal

You must own shares with a current value of at least \$5,000 in the fund indicated before establishing this service. The \$5,000 balance requirement does not apply if you are withdrawing your Required Minimum Distribution or systematically exchanging between funds within the same account. We will begin your systematic withdrawal as soon as possible upon receipt of this form.

**New Request** or  **Change Existing Systematic Withdrawal to the following:**

**Frequency:** (choose one)  Monthly  Quarterly (Jan, Apr, July, Oct)  Semi-Annual (Jan and July)  Annual \_\_\_\_\_ (list month)

**Day of the month to withdraw** \_\_\_\_\_

Note: Unless specified, withdrawals will be made on the **10<sup>th</sup> calendar day of the month**. If the 10th or the day you select is a non-business day, withdrawals will be made the prior business day unless the day selected falls on the first day of the period. In these circumstances withdrawals will be processed the following business day. Payment method is check or EFT.

**Installment Type** (Choose all that apply):

- A.  Installments for the amount of the RMD calculated by State Farm Bank® as custodian, beginning in \_\_\_\_\_, \_\_\_\_\_.  
Month Year
- B.  Distribute the entire account over a period of \_\_\_\_\_ years, beginning in \_\_\_\_\_, \_\_\_\_\_.  
Month Year
- C.  NON-RMD withdrawal plans or withdrawal plans in addition to your RMD:  
Installments in the amount of \$100.00 minimum beginning \_\_\_\_\_, \_\_\_\_\_.  
Month Year

**Dollars**

**Fund**

(If you do not indicate a fund, your redemption will be taken proportionally from each fund.)

\$ _____	from _____
\$ _____	from _____
\$ _____	from _____
\$ _____	from _____

## 5 Method of Payment

Please choose one only

A. Direct Rollover - Type of account to which funds will go: (you must choose one)

Qualified Retirement Plan  Traditional IRA  Roth IRA  TSA

Account Number (if available): \_\_\_\_\_

Funded with:

State Farm Mutual Funds

State Farm Bank

State Farm® Annuity:  Variable  Fixed

Other: \_\_\_\_\_

NOTE: I understand that I have at least 30 days after receipt of the Special Tax Notice to choose a direct rollover of plan benefits or to have those benefits paid to me.

I understand that I can waive the 30-day period by making my choice prior to expiration of that period. I hereby authorize and direct that you proceed with my request and process as directed below.

**Must be completed:**

Make check payable to: DIRECT ROLLOVER FBO: <PARTICIPANT NAME>

Mail check to: \_\_\_\_\_

B. Invest proceeds into my non-tax qualified State Farm Mutual Funds Account Number \_\_\_\_\_ Fund \_\_\_\_\_.

C. Cash Distribution

- Make check payable to Participant and mail to address of record.
- Express mail to address of record - delivery is generally within 2 or 3 business days (A \$15 fee will be deducted from your redemption proceeds). Not available on systematic withdrawals.
- Wire Transfer\* - redemption proceeds are usually deposited to designated bank account within 1 or 2 business days after receipt of redemption request (A \$15 fee will be deducted from your redemption proceeds). The wire transfer will not be granted unless a voided check is attached or is on file. Not available on systematic withdrawals.
- Electronic Funds Transfer\* - redemption proceeds are usually deposited to designated bank account within 1 or 2 business days after processing the redemption request. (The electronic funds transfer will not be granted unless a voided check is attached or is on file.)

John Doe  
5302 11<sup>th</sup> St.  
Anywhere, USA 12345 000

VOID

\$

**Please tape your voided check here.**

Checking Account     Savings Account

**Important:** For checking accounts, a voided check is required. For savings accounts, a deposit slip with information necessary to complete electronic funds transfers including: routing number, account number and account registration is required or documentation with complete information on your bank's letterhead.

By signing this form, I authorize State Farm Investment Management Corp. ("SFIMC"), on behalf of State Farm Bank, to transfer funds from the above mentioned mutual fund account/plan number, to my bank/credit union ("Depository") account via electronic funds transfers (if so selected). I also authorize SFIMC to initiate (if necessary) adjustments with a debit or credit to my Depository account and/or mutual fund account/plan number for any previous transfers made in error. The electronic funds transfers remain in effect until SFIMC receives written notification from the Participant/Beneficiary completing this form of its revocation at a time that affords SFIMC a reasonable opportunity to implement the request, or until cancelled by SFIMC or Depository.

Note: If the bank account owner(s) is (are) different than the Mutual Fund account owners, please have one bank account owner sign here and have that signature guaranteed.\*\*

\_\_\_\_\_  
Bank Account Owner Signature

\_\_\_\_\_  
Authorized Guarantor's Signature



**STAMP**

\* Your bank may charge additional fees for electronic transfers you initiate.

\*\*A signature guarantee is a written representation signed by an officer or authorized guarantor showing that the signature of a shareowner is genuine. Your Registered State Farm Agent can assist you with providing a signature guarantee or you may take this form to a bank, broker-dealer or other authorized guarantor to have your signature guaranteed. **A notary cannot be accepted.**

## 6 Withholding Elections

### Federal Income Tax Withholding

If you choose to have the payment made to you, State Farm Bank is required to withhold 20% of the eligible rollover amount as federal income tax withholding to be credited against your taxes. Please refer to the Special Tax Notice for more information on distributions.

Withhold federal income tax at a rate of \_\_\_\_\_ % (not less than 20%)

### For RMD Withdrawals ONLY:

Certain distributions, such as Required Minimum Distributions, are not eligible for rollover. These distributions are subject to federal income tax withholding at a rate of at least 10%, and state income tax withholding, if applicable to your state of residence, unless you elect for federal and state withholding not to apply. If you elect not to have withholding apply, or do not have enough tax withheld, you may be responsible for payment of estimated taxes, and there may be tax penalties if your withholding and payments of estimated tax are not sufficient. You may change this withholding election by checking the appropriate boxes below. This election will remain in effect on distributions taken according to the systematic withdrawal plan until revoked by you, if applicable.

**Federal Income Tax Withholding – If you do not check one box, State Farm Bank is required to withhold 10% of the distribution.**

Choose **One**

Do **not** withhold federal income tax. (**Skip to Section 7**, State Farm Bank will not withhold state income tax for any state if federal income tax is not withheld.)

Withhold federal income tax at a rate of \_\_\_\_\_ % (not less than 10%)

**State Income Tax Withholding** – If you have questions regarding state withholding, contact your tax advisor or your state's taxing authority. If federal tax is withheld, State Farm Bank will withhold at least the minimum amount required by your state unless you specify a higher amount below. (Note: State Farm Bank will only withhold if you live in a state that requires us to withhold.)

Choose **One**: (Complete only if you elected to have federal income tax withheld.)

Do **not** withhold state income tax. I understand this election will not apply in states that do not permit persons to elect out of withholding.

Withhold my state's minimum requirement.

Withhold this amount \$ \_\_\_\_\_. (We will withhold at least your state's minimum requirement.)

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## 7 Participant Signature

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I certify that the above information is true and correct. I certify that I am the proper party to receive distributions from this account. All decisions regarding this withdrawal have been made of my own accord.

I understand that I am responsible to contact my employer or third party administrator to obtain their signed authorization before this request will be processed.

\_\_\_\_\_  
Participant or Beneficiary Signature

\_\_\_\_\_  
Date

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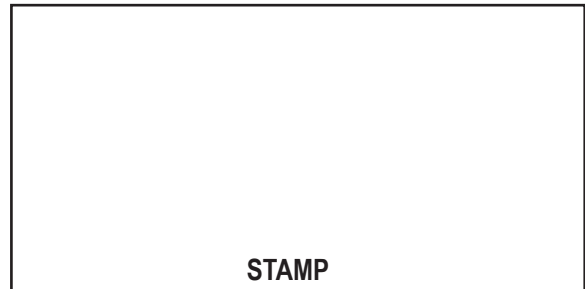
## 8 Participant Signature Guarantee

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**A signature guarantee is required if the distribution is over \$100,000 or if the check is made payable to someone other than the shareowner or mailed to an address other than the address of record.** A signature guarantee is a written representation signed by an officer or authorized employee of the guarantor, showing that the signature of the shareowner is genuine. Your Registered State Farm Agent can assist with providing a signature guarantee or you may take this form to a bank, broker-dealer or other authorized guarantor to have your signature guaranteed. **A notary cannot be accepted.**

\_\_\_\_\_  
Authorized Guarantor's Signature

\_\_\_\_\_  
Date



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## 9 Employer Plan Administrator/Third Party Administrator Authorization

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By signing below I certify that I am the proper party authorized by the employer or third party administrator to approve this participant's request for distribution as indicated in this form. I further certify that the reason for this distribution and amount requested is allowable and has been approved.

\_\_\_\_\_  
Employer/TPA Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title and Employer Name

\_\_\_\_\_  
Phone Number

## General Provisions

You may want to seek tax advice regarding your particular distribution situation.

**Distributions** - All distributions are subject to your plan provisions. All distribution requests must be approved by your employer or the third party administrator. In addition, distributions are generally subject to ordinary income tax unless rolled over or transferred. Certain distributions are not eligible to be rolled over. Internal Revenue Service rules require that federal income taxes be withheld from some distributions. Mandatory state tax withholding may apply.

**Mandatory Withholding** - If you choose to have the payment made to you, State Farm Bank is required to withhold 20% of that amount as federal income tax withholding to be credited against your taxes.

**Distributions not eligible for rollover** - Certain distributions, such as Excess Salary Reduction Contributions, Required Minimum Distributions (RMD's), Financial Hardship Withdrawals, and distributions to non-spousal beneficiaries are not eligible for rollover. These distributions are subject to federal income tax withholding at a rate of at least 10%, and state income tax withholding, if applicable to your state of residence, *unless you elect for federal and state withholding not to apply*. If you elect not to have withholding apply or do not have enough tax withheld, you may be responsible for payment of estimated taxes, and you may be subject to tax penalties if your withholding, if any, and payments of estimated tax are not sufficient.

**Tax Penalties for Early Distributions** - Because TSA/ 403(b)(7)s are intended to be used for income during retirement years, withdrawals that you make before you reach age 59 ½ are generally subject to a federal income tax penalty. The penalty is 10% of the taxable portion of your distribution. The penalty tax may not apply in limited situations.

**RMDs** - You generally must take a Required Minimum Distribution in each calendar year following the later of the year you attain age 70 ½ or retire. If the installment amount is less than the Required Minimum Distribution, State Farm Bank as Custodian shall not be responsible for any tax penalties or other damages that result from a failure to make distributions in accordance with minimum distribution rules. Please consult your tax advisor to determine the tax consequences, if any, of this distribution.

## Instructions

This form may be faxed (816-471-4832) **only** if the following conditions are met:

1. The check is made payable to the participant and mailed to the address of record, or if requesting the Electronic Funds Transfer options and these privileges have already been established.
2. This distribution is for \$100,000 or less and a signature guarantee is not required.

Mail completed form to: **State Farm Mutual Funds**  
**PO Box 219548**  
**Kansas City, MO 64121-9548**

Securities through registered representatives of State Farm VP Management Corp., One State Farm Plaza, Bloomington, Illinois 61710-0001, 1-800-447-4930. **Securities products are not FDIC insured, are not guaranteed by State Farm Bank and are subject to investment risk, including possible loss of principal.**

## Special Tax Notice Regarding Plan Payments

This notice explains how you can continue to defer federal income tax on your retirement savings in your retirement plan and contains important information you will need before you decide how to receive your Plan benefits.

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

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

If you terminate your employment with the Employer or you retire, and your total interest in the Plan is \$1,000 or less, you will receive, whether or not you consent, the value of your entire interest in cash. If your account balance is over \$1,000, you are not required to take a distribution of your plan assets. If you elect to defer receipt of benefits upon termination and choose to leave your assets in the plan, your investment options, rights to direct the investment of your assets and any fees associated with the plan will be the same as those applicable to active participants. Distributions are required to begin by April 1 of the year following the year in which you attain age 70½. If you have additional questions after reading this notice, you can contact your plan administrator.

### Summary

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

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

For a DIRECT ROLLOVER to a Traditional IRA or an eligible employer plan that will accept your rollover:

- Your payment will not be taxed in the current year and no income tax will be withheld.

- Your payment cannot be rolled over to a SIMPLE IRA, or a Coverdell Education Savings Account.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

If you choose a Direct Rollover to a Roth IRA:

- You must include in your gross income the taxable portion of the conversion, that is, the amount that is not being distributed from a Roth account.
- Your adjusted gross income (AGI) must not exceed \$100,000 for the taxable year in which the conversion occurs.
- The 10% early distribution penalty does not apply.

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

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

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

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

#### MORE INFORMATION

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

#### I. Payments That Can and Cannot be Rolled Over

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

### **After-tax and Designated Roth Contributions**

If you made after-tax and/or designated Roth contributions to the Plan, these contributions may be rolled into either a traditional IRA, a Roth IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

- **Rollover into a Traditional IRA or Roth IRA.** You can roll over your after-tax contributions to a traditional IRA or to a Roth IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined. Once you roll over your after-tax contributions to a traditional and or Roth IRA, those amounts CANNOT later be rolled over to an employer plan. You may roll over your after-tax contribution to another IRA.

- **Rollover into an Employer Plan.** You can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a), a section 403(a) annuity plan or a section 403(b) tax-sheltered annuity to another employer plan, annuity plan and/or tax-sheltered annuity using a direct rollover if the other plan or annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions (plus earnings). You CANNOT roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.
- **Designated Roth Contributions.** You can roll over your Designated Roth contribution plus earnings from an employer plan that is qualified under Code section 401(a), section 403(a) annuity plan or section 403(b) tax sheltered annuity to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the Designated Roth contributions. You can also roll over Roth Deferral contributions plus earnings to a Roth IRA by direct rollover or by a 60-day rollover. You CANNOT roll over Designated Roth contributions to a governmental 457 plan. If you want to roll over your Designated Roth contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount to an employer plan.

The following types of payments cannot be rolled over:

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

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

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

**Hardship Distributions.** A hardship distribution cannot be rolled over.

**Corrective Distributions.** A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

**Loans Treated as Distributions.** The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III below. Ask the Plan Administrator of this Plan if distribution of your loan qualifies for rollover treatment. The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

## **II. Direct Rollover**

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA, a Roth IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

**Direct Rollover to a Traditional IRA.** You can open a Traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. You will not be taxed on any taxable portion of your payment until you take it out of the IRA. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

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

**Direct Rollover of a Series of Payments.** If you receive a payment that can be rolled over to a traditional IRA, Roth IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

**Direct Rollover to a Roth IRA.** You can open a Roth IRA to receive the direct rollover of your distribution. You must include in your gross income the taxable portion of the distribution. If you choose to have your payment made directly to a Roth IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a Roth IRA at that institution. See IRS Publication 590, Individual Retirement Arrangements, for more information on Roth IRAs (including limits on how often you can roll over between IRAs). Once you have rolled your Designated Roth contribution to a Roth IRA, you cannot subsequently roll your Designated Roth contributions to an employer plan, even if the plan accepts Designated Roth contributions.

### **Change in Tax Treatment Resulting from a DIRECT ROLLOVER.**

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

### **III. Payment Paid To You**

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

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

**Mandatory Withholding.** If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

**Voluntary Withholding.** If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

**Designated Roth Contributions.** If any portion of your payment includes Designated Roth contributions, special tax rules apply to your payment. In order to avoid taxation of the earnings to your Designated Roth contributions the following two conditions must be met for the distribution to be considered a "qualified distribution": 1) the distribution must occur upon the later of your attainment of age 59½, your death, or your disability and 2) after the end of the 5th calendar year beginning after you made your first Designated Roth contribution. If a payment is a qualified distribution, the deferrals and earnings attributed to those deferrals will not be taxed. If your payment does not meet the requirements of a qualified distribution, any earnings that are attributable to Designated Roth contributions will be taxable to you.

**Sixty-Day Rollover Option.** If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA, Roth IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA, Roth IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA, Roth IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over

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

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

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

If the distribution includes after-tax and/or designated Roth contributions, the non-taxable amount may only be rolled over within 60 days to a traditional IRA (for after-tax amounts) and a Roth IRA (for Roth amounts). For designated Roth amounts, if you decide to roll over less than 100% of these amounts, the amount rolled over to the Roth IRA will be considered to first consist of the taxable portion of the designated Roth amounts.

**Example:** Your payment will consist of designated Roth amounts of \$10,000. Of this amount, \$7,500 represents the nontaxable portion of your designated Roth account. The remaining \$2,500 is subject to federal income tax withholding. Thus, you will receive \$9,500 and \$500 (20% times \$2,500) will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$9,500, you may roll over the entire \$10,000 to a Roth IRA. However, should you elect to roll over \$9,500, as the amount rolled over is considered to first consist of the taxable portion of the distribution, the nontaxable portion of the amount rolled over to the Roth IRA will be \$7,000, not \$7,500. When you file your income tax return, you may get a refund of part or all of the \$500 withheld.

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

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

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

**Ten-Year Averaging.** If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using “10-year averaging” (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

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

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

**Repayment of Plan Loans.** If your employment ends and you have an outstanding loan from your Plan, your employer may reduce (or “offset”) your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you (other than any employer securities). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

#### **IV. Surviving Spouses, Alternate Payees, and Other Beneficiaries**

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are

an alternate payee if your interest in the Plan results from a “qualified domestic relations order,” which is an order issued by a court, usually in connection with a divorce or legal separation.

**Rules for Surviving Spouse/Alternate Payee/Under A QDRO.** You may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA, Roth IRA or to an eligible employer plan or paid to you. (The net amount at risk from life insurance death proceeds is not income taxable and therefore not eligible for rollover.) If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA, Roth IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

Your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59½. You may also be able to use the special tax treatment for lump sum distributions as described in Part III above. If you receive a payment because of the employee’s death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

**Rules for Non-Spouse Beneficiary.** You may choose to have a payment that can be rolled over to an IRA (including a Roth IRA if the deceased participant account balance consisted of Designated Roth contributions) or paid to you as a death benefit. If you have the payment paid directly to you as a death benefit, you cannot later roll it over to an IRA or to an eligible employer plan. Once the distribution has been rolled over to an IRA you cannot later roll it over to another IRA or to an eligible employer plan. Your rollover to an IRA is now considered an “inherited” IRA and must follow those rules.

The Plan Administrator will make a transfer to an IRA in your name and the deceased participant’s name. The IRA will be registered as Deceased Beneficiary name FBO non-spouse beneficiary name. If the deceased participant was due a required minimum distribution in the year of death this amount cannot be rolled over and must be taken as a direct payment to you. Each year you will receive a minimum distribution from your “inherited” IRA based on the provisions set forth in the deceased participant’s plan. This minimum distribution is taxable to you in the year of distribution. In addition, based on the provisions of the deceased participant’s plan, distributions from your inherited IRA must be paid to you in full within 5 years of the deceased participant’s death or must commence within 12 months of the participant’s death and be paid over your life expectancy.

Your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59½. Any amounts rolled over are not taxable until they are withdrawn from the IRA.

#### **How to Obtain Additional Information**

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