MCERA

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

3199 M Street • Merced, California 95348 • Telephone 209-726-2724 • Fax 209-725-3637

www.co.merced.ca.us/retirement

Disposition of Contribution Form

PART I – MEMBER INFORMATION ***Please print.***

Name: ______________________ Birth Date __________ Social Security Number: ______________

Address: ______________________ City: ______________ State: _____ Zip: _____

Phone Number: __________ If Other Name Used, Please List Name: ______________________

Department: ______________________ Termination Date: ______________

PART II, ELECTION OF MEMBERSHIP

- Upon separation of employment, one of the following options is available:

  A. You may elect to defer retirement and leave your contributions on deposit. To defer your retirement, complete Section A – Defer Retirement (Vested), by checking the box

  B. You may defer retirement and establish reciprocity if you are accepting employment with an employer covered by a reciprocal retirement system, provided membership in the agency begins within 6 months of your separation date. To elect reciprocity, complete Section B – Reciprocity Election by checking the box. Indicate the reciprocal agency and effective employment date. You will receive a letter with your reciprocal status upon our verification of eligibility.

  C. A member having credit for less than five years of service may elect to leave contributions on deposit. You may elect at any time to rescind in writing the election and withdraw your accumulated contributions. If you wish to take advantage of this benefit complete Section C – Defer Withdrawal - Non-Vested Membership, by checking the box.

  D. You may terminate your membership with MCERA and receive a refund of your contributions either paid directly to you or rollover to a qualified IRA. To receive a refund of contributions, complete Section D – Withdraw (Refund) Contributions Paid Directly to You or Direct Rollover if you wish to have the eligible portion of your contributions directly rolled over to a Qualified IRA or another employer plan that accepts rollovers. Upon verification of termination and receipt of final payroll/contribution information from your employer, if applicable, your refund will be processed with the next available check run. Please note that refunds cannot be processed until this information is received. Generally, this process takes 6 to 10 weeks from your separation date or MCERA's receipt of your request, whichever is later.

- To be eligible to elect a refund, you must be separated from service as a full time or an extra help position. If you indicate that the refund is to be rolled over, the payee on the check will not be you, but will be the trustee (bank or brokerage firm) of the account. It is your responsibility to provide accurate information on the institution intended to receive a rollover distribution. MCERA will not check to see if this information is correct or verify that the account is open.

- Please contact the retirement office at (209)726-2724 if the reason you were terminated/resigned was related to an injury or illness, you may be eligible for a disability retirement.

- State Law requires taxes to be withheld at 2% of the total distribution unless you elect taxes not to be withheld.

MCERA Use Only   Status: Misc   Safety   Tier : 1 2 3 4   IRA: Yes No

Member Key #:	______	Regular Contributions	______
Vendor #:	______	COLA Contributions	______
Date of Refund:	______	Total	______
VIPS:	______	Non Taxable Contributions	______
Processed By:	______	Federal Tax	______
Verified By:	______	State Tax	______
		Net Payment	______

SECTION A – DEFER RETIREMENT (VESTED)

☐ ➢ DEFER RETIREMENT (WITH AT LEAST 5 YEARS OF RETIREMENT SERVICE CREDIT): Having credit with at least five years of retirement service credit I elect to leave my contributions on deposit and take a deferred retirement to become effective later.

SECTION B – RECIPROCITY ELECTION

☐ ➢ I am accepting employment with an employer covered by a reciprocal retirement system, which will begin within 6 months of my separation date. I want to establish reciprocity, and understand that I must leave my accumulated contributions and interest, if applicable, on deposit. Please provide information regarding the reciprocal retirement system below.

Reciprocal Retirement System: ______________________________ Date of Employment: ______________

SECTION C – DEFER MEMBERSHIP- NON VESTED MEMBERSHIP

☐ ➢ DEFER MEMBERSHIP (WITH LESS THAN 5 YEARS OF RETIREMENT SERVICE CREDIT): I have credit for less than five years of retirement service credit; I elect to leave my contributions on deposit; (Generally, members with less than 5 years of credited service will not be entitled to a retirement benefit other than a refund of contributions and interest, if applicable, of their account balance).

SECTION D – WITHDRAW OR ROLLOVER (REFUND)

WAIVER OF RIGHTS (must be completed if taking a refund of contributions): I have read all the information on the disposition of contributions form. I understand the difference between rolling over, being taxed and withdrawing or deferring. I am aware of my service and disability retirement rights under MCERA. Despite my knowledge of these rights, I hereby WAIVE all rights to any future retirement benefits, and WAIVE the possibility to apply for any disability benefits, in order to take this refund of contributions and interest, if applicable. I further understand that my tax-deferred contributions are subject to income tax withholding unless rolled over. I hereby acknowledge the above information is true and declare under the penalty of perjury under the laws of the state of California. If a member has more than 5 years of service, an additional waiver form is required.

Members Signature: ______________________________ Date: ____________________

SECTION D – SPOUSAL RELEASE (FOR WITHDRAWAL OF CONTRIBUTIONS ONLY)

❖ One of the following two sections must be completed if you have elected a withdrawal (refund) of contributions.

PART I - SIGNATURE OF MEMBER SPOUSE

- I am the spouse of the member who is submitting this *Disposition of Contributions Form*. By signing below, I hereby acknowledge that I am informed about this form and its election.

Name of Spouse, please print: ____

Signature of Spouse: ______________________________ Date: ____________________

PART II - DECLARATION OF REASON FOR ABSENCE OF SPOUSE'S SIGNATURE

- Pursuant to Government Code Section 31760.3 the member's current spouse must be made aware of the selection of benefits or change in beneficiary made by the member. The spouse of an MCERA member must acknowledge the submission of a request for a refund of contributions; election of retirement optional settlement; and designation of beneficiary for pre-retirement death benefits. If a spouse's signature does not appear, the following information must be completed by the member and submitted with the application or form.
  - ➢ I declare under penalty of perjury under the laws of the State of California that: (Check one)
    - ☐ I am not married.
    - ☐ My current spouse has no identifiable community property interest in any MCERA benefits earned through my employment.
    - ☐ I do not know and have taken reasonable steps to determine the whereabouts of my current spouse.
    - ☐ My current spouse has been advised of my election and has refused to sign the written acknowledgement.
    - ☐ My current spouse is incapable of executing the written acknowledgement because of an incapacitating mental or physical condition.
    - ☐ My current spouse and I have executed a marriage settlement agreement pursuant to California Family Code §§1500 – 1620 that makes the community property law inapplicable to our marriage.
  - ➢ I certify under penalty of perjury that the forgoing information is true and correct.

Member Signature: Date:

SECTION D – OPTION 1 - WITHDRAW (REFUND) CONTRIBUTIONS PAID DIRECTLY TO YOU

- By electing a refund, this **refund** will terminate your membership with MCERA and you will not be eligible for any future retirement benefits.

☐ ➢ I elect to **terminate** my membership with MCERA and receive a refund of my total accumulated contributions and interest, if applicable. When paying refunds, MCERA is required by law to withhold federal tax from taxable contributions and interest, if applicable. State law requires taxes to be withheld unless you elect taxes not be withheld. Federal tax withholding is 20% of taxable amount. State tax is 10% of the federal tax withholding, i.e. 2% of total taxable distribution. If you do not want to have state taxes withheld from your refund, complete the following:

☐ Do NOT withhold State Taxes from my refund.

Member's Signature

FINANCIAL INSTITUTION CONFIRMATION OF ACCOUNT FOR AUTOMATIC DEPOSIT

I hereby request that my check be automatically deposited to my account with,

I UNDERSTAND AND AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

1. The earliest date that deposits will be credited to my account will be the last bank workday of the month.
2. This authorization shall remain in effect until terminated by me in writing. Termination forms are available in the Retirement Office and must be completed fifteen working days prior to the last day of the month.
3. If my name changes, or if my bank or account numbers change, my status will revert to that of a new enrollee. I will hold the County of Merced harmless from any actions that occur as a result of the preparation. Release or transmission of automatic payroll deposit data.
4. Please notify your bank prior to deposit if the amount is over $10,000.

Member Signature **Financial Institution** **Branch**

As authorized above, we shall, as a participating financial institution and subject to the automatic clearing house rules as they may exist from time to time, accept credits to the account indicated below:

Transit Routing Number Account (Please circle one) Checking or Savings

NOTE: When completing checking account information. Enter only numbers and if required, a hyphen (-) for any dash cue symbol

SECTION D – OPTION 2 - WITHDRAW (REFUND) DIRECT ROLLOVER

- By electing a rollover, this **refund** will terminate your membership with MCERA and you will not be eligible for any future retirement benefits.

☐ ➢ I elect to terminate my membership with MCERA and "**rollover*** my eligible accumulated contributions and interest, if applicable, to the institution or plan designated below. (Any post-tax contribution paid into MCERA will be paid directly to you).

If choosing to withdraw your contributions as a direct rollover into an IRA, please provide a letter from your IRA Institution that clearly states the name of the Institution, who the check should be payable to, the mailing address, and the applicable IRA/Plan Number.

Name of Institution or Employer's Qualified Plan: ______________________

Address of Institution or Employer: ______________________

IRA Number or Plan Number and Employer's EIN Number: ______________________

SIGNATURE REQUIRED FOR ALL ELECTIONS:

Member's Signature Date

MCERA Deputy Date

DISPOSITION OF CONTRIBUTIONS FORM - TERMINATION OPTIONS

IT IS STRONGLY ENCOURAGED THAT YOU SEEK THE PROFESSIONAL GUIDANCE OF YOUR TAX CONSULTANT.

A. MEMBERS WHO ELECT TO LEAVE CONTRIBUTIONS ON DEPOSIT VESTED VS. NON-VESTED

- <u>VESTED MEMBERS (5 OR MORE YEARS OF RETIREMENT SERVICE CREDIT)</u>

  You may elect to leave your retirement funds with MCERA and defer your retirement benefits. If you defer your retirement and are a miscellaneous Tier 1 member you may apply for your retirement benefits at the time when you would have earned 10 years of retirement service credit and upon reaching age 50, or upon attaining age 70 regardless of years of service. If you are a miscellaneous Tier 2 member, you may apply for your retirement benefits at the time when you would have earned 10 years of retirement service credit and upon reaching age 55, or upon attaining age 70 regardless of years of service. If you are a safety member, you may apply for your benefit at the time when you would have earned 10 years of service and upon reaching age 50 or age 70 regardless of years of service, whichever. Also, if you defer and subsequently return to covered employment, you will return at your original entry age. Members who elect to defer their retirement will continue to earn interest, if applicable, on their contributions and may subsequently withdraw their retirement contributions and interest, if applicable, by submitting this *Disposition of Contributions Form.* Service credit is not earned while in deferred membership status.

- <u>NON-VESTED MEMBERS (LESS THAN 5 YEARS)</u>

  If you have less than five years and elect to leave your contributions on deposit, generally, you will be only eligible to receive the balance of your contributions and interest, if applicable, at any time you choose to have your funds disbursed. Leaving your contributions on deposit will usually not result in attaining retirement benefit eligibility. There are certain circumstances, however, that could allow a non-vested member to become eligible for a retirement benefit such as; becoming age 70, re-entering membership and earning enough service to become vested, establishing reciprocity (see reciprocity section), or purchasing available service credit to become vested. Members who elect to leave their non vested service credit on deposit will continue to earn interest, if applicable, on their contributions and may subsequently withdraw their retirement contributions and interest, if applicable, by submitting this *Disposition of Contributions Form.* Service credit is not earned while in deferred membership status.

- <u>MEMBERS WHO ELECT RECIPROCITY (TRANSFER TO A RECIPROCAL AGENCY)</u>

  As a member of MCERA, accepting covered employment with one of the reciprocal retirement systems listed below, you will have certain rights if you enter that employment within 6 months after leaving your MCERA covered employment and leave your retirement funds with MCERA. You must not have concurrent or overlapping service credit with MCERA and the reciprocal system. <u>Exhausting leave balances that count as service credit and/or extending your separation date under your previous system beyond your hire date with an MCERA-covered employer will disqualify you for reciprocity</u>. These rights include continuation of disability benefits; service under all systems will be added together to determine eligibility for benefits; contribution rates in the reciprocal system may be based on your age when you first entered MCERA rather than your current age; and final compensation used to determine your retirement benefits from MCERA will be the highest income earned under either of the linked systems, provided that you retire from the systems at the same time, unless section 31835.1 applies (section allows for different retirement dates only if you <u>cannot</u> retire from system on same date due to age or years of service). Contributions you have elected to leave on deposit with MCERA may not be withdrawn while you remain in employment covered by one of the reciprocal systems. <u>Once reciprocity is established, it may not be broken</u>, unless you terminate employment with the reciprocal system. Please contact MCERA (209-726-2724) for further information regarding reciprocity.

  <u>*Reciprocal Systems*</u>

  Other 1937 Act County Systems and their affiliated Districts: Alameda; Contra Costa; Fresno; Imperial; Kern; Los Angeles; Marin; Mendocino; Orange; Sacramento; San Bernardino; San Diego; San Joaquin; San Mateo; Santa Barbara; Sonoma; Stanislaus; Tulare; Ventura.

  PERS (Public Employees' Retirement System), STRS (State Teachers' Retirement System), and JRS (Judges' Retirement System).

  Any retirement system that has reciprocity with PERS, except UCRS (University of California Retirement System).

B. MEMBERS WHO ELECT TO WITHDRAW THEIR RETIREMENT

Upon terminating your employment you can terminate your membership and withdraw your contributions and interest, if applicable, from MCERA. By requesting a withdrawal of your retirement contributions and terminating your membership with MCERA, you will be waiving and giving up any rights to retirement benefits which you might have been able to claim if you had remained a member including disability benefits. If you believe that you are disabled, either from your employment or you have a disability that is not job connected but still prevents you from working, by withdrawing your funds from MCERA you will be giving up the right to apply for disability retirement benefits.

LUMP SUM WITHDRAWALS

This information is important in your decision of how to receive your retirement benefits from MCERA. A retirement refund from MCERA that is eligible for "rollover" can be withdrawn in two ways. You can have your payment (1) paid to you; or (2) paid in a "direct rollover". A rollover is a payment of your MCERA retirement funds to a qualified individual retirement account (IRA) or to another employer's retirement plan or another eligible plan. The choice you make will affect the tax and/or penalties you will owe on your withdrawal.

- IF YOU CHOOSE TO HAVE YOUR FUNDS PAID TO YOU
  - Any previously taxed (post-tax) contributions will be refunded directly to you without any withholding.
  - MCERA is required by law to withhold 20% of the taxable refund and send it to the IRS as income tax withholding to be credited against your income taxes.
  - MCERA is required by law to withhold 10% of the federal tax withheld (i.e. 2% of the total taxable distribution) for state tax withholding unless you elect to not have state tax withheld.
  - You can roll over the payment by paying to an IRA or another eligible plan that accepts rollovers, within 60 days of receiving the refund. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.

- PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

  Payments from MCERA may qualify for "eligible rollover distribution". This means that they can be rolled over to an IRA (Individual Retirement Account) or to another employer plan that accepts rollovers. MCERA staff can tell you what portion of your payment is an eligible rollover distribution. In general, only the "taxable portion" (contributions made on a pre-tax basis) of your retirement refund is an eligible rollover distribution. Employee contributions made on an "after-tax" (post-tax) basis are non-taxable when they are refunded to you, and therefore ineligible for roll over.

  MCERA DISTRIBUTES PAYMENTS ONLY ONCE A MONTH THROUGH DIRECT DEPOSIT.

- DIRECT ROLLOVER

  You can choose a direct rollover of all or any portion of your pre-tax contributions as an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is paid directly from MCERA to an IRA or other employer plan that accepts rollovers.

- IF YOU CHOOSE A DIRECT ROLLOVER,
  - Your payment will be made directly to your IRA, to another employer plan that accepts rollovers, or another eligible plan.
  - Pre-tax contributions, which are "rolled over" into an eligible IRA or employer plan, are not taxable until you withdraw those funds out of the IRA or the employer plan.
  - The amount of the rollover will only include contributions made on a pre-tax basis and exclude your post-tax contributions. Your post-tax contributions will be refunded directly to you.

  In all circumstances, you should obtain advice from your own professional tax advisor on whether a payment can be rolled over. MCERA cannot give you tax advice and your taxes are your own responsibility.

  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, or by calling 1-800-TAX-FORMS.

PURPOSE OTHER THAN RETIREMENT: If you are not planning on using the money from this plan for retirement savings, you should be aware of the tax consequences of receiving a distribution from MCERA. If you are under 59 ½ at the time of the distribution, MCERA will withhold 20% of your benefit for federal income taxes. When you file your federal income tax return for the year in which you received the distribution you may owe additional tax, depending on your other income for the year. In addition, you may owe a federal penalty equal to 10% of the amount of the distribution and depending on where you live, a state penalty tax may also be imposed. If you are 59 ½ or older at the time of the distribution, MCERA will withhold 20% for federal income taxes. When you file your return for the year, you may owe additional tax, depending on your other income for the year no penalty taxes are imposed. <u>*You should discuss the various tax implications with a financial or tax advisor before requesting a refund.*</u>

402(f) NOTICE

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS AND FEDERAL INCOME TAX

This notice is directed at members who are no longer employed with a Merced County Employees' Retirement Association ("MCERA" or "Plan") employer and who have not yet withdrawn their retirement contributions, and recipients of a payment of a lump sum death benefit. If you are a member who is no longer employed with an MCERA employer, you may leave your retirement contributions with the Plan and defer your retirement benefit to a later time or you may choose to withdraw your retirement contributions. This notice explains how you can continue to defer federal income tax on your retirement savings in MCERA and contains important information you will need before you decide how to receive your Plan benefits. This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. Other tax rules apply for California.

You are receiving this notice because a payment or withdrawal of your contributions you are receiving from the Plan is eligible to be rolled over to an IRA, Roth IRA, or an eligible employer plan. A rollover is a payment by you or MCERA (your "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. This notice is intended to help you decide whether to do such a rollover.

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

General Information About Rollovers

How can a rollover affect my taxes?

You will be taxed on a contribution withdrawal or payment from the Plan that is eligible for rollover (see "*How much may I roll over?")* 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 (an individual retirement account or individual retirement annuity) or an eligible employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment. If you roll over your benefit, however, to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a direct rollover, your benefit will no longer be eligible for that special treatment. See sections below entitled "*If you were born on or before January 1, 1936*" and "*If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?*"

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 (up to the amount of cash and property received). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

How much may I roll over?

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

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

The Plan administrator or payor can tell you what portion of a payment is eligible for rollover. Normally the entire amount of MCERA contributions paid by the member is eligible. Please note that a member who elects to withdraw his or her contributions must make a complete withdrawal, even if the member elects to rollover only part of the distribution.

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 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 after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation;
- Payments made due to disability;
- Payments after your death;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO); or
- Payments up to the amount of your deductible medical expenses.

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 does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- 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 for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe state income taxes?

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

If my payment is not eligible for rollover, will it be subject to mandatory withholding?

If any portion of your payment is taxable, but cannot be rolled over, 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, an amount will be taken out of this portion of your payment for federal income tax withholding. MCERA retirement contributions that are withdrawn by a member are generally eligible for a rollover, To elect out of withholding, ask MCERA for the election form and related information.

What are the consequences for failing to defer receipt of an eligible rollover distribution?

If you choose to have an eligible rollover distribution (or a distribution that is not eligible for rollover) paid to you now rather than deferring receipt, for example, by leaving the money in the Plan, or by rolling over the eligible rollover distribution to a traditional IRA or an eligible employer plan:

- You could lose your ability to defer income taxes on the distribution until a later date.
- You may be subject to the additional 10% early distribution penalty if you receive payment before age 59½.
- Your benefit may be less now than it will be if you defer receipt until a later date.
- Your retirement savings may be reduced.

How much time do I have to decide?

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.

Special Rules And Options

If your 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, so you cannot take a rollover of only after-tax contributions.

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). The Plan Administrator can tell you the amount of any after-tax contributions included in your distribution request. If you do a direct rollover to an IRA of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth 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 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-A, Contributions to Individual Retirement Arrangements (IRAs).

If you were born on or before January 1, 1936

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

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

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

If you roll over your payment to a Roth IRA

If you roll over a payment from the Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover). 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-A, Contributions to Individual Retirement Arrangements (IRAs) and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions 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.

Under current IRS guidance, effective June 26, 2013, same-sex couples legally married in a jurisdiction with laws authorizing same-sex marriage will be treated as married for federal tax purposes and the rules described in this Notice for surviving spouses will be applicable. Note that individuals who are in registered domestic partnerships, civil unions, or other similar relationships that may be recognized under state law but are not considered a legal marriage under state law, will not be treated as married for federal tax purposes. Individuals who are not considered married spouses for federal tax purposes would be covered by the rules described under the section below titled "*If you are a surviving beneficiary other than a spouse*."

Note that California state law recognizes same-sex spouses and, for California state tax purposes, also treats registered domestic partners in the same manner as spouses. This means that it appears there will continue to be a difference in treatment of registered domestic partners for federal and California tax purposes. This area of the law is evolving and anyone affected by these situations may wish to consult with a professional financial or tax advisor.

- *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.

<u>Payments under a qualified domestic relations order</u>. 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).
- If your payments for the year are less than $200, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.
- You may not elect to have separate portions of an eligible rollover distribution directly rolled over to multiple trustees or custodians.
- 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.

For More Information

You may wish to consult with MCERA about the process for withdrawing retirement contributions. For any questions regarding taxation, it is recommended that you consult with a professional tax advisor, before taking a payment from the Plan. MCERA does not provide tax advice. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.

If you have additional questions after reading this notice, you can contact MCERA at (209) 726-2724.