

# BENEFICIARY ACCOUNT SETUP AND WITHDRAWAL PACKET

ICMA-RC offers our sincere condolences for your loss. In this difficult time, we hope to make the process of establishing your account and understanding your options as easy as possible. Please follow the steps shown below to ensure we are able to process your request in a timely manner.

- 1. Complete each section of the *Beneficiary Account Setup and Withdrawal Form*.**
- 2. Have the plan sponsor sign section 9 of the form.**  
The participant's former employer must approve and sign the form, unless the participant had already begun taking payments from the account.
- 3. Ensure ICMA-RC receives a certified copy or original death certificate.**  
ICMA-RC must receive a certified copy or original death certificate of the participant, primary beneficiary(ies) (if applicable), and contingent beneficiary(ies) (if applicable) before beneficiary withdrawal requests can be processed.
- 4. Estates, Minors and Trusts.**  
Include an entire copy of the legal document(s) authorizing you to act on the beneficiary's behalf. If the beneficiary is a minor, include a copy of the birth certificate or other legal guardianship paperwork. If the beneficiary is a Trust, include an entire copy of the trust documents.
- 5. Fax or mail the completed form and other applicable documents 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

Provided that ICMA-RC receives a certified copy or original death certificate, requests will be processed within 5–7 business days of your properly completed form(s). ICMA-RC will transfer the assets to an account in your name and then process your withdrawal/rollover requests.

**At ICMA-RC, we take security of our participants retirement assets seriously. We have stringent security measures in place and we continuously apply enhancements to safe guard your assets.**

**Additional precautions are taken when processing withdrawal requests. Adding new or, changing existing information on file with ICMA-RC will result in verification of the entry which may delay your withdrawal.**

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# BENEFICIARY ACCOUNT SETUP AND WITHDRAWAL FORM

1. Use this form to establish a beneficiary account and elect how you wish to receive benefit payments.
2. ICMA-RC must receive a certified copy or original death certificate before beneficiary withdrawal requests can be processed.
3. Please review the instructions in the back of this packet for important additional information.

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

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

Social Security Number: \_\_\_\_\_ Date of Birth: (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_ Marital Status:  Married  Single Date of Death: (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_

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

**Death Certificate:** ICMA-RC must receive a certified copy or original death certificate before processing your request.

## 2 BENEFICIARY INFORMATION (COMPLETE ALL FIELDS IN THIS SECTION)

Full Name of Beneficiary/Estate Representative/Trustee: \_\_\_\_\_

LAST FIRST M.I.

Social Security Number: \_\_\_\_\_ Date of Birth: (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_ Phone Number: (\_\_\_\_) \_\_\_\_\_-\_\_\_\_ Relationship to the Participant:  Spouse  Non-Spouse

Tax Identification Number/EIN (for estates and trusts only): \_\_\_\_\_ Date of Birth of Oldest Beneficiary (estates and trusts only): (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_

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

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

## 3 PAYMENT OPTIONS

Distributions from your account will be withdrawn pro-rata from all funds.

- Option A** 100% lump sum payment of entire account balance (Complete sections 4, and 7-9)
- Option B** One-time payment of \$\_\_\_\_\_ (Complete sections 4, and 7-9)
- Option C** Establish periodic payment schedule similar to the Participant's schedule (Complete sections 7-9)
- Option D** Installment payments, including required minimum distribution ("RMD") payments (Complete sections 5, and 7-9)
- Option E** Rollover from ICMA-RC (Complete sections 6, and 8-9)
- Option F** Defer any payments at this time (Complete sections 8-9)

## 4 PAYMENT DATE

Complete this section only if you selected Option A in section 3.

Specify a beginning payment date:  As soon as possible (default) **OR**  \_\_\_\_/\_\_\_\_/\_\_\_\_ (MM/DD/YYYY)



# BENEFICIARY ACCOUNT SETUP AND WITHDRAWAL FORM

PAGE 2 OF 3

Full Name of Participant:

Social Security Number:

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

\_\_\_\_-\_\_\_\_-\_\_\_\_

Full Name of Beneficiary/Estate Representative/Trustee:

Social Security Number or Tax ID/EIN:

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

\_\_\_\_\_

## 5 INSTALLMENT PAYMENTS

Complete this section only if you selected Option D in section 3.

1. 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.

2. Specify a beginning payment date:  As soon as possible (default) **OR**  \_\_\_\_/\_\_\_\_/\_\_\_\_ (MM/DD/YYYY)

3. Select a payment frequency:  Monthly  Quarterly  Semi-Annual  Annual

## 6 RECIPIENT ACCOUNT INFORMATION

Check one box only and provide the information for the plan that will receive the transfer/rollover.

457 plan (*surviving spouse only*)  401 plan (*surviving spouse only*)  403(b) plan (*surviving spouse only*)  Traditional IRA

Vantagepoint IRA with ICMA-RC (Please contact ICMA-RC and request the *Transfer to Vantagepoint IRA* Form)

Name of Administrator/Trustee/Custodian of Recipient Plan or IRA: \_\_\_\_\_

Name of Eligible Employer Plan (if applicable): \_\_\_\_\_

Phone Number of Administrator/Trustee/Custodian: \_\_\_\_\_

Address of Administrator/Trustee/Custodian: \_\_\_\_\_

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

Account Number: \_\_\_\_\_



# BENEFICIARY ACCOUNT SETUP AND WITHDRAWAL FORM

PAGE 3 OF 3

Full Name of Participant:

Social Security Number:

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

\_\_\_\_-\_\_\_\_-\_\_\_\_

Full Name of Beneficiary/Estate Representative/Trustee:

Social Security Number or Tax ID/EIN:

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

\_\_\_\_-\_\_\_\_-\_\_\_\_

## 7 TAX WITHHOLDING ELECTION

Specify the percentage of each payment you want withheld for federal and state income taxes. ICMA-RC automatically withholds taxes as required by federal and/or state rules and may need to withhold more than the amount you request. When you file your tax return(s), you may owe more, or get a refund back, based on your specific tax situation, and you are responsible for the payment of applicable federal and state income taxes. Review the Special Tax Notice Regarding Plan Payments for information on tax withholding requirements and eligible rollover distributions.

### Federal Income Taxes *(Check one box only)*

The IRS generally requires a **minimum of 20%** be withheld for all one-time payments.

- Withhold only 20% for federal income tax. (Default)
- In addition to the mandatory 20%, please withhold \_\_\_\_\_ % for federal income tax. (For Example: If you want a total of 33% withheld for federal income tax, enter 13%)

### State Income Taxes

Withhold \_\_\_\_\_% for state income tax. (ICMA-RC may need to withhold more than the percentage you request, if your state requires a minimum percentage to be withheld. You should seek state tax advice from the appropriate state department of revenue if you have questions regarding state tax withholding requirements.)

State in which you will file income taxes (if different from the address shown in section 1 of this form): \_\_\_\_\_

U.S. Citizen:  Yes  No

IRS Form 1099-R: Taxable amounts will be reported on a Form 1099-R, which will be sent to you in January following the year of a distribution.

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, assets rolled-in to a 457 plan and assets distributed from a 401 plan 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.

## 8 BENEFICIARY/ ESTATE REP./TRUSTEE SIGNATURE

**SPOUSE BENEFICIARIES:** I have received and read the Special Tax Notice Regarding Plan Payments, and I hereby waive the applicable waiting period noted therein and required under Section 402(f) of the Internal Revenue Code. I hereby direct ICMA-RC to process the payment option select on this form.

**ALL BENEFICIARIES:** I acknowledge that I have received and read the general description of distribution rights in the Additional Information section of this form. As required by law and under penalty of perjury, I certify that the Social Security Number (Taxpayer Identification Number) I provided for myself is correct.

**ESTATES/TRUSTS:** Please see page 7 of the Beneficiary Account Setup and Withdrawal Form.

Beneficiary Signature: \_\_\_\_\_ Estate Rep. Signature: \_\_\_\_\_ Trustee Signature: \_\_\_\_\_

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

## 9 PLAN SPONSOR/EMPLOYER AUTHORIZATION

The participant's former employer must approve and sign this form unless the participant had already begun taking payments from the account. Failure to obtain the required employer signature could delay the processing of your request.

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

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

## ADDITIONAL INFORMATION

### Payment Timing

The requirements for when payments must begin and the maximum time period over which withdrawals can be made are dependent upon the following:

- Is the beneficiary a spouse or non-spouse?
- Did the participant die before or after the date he or she was required to begin taking withdrawals from the account (the “Required Beginning Date” or “RBD”).

### Spouse Beneficiary Guidelines

**Beginning Payment Date** — If the participant’s death occurred *before the* RBD, payments to a spouse beneficiary must begin by December 31 of the year following the participant’s death, or December 31 of the year the participant would have been 70½, *whichever is later*. If the participant’s death occurred on or *after the* RBD, payments must begin by December 31 of the year following the year of the participant’s death.

If payments do not begin within the timeframes noted above, the IRS requires a spouse beneficiary to withdraw all funds from the account by the year containing the fifth anniversary of the participant’s death.

**Maximum Withdrawal Period** — A spouse beneficiary can request payments over a period equal to his/her single life expectancy. If the participant’s death occurred on or *after the* RBD, the payment period can be extended over a period equal to either the decedent’s single life expectancy or the spouse beneficiary’s single life expectancy, *whichever is longer*.

### Non-Spouse Beneficiary Guidelines

**Beginning Payment Date** — Payments to a non-spouse beneficiary must begin by December 31 of the year following the participant’s death. If payments do not begin within this time, the IRS requires a non-spouse beneficiary to withdraw all funds from the account by the year containing the fifth anniversary of the participant’s death.

**Maximum Withdrawal Period** — A non-spouse beneficiary can request payments over a period equal to his/her single life expectancy. If the participant’s death occurred on or after the RBD, the payment period can be extended over a period equal to either the decedent’s single life expectancy or the beneficiary’s single life expectancy, whichever is longer.

### Non-Individual Guidelines

**Beginning Payment Date** — Payments to a non-individual (e.g., trust, estate) beneficiary must begin by December 31 of the year following the participant’s death. If payments do not begin by this time, the IRS requires the entire account to be depleted by the year containing the fifth anniversary of the participant’s death.

**Maximum Withdrawal Period** — If the participant’s death occurred *before the* RBD, payments to a non-individual beneficiary must be complete by the year containing the fifth anniversary of the participant’s death. If the participant’s death occurred on or *after the* RBD, a non-individual can request payments over a period equal to the decedent’s single life expectancy.

### Changing Your Payment Schedule

You can change your payment schedule at any time, before or after payments begin. If you wish to change your schedule, complete and return the *Payment Schedule Change Form*, available online at [www.icmarc.org/forms](http://www.icmarc.org/forms).

### Life Expectancy Information

Life expectancy tables can be found in Appendix C of IRS Publication 590, available online at [www.irs.gov](http://www.irs.gov). According to IRS regulations, life expectancies cannot be recalculated each year for non-spouse beneficiaries. Instead, the applicable life expectancy is fixed in the first distribution year and is reduced by one for each subsequent year.

### The “Five-Year Rule”

This rule provides some flexibility to beneficiaries who are required to withdraw the entire account balance by December 31 of the year containing the fifth anniversary of the participant’s death. In these situations, the beneficiary is not required to withdraw an equal amount each year, as long as the entire balance is withdrawn by the required deadline.

### Rollovers

**Before you decide on a rollover**, be aware that retaining your assets in a beneficiary account with ICMA-RC may be beneficial to you. If you wish to request a direct rollover of the inherited amounts to an IRA or employer sponsored plan (*if eligible*), please contact ICMA-RC for more information.

### Taxation and Withholding Requirements

The information in this section is intended to summarize the tax withholding rules that apply to distributions from your plan. Please review the *Special Tax Notice Regarding Plan Payments* for additional information regarding tax withholding and your ability to roll over assets to another eligible plan.

Pre-tax contributions and associated earnings will be taxable in the year of the distribution. The earnings portion of a distribution of Roth assets, if applicable, may also be taxable (See the “Roth Assets” Section for more information). Taxable amounts will be reported on a Form 1099-R, which you will receive in January following the year of the distribution, and will need to be included in your gross income when you file your taxes.

ICMA-RC will withhold taxes according to the instructions you provide in section 7 of the form, unless additional withholding is required by law.

### Federal Tax Withholding

The Internal Revenue Code requires a mandatory 20% federal income tax withholding be applied to any withdrawal that qualifies as an eligible rollover distribution, unless the payment is transferred directly to another eligible plan.

**Non U.S. Citizens:** Generally, nonresident aliens (individuals who are not U.S. citizens and residing outside of the United States) are subject to 30% federal tax withholding. A reduced rate, including exemption, may apply if there is a tax treaty between your country of residence and the United States.

### State Tax Withholding

Several states have mandatory tax withholding requirements. ICMA-RC automatically withholds taxes for states which require withholding from retirement plan withdrawals and will honor requests for withholding in other states. 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.

*You are ultimately responsible for the payment of applicable federal and state income taxes on the distributions you receive.*

## Roth Assets

If the participant made Roth contributions to the account, you should give careful consideration to how you withdraw the Roth assets (contributions and associated earnings). Non-Roth assets will be distributed prior to any Roth assets, unless you contact ICMA-RC and request in writing that Roth assets be distributed first.

## Qualified “Tax-Free” Distributions

Distributions of Roth assets are tax-free if five years has passed since January 1 of the year of the participant’s first Roth contribution (including rollovers). If the five year requirement is not met, the earnings portion of the distribution will be taxable as income.

## Withdrawal Penalties

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

*In order to avoid any potential tax penalties, beneficiaries should notify ICMA-RC of the participant’s death as soon as possible.*

## SPECIAL CIRCUMSTANCES

### No Designated Beneficiary

In the event that no beneficiary was designated:

- **401 Plan** — The participant’s spouse (if applicable) is the beneficiary for the account. If the participant was not married, his or her estate is the beneficiary.
- **457 Plan** — The participant’s estate is the beneficiary for the account.

### Multiple Beneficiaries

If the participant named multiple beneficiaries for the account, each beneficiary must submit a separate *Beneficiary Account Setup and Withdrawal Form*.

### Estate/Trust Beneficiaries

If there are multiple named representatives/trustees for the estate or trust, each named representative/trustee must sign their name in Section 8 of the Beneficiary Account Setup and Withdrawal Form. If additional space is needed, please provide and submit a separate piece of paper with all listed representatives/trusted and their signatures, along with the Beneficiary Account Setup and Withdrawal application. This separate piece of paper must be also be notarized by a notary public.

### Trust Beneficiary

In order for a trust to be treated as a beneficiary:

- The trust must be valid under state law
- The trust must be irrevocable or become irrevocable upon the participant’s death

- The beneficiaries of the trust must be clearly identifiable
- The plan administrator must receive either a copy of the trust instrument or qualifying documentation of the trust beneficiaries in a timely manner (by the end of the year following the year of the participant’s death).

If the above requirements are met, the oldest qualified beneficiary of the trust will be treated as the beneficiary of the account for purposes of determining life expectancy payments.

Benefit payments will be made payable to the trust. If the above requirements are not met, the beneficiary(ies) of the trust will not be treated as having been designated as beneficiary by the participant. Instead, the trust itself will be treated as the beneficiary, and a lump sum payment will be made payable to the trust. Please consult your legal or financial advisor for information about the rules regarding trust beneficiaries.

### Minor Child Beneficiary (under 18)

Please include a copy of the document authorizing you to act on the beneficiary’s behalf. ICMA-RC is required to send payments to the minor’s guardian.

### Deceased Beneficiary

Payment to beneficiaries will be made according to the rules of succession. If a designated beneficiary predeceases the participant, the deceased beneficiary’s benefit is disregarded when distributing the account to any remaining beneficiaries (100% of the account will be paid to any primary beneficiaries who are still living). If all primary beneficiaries pre-decease the participant, the account will be distributed to the contingent beneficiaries (if any) named by the participant.

### Beneficiary Account Holder Dies

If you die before the entire balance of your beneficiary account has been distributed, any remaining balance in the account will be paid to your estate in a lump sum. Or, if permitted by the plan, you may designate one or more beneficiaries to receive the remaining balance. Check with ICMA-RC for more information on the availability of this option.

### Community Property States

If a participant residing in a community property state designates a non-spouse beneficiary to receive a percentage of his or her account that is greater than the participant’s separate property, the spouse may have a right under state law to obtain a court order invalidating the beneficiary designation (or at least as much of it as would leave the spouse with less than the portion of the account that is community property). Nevertheless, the plan administrator can approve payment to the beneficiaries on record until it receives a court order restraining payment or a written notice that the spouse is asserting his or her rights.

**Please review the *Special Tax Notice Regarding Plan Payments* for additional information regarding taxation and withholding requirements.**

## SUMMARY OF BENEFICIARY PAYMENT OPTIONS

Payment Option	Death On or After the Required Beginning Date (RBD)* <i>Note: Any IRS Required Minimum Distributions due in the year of the participant's death will be paid before beneficiary payments begin.</i>		Death Before the Required Beginning Date (RBD)*	
	Available to... Surviving Spouse?	Available to... Non-Spouse, Trust, or Estate?	Available to... Surviving Spouse?	Available to... Non-Spouse, Trust, or Estate?
<b>Begin Payments Now</b> <ul style="list-style-type: none"> <li>Continue participant's periodic payments</li> <li>Start a new periodic payment schedule</li> <li>Partial lump sum now followed by periodic payments</li> <li>IRS RMD payments</li> </ul>	<b>YES</b>  Periodic payments cannot last longer than the decedent's or the beneficiary's remaining single life expectancy <sup>1</sup> , whichever is longer.	<b>YES</b>  Payments cannot last longer than the decedent's or the beneficiary's single life expectancy <sup>1</sup> , whichever is longer.  Payments to non-individuals cannot last longer than the single life expectancy <sup>1</sup> of the decedent.	<b>YES</b>  Payments cannot last longer than the beneficiary's single life expectancy <sup>1</sup> .	<b>YES</b>  Payments cannot last longer than the beneficiary's single life expectancy <sup>1</sup> .  Payments to non-individuals must be complete by the year containing the fifth anniversary of the participant's death.
<b>Begin Payments Later</b> <ul style="list-style-type: none"> <li>Deferred lump sum</li> <li>Deferred periodic payments</li> <li>Partial lump sum now followed by deferred periodic payments</li> <li>IRS RMD payments</li> </ul>	<b>YES</b>  Periodic payments cannot last longer than the decedent's or the beneficiary's single life expectancy <sup>1</sup> , whichever is longer.  Payments must start by December 31 of the year after the participant's death.	<b>YES</b>  Payments cannot last longer than the decedent's or the beneficiary's single life expectancy <sup>1</sup> , whichever is longer.  Payments to non-qualified trusts or estates cannot last longer than the single life expectancy <sup>1</sup> of the decedent.  Payments must start by December 31 of the year after the participant's death.	<b>YES</b>  Payments cannot last longer than the beneficiary's single life expectancy <sup>1</sup> .  Payments must begin by the later of December 31 of the year after the participant's death or December 31 of the year the participant would have been 70½.	<b>YES</b>  Payments cannot last longer than the beneficiary's single life expectancy <sup>1</sup> .  Payments to non-qualified trusts or estates must be complete by the year containing the fifth anniversary of the participant's death.  Life expectancy payments must start by December 31 of the year after the participant's death; otherwise, the five year rule applies.
<b>Rollover to an IRA</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>
<b>Rollover to Employer's Retirement Plan</b>	<b>YES</b>	<b>NO</b>	<b>YES</b>	<b>NO</b>
<b>100% Lump Sum Payment</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>

<sup>1</sup> Life expectancies can be found in Appendix C of IRS Publication 590. IRS Publications are available for download on [www.irs.gov](http://www.irs.gov). According to IRS regulations, life expectancies cannot be recalculated each year for non-spousal beneficiaries. Instead, the applicable life expectancy is fixed in the first distribution year and is reduced by one for each subsequent year.

\*See page 4 for a description of the Required Beginning Date (RBD)



# Special Tax Notice Regarding Plan Payments

*This notice applies to distributions from 401(a), 401(k), and 457(b) plans with ICMA-RC, including distributions from Roth and non-Roth accounts in the plans (e.g., after-tax, pre-tax).*

## ROLLOVER OPTIONS AVAILABLE

**You are receiving this notice because all or a portion of a payment from your account is eligible to be rolled over to an IRA or an employer plan.** This notice is intended to help you decide whether to do such a rollover. Please review and consider the information in the notice before you begin withdrawing funds from your account with ICMA-RC.

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

### 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?

- **Pre-Tax Assets** – 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).
- **Roth Assets** – After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the Plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10% additional income tax on early distributions will also apply to the earnings (unless an exception applies). However, if you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions.

If the payment from the Plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution from a designated Roth account in the Plan is a payment made after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a direct rollover to a designated Roth account in the Plan from a designated Roth account

in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the other employer plan.

### Where may I roll over the payment?

- **Pre-Tax Assets** – You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.
- **Roth Assets** – You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan that will accept the rollover (e.g., 457(b), 401(k), and 403(b) plans that allow Roth contributions). The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spousal consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:
  - If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
  - If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
  - Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth 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,**

- **Pre-Tax Assets** – 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 actually 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).
- **Roth Assets** – You may still do a rollover by making a deposit within 60 days into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings.

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

**How much may I roll over?**

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

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70½ (or after death)
- Hardship distributions
- Corrective distributions of contributions that exceed tax law limitations
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends)
- Cost of life insurance paid by the Plan
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution

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 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 (401(k) plans only)
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

**If I do a rollover to an IRA (including a Roth 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 or the payment is a qualified distribution of Roth assets. 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 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).

**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). Other differences are that you cannot do a rollover if the payment is due to an “unforeseeable emergency” and the special rules under “If you were born on or before January 1, 1936” do not apply.

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

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

## **SPECIAL RULES AND OPTIONS**

### **If your payment includes non-Roth 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 included in the payment, so you cannot take a payment of only after-tax contributions. However, 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. In addition, special rules apply when you do a rollover, as described below.

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 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 direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the 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 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. In the case of a nonqualified distribution of Roth assets, the preceding sentence applies to the earnings.

### **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 (for Roth assets, on any earnings taxed) 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 payment is used to pay for health coverage or qualified long-term care insurance**

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

### **If you roll over your payment of non-Roth assets 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 do a rollover from non-Roth assets to a designated Roth account in the same Plan (in-plan Roth conversion)**

If you roll over a payment from the Plan to a designated Roth account in the Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. However, the 10% additional tax on early distributions will not apply (unless you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover).

If you roll over the payment to a designated Roth account in the Plan, later

payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account 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).

### **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.

**Pre-Tax Assets.** 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.

**Roth Assets.** A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies).

If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth 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).

If your payments for the year (treating Roth and non-Roth assets separately) 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 can do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 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 (treating Roth and non-Roth assets separately) 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 can do a 60-day rollover.

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

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

### **FOR MORE INFORMATION**

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and 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](http://www.irs.gov), or by calling 1-800-TAX-FORM.

## **SUMMARY DESCRIPTION**

This publication provides a summary of the rules governing the distribution options available to beneficiaries who inherit assets in an ICMA-RC 457 or 401 plan account. 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.

