



Mailing Address:  
P.O. Box 8963  
Wilmington, DE 19899-8963  
800-209-9010 Fax: 302-999-9554  
TRSPprocessing@principaltrust.com

## Special Tax Notice Regarding Plan Payments

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

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

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

**If you have additional questions after reading this notice, call 1-800-209-9010, 8 a.m. - 6 p.m. Monday – Friday (Eastern Time).**

### Summary

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

- (1) certain payments can be made directly to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit (Direct Rollover), or
- (2) the payment can be paid to you.

If you choose a Direct Rollover to a traditional IRA or eligible employer plan:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to a traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this plan.

If you choose a Direct Rollover to a Roth IRA (Note: Payments received after 12-31-2007 may be directly rolled to a Roth IRA. Prior to that time, only payments from designated Roth accounts under 401(k) plans or 403(b) plans could be directly rolled to Roth IRAs. See Part IV for the rules regarding designated Roth accounts.):

- Except to the extent that the rollover represents a return of after-tax contributions, you are taxed on the entire rollover to the Roth IRA.
- Until the year 2010, the Direct Rollover to a Roth IRA is only available if your adjusted gross income does not equal \$100,000 and you are not a married individual filing a separate tax return.

If you choose to have a plan payment that is eligible for rollover paid to you:

- You will receive only 80% of the taxable amount of the payment, because the plan administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax

you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.

- You can roll over all or part of the payment by paying it to a traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

*Your Right to Waive the 30-Day Notice Period.* Generally, neither a Direct Rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election and 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.

Some mandatory payments from the plan are required to be directly rolled over if you do not make an election. If your payment is subject to this requirement, the plan administrator is required to let you know and to provide you with information regarding the IRA to be established on your behalf.

For more information see the following:

Part I. Payments that can and cannot be rolled over

Part II. Direct Rollover

Part III. Payment paid to you

Part IV. Special rules for payments from a designated Roth account under a 401(k) or 403(b) plan

Part V. Surviving spouses, alternate payees, and other beneficiaries

Part VI. How to obtain additional information

#### **Part I. – Payments that can and cannot be rolled over**

Payments from the plan may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account.

*After-tax Contributions.* If you made after-tax contributions to the plan, these contributions may be rolled into either an IRA or to certain employer plans that accept rollovers of the after-tax contributions. (After-tax contributions generally are contributions you made from your own pay that were already taxed). The following rules apply:

- (a) Rollover into a traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly.

If you roll over after-tax contributions to an IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the IRA to be determined.

Once you roll over your after-tax contributions to an IRA, those amounts cannot later be rolled over to an employer plan.

- (b) Rollover into a Roth IRA. Beginning for payments after 12-31-07, you can directly roll over after-tax contributions into a Roth IRA. You are not taxed on amounts which are directly rolled into a Roth IRA that represent after-tax contributions.

- (c) Rollover into an Employer Plan. You can roll over after-tax contributions from an employer plan qualified under Code Section 401(a), a Code Section 403(a) annuity plan, or a Code Section 403(b) tax-sheltered annuity to an eligible employer plan using a Direct Rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You cannot roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must request a Direct Rollover from this plan to the other plan. Also, you cannot first roll over after-tax contributions to an IRA and then roll over that amount into an employer plan.

The following types of payments *cannot* be rolled over:

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

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

*Required Minimum Payments.* Beginning when you reach age 70½ or retire, whichever is later, a certain

portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your employer.

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

*ESOP Dividends.* Cash dividends paid to you on employer stock held in an employee stock ownership plan cannot be rolled over.

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

*Loans Treated as Distributions.* The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III below.

## **Part II. – Direct Rollover**

A Direct Rollover is a direct payment of the amount of your plan benefits to an IRA or an eligible employer plan that will accept it. You can choose a Direct Rollover of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a Direct Rollover to a traditional IRA or eligible employer plan until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your plan benefits for which you choose a Direct Rollover. This plan might not let you choose a Direct Rollover if your distributions for the year are less than \$200. If a portion of your payment is from a designated Roth account under a 401(k) or 403(b) plan, as discussed in Part IV below, the plan may treat the designated Roth account portion of your payment as a separate distribution for purposes of the \$200 rule to determine if you can choose a Direct Rollover.

*Direct Rollover to a Traditional IRA.* You can open a traditional IRA to receive the Direct Rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a Direct Rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, *Individual Retirement Arrangements*, for more information on IRAs (including limits on how often you can roll over between IRAs).

*Direct Rollover to a Plan.* If you are employed by a new employer that has an eligible employer plan, and you

want a Direct Rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a Direct Rollover to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

*Direct Rollover to a Roth IRA (payments after 12-31-07).* You can open a Roth IRA to receive the Direct Rollover. Contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a Direct Rollover. A Direct Rollover to a Roth IRA is only available if your adjusted gross income does not exceed \$100,000 and you are not a married individual filing a separate tax return. Except to the extent that the Direct Rollover represents after-tax contributions, the entire amount of the Direct Rollover is taxable, although the 10% additional tax on early withdrawals does not apply. If a subsequent payment from the Roth IRA meets the requirements to be considered a qualified distribution, it will be received income tax free.

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

*Change in Tax Treatment Resulting from a Direct Rollover.* The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your Direct Rollover might be different than if you received your benefit in a taxable distribution directly from the plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a Code 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 the subsections below entitled "Additional 10% Tax if You Are under Age 59½" and "Special Tax Treatment if You Were Born before January 1, 1936."

## **Part III. – Payment paid to you**

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

*Income Tax Withholding:*

**Mandatory Withholding.** If any portion of your payment can be rolled over under Part I above and you do not elect to make a Direct Rollover, the plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "60-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. Income tax withholding is not required if your payments for the year are less than \$200.

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

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

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

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

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

Special rules apply if your payment includes amounts from a designated Roth account under a 401(k) or 403(b) plan. Refer to Part IV below for a discussion of the tax rules that apply to such amounts.

**Additional 10% Tax If You Are under Age 59½.** If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to:

- (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55,
- (2) payments that are paid because you retire due to disability,
- (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies),
- (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code Section 404(k),
- (5) payments that are paid directly to the government to satisfy a federal tax levy,
- (6) payments that are paid to an alternate payee under a qualified domestic relations order,
- (7) payments that do not exceed the amount of your deductible medical expenses, or
- (8) payments that are a qualified reservists distribution.

See IRS Form 5329 for more information on the additional 10% tax.

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

**Special Tax Treatment If You Were Born before January 1, 1936.** If you receive a payment from a plan qualified under Code Section 401(a) or a Code Section 403(a) annuity plan that can be rolled over under Part I above and you do not roll it over to an IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump

sum distribution," it may be eligible for special tax treatment. (See also "Employer Stock or Securities", below.) A lump sum distribution is a payment, within one year, of your entire balance under the plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

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

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

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

*Employer Stock or Securities.* There is a special rule for a payment from the plan that includes employer stock (or other employer securities). To use this special rule:

- (1) the payment must qualify as a lump sum distribution, as described above, except that you do not need five years of plan participation, or
- (2) the employer stock included in the payment must be attributable to "after-tax" employee contributions, if any.

Under this special rule, you may have the option of not paying tax on the "net unrealized appreciation" of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the employer stock while it was held by the plan. For example, if employer stock was contributed to your plan account when the stock was worth \$1,000 but the stock was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock can be rolled over to an IRA or another eligible employer plan, either in a Direct Rollover or a rollover that you make yourself. Generally, you will no longer be able to use the special rule for net unrealized appreciation if you roll the stock over to an IRA or another eligible employer plan.

If you receive only employer stock in a payment that can be rolled over, no amount will be withheld from the payment. If you receive cash or property other than employer stock, as well as employer stock, in a payment that can be rolled over, the 20% withholding amount will be based on the entire taxable amount paid to you (including the value of the employer stock determined by excluding the net unrealized appreciation). However, the amount withheld will be limited to the cash or property (excluding employer stock) paid to you.

If you receive employer stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as 10-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

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

**Part IV. – Special rules for payments from a designated Roth account under a 401(k) or 403(b) plan (may not apply to your employer's plan)**

You may be permitted to designate all or a part of your elective deferrals under a 401(k) plan or 403(b) plan as Roth contributions. Elective deferrals that are designated as Roth contributions are taxable at the time they are made to the plan. Designated Roth contributions must be maintained by the plan in a separate account (designated Roth account).

*Qualified Distributions.* If you have made designated Roth contributions to a 401(k) or 403(b) plan, a payment from your designated Roth account is not taxable if the payment is a qualified distribution. A “qualified distribution” is a distribution from your designated Roth account made after a completion of a specified 5-year period and the satisfaction of another requirement. The specified 5-year period begins on the first day of the taxable year in which you made your first designated Roth contribution. If your first designated Roth contribution was made in 2007, the specified period ends in 2011, and a payment will be a qualified distribution if it is made in 2012 or later and one of the following requirements is also met:

- (1) the payment is made after you reach age 59½,
- (2) the payment is made to your beneficiary after your death; or
- (3) the payment is made on account of your disability.

If the payment is not a qualified distribution, you will be taxed on the amount treated as earnings. Because your designated Roth contributions to the plan were taxed when made, you will not be taxed on the amount treated as your designated Roth contributions. The law requires for income tax purposes any payment of your designated Roth account be treated as a pro rata distribution of your designated Roth contributions and earnings.

*Example.* A payment of \$5,000 that is not a qualified distribution is made to you from your designated Roth account. Your account consists of \$9,400 of designated Roth contributions and \$600 of earnings. \$4,700 is treated as designated Roth contributions (that are not taxable) and \$300 is treated as earnings (that are taxable). The amount of your payment treated as your designated Roth contributions is determined by multiplying the amount of your payment (\$5,000) by a fraction. The fraction is equal to your total designated Roth contributions divided by your total account balance (\$9,400/10,000).

Part I provides a list of several types of payments that cannot be rolled over. Of those types of payments listed, the following types of payments also *cannot* be qualified distributions:

- Cash dividends paid to you on employer stock held in an employee stock ownership plan.
- A distribution that is made to correct a failed non-discrimination test or because legal limits on certain contributions were exceeded.

- The amount of a plan loan that becomes a taxable deemed distribution because of a default.

Dividends and earnings will be taxable in the same manner as they would be taxed if the payment was not made from a designated Roth account.

*Rollover into a Roth IRA.* If you receive a payment from a designated Roth account that can be rolled over under Part I, all or part of it can be directly or indirectly rolled over to a Roth IRA. An indirect rollover must be made within 60 days after you receive the payment. If part of the payment is taxable and you roll over only part of the payment, you are considered to roll over the taxable part first.

Once you rollover your payment to a Roth IRA, those amounts *cannot* later be rolled over to an employer plan.

In the case of a rollover from a designated Roth account under a 401(k) or 403(b) plan to a Roth IRA, the period that the rolled-over funds were in the designated Roth 401(k) or 403(b) account does not count towards the 5-year period for determining qualified distributions from the Roth IRA. The 5-year period for determining qualified distributions from the Roth IRA will be based on the first year a contribution was made to the Roth IRA (the year the rollover is made if no prior contributions were made to the Roth IRA).

*Rollover into a Plan.* If you receive a payment from a designated Roth account that can be rolled over under Part I, all or part of it can be directly rolled over to certain eligible employer plans. Your payment can be directly rolled over to a designated Roth account under a 401(k) or 403(b) plan that accepts the rollover. If part of your payment is taxable and you roll over only part of the payment, you are considered to roll over the taxable part first. The earlier of the first year you made Roth contributions under the plan from which the rollover is being made or the first year you made Roth contributions under the plan you rolled into is used to determine the specified 5-year period for qualified distributions in the plan to which your payment is rolled. This would apply not only to the amounts rolled over, but also to any amounts from a designated Roth account resulting from designated Roth contributions made under the plan you rolled into.

If you receive a payment from a designated Roth account that can be rolled over under Part I and any portion of the payment is taxable, all or a part of the taxable portion may be rolled to certain eligible employer plans within 60 days after you receive the payment. The taxable portion of your payment can be rolled over to a designated

Roth account under a 401(k) or 403(b) plan that accepts the rollover. The 5-year period for qualified distributions in the plan to which your payment is rolled will be determined based on the first year you made Roth contributions under the plan you rolled into. This would apply not only to the amounts from a designated Roth

account resulting from designated Roth contributions made under the plan you rolled into, but also to the amounts rolled over.

#### **Part V. – Surviving spouses, alternate payees, and other beneficiaries**

In general, the rules summarized above that apply to payments to participants also apply to payments to surviving spouses of participants and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a Direct Rollover to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. Thus, you have the same choices as the participant.

If you are a beneficiary other than a surviving spouse or an alternate payee, the plan may permit you to choose to have a payment paid in a Direct Rollover to an IRA or have the benefit paid to you. The plan is not required to offer this option. You may not roll over the payment that is made directly to you, nor may you choose to roll over the payment to an eligible employer plan. The IRA accepting the transfer is treated like an Inherited IRA. An Inherited IRA is one that was established by an individual who has died and is now being maintained for a beneficiary who is not the spouse of the individual who died. Benefits under an Inherited IRA must be paid in accordance with the required minimum payment rules that apply to a nonspouse beneficiary. These rules may permit the payments to be paid over a longer period of time than the payments from the plan. The benefits cannot be rolled over from the Inherited IRA to any other IRA.

As explained above, surviving spouses and alternate payees have the same choices as the participant. However, unlike surviving spouses and alternate payees, nonspouse beneficiaries do not have the same choices as the participant. Because of this difference, the mandatory withholding rules that typically apply to payments that are not rolled over do not apply to payments made to nonspouse beneficiaries.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in the Part III above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in Part III above. If you receive a payment because of the participant's death, you may be able to treat the payment as a lump sum distribution if the

participant met the appropriate age requirements, whether or not the participant had 5 years of participation in the plan.

#### **Part VI. – How to obtain additional information**

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