

# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

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

This notice is provided to you by TIAA-CREF on behalf of your Plan Administrator. Please reference this notice before taking a distribution of your benefits from your Plan, because all or part of the distribution may be eligible for rollover to an IRA, to a Roth IRA if your distribution includes Roth 403(b)/401(k) amounts, or to an eligible employer plan that will accept the rollover. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA, or Roth IRA if your distribution includes Roth 403(b)/401(k) amounts, that allows you to continue to postpone taxation of that benefit until it is paid to you. Your distribution cannot be rolled over to a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan). If your distribution includes Roth 403(b) or 401(k) amounts, an "eligible employer plan" is one that will accept a rollover of Roth 403(b) and/or 401(k) amounts.

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your distribution to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax or designated Roth 403(b) and/or 401(k) amounts. If this is the case, and your distribution includes after-tax and/or designated Roth 403(b) and/or 401(k) amounts, you may wish instead to roll over your distribution 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, you can contact TIAA-CREF at **800 842-2776** Monday to Friday from 8 a.m. to 10 p.m. or Saturday from 9 a.m. to 6 p.m. (ET).

## 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 or to an eligible employer plan that will accept it and hold it for your benefit ("direct rollover"); or
- (2) The payment can be paid to you.

### For a direct rollover:

- Your distribution will not be taxed in the current year and no income tax will be withheld.
- You choose whether your distribution will be made directly to your 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.
- If your benefit under the Plan is subject to a mandatory cashout rule, absent your election otherwise, the Plan Administrator may be required to direct your payment to a traditional IRA or, for designated Roth 403(b) and/or 401(k) amounts, to a Roth IRA it establishes for you. If your distribution is subject to this rule, your Plan Administrator is required to let you know and to provide you with information regarding the IRA(s) to be established on your behalf.

- The taxable portion of your distribution will be taxed later when you take it out of the traditional IRA, the eligible employer plan, or, for nonqualified distributions, the Roth IRA. 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 to have a Plan payment that is eligible for rollover paid to you:**

- You will receive only 80% of the taxable amount of the distribution, because the Plan Administrator is required to hold 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 distribution 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 distribution before age 59 ½, you may have to pay an additional 10% tax.
- You can roll over all or part of the distribution by paying it to your IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the distribution. The taxable amount rolled over will not be taxed until you take it out of the IRA or the eligible employer plan.
- If you want to roll over 100% of the distribution 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.
- If your distribution includes nontaxable amounts, you may roll over the nontaxable portion to a traditional IRA or, for designated Roth 403(b) and/or 401(k) amounts, to a Roth IRA.

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

election as soon as practical after it is received by the Plan Administrator.

## **MORE INFORMATION**

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

### **I. DISTRIBUTIONS THAT CAN AND CANNOT BE ROLLED OVER**

Distributions 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. Distributions from a plan cannot be rolled over to a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan Administrator should be able to tell you what portion of your distribution is an eligible rollover distribution.

### **TRADITIONAL AFTER-TAX AND DESIGNATED ROTH 403(b) AND/OR 401(k) CONTRIBUTIONS**

If you made traditional after-tax and/or designated Roth 403(b) and/or 401(k) contributions to the Plan, these contributions may be rolled over to certain employer plans that accept rollovers of the after-tax and/or designated Roth 403(b) and/or 401(k) contributions. In addition, traditional after-tax contributions may be rolled over to a traditional IRA and designated Roth 403(b) and/or 401(k) contributions may be rolled over to a Roth IRA. The following rules apply:

**a. Rollover Into an IRA.** You can roll over your after-tax contributions to an IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is after tax. Beginning January 1, 2008, you may also be eligible to roll over the after-tax amount to a Roth IRA. If you roll over these amounts to a traditional or Roth 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 a traditional or Roth IRA, those amounts CANNOT later be rolled over to an employer plan.

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

The following types of distributions cannot be rolled over:

**Payments Spread Over Long Periods** – You cannot roll over a distribution if it is part of a series of equal (or almost equal) distributions 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 Distributions** – Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your distribution cannot be rolled over because it is a “required minimum distribution” that must be paid to you. Special rules apply if you own 5% or more of your employer.

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

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

**Loans Treated as Distributions** – The amount of a plan loan that becomes a taxable deemed distribution because

of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III below. Ask the Plan Administrator of this plan if distribution of your loan qualifies for rollover treatment.

The Plan Administrator of your plan should be able to tell you if your distribution includes amounts which cannot be rolled over.

## II. DIRECT ROLLOVER

A Direct Rollover is a direct payment of the amount of your Plan benefits to an IRA or an eligible employer plan that will accept it. You can choose a Direct Rollover of all or any portion of your distribution that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your distribution for which you choose a Direct Rollover until you later take it out of the traditional IRA, eligible employer plan, or for Roth IRAs, take a nonqualified distribution. 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.

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

**DIRECT ROLLOVER to a ROTH IRA** – For distributions taken after December 31, 2007, you can open a Roth IRA to receive a rollover from your employer’s plan if your modified adjusted gross income (MAGI) is not more than \$100,000 and you are not married filing a separate income tax return. The amount of the rollover from your employer plan to the Roth IRA will be treated as a distribution for income tax purposes and is includible in your gross income. Beginning in 2010, the \$100,000 MAGI limit and the married filing separate tax filing restriction will be eliminated for rollover eligibility. Although the rollover amount is generally

included in income, the 10% early distribution penalty will not apply, regardless if you qualify for any exceptions to the 10% penalty. If you choose to have your distribution made directly to a Roth IRA, contact a Roth IRA sponsor (usually a financial institution) to find out how to have your distribution made as a rollover to a Roth IRA.

**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. If you have designated Roth 403(b) and/or 401(k) contributions, be sure to ask whether the plan will accept these amounts as well. 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 of a Series of Payments** – If you receive a distribution that can be rolled over to a traditional IRA, or Roth IRA or an eligible employer plan that will accept it, and it is paid in a series of distributions for less than 10 years, your choice to make or not to make a Direct Rollover for a distribution will apply to all later distributions in the series until you change your election. You are free to change your election for any later distribution in the series.

**Change in Tax Treatment Resulting From a DIRECT ROLLOVER** – The tax treatment of any distribution from the eligible employer plan or 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 10-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a Direct Rollover, your benefit will no longer be eligible for that special treatment. See the sections below entitled “Additional 10% Tax If You Are Under Age 59 ½” and “Special Tax Treatment If You Were Born Before January 1, 1936.”

### III. PAYMENT PAID TO YOU

If your distribution can be rolled over (see Part I above) and the distribution 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 distribution is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

#### INCOME TAX WITHHOLDING

**Mandatory Withholding** – If any portion of your distribution 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 distribution of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see “Sixty-Day Rollover Option” below), you must report the full \$10,000 as a taxable distribution from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your distributions for the year are less than \$200.

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

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

You can roll over up to 100% of your distribution that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within

the 60-day period to contribute to the 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. If the distribution includes after-tax and/or designated Roth 403(b) and/or 401(k) amounts, please note that the non-taxable amount may only be rolled over within 60 days to a traditional IRA (for after-tax amounts) and a Roth IRA (for Roth 403(b) and/or 401(k) amounts). For designated Roth 403(b) and/or 401(k) amounts, if you decide to roll over less than 100% of these amounts, the amount rolled over to the Roth IRA will be considered to first consist of the taxable portion of the designated Roth 403(b) and/or 401(k) amounts.

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

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

**Example:** Your distribution will consist of designated Roth 403(b) and/or 401(k) amounts of \$10,000. Of this amount, \$7,500 represents the nontaxable portion of your designated Roth 403(b) and/or 401(k) account. The remaining \$2,500 is subject to federal income tax withholding. Thus, you will receive \$9,500 and \$500 (20% times \$2,500) will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$9,500, you may roll over the entire \$10,000 to a Roth IRA or an eligible employer plan. However, should you elect to roll over \$9,500, as the amount rolled over is considered to first consist of the taxable portion of the distribution, the nontaxable portion of the amount rolled over to the Roth IRA will be \$7,000, not \$7,500. When you file your income tax return, you may get a refund of part or all of the \$500 withheld.

**Additional 10% Tax If You Are Under Age 59 1/2** – If you receive a distribution before you reach age 59 1/2 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 distribution. The additional 10% tax generally does not apply to (1) distributions that are paid after you separate from service with your employer during or after the year you reach age 55; (2) distributions that are paid because you retire due to disability; (3) distributions 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) distributions that are paid directly to the government to satisfy a federal tax levy; (5) distributions that are paid to an alternate payee under a qualified domestic relations order; or (6) distributions that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59 1/2, unless one of the exceptions applies

**Special Tax Treatment If You Were Born Before January 1, 1936** – If you receive a distribution from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the distribution will be taxed in the year you receive it. However, if the distribution 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 59 1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59 1/2 or have become disabled). For a distribution 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). 10-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 distribution that is attributable to your pre-1974 participation in the Plan taxed as a long-term capital gain.

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 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 distributions from the Plan. If you roll over your distribution to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later distributions from that IRA, plan, or annuity. Also, if you roll over only a portion of your distribution to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the distribution. See IRS Form 4972 for additional information on lump-sum distributions and how you elect the special tax treatment.

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

property paid to you (other than any employer securities). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

#### **IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES**

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

If you are a surviving spouse or an alternate payee, you may choose to have a distribution that can be rolled over, as described in Part I above, paid in a Direct Rollover to a traditional IRA or to an eligible employer plan or paid to you. If you have received Roth 403(b) and/or 401(k) amounts as 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 a Roth IRA or an eligible employer plan that may accept Roth 403(b) and/or 401(k) amounts or paid to you. If you have the distribution paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, you may choose a direct rollover of non-Roth amounts to an inherited traditional IRA. (Roth elective deferrals and their earnings can only be rolled over to an inherited Roth IRA.) You cannot roll over the distribution yourself. Distributions from the inherited IRA must commence in accordance with the required minimum distribution rules applicable to beneficiaries.

If you are a surviving spouse, an alternate payee, or another beneficiary, your distribution is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59 ½.

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 as described in Part III above. If you receive a distribution because of the employee’s death, you may be able to treat the distribution as a lump-sum distribution if the employee met the appropriate age requirements, whether or not the employee had five years of participation in the Plan.

## V. ROTH ELECTIVE DEFERRALS

This section explains the distribution options available to you and your beneficiaries with respect to the portion of your plan that represent Roth elective deferrals and their earnings. In addition, this section will explain the tax implications of distributions and rollovers, and contains important information you will need before you decide how to receive the portion of your plan that represents Roth elective deferrals. Unless otherwise stated below, the provisions of Part II and Part III apply (e.g., income tax withholding).

### PAYMENT OPTIONS

You and/or your beneficiary, plan permitting, have the same payment options as described in Parts I and II of this notice available to you with respect to your Roth elective deferrals. See your Summary Plan Description for additional details relating to distribution options. Note, however, the Roth elective deferrals and the earnings attributable to them may not be rolled over to a traditional IRA. These types of assets may only be rolled over to a Roth IRA or a designated Roth account of another employer plan that accepts direct rollovers of these types of assets. However, once these assets are rolled over to a Roth IRA, you CANNOT subsequently roll over your Roth elective deferrals to an employer plan, even if the plan accepts designated Roth contributions. A nonspouse beneficiary may directly roll over Roth elective deferrals, and the earnings attributable to them, to an inherited Roth IRA.

### TAXATION OF DISTRIBUTIONS

Roth elective deferrals and their earnings are distributed tax free to you if the distribution is considered a qualified distribution. A qualified distribution is a distribution that is made after at least five years have elapsed from the start of the year during which you made your first Roth contribution to the Plan and is distributed:

- After you have attained age 59½,
- To your beneficiaries after your death, or
- On account of your disability.

If a direct rollover is made from a designated Roth account under another plan, your five-taxable-year period begins on the first day of your taxable year for which you first had designated Roth contributions made to the other plan, if earlier. Your plan administrator is responsible for tracking the five-year period for the designated Roth contribution portion of your account.

If you and your beneficiaries take a distribution before satisfying the requirements for a qualified distribution, listed above, the distribution will be a nonqualified distribution and you must include the portion of the distribution attributable to earnings in your income. The portion attributable to the basis (amount contributed as deferral) is excluded from your income.

All distributions from a designated Roth account, whether qualified or nonqualified, consist of a pro rata portion of Roth basis and earnings. The amount of distribution attributable to basis is determined by applying to the distribution the ratio of the amount of deferrals as compared to the total value of the Roth elective deferrals and earnings. For example, if you have \$9,400 of basis and \$600 in earnings and you take a \$5,000 distribution, you will receive \$4,700 in basis and \$300 in earnings ( $\$9,400/\$10,000 \times \$5,000 =$  return of basis). Your plan administrator is responsible for calculating the amount of the basis and earnings for each distribution and reporting them to you, upon your request.

### ROLLOVER OPTIONS

If you receive an eligible rollover distribution (as defined in Part I of this notice) from your designated Roth account, you have the option to roll it over to either a Roth IRA or another designated Roth account under an eligible plan.

#### A. Rollover to Another Designated Roth Account

You, or your spouse beneficiary upon your death, may directly roll over a qualified or nonqualified distribution to a designated Roth account under another Roth plan that is eligible and willing to receive the rollover. For example, if the distribution is from a designated Roth account under a 401(k) plan, it may be directly rolled to a designated Roth account under another 401(k) plan or a designated Roth account under a 403(b) plan. If a nonqualified distribution is payable to you, the nontaxable portion may not be rolled over to another designated Roth account. If a direct rollover is made from a designated Roth account under another plan, your five-taxable-year period in the receiving plan begins on the first day of your taxable year for which you first had designated Roth contributions made to the other plan, if earlier.

#### B. Rollover to a Roth IRA

You, or your spouse beneficiary upon your death, may roll over a qualified or nonqualified Roth distribution to a Roth IRA. This rollover may be done directly from the plan to the Roth IRA, or you or your beneficiary may roll it over within

60 days of receiving the distribution from the plan. However, once rolled to a Roth IRA, you CANNOT subsequently roll over your designated Roth contributions to an employer plan, even if the plan accepts designated Roth contributions. Upon completion of the rollover to a Roth IRA, these amounts are subject to the Roth IRA rules. The period that the rolled-over funds were in a designated Roth account does not count towards the five-taxable-year period for determining qualified distributions from a Roth IRA. Once you have satisfied the requirements for a qualified distribution from a Roth IRA, the distribution from a Roth IRA will be tax free. For tax years prior to 2010, your eligibility to roll over designated Roth contributions to a Roth IRA may be limited if your modified adjusted gross income exceeds certain limits. Consult your tax advisor to determine if you are eligible to perform this transaction.

A nonspouse beneficiary may directly roll over Roth elective deferrals and their earnings to an inherited Roth IRA. The Roth IRA must be maintained as an inherited Roth IRA, subject to the beneficiary distribution requirements (i.e., a nonspouse beneficiary may not roll over these assets to his or her Roth IRA).

#### **HOW TO OBTAIN ADDITIONAL INFORMATION**

This notice summarizes only the federal (not state or local) tax rules that might apply to your distribution. 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 distribution of your benefits from your Plan. Also, you can find more specific information on the tax treatment of distributions 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 Internet website at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORMS.