



## CAMBRIDGE RETIREMENT BOARD

100 CAMBRIDGE PARK DRIVE, SUITE 101, CAMBRIDGE, MASSACHUSETTS 02140  
(617) 868-3401 • FAX (617) 868-3477 • [www.cambridgeretirementma.gov](http://www.cambridgeretirementma.gov)

Nadia Chamblin-Foster  
*Appointed Member*

Michael P. Gardner  
*Appointed Member*

James H. Monagle  
*Ex-Officio*

Francis E. Murphy, III  
*Elected Member*

John W. Shinkwin  
*Elected Member*

Ellen K. Philbin  
*Executive Director*

### INSTRUCTIONS FOR COMPLETING YOUR REFUND APPLICATION

- **Complete only Section A on pages 1-3. Leave all other sections blank.**
- **If applying in person, submit photo ID.**
- **If applying by mail, have your signature notarized.**
- **If you request a ROLLOVER, have your financial institution submit a “Letter of Acceptance” signed by a representative of the company, which should include your account information.**
- **Be advised that this process may take from thirty (30) to ninety (90) days for completion. If you are rehired by a City or Town, or by the State, it must be reported to this office. If your address changes prior to January 31, you must inform us so that your tax information can be forwarded.**
- **If you began your employment prior to April 2, 2012, be sure to read and sign the attached notice regarding changes to the retirement law.**
- **If you have more than ten (10) years of service, you must sign the vested member release form. We strongly encourage all vested members to meet with a member of the retirement staff and review a benefit estimate before applying for a refund.**
- **Be certain to read the “Special Tax Notice Regarding Distributions.” It contains important information about options for receiving your refund and the potential tax consequences.**

# Introduction

## Application for Withdrawal of Accumulated Total Deductions

Form Last Revised: June, 2011

---

*The Application for Withdrawal of Total Accumulated Deductions* allows an eligible member to receive a refund of the total accumulated deductions in his or her annuity savings (retirement) account. An eligible member is one who:

- has terminated his or her employment with a governmental unit;
- is not receiving workers' compensation;
- is not seeking to be restored to his or her position; and
- is not accepting a position in the service of the Commonwealth or one of its political subdivisions.

Members are strongly advised to review the following:

- If you have over ten years of creditable service, you may currently be or might become eligible for a retirement allowance. By taking a withdrawal of your accumulated total deductions, you will lose any right to this retirement allowance. Before proceeding with a withdrawal, you should ask your retirement board for a personalized estimate of any benefits that you will forego by withdrawing.
- Taking a refund of your total accumulated deductions terminates your rights in the retirement system and may subject you to tax consequences. For distributions made after January 1, 2002, please be aware that your options of an eligible retirement plan for transferring your deductions have been expanded dramatically. Please carefully review the "Special Tax Notice" that accompanies this application. If you have unresolved concerns, you may wish to consult with an attorney or a tax professional.
- The amount of interest that members receive will vary, depending upon the years of creditable service and the nature of the separation from employment.
- Your employer must certify the termination of your employment, that you owe no obligation to the employer under an employee benefit plan, and sign this application.
- Your retirement board will determine if you are eligible for a refund of your total accumulated deductions.

### Instructions

Members must complete pages 1, 2, and 3, and sign page 3.



# Application for Withdrawal of Accumulated Total Deductions

Form Last Revised: February, 2012

**Retirement Board:** Please place your address and phone number here. ▶

To the  Retirement Board Date

## Section A: To Be Completed by the Member

Name (Print) Social Security #  Phone #   
  
Former or Maiden Name (if different) Cell Phone #  E-mail Address

I (Check One)  terminated  resigned from my position,  (job title) with the political subdivision of , effective .

I, the undersigned, hereby request that the amount in my Annuity Savings Fund account be paid to me as directed herein. I understand that in consideration of the return of said amount, my membership in the Retirement System shall terminate and all rights and privileges to which I was entitled as a member of the Retirement System are hereby surrendered, including eligibility for a termination retirement allowance upon completion of 20 years of service and including eligibility to receive a retirement allowance upon completion of 10 years of service and upon attaining age 55. I hereby elect to receive a return of my accumulated total deductions as provided herein in lieu of the receipt of such allowance. I understand that if I return to employment that renders me eligible to become a member of a Retirement System, I will do so with the status of a new member with the contribution rate then in effect and will not be entitled to creditable service for my previous service unless after I return to service and before the date that any retirement allowance becomes effective for me I pay into the Annuity Savings Fund of the Retirement System an amount equal to the accumulated deductions withdrawn by me together with buyback interest to date. Such payment into the Annuity Savings Fund of the Retirement System shall be in one lump sum or in installments as authorized by the Retirement Board. I understand that the Retirement Board will provide my name to the Massachusetts Department of Revenue for child support obligation purposes.

I have read the Special Tax Notice Regarding Plan Payments provided to me by the Retirement Board. I understand that if I choose to directly receive the return of my accumulated total deductions, 20% of the taxable portion of such return will be withheld and paid to the Internal Revenue Service.

1) It is  it is not  my intention to accept a position in the service of the Commonwealth or any political subdivision thereof which would entitle me to become a member of any similar contributory retirement system or seek to be restored to the position from which I was terminated.

2) I am  I am not  receiving Workers' Compensation Benefits pursuant to the provisions of G.L. c. 152.



Member's Last Name	First	M.I.	Social Security #

3) Have you been officially investigated for or charged with misappropriation of funds from your employer or convicted of any crime related to your office or position?  Yes  No

If **yes**, please provide documentation.

**Method of Payment**

4) Check One:

A) I wish to have the amount of my Annuity Savings Fund that is eligible for a refund paid directly to me in full with the exception of the 20% withholding of the federally taxable portion, which will be paid to the Internal Revenue Service.

B) I wish to have the federally taxable amount of my Annuity Savings Fund that is eligible for a refund paid directly to an IRA, a 401(a) qualified plan, a 403(b) annuity contract, or an eligible governmental 457(b) deferred compensation plan as specified below, with the federally non-taxable amount paid directly to me.

C) I wish to have the federally non-taxable amount of my Annuity Savings Fund paid to an IRA or a 401(a) defined contribution plan as specified below, with the federally taxable amount paid directly to me.

D) I wish to have the federally taxable amount of my Annuity Savings Fund that is eligible for a refund paid directly to an IRA, a 401(a) qualified plan, a 403(b) annuity contract, or an eligible governmental 457(b) deferred compensation plan as specified below, with the federally non-taxable amount of my Annuity Savings Fund paid to an IRA or a 401(a) qualified defined contribution plan as specified below.

E) I wish to have \_\_\_\_\_% of the federally taxable amount of my Annuity Savings Fund that is eligible for a refund paid directly to me (on which I realize there will be 20% withholding paid to the Internal Revenue Service) and the balance of the federally taxable amount of my Annuity Savings Fund paid directly to an IRA, a 401(a) qualified plan, a 403(b) annuity contract, or an eligible governmental 457(b) deferred compensation plan as specified below, with the federally non-taxable amount paid directly to me.

**For Taxable Portion**

Name (IRA, qualified 401(a) plan, 403(b) annuity provider, or eligible governmental 457(b) deferred compensation plan)

Address of above-listed entity	City	State	Zip

Member's Account Number with above-listed entity

Member's Address	City	State	Zip

---

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Member's Last Name	First	M.I.	Social Security #

---

**For Non-Taxable Portion**

Name (IRA, qualified 401(a) defined contribution plan)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Address of above-listed entity	City	State	Zip

Member's Account Number with above-listed entity

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Member's Address	City	State	Zip

---

### Important Notice

Be aware that, if you take a refund of your retirement contributions, you will terminate your membership and your rights in the retirement system. If you later return to Massachusetts public service on or after April 2, 2012 after receiving a refund, YOU WILL BE CONSIDERED A NEW EMPLOYEE and will be subject to the pension reform changes included within Chapter 176 of the Acts of 2011.

These changes include, but are not limited to:

- A new age factor table that will require you to work longer for the same or a similar benefit that you would receive under today's table.
- An increase in the salary average period used in the retirement benefit calculation formula from 3 years to 5 years.
- An increase in the minimum retirement age from age 55 to 60.

---

#### Member & Witness Signature Block

I request payment according to the method selected on page 2.

Member's Signature \_\_\_\_\_ Date of Signature \_\_\_\_\_

Witness' Signature \_\_\_\_\_

Witness' Printed Name \_\_\_\_\_ Date of Signature \_\_\_\_\_

---

Member's Last Name

First

M.I.

Social Security #

**Application for Withdrawal of Accumulated Total Deductions**

**4**

**Section B: To Be Completed by the Department Head**

This is to notify the Retirement Board that  was  (job title) in the  department in the political subdivision of  who (Check One)  resigned  terminated on  and that the above named employee will appear on the payroll for the last time on the pay period ending .

1) To the best of my knowledge the above named employee is not leaving to accept a position in the service of the Commonwealth or any political subdivision thereof which would entitle the above to become a member of any similar contributory retirement system and is not seeking to be restored to the position from which such employee was terminated.

2) Was the above member employed less than full time?  Yes  No

3) Is the above employee receiving Workers' Compensation benefits?  Yes  No

4) Does the above employee owe any money to the employer under an employee benefit plan, including a cafeteria plan established pursuant to 26 U.S.C. section 125?  Yes  No

5) Has this employee been officially investigated for or charged with misappropriation of funds from his/her employer or convicted of any crime related to his/her office or position?  Yes  No

**If yes, please provide documentation.**

Signature/Department Head \_\_\_\_\_

**Section C: To Be Completed by the Retirement Board**

**Determination of Eligibility for Return of Accumulated Total Deductions**

Members are eligible for a refund of accumulated total deductions under the following conditions.

Check the condition which applies to this member.

1) The member is leaving service and does not intend to take a position in the service of the Commonwealth or any political subdivision thereof subject to the provisions of G.L. c. 32, §§ 1-28 and does not intend to seek to be restored to the position from which he/she was terminated.

2) The member is leaving service as above and is otherwise entitled to receive a retirement allowance but the normal yearly amount of the allowance would be less than \$360, the member **MUST** receive a refund.

3) The member is a veteran who entered the service of a governmental unit within the Commonwealth prior to July 1, 1939 and is retiring under G.L. c. 32, §§ 56-60. (Under this condition the member must sign the waiver on the appropriate form).

Continued

Member's Last Name

First

M.I.

Social Security #

**Application for Withdrawal of Accumulated Total Deductions****5**

- 4) In general, if a member is employed by two or more governmental units and enrolled in the retirement systems pertaining to each governmental unit, upon ending service in one unit, the member's accumulated total deductions must be transferred to the retirement system pertaining to the unit in which service continues. However, if the member has contributed a lesser amount to the Annuity Savings Fund of the system in which service has ended, the member is entitled to a refund of those accumulated total deductions.

NOTE: The right to receive a retirement allowance or a return of accumulated total deductions is subject to the provisions of G.L. c. 32, § 15 pertaining to dereliction of duty by members and G.L. c. 32, § 19C pertaining to child support obligations.

**Years and Months of Creditable Service**

\_\_\_\_\_

**Interest Provisions**

No interest shall be included in the accumulated total deductions paid to the member for any period after the expiration of two years from the end of the month preceding the date of his or her termination of service.

Members who entered into service on or after January 1, 1984 are subject to the following provisions with respect to the refund of interest credited to their annuity accounts.

Check the condition which applies to this member:

- 1) The member has less than 120 months (10 years) of creditable service and has voluntarily withdrawn from service. The member will receive 3% interest on accumulated total deductions.
- 2) The member has more than 120 months (10 Years) of creditable service and has voluntarily withdrawn from service. The member will receive 100% interest of the regular interest on accumulated total deductions.
- 3) The member was involuntarily terminated from service. The member will receive 100% of the regular interest on accumulated total deductions, regardless of his or her amount of creditable service.

**Refund**

Total in annuity savings account as of date of withdrawal \$

Minus interest not eligible for refund \$ \*

Continued

Member's Last Name

First

M.I.

Social Security #

**Application for Withdrawal of Accumulated Total Deductions**

**6**

**TOTAL REFUND TO BE ISSUED**

Federal taxable portion \$

Federal non-taxable portion \$

**AMOUNT REFUNDED**

(Fill in those that apply)

To Member \$

To Department of Revenue/  
Child Support Enforcement Unit \$

To Designated Plan (IRA, 401(a),  
403(b), 457.) \$

Type of Plan

To Internal Revenue Service \$

To Pension Reserve Fund \$

To Retirement System \$

Date of Retirement Board vote authorizing refund

Date refund issued

Signature \_\_\_\_\_  
Board Member or Administrator

Print Name

\*Note: No regular interest shall be included in the amount of any accumulated total deductions which are to be paid to the member for any period after the expiration of two years from the end of the month immediately preceding the date of his termination of service.

Special notice for applicants who began service prior to April 2, 2012

Applicants should be aware of significant changes to the pension laws, effective for members who join the system after April 2, 2012. Members who joined the system prior to this date are not affected by the change. **However, by withdrawing your funds from the retirement system, you are ending your membership in the system. Should you return to public employment, you will be treated as a new member, and subject to the new provisions in the law.**

The major provisions of the law are:

- Increase in the minimum retirement age from 55 to 60.
- Retirement calculations to be based on the average of 5 years of earnings, rather than 3 years of earnings.
- New age factors to be used in calculating an allowance. For most members, these factors will result in a requirement to work until age 67, rather than 65, in order to reach maximum benefits.
- Requirement that any make-up or redeposit paid into the system must be completed within one year, or be subject to a higher interest rate.
- The elimination of Termination Allowances.

There are additional provisions affecting employees classified in Group 2 and Group 4, as well as elected officials. If you are concerned about these aspects of the law, please contact a retirement staff member for details.

Members who leave their funds in the retirement system are entitled to preserve their old membership date, and would not be affected by the changes listed above.

I understand the changes in the law and still wish to withdraw my accumulated deductions from the Cambridge Retirement System.

Signature \_\_\_\_\_ Date \_\_\_\_\_

## VESTED MEMBER RELEASE

The Signor/Member of this Release has been specifically advised that by requesting and receiving a return of Signor/Member's accumulated deductions, as a result of the Signor/Member filing a Request for Return of Deductions under the provisions of M.G.L. Chapter 32 §11, the Signor/Member has been notified that upon the receipt of their accumulated deductions they will no longer be a member of the Retirement System and that the loss of membership severs any and all quasi contract rights that they have enjoyed since the time of membership in the Retirement System.

If the Signor/Member in the future returns to governmental employment in a position covered under the provisions of Chapter 32, their rights will be determined at the time of re-entry.

In order to purchase prior creditable service it will be necessary to comply with the Retirement System's policies related to the potential repurchase with interest assessed in accordance with the statute.

The Retirement Board is not responsible for the tax liability that the Signor/Member may incur from receiving the return of accumulated deductions. You should seek and obtain independent tax advice.

By withdrawing accumulated deductions, any and all claims of benefits under the provisions of Chapter 32 are being waived including claim for superannuation benefits in the future to which you may have been eligible because of vesting; any claim for accidental and/or ordinary disability; termination allowance and other associated benefits not covered by Chapter 32 such as health insurance. The acceptance of

the return of accumulated deductions result in a complete separation from the Retirement System for all purposes and for all benefits.

By signing this Release you acknowledge that you have been advised of the impact of your decision to withdraw your funds and have been advised that you cannot become a member in a Retirement System without appropriate re-employment in a position covered by Chapter 32.

Acknowledgment is hereby made that I have read all of the terms on the Request for Return of Accumulated Deductions as well as this Release and have no present intention to return to governmental employment.

SIGNED UNDER THE PAINS AND PENALTIES OF PERJURY THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_ Member Signature

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

\_\_\_\_\_ Witness Signature

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

# Special Tax Notice Regarding Lump Sum Distributions For Distributions Made After January 1, 2002

For distributions made prior to January 1, 2002, refer to earlier notice which can be obtained from the Retirement System

---

This notice contains important information needed before you decide how to receive your lump sum distribution payment. In accordance with the requirements of Internal Revenue Code Section 402(f), this notice is being provided to you by the Retirement System because you may be eligible to roll over all or part of the payment that you will soon receive from the Retirement System.

The Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") has significantly changed the rules which apply to your ability to rollover all or part of the payment that you will soon receive from the Retirement System. These changes include an increase in the type of retirement plans to which you may rollover your lump sum distribution payment. This notice will explain the operation of these new rules and your options.

If you have additional questions after reading this notice, please contact the Retirement System.

## Summary

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

(1) certain payments can be made directly to an ELIGIBLE RETIREMENT PLAN that will accept it (**Direct Rollover**), or

(2) the payment can be **Paid To You**.

The definition of an ELIGIBLE RETIREMENT PLAN, as used in this notice, depends on the payment date of the lump sum distribution payment.

An ELIGIBLE RETIREMENT PLAN is

(1) A traditional IRA. A traditional IRA does **not** include a Roth IRA, SIMPLE IRA or education IRA.

(2) Another qualified employer plan under Code Section 401(a) or an annuity plan under Code section 403(a) that accepts your rollover.

(3) An annuity contract described in Code Section 403(b) that accepts your rollover.

(4) An eligible deferred compensation plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or local governmental entity so long as it agrees to accept your rollover, separately accounting for amounts transferred into such plan from the Retirement System's plan.

If you choose a **Direct Rollover**

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

(2) Your payment will be made directly to an ELIGIBLE RETIREMENT PLAN.



- (3) The taxable portion of your payment will be taxed later when you take it out of the ELIGIBLE RETIREMENT PLAN.

If you choose to have a lump sum distribution payment that is eligible for rollover **Paid To You**

- (1) You will receive only 80% of the taxable portion of the distribution. The Retirement System is required to withhold the remaining 20% of the taxable portion of the payment to send it to the IRS as income tax withholding, which will be credited against your taxes.
- (2) Unless rolled over, the taxable portion of your payment will be taxed in the current year. Under limited circumstances, you may be able to use special tax rules that could reduce your tax liability. However, if you receive the payment before age 59½, you also may have to pay an additional 10% tax penalty.
- (3) You can roll over the payment by paying it to an ELIGIBLE RETIREMENT PLAN within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the ELIGIBLE RETIREMENT PLAN.

If, after you receive the lump sum distribution by check, you want to roll over 100% of the taxable portion of the distribution to an ELIGIBLE RETIREMENT PLAN, you must add an amount equal to the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the remaining 20% that was withheld and that is not rolled over.

## I. Payments That Can And Cannot Be Rolled Over

Payments from the Retirement System may be “eligible rollover distributions,” meaning that they can be rolled over to an ELIGIBLE RETIREMENT PLAN. The Retirement System will be able to tell you what portion of your payment is an eligible rollover distribution. The definition of an eligible rollover distribution has been changed by EGTRRA.

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

The non-taxable portion of a lump sum distribution payment which is paid on or after January 1, 2002 may be rolled over to (1) a traditional IRA, or (2) a qualified defined contribution plan, if it is made by a **Direct Rollover** and if the defined contribution plan agrees to separately account for amounts so transferred, including separately accounting for the non-taxable portion of the payment and the taxable portion of the payment. If the after-tax contributions are paid to you first, you cannot roll them over later to a qualified defined contribution plan. However, they could be indirectly rolled over to a traditional IRA (see Section III, “Payment Paid to You”).

**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:

- (1) your lifetime (or your life expectancy);
- (2) your lifetime and your beneficiary’s lifetime (or life expectancies); or
- (3) a period of ten years or more.

**Required Minimum Payments** Upon reaching age 70½ or retirement, 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.

## II. Direct Rollover

A **Direct Rollover** is a direct payment of the amount of your lump sum distribution payment to an ELIGIBLE RETIREMENT PLAN. 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 portion of your payment for which you choose a **Direct Rollover** until you later take it out of the ELIGIBLE RETIREMENT PLAN. In addition, no income tax withholding is required for any portion of your lump sum distribution payment for which you 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 consider whether the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

**Direct Rollover to a Plan** If you are employed by a new employer that has an ELIGIBLE RETIREMENT 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 RETIREMENT PLAN that is not a traditional IRA is not legally required to accept a rollover and may choose to accept only certain types of funds as rollovers. If your new employer's plan does not accept a rollover, you can choose a **Direct Rollover to a Traditional IRA**. If the employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount, or may require spousal consent to any subsequent distribution. You should check with the Plan Administrator before making your decision.

## III. Payment Paid To You

If your payment can be rolled over under Part I above and the payment is made directly to you by check, it is subject to 20% federal income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an ELIGIBLE RETIREMENT PLAN. If you do not roll it over, special tax rules may apply. For lump sum distribution payments made ON or AFTER January 1, 2002, the IRS may waive the 60-day requirement in certain circumstances, as explained below.

### 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 Retirement System is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if you can roll over a payment of \$10,000, only \$8,000 will be paid to you because the Retirement System must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, you must report the full \$10,000 as a payment from the Retirement System. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

**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. To elect out of withholding, ask the Retirement System for the election form and related information.

**Sixty-Day Rollover Option** If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to an ELIGIBLE RETIREMENT PLAN. If you decide to roll over, you must contribute the amount of the payment you received to an ELIGIBLE RETIREMENT 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 ELIGIBLE RETIREMENT PLAN.

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

Example: The 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 an ELIGIBLE RETIREMENT PLAN. To do this, you roll over the \$8,000 you received from the Retirement System 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 ELIGIBLE RETIREMENT 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.)

The IRS is permitted to waive the 60-day requirement if the failure to do so would be against equity or good conscience. Examples of such waivers may include cases of casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement (examples include, but may not be limited to, death, disability, hospitalization, incarceration, restrictions imposed by a foreign country, or postal error). You must apply to the IRS for this waiver.

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

- (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55,
- (2) payments that are paid because you retire due to disability,
- (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies),
- (4) payments that are paid directly to the government to satisfy a federal tax levy,
- (5) payments that are paid to an alternate payee under a qualified domestic relations order, or
- (6) payments that do not exceed the amount of your deductible medical expenses.

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

**Special Tax Treatment If You Were Born Before January 1, 1936** If you receive a payment that can be rolled over under Part I and is not rolled over to an ELIGIBLE RETIREMENT PLAN, the payment will be taxed in the year you receive it. 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 if you were a participant in the Retirement System before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Retirement System 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. If you have previously rolled over a distribution from the Retirement System (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Retirement System. If you roll over your payment to a traditional IRA, you will not be able to use special tax treatment for later payments from the traditional IRA. Also, if you roll over only a portion of your payment to a traditional IRA, 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.

**Important notice for distributions ON or AFTER January 1, 2002** As explained in this notice, EGTR-RA creates new rollover options. However, a distribution from a qualified plan, like your lump sum distribution payment, is not eligible for capital gains or averaging treatment if there was a rollover to the plan that would not have been permitted under the law in effect before January 1, 2002. Thus, in order to preserve capital gains and averaging treatment (if available) for a lump sum distribution payment that is rolled over, the rollover would have to be made to a "conduit IRA" (i.e., a traditional IRA which only includes the lump sum distribution payment), and then rolled back into a qualified plan.

#### IV. Surviving Spouses, Alternate Payees, And Other Beneficiaries

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Retirement System results from a domestic relations order, which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you have the same choices as the employee described in Parts II and III above. Thus, you may choose to have an eligible rollover distribution, as described in Part I above, paid in a **Direct Rollover** to an ELIGIBLE RETIREMENT PLAN or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an ELIGIBLE RETIREMENT PLAN in the same manner as the employee. If you are an alternate payee, you continue to have the same choices as the employee.

If you are a beneficiary other than the surviving spouse, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax penalty described in section 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, as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Retirement System.

## 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 a professional tax advisor before you take a payment of your benefits from the Retirement System. Also, you can find more specific information on the tax treatment of payments from qualified retirement 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.