ICMA-RC
BUILDING PUBLIC SECTOR RETIREMENT SECURITY

INSURANCE PREMIUM DIRECT PAYMENT REQUEST FORM

(RETIRED PUBLIC SAFETY OFFICERS)

The forms in this packet allow eligible retired public safety officers to request a tax-free withdrawal of up to $3,000 for the payment of qualifying insurance premiums. Follow the steps shown below to ensure we are able to process your request in a timely manner.

1. ***(Initial Request)*** Submit the **Retired Public Safety Officer Certification Form** to your former employer. This form certifies your status as an eligible retired public safety officer and is only needed for your initial withdrawal.

2. ***(First Request on a Policy)*** Submit the **Qualified Insurance Policy Verification Form** to your insurance carrier. This form is completed by your insurance carrier and verifies that your insurance policy qualifies for use with the tax-free withdrawal provision. If you request a withdrawal from a different policy, or the terms of your policy change, you will need to complete this form again.

3. ***(All Requests)*** Complete the **Insurance Premium Direct Payment Request Form**.

For amounts in excess of $3,000, you must also complete a separate **One-Time Payment Form**.

4. Once complete, fax ***OR*** mail the applicable forms to ICMA-RC.

Fax: **ICMA-RC**
ATTN: Workflow Management Team
202-682-6439

Mail: **ICMA-RC**
ATTN: Workflow Management Team
P.O. Box 96220
Washington, DC 20090-6220

Please keep a copy of the completed form(s) for your records.

TIMEFRAME FOR PAYMENTS

To allow time for verification and payment to the insurance carrier, please send your completed payment request forms to ICMA-RC at least two weeks (but not more than sixty days) prior to the date that you wish to have the payment sent to the insurance carrier. For amounts in excess of $3,000 a separate **One-Time Payment Form** is required. Please Note: In this case, the tax free portion will be sent in one check to the insurance carrier. The excess amount will be sent to the participant; tax withholding may apply.

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RETIRED PUBLIC SAFETY OFFICER CERTIFICATION FORM

1. This form must be submitted along with a participant's initial request for a tax-free withdrawal of up to $3,000 for the payment of qualifying insurance premiums. Only eligible retired public safety officers may take advantage of this provision, and this form is signed by the plan sponsor to certify that a former employee satisfies the definition of "eligible retired public safety officer."
2. The participant should return the completed form, along with other applicable forms (see instructions) to ICMA-RC.

1 PARTICIPANT INFORMATION (COMPLETE ALL FIELDS IN THIS SECTION)

Employer Plan Number: __ __ __ __ __ __ Employer Plan Name: ____________________

Social Security Number: __ __ __ – __ __ – __ __ __ __

Date of Birth: *(MM/DD/YYYY)* __ __ / __ __ / __ __ __ __

Date of Hire: *(MM/DD/YYYY)* __ __ / __ __ / __ __ __ __

Marital Status: ☐ Married ☐ Single

Preferred Phone Number: (__ __ __) __ __ __ – __ __ __ __

Email Address: ____________________

Full Name of Participant: ____________________

LAST FIRST M.I.

Mailing Address: Street ____________________

City ____________________ State __ __ Zip Code __ __ __ __ __ – __ __ __ __

2 EMPLOYER SIGNATURE

By signing this form, you are certifying that:

1. The employee named in Section 1 of this form was employed as a public safety officer, as defined below at the time of his/her separation from service, and
2. At least one of the following also applies:

- He/She terminated employment as a result of disability or
- He/She had reached the plan's Normal Retirement Age (NRA) prior to separating from service.

Public Safety Officer – For the purposes of this provision, a "public safety officer" is an individual who served a public agency in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or as a member of a rescue squad or ambulance crew.

Participant's Job or Position Title ____________________

Participant's Last Day of Employment __ __/__ __/__ __ __ __
Month Day Year

Authorized Employer Official's Signature____________________ Date __ __/__ __/__ __ __ __
Month Day Year

Name and Title of Authorized Official (Please Print) ____________________

KEEP ONE COPY OF THE FORM FOR YOUR RECORDS AND RETURN ONE COPY TO THE PARTICIPANT.

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ICMA-RC QUALIFIED INSURANCE POLICY VERIFICATION FORM -

1. This form is used to obtain verification from the insurance carrier that the insurance policy shown in Section 3 is for accident insurance, health insurance, or qualified long-term care insurance.
2. The insurance company should complete this form and return a copy to the participant (policy holder).
3. For the participant's first request for payment from his/her 457 or 401 plan account on a specific policy, this form must be submitted along with the Insurance *Premium Direct Payment Request Form*.
4. ICMA-RC will send payments directly to the insurance company, according to the instructions provided in Section 2 of the form.

1 ICMA-RC PARTICIPANT AND POLICY HOLDER INFORMATION (COMPLETE ALL FIELDS IN THIS SECTION)

Employer Plan Number: ___ ___ ___ ___ ___ ___   Employer Plan Name: ________________

Social Security Number: ___ ___ ___ – ___ ___ – ___ ___ ___ ___

Date of Birth: *(MM/DD/YYYY)* ___ ___ / ___ ___ / ___ ___ ___ ___

Date of Hire: *(MM/DD/YYYY)* ___ ___ / ___ ___ / ___ ___ ___ ___

Marital Status: ☐ Married ☐ Single

Preferred Phone Number: (___ ___ ___) ___ ___ ___ – ___ ___ ___ ___

Email Address: ________________

Full Name of Participant: ________________

Last *First* *M.I.*

Mailing Address: Street ________________

City ________________ State ___ ___ Zip Code ___ ___ ___ ___ ___ – ___ ___ ___ ___

2 INSURANCE CARRIER INFORMATION

I hereby request a withdrawal in the amount of $________________ to be sent directly to the insurer named in Section 3 of this form to pay for qualifying insurance premiums.

Note: A maximum of $3,000 annually may be withdrawn tax-free. For amounts in excess of $3,000, a *One-Time Payment Form* is also required. Please Note: In this case, any tax free portion will be sent in one check to the insurance carrier. The excess amount will be sent to the participant; tax withholding may apply.

Make Check Payable To: ________________

Name of Insurance Carrier: ________________   Federal EIN#: ________________

Phone Number: (___ ___ ___) ___ ___ ___ – ___ ___ ___ ___

Insurance Carrier Mailing Address:

Street ________________

City ________________ State ___ ___ Zip Code ___ ___ ___ ___ ___ – ___ ___ ___ ___

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QUALIFIED INSURANCE POLICY VERIFICATION FORM - PAGE 2 OF 2

3 POLICY INFORMATION

Full Name of Policy Holder:

LAST | FIRST | M.I.

Policy Number:

__ __ __ __ __ __ __ __ __ __ __ __ __ __ __

Premium Amount Due:

$ ____________________________

4 INSURANCE CARRIER SIGNATURE

By signing this form, you are certifying that:

1. You are an officer of the above named insurance carrier authorized to sign this agreement
2. The address for payments in Section 2 is accurate
3. The Policy indicated in Section 3 is for accident insurance, health insurance, or qualified long-term care insurance for the individual listed who also currently has outstanding premium payments due on the policy listed.

Authorized Official's Signature_____________________________________ Date __ __/__ __/__ __ __ __
Month Day Year

Name and Title of Authorized Official (Please Print) _____________________________________ ______________

Daytime Phone Number:

(___ ___ ___) ___ ___ ___ – ___ ___ ___ ___

KEEP ONE COPY OF THE FORM FOR YOUR RECORDS AND RETURN ONE COPY TO THE PARTICIPANT.

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INSURANCE PREMIUM DIRECT PAYMENT REQUEST FORM
(RETIRED PUBLIC SAFETY OFFICERS)

1. Eligible retired public safety officers may use this form to request a tax-free withdrawal of up to $3,000 for the payment of qualifying insurance premiums.
2. Return the completed form, along with other applicable forms (see instructions) to ICMA-RC.
3. Prior to submitting the form(s), please review the Additional Information section.

1 PARTICIPANT INFORMATION (COMPLETE ALL FIELDS IN THIS SECTION)

Employer Plan Number: ___ ___ ___ ___ ___ ___

Employer Plan Name: ______________________________

Social Security Number: ___ ___ ___ – ___ ___ – ___ ___ ___ ___

Date of Birth: *(MM/DD/YYYY)* ___ ___ / ___ ___ / ___ ___ ___ ___

Date of Hire: *(MM/DD/YYYY)* ___ ___ / ___ ___ / ___ ___ ___ ___

Marital Status: ☐ Married ☐ Single

Preferred Phone Number: (___ ___ ___) ___ ___ ___ – ___ ___ ___ ___

Email Address: ______________________________

Full Name of Participant: ______________________________

Last *First* *M.I.*

Mailing Address: Street ______________________________

City ______________________ State ___ ___ Zip Code ___ ___ ___ ___ ___ – ___ ___ ___ ___

2 WITHDRAWAL AMOUNT

I hereby request a withdrawal in the amount of $________________ to be sent directly to the insurer named in Section 3 of this form to pay for qualifying insurance premiums.

Note: A maximum of $3,000 annually may be withdrawn tax-free. For amounts in excess of $3,000, a *One-Time Payment Form* is also required. Please Note: In this case, any tax free portion will be sent in one check to the insurance carrier. The excess amount will be sent to the participant; tax withholding may apply. Periodic payments are not offered.)

3 POLICY INFORMATION

Insurance Carrier Name______________________________________

Policy Number __ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __ __

Payment will be sent according to the payment instructions provided on the Qualified Insurance Policy Verification Form. If you have any changes, please provide an Insurance Policy along with your Direct Payment Request Form.

4 PARTICIPANT SIGNATURE

By signing this form, I acknowledge that I have received and reviewed the Special Tax Notice Regarding Plan Payments and the Additional Information section of this form. I understand that ICMA-RC is not responsible for lapsed premiums or lapsed insurance policy coverage or any other coverage or benefit issue that may arise between me and my insurance carrier, and I further understand that ICMA-RC is not responsible for any tax liability that may result from my requesting payments in excess of $3,000.

I direct ICMA-RC to process the payment request indicated on this form as soon as possible. As required by law, and under the penalty of perjury, I certify that the Social Security Number (Taxpayer Identification Number) I provided for myself is correct.

Participant Signature____ Date __ __/__ __/__ __ __ __
Month Day Year

I am a U.S. citizen: ☐ Yes ☐ No

Note: If you are married and withdrawing assets from a 401 plan, you and your spouse may also be required to complete the Waiver of Qualified Joint and Survivor Annuity Form. Check with your employer or ICMA-RC for details.

KEEP ONE COPY OF THE FORM FOR YOUR RECORDS AND RETURN ONE COPY TO THE PARTICIPANT.

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ADDITIONAL INFORMATION

The below information may assist you with questions you have related to your withdrawal request.

Who qualifies as a public safety officer?

The term "public safety officer" means an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or as a member of a rescue squad or ambulance crew.

Who is eligible to receive tax-free withdrawals?

Eligible retired public safety officers include those who separated from service, either by reason of disability or after attainment of normal retirement age, as a public safety officer with the employer who maintains the eligible governmental plan from which the distribution to pay qualified health insurance premiums is allowed.

What types of insurance premium payments qualify for tax-free distributions?

Qualified insurance premiums include premiums for accident and health insurance or qualified long-term care insurance policies for an eligible retired public safety officer and his or her spouse and dependents.

$3,000 Limit

The maximum amount that is permitted to be withdrawn tax-free by an eligible retired public safety officer is $3,000 per year. This amount, used for the payment of qualifying insurance premiums, applies to distributions from all eligible governmental plans combined.

Requests in excess of $3,000 (or any request that places annual distributions from your ICMA-RC account(s) for the payment of qualifying insurance premiums to exceed $3,000), will be subject to federal, and in most cases state, income taxes.

For amounts in excess of $3,000 a separate *One-Time Payment Form* is required. Please Note: In this case, the tax free portion will be sent in one check to the insurance carrier. The excess amount will be sent to the participant; tax withholding may apply.

Taxation and Withholding Requirements

The information in this section is intended to summarize the tax withholding rules that apply to distributions in excess of $3,000 (or any request that places your annual distributions for the payment of qualified insurance premiums above $3,000).

Federal Tax Withholding

The Internal Revenue Code requires a mandatory 20% federal income tax withholding be applied to any withdrawal that qualifies as an eligible rollover distribution, unless the payment is transferred directly to an eligible plan. Generally, payments over and above the $3,000 limit are considered eligible rollover distributions and will be subject to 20% federal tax withholding. Please review the *Special Tax Notice Regarding Plan Payments* for additional information regarding tax withholding and your ability to roll over assets to another eligible plan.

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

State Tax Withholding

Several states have mandatory tax withholding requirements. ICMA-RC automatically withholds taxes for states which require withholding from retirement plan withdrawals and will honor requests for withholding in other states. Income taxation of payments from retirement plans varies from state-to-state. You should seek state tax advice from the appropriate state department of revenue if you have questions regarding state tax withholding requirements.

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

Withdrawal Penalties

457 plan assets that remain in a 457 plan until paid are never subject to the 10% early withdrawal penalty tax. However, if you are withdrawing funds from a 401 plan or rollover assets from a 457 plan that originated from another type of account (e.g., 401, 403(b), Traditional IRA), these rollover assets may be subject to the 10% early withdrawal penalty tax.

Any amounts in excess of $3,000 are potentially subject to taxes and penalties, and will be reported on a Form 1099-R, which you will receive in January following the year of the distribution,

Exceptions to the 10% Penalty

Situations that exempt you from the 10% early withdrawal penalty include (but are not limited to) the following:

1. Withdrawals on or after the day you turn 59½.
2. If the funds are rolled over into another eligible employer plan or IRA within 60 days of disbursement.

Additional exceptions to the 10% early withdrawal penalty are listed in the *Special Tax Notice Regarding Plan Payments*.

Paying Penalties

ICMA-RC does not withhold any portion of your payment to cover any applicable IRS penalties. The calculation and payment of any penalty is your responsibility and will be carried out in the process of filing your tax return by completing IRS Forms 1040 and 5329. A useful source of information for all participants who make withdrawals from qualified plans is the current year's version of IRS

Publication 575, Pension and Annuity Income, which is available on the IRS Web site at www.irs.gov or by calling 800-829-3676.

After-Tax Assets (401 plans only)

If you have both pre-tax and after-tax assets in your account, the pre-tax assets will be withdrawn first. This will maximize the non-taxable benefit to you by using potentially taxable amounts before after-tax amounts. When your pre-tax assets have been exhausted, any remaining amounts needed to satisfy your withdrawal request will be taken from your after-tax assets.

VantageBroker

If your plan offers VantageBroker, any assets you have invested in the brokerage account will be excluded from your withdrawal request. In order to withdraw funds from your brokerage account, you must first transfer the assets back to your core account at ICMA-RC.

Qualified Joint and Survivor Annuity

(Applies to Some 401 Plans Only)

If you are a married participant withdrawing assets from a 401 plan where the employer has selected the Qualified Joint and Survivor Annuity as the default form of payment, you and your spouse must also complete the *Waiver of Qualified Joint and Survivor Annuity Form*. This form is available by contacting ICMA-RC.

LEGAL NOTICES FROM ICMA-RC

The Pension Protection Act of 2006 (PPA) permits eligible retired public safety officers to exclude from gross income (up to $3,000 annually) distributions from their retirement plan used to pay qualified health insurance premiums. This packet represents ICMA-RC's understanding, based on information currently available, of the tax-free withdrawal provision added by the PPA, and is intended to provide eligible retired public safety officers a means by which to take advantage of the provision.

Future IRS guidance may require the information contained in this packet to be revised, and could potentially impact your eligibility to receive tax-free distributions from your ICMA-RC retirement plan.

Waiver of Liability

By signing the Insurance Premium Direct Payment Request Form, you certify that the information provided therein is accurate and you agree to accept full responsibility for any unexpected federal or state tax liability, including any interest or penalties, you may incur as a result of your disbursement request, and you further release ICMA-RC from any liability arising from the administration of payments to an insurer on your behalf.

The maximum income exclusion the IRS allows for the payment of qualified insurance premiums under this provision is $3,000 per year (from all of your retirement plans combined). You are responsible for complying with this federal limit and for any consequences resulting from your failure to comply.

Further, by signing the *Insurance Premium Direct Payment Request Form*, you agree to accept full responsibility for any loss or lapse in insurance coverage or any other insurance coverage or benefit-related issue that may arise between you and an insurance provider or carrier as a result of your election to take advantage of this provision.

Special Tax Notice Regarding Plan Payments

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

ROLLOVER OPTIONS AVAILABLE

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

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

GENERAL INFORMATION ABOUT ROLLOVERS

What is a rollover?

A rollover is a payment from your employer sponsored retirement plan that is transferred to another eligible employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) or IRA (an individual retirement account or individual retirement annuity). Assets that are rolled over to another eligible plan or Traditional IRA are not taxed until they are later withdrawn from the receiving plan.

How can a rollover affect my taxes?

- **Pre-Tax Assets** – You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).
- **Roth Assets** – After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

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

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

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

Where may I roll over the payment?

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

How do I do a rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

If you do a direct rollover, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover,

- **Pre-Tax Assets** – You may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property actually received). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).
- **Roth Assets** – You may still do a rollover by making a deposit within 60 days into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

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

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

How much may I roll over?

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

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

ICMA-RC can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days (401(k) plans only)
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

If I do a rollover to an IRA (including a Roth IRA), will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies or the payment is a qualified distribution of Roth assets. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

If your payment is from a governmental section 457(b) plan

If the Plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the Plan even if you are under age 59½ (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences are that you cannot do a rollover if the payment is due to an “unforeseeable emergency” and the special rules under “If you were born on or before January 1, 1936” do not apply.

Will I owe State income taxes?

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

SPECIAL RULES AND OPTIONS

If your payment includes non-Roth after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

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

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

If you have an outstanding loan that is being offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the loan offset to an IRA or employer plan. In the case of a nonqualified distribution of Roth assets, the preceding sentence applies to the earnings.

If you were born on or before January 1, 1936

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

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

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

If you roll over your payment of non-Roth assets to a Roth IRA

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

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

If you do a rollover from non-Roth assets to a designated Roth account in the same Plan (in-plan Roth conversion)

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

If you roll over the payment to a designated Roth account in the Plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies).

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

- **If you are a surviving spouse.** If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

  Pre-Tax Assets. An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½.

  If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

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

  If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 70½.

- **If you are a surviving beneficiary other than a spouse.** If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year (treating Roth and non-Roth assets separately) are less than $200, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you can do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than $1,000 If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year (treating Roth and non-Roth assets separately) are less than $200, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you can do a 60-day rollover.

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

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

FOR MORE INFORMATION

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.

SUMMARY DESCRIPTION

This publication provides a summary of the rules governing the payment of funds from your ICMA-RC 457 or 401 plan account. The actual rules governing your benefits are contained in state retirement laws and the federal tax code. This publication is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this publication and what is contained in the law, the applicable law will govern.