City of Seattle

Distribution Request for Payment of Qualified Health and Long-Term Care Insurance Premiums

THE CITY OF SEATTLE VOLUNTARY DEFERRED COMPENSATION PLAN

Instructions

Retired Public Safety Officers can use this form to request a distribution from a qualified retirement plan for purposes of paying qualified health and long-term care insurance premiums. Current federal law provides for federal income tax-free treatment of up to $3,000 annually for such distributions from the plan or plans maintained by the employer from which the PSO retired.

This is not a request for recurring payments. If you want to request a similar payment at a later date, you will need to complete and submit a new form at that time.

Please print using blue or black ink. This request must be authorized by a representative of the City of Seattle. Please complete this form, **keep a copy for future reference**, and forward the original to the Citywide Benefits Unit at SMT 5500 or fax 206 615-0202. This request cannot be processed without an authorized signature from Citywide Benefits. Do not fax or mail this form to Prudential until the "Your Plan Authorization" section is completed by Citywide Benefits.

Attention: Citywide Benefits Unit -- Please send completed form to Prudential.

About You

Plan number

0 0 2 4 1 3

Questions?
Call 1-877-778-2100 for assistance.

Social Security number ___-__-____

Daytime telephone number ___-___-____ (*area code*)

First name ________ MI __ Last name ________

Address ________

City ________ State __ ZIP code _____-____

Date of birth __ __ ____ (*month* *day* *year*)

Gender __ M __ F

Date of termination __ __ ____ (*month* *day* *year*)

Withdrawal Request Amount

Print the amount you would like to take as a distribution from the plan for the current year for purposes of paying qualified health and long-term care insurance premiums: $________________________

Notes:

- If this plan is maintained by the employer from which you retired, up to $3,000 of this distribution may be eligible for federal income tax-free treatment, if you meet certain requirements. In order to get this tax benefit, you are responsible for claiming any tax-free amount when you file your federal income tax return. The maximum tax benefit is limited to $3,000 per year.
- According to the terms of your plan, the type of funds to be distributed will be considered elective deferrals only.
- If you request an amount that exceeds the available balance in your account, we will process no more than the available account balance.
- The check cannot be made payable to you; by law it must be made payable to the insurance provider that you identify in the "Payment Information" section below.

All amounts distributed will be treated and reported as taxable initially, as required by federal rules. You will receive a Form 1099-R reporting this distribution by January 31 of next year. You can then claim up to $3,000 tax-free when you file your federal income tax return for this year.

Withdrawal Request Amount – "Gross Up"

Because this payment is treated as taxable at the point of distribution, Prudential, as payor, must withhold 20% of the taxable portion of your payment for federal income taxes and, if applicable for your state, state income taxes. Such withholding may cause the net check amount to your insurer to be less than the amount you are expecting to pay toward your qualified health insurance premiums. (For example, if the qualified health insurance premium payment due is $3,000 and you request a distribution of $3,000, the net amount of the check will only be $2,400 because of the 20% federal income tax withholding requirement.)

If you would like the ***net*** check amount (after federal and, if applicable, state tax withholding) to match the amount you requested above, check the following box. (This provides for a "gross-up" of the distribution from your account to cover both the premium and applicable taxes.)

☐ Yes, I would like to increase the amount of my request to cover any federal income tax withholding and, if applicable for my state, state income tax withholding.

Note: Your election for Federal and State Income Tax in the section below will be considered in the "gross up" calculation.

Payment Information

The check will be mailed to the health or long-term care insurer.

Please complete the information below so that we can add identifying information on the check for use by the insurer.

Name of Qualified Health or Long-Term Care Insurance Provider/Issuer: ___________________________________

Address of Qualified Health or Long-Term Care Insurance Provider/Issuer: ________________________________

____

Account Number (also often called "Group Name" or "Group Number") of
Qualified Health Insurance Plan: ____

Your Member ID in the Qualified Health Insurance Plan: ____

Type of Insurance Coverage: ☐ Medical ☐ Dental ☐ Vision ☐ Long-Term Care ☐ Other: __________________________

Express Mail *(check box if applicable)*

☐ Send my disbursement check by express mail and deduct $10.50 per check from my account prior to the distribution. **Please Note:** Express mail is *not* available for delivery to post office boxes.

Election for Withholding of Federal Income Taxes *(For Single Sum Payments)*

We will automatically withhold 20% federal income tax from the taxable portion of your distribution. Only complete this section if you wish to have an additional amount withheld from your distribution.

In addition to the 20%, I want ___ % or $ ___ , ___ . federal income tax withheld from my distribution.

Important information and signatures required on the following pages

Election For Withholding of State Income Taxes

(For Single Sum Payments and Rollovers of non-Roth money to a Roth IRA)

A. Mandatory State Withholding: If you reside in **North Carolina (NC)** or another state where state income tax withholding is mandatory **AR, CA*, DE, IA, KS, MA, MD (mandatory for eligible rollover distributions only, subject to 20% mandatory federal withholding), ME, NE, OK*, OR*, VA** or **VT*** applicable withholding will be deducted automatically, unless an election out is applicable (see below). Note: Some states require withholding if federal income tax is withheld from the distribution.

☐ My resident state is **North Carolina (NC), AR, DE, KS, ME, NE,** or **VA (for NE and VA, election out is allowed for payments from IRA's only)** and I do not want state income tax withholding deducted from my distribution. (An election out of **North Carolina (NC), AR, DE, KS, ME** or **VA** state tax is not allowed for eligible rollover distributions, subject to 20% mandatory federal withholding.) ***Important note to Maine (ME) residents, If you elect out of ME withholding, you must either have elected out of federal withholding, or have no Maine State tax liability in the prior or current years.***

☐ *My resident state is one of the following: **CA**, **OK**, **OR, **VT** and withholding is required if federal income tax is withheld, unless I elect out of state withholding. By checking this box I am electing out of state withholding. **An election out is not allowed for eligible rollover distributions, subject to 20% mandatory federal withholding.

B. Voluntary State Withholding: Please check the appropriate box below. If state income tax withholding is not mandatory in your state, you may be allowed to request state tax withholding. If your state of residence is not listed, or if you choose a method of withholding that is not offered for your state, we cannot withhold state income tax.

☐ I reside in one of the following voluntary withholding states: **AL, CO, CT, DC, GA, ID, IL, IN, KY, LA, MD (non-eligible rollover distributions only), MI, MN, MO, MS, MT, ND, NE, NJ, NM, NY, OH, PA, RI, SC, UT, VA, WI, WV (NE and VA state withholding is voluntary for payments from IRA's only)** and would like state income tax withheld. (Specify a percentage or dollar amount to be withheld.)

______________% or $___________________

☐ I reside in one of the voluntary withholding states listed above and I do not want state income tax withholding deducted from my distribution.

C. No State Withholding: Some states do not have state income tax withholding.

☐ My resident state is one of the following: **AK, FL, HI, NV, NH, SD, TN, TX, WA, WY** and there is no state income tax withholding.

☐ My resident state is **AZ** and there is no state income tax withholding on non-periodic (single sum) payments.

Important information and signatures required on the following page

Your Authorization

I understand that Prudential will rely on the information I have provided in processing my request. I further understand that I am responsible for its accuracy in the event any dispute arises with respect to the transaction. I acknowledge that I have read the attached **Special Tax Notice Regarding Plan Payments.** I understand the tax implications regarding this disbursement, including that if I am entitled to an eligible rollover distribution, I have the right to consider whether or not to elect a direct rollover for at least 30 days after this special tax notice is provided. The taxable portion of any distribution that is eligible for "rollover" is subject to a *mandatory 20% federal income tax withholding,* unless that amount is directly rolled to an Individual Retirement Account (IRA) or to another plan in which I am a participant.

If your plan offers investment options that are subject to the fund's market timing policies, you may be subject to restrictions or incur fees if you engage in excessive trading activity in those investment fund options. You may wish to review the fund prospectus prior to submitting this transaction request. If a fee applies to the transaction, you will be able to view the details after the transaction is processed by logging on to the retirement internet site at www.prudential.com/online/retirement.

X ______________________________ *Date* ____ | ____ | ____

Participant's signature

Your Plan Authorization

I certify that this participant is a retired Public Safety Officer, and is eligible to request this payment. Further, I certify that the health or long-term care insurance plan described by the participant in the "Payment Information" section of this form is a qualified health or long-term care insurance plan.

X ______________________________ *Date* ____ | ____ | ____

Authorized plan representative's signature

____

Print name and title

X ______________________________ *Date* ____ | ____ | ____

Authorized plan representative's signature *(if two signatures are required)*

____

Print name and title

Prudential fax number: 1-866-439-8602

Supplement to the Special Tax Notice Regarding Plan Payments

Right to Defer Distributions from Defined Contribution Plans

You may be eligible to receive a distribution from your employer's retirement plan now. Instead of taking a distribution now, you may elect to defer receiving a distribution until a later date -- typically as late as age 70-1/2. (If your account balance does not exceed $5,000 (or the amount of your plan's cashout threshold), you may not have a right to defer payment.) If you defer receiving a distribution, the plan investment options available to you thereafter (including related fees) generally will be the same as those available to active employees. However, certain plan features, such as the right to repay or take a loan from the plan, may not be available if you have terminated employment. Please refer to your summary plan description and fund fact sheets for more information about plan investment options, investment related expenses, any plan restrictions or charges applicable to terminated employees, payment options, and any other special rules that may impact your distribution decision. If you elect to receive a distribution that you roll over to another eligible retirement plan such as an IRA, the investment options offered under your current employer's plan (e.g., mutual funds, employer stock) may not be available to you or, if available, are likely to carry higher expenses if transferred to an IRA. If you elect to receive a distribution but do not roll it over to another eligible retirement plan, such action triggers taxation (possibly including a 10% penalty), results in loss of future tax-deferred earnings (if any), and may diminish the funds available to you for retirement purposes. For additional information about plan investment options (and related fees), plan restrictions or charges applicable to terminated employees who defer receiving a distribution, or if you have other questions regarding your right to defer a distribution, and the consequences of failing to defer, please contact Prudential at the number provided on your benefit statement.

For distributions taken on or after January 1, 2007, the information below replaces or supplements the corresponding sections in the Special Tax Notice Regarding Plan Payments, as applicable.

After-Tax Contributions
Rollover into an Employer Plan. You can rollover after-tax contributions from an employer plan that is qualified under Code section 401(a) or a section 403(a) annuity plan to another qualified 401(a) plan, 403(a) annuity plan or to a 403(b) tax-sheltered annuity using a direct rollover if the receiving plan or annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions (plus earnings). You can also rollover after-tax contributions from a section 403(b) tax-sheltered annuity to another 403(b) tax-sheltered annuity using a direct rollover if the receiving tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax contributions and earnings on those contributions. You CANNOT rollover after-tax contributions to a governmental 457 plan. If you want to rollover 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 your Plan to make a direct rollover on your behalf. Also, you cannot first rollover after-tax contributions to an IRA and then roll over that amount into an employer plan.

Additional Exemption From Additional 10% Tax If You Are Under Age 59 ½
If you receive a payment before you reach age 59 ½ 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 tax generally does not apply to payments that are paid to a qualified public safety employee from a governmental defined benefit plan after separation from service during or after the year you reach age 50. Qualified public safety employee means any employee of a State or political subdivision of a State who provides police protection, firefighting services, or emergency medical services for any area within the jurisdiction of such State or political subdivision.

Rollovers to Roth IRA

Beginning with distributions made after December 31, 2007, an eligible rollover distribution may also be rolled over to a Roth IRA, either directly or indirectly. To be eligible to rollover to a Roth IRA during 2008 or 2009, your modified adjusted gross income (MAGI) may not exceed $100,000, and if you are married, you must file a joint return.

Taxable amounts that are rolled over to a Roth IRA are includable in gross income and subject to withholding. If you wish to have withholding apply to the distribution, you must tell us the amount to withhold. If no election is made, no withholding will apply.

If you are a spouse of the participant, you may also elect to rollover to a Roth IRA.

Roth Contributions to 401(k) and 403(b) Accounts

If you made Roth contributions to the Plan, these contributions may be rolled into either a Roth IRA or another employer plan that accepts Roth contributions. The following rules apply:

a. Rollover into a Roth IRA. You can rollover your Roth contributions to a Roth IRA either directly or indirectly. If your distribution is "qualified" (see definition below), the amount rolled over, including both contributions and earnings, will be treated as nontaxable basis in the Roth IRA. If your distribution is not "qualified", only the amount of the distribution treated as contributions made to the Roth 401(k) or 403(b) account will be treated as nontaxable in the Roth IRA. Once rolled into a Roth IRA, you cannot subsequently rollover the Roth contributions to an employer plan, even if the plan accepts Roth contributions. The period the Roth contributions were in the employer plan does not count toward the 5-year period for determining "qualified distributions" from the Roth IRA.
b. Rollover into an Employer Plan. You can directly rollover your Roth contributions to another employer plan that accepts Roth contributions. If your distribution is "qualified" (see definition below), the amount directly rolled over, including both contributions and earnings, will be treated as nontaxable basis in the employer plan. If your distribution is not "qualified", the amount of the distribution treated as contributions made to the Roth 401(k) or 403(b) account will be treated as nontaxable basis in the employer plan. In a direct rollover, the period the Roth contributions were in the distributing employer plan does count toward the 5-year period for determining "qualified distributions" from the receiving employer plan.

   If you receive a distribution of Roth contributions and earnings and within 60 days do an indirect rollover to an employer plan, only the taxable portion of the distribution may be rolled into the employer plan. In an indirect rollover, the period the Roth contributions were in the distributing employer plan does not count toward the 5-year period for determining "qualified distributions" from the receiving employer plan.

"Qualified Distributions" are distributions of the Roth contributions and earnings that have been made at least 5 years from the beginning of the year in which the first Roth contributions were made to the employer plan and are:

a. made after the attainment of age 59 ½;
b. made to your beneficiary after your death; or
c. made on account of disability.

If the distribution is not a "qualified distribution", and is not rolled over, you will be taxed on the earnings only. The following distributions are not qualified, are not eligible for rollover and the earnings will be taxable income:

a. corrective distributions (defined in Section I of the Special Tax Notice Regarding Plan Payments)
b. loans treated as distributions (defined in Section I of the Special Tax Notice Regarding Plan Payments)

If you receive a partial distribution that is not a "qualified distribution", the portion of the distribution that is attributable to your Roth contributions will be tax free. The non-taxable portion is determined by multiplying the amount of your distribution by the ratio of your total Roth contributions divided by the Roth account balance.

Example: If a partial distribution of $3,000 is made that is not "qualified" when the account consists of $10,000 in contributions and $2,000 in earnings, the distributions consists of $2,500 tax-free contributions and $500 taxable earnings.

Applies to Section 457 (governmental) Only

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

Retain For Your Records

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

This notice is provided to you by Prudential Financial, Inc., on behalf of the plan administrator of the Plan, (your "Plan Administrator") because all or part of the payments that you may receive from the Plan, following your request or in connection with the involuntary distribution of a small account balance, may be eligible for rollover by you or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, 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). The Plan is a governmental 457 plan.

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions. If this is the case, you may wish instead to roll your distribution over to a traditional IRA or to split your rollover amount between the employer plan in which you will participate and a traditional 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 the Plan Administrator.

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 a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"), or

(2) the payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

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

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the Internal Revenue Service (the "IRS") as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period.
Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election 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. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER
Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you whether your payment is an eligible rollover distribution.

The following types of payments cannot be rolled over:

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

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

Required Minimum Payments. Beginning when you reach age 70 1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you.

Unforeseeable Emergency Distributions. A distribution on account of an unforeseeable emergency cannot be rolled over.

Distributions of Excess Contributions. A distribution that is made 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 this Plan should be able to tell you if your payment 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 a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than $200.

DIRECT ROLLOVER to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the 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 employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional 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 payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. See the sections below entitled "Additional 10% Tax May Apply to Certain Distributions."

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

Income Tax Withholding:
Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of $10,000, only $8,000 will be paid to you because the Plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below) you must report the full $10,000 as a taxable payment from the Plan. You must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than $200.

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

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 a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over 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 traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

> **Example**: 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.)

Additional 10% Tax May Apply to Certain Distributions. Distributions from this Plan are generally not subject to the additional 10% tax that applies to pre-age-59 1/2 distributions from other types of plans. However, any distribution from the Plan that is attributable to an amount you rolled over to the Plan (adjusted for investment returns) from another type of eligible employer plan or IRA amount is subject to the additional 10% tax if it is distributed to you before you reach age 59 1/2, unless an exception applies.

Exceptions to the additional 10% tax generally include (1) 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), (2) payments that are paid from an eligible employer plan after you separate from service with your employer during or after the year you reach age 55, (3) payments that are paid because you retire due to disability, (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. These exceptions may be different for distributions from a traditional IRA. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax does not apply to distributions from the Plan or any other governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to the governmental 457 plan (adjusted for investment returns) from another type of eligible employer plan or IRA.

In addition, any amount rolled over from the Plan to another type of eligible employer plan or to a traditional IRA will be subject to the additional 10% tax if it is distributed to you before you reach age 59 1/2, unless an exception applies.

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 payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you. 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 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 Plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to 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 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 described in Part III above, even if you are younger than age 59 1/2.

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