Choice 401(k) Plan Request for Death Benefit Payment

Purpose of the Form

- Use this form to certify that you are a beneficiary of a deceased Choice 401(k) Plan participant and to provide distribution instructions for decedent's Choice Plan funds.

Instructions

- Read "Instructions" on page 2 and "About Special Tax Notice" on page 4.

Deceased Member Information				
Name	**First**	**Middle**	**Last**	**Social Security Number**

Beneficiary Information				
Name	**First**	**Middle**	**Last**	**Social Security Number**
Mailing Address	**Street or P.O. Box**			
	City		**State**	**Zip Code**
Relationship to Deceased			**Birth Date**	**Daytime Phone Number**
Beneficiary Status (Choose one)	☐ I am a spouse beneficiary. I have read "Information for Spouse Beneficiaries" on page 3.		☐ I am a non-spouse beneficiary. I have read "Information for Non-Spouse Beneficiaries" on page 3.	

Distribution Options		
Select an option or combination of options. When combining options, choose between percentage or dollar amount allocations. If you select a mixture of dollar amount and percentage allocations, the dollar amounts are distributed first and the remaining amount is then allocated by the percentages. **Percentages must total 100%.**		
This Amount **or**	This Percent	**A. Lump Sum Payment to You** Indicate the amount or percentage to be paid to you.
$	%	
This Amount **or** $	This Percent %	**B. Rollover to an IRA or Eligible Retirement Plan** Choose a direct rollover of all or a portion of the account balance. Indicate the amount or percentage to be rolled over and complete "Rollover Distribution Information" on page 2 of this form.
This Amount **or**	This Percent	**C. Monthly Payments (For Spouse Beneficiaries Only)** Choose this option **only if the account balance is more than $5,000.** Indicate the percentage of the balance to be paid in monthly payments and complete "monthly Payments Information" on page 2 of this form.
$	%	
This Amount **or** $	This Percent %	**D. Funds to Remain in PERSI Choice Plan (For Spouse Beneficiaries Only)** You will be charged record keeping fees (currently $30/year) to maintain the account. IRS minimum distribution requirements will become applicable to the account on the date decedent would have reached age 70½.

Beneficiary Acknowledgement and Certification	
I understand the legal beneficiary of the deceased participant's account is determined by any valid beneficiary designation on file with the Plan and according to IRS rules and regulations. I have received and read *Special Tax Notice Regarding Plan Payments* and *Supplement to the Special Tax Notice* within the last 180 days. I have had the opportunity to consult a professional tax advisor and have full knowledge of the tax consequences of my elections. I request payment of the death benefit as directed on this form. I certify that I am entitled to receive this benefit.	
Signature	**Date**

Instructions

1 Complete "Deceased Member Information" and "Beneficiary Information" sections on Page 1. Be sure to indicate your beneficiary status and **read the beneficiary information section on page 3** that applies to you.

2 Select a distribution option or combination of options and provide the information required for the selection(s).

3 Read, sign and date "Beneficiary Acknowledgement and Certification".

4 Attach a photocopy of the Death Certificate.

5 Return this form to: **ACS HR Solutions, PERSI Administration, P.O. Box 1014 Totowa, NJ 07511-1014.** ACS is the financial services company that provides record keeping services for the PERSI Choice Plan. **(Please do not send this form to PERSI.)**

Rollover Distribution Information (Option B from Page 1)

- If you selected a rollover distribution on Page 1, provide the Retirement Plan or IRA information in this section. You may need to contact the administrator/sponsor of the retirement plan or IRA to obtain this information.

Retirement Plan or IRA Custodian/Trustee Information

Name: (The distribution check will be payable to this name.)	**Telephone Number**

Retirement Plan or IRA Mailing Address			
	Address 1		
	Address 2		
	City	**State**	**Zip Code**

Retirement Plan or IRA Information

Plan or IRA Description	**Account Number**

Monthly Payments Information (Option C from Page 1)

- Use only for Distribution **Option C**, "Monthly Payments". You must be the surviving spouse of the participant to elect monthly payments. Select a method of determining your monthly payments and complete the information for the method you selected. To have your monthly payments deposited directly to your bank account, select the Direct Deposit **payment type** and complete "Direct Deposit Information" on page 3.

Method A. You specify the dollar amount that you will be paid each month. Payment amount must be large enough to exhaust the entire balance in 119 months or less (less than ten years). Payments under this method are eligible for rollover and subject to mandatory federal tax withholding at the rate of 20%.

☐ Fixed monthly payments of this amount: $	**Payment Type** ☐ Direct Deposit ☐ Mail Payments

Method B. We calculate the monthly payment amount projected to exhaust the funds over a designated time period. The time period is the joint life expectancy of your designated beneficiary and yourself, or your life expectancy if you have not designated a beneficiary. The number of years is determined using an actuarial table of life expectancies. The payment amount might fluctuate with adjustments for investment performance.

Payments under this method are not subject to mandatory federal tax withholding although the payments are taxable income. You can decline federal tax withholding or elect withholding for any marital status and number of exemptions. If you do not make a withholding election, the rate used is that for married with 3 exemptions.

Substantially equal payments for (choose one)	**Payment Type**
☐ My life expectancy	☐ Direct Deposit
☐ The joint life expectancy of my designated beneficiary and myself	☐ Mail Payments

Federal Tax Withholding for Method B only (This section substitutes for IRS Form W-4P.)

☐ Do not withhold federal tax.	Withhold federal tax at the rate for this marital status and number of exemptions. ☐ Single ☐ Married Number of Exemptions: ________

Direct Deposit Information				
• Use only for payments under **Option C**, "Monthly Payments" on page 1.				
Name of Financial Institution				
Mailing Address of Financial Institution	**Address 1**			
	Address 2			
	City		**State**	**Zip Code**
Account Information (check one)	**Account Type** ☐ Checking ☐ Savings	**Account Number**		
		Bank Routing Transit Number		

Information for Spouse Beneficiaries

- A spouse beneficiary can choose a direct rollover of all or any portion of the payment to another qualified retirement plan [401(a), 401(k), 403(a), 403(b), or 457] or a qualified Individual Retirement Account (IRA). In a direct rollover, the distribution is paid directly from the Choice 401(k) Plan to the other retirement plan or IRA. A direct rollover is not subject to tax withholding and you are not taxed on the money until you later take it out of the retirement plan or IRA.
- Lump sum payments to spouse beneficiaries are eligible rollover distributions which are subject to mandatory 20% federal tax withholding. The 20% withholding rate is required, and you cannot choose not to have income tax withheld from eligible rollover distributions.

Information for Non-Spouse Beneficiaries

- A non-spouse beneficiary can choose a direct rollover to an IRA established on behalf of the designated beneficiary that will be treated as an inherited IRA. The IRA must be established in a manner that identifies it as an IRA with respect to a deceased individual and also identifies the deceased individual and the beneficiary, for example, "Tom Smith as beneficiary of John Smith." A direct rollover is not subject to tax withholding and you are not taxed on the money until you later take it out of the IRA.
- If you choose a lump sum distribution, your distribution is subject to federal tax withholding at the rate of 10%; however, you can choose to have no tax withheld. To have no federal income tax withheld, submit Form W-4P to PERSI.
- You may not leave the funds in the PERSI Choice 401(k) Plan. You are required to take the funds out within 15 months after the member's death.

About "Special Tax Notice"

- With this form you should have a 7-page document titled *Special Tax Notice Regarding Plan Payments* that includes the *Supplement to the Special Tax Notice Regarding Plan Payments*, covering changes contained in the Pension Protection Act of 2006. If you do not have this notice, or you received this notice more than 180 days ago, call PERSI or ACS to have a current notice faxed or mailed to you. Those with internet access can print or download the current notice from the PERSI web site at http://www.persi.idaho.gov/. Select Forms and Publications **–** Forms for Inactive Members **–** Special Tax Notice**.**
- *Special Tax Notice Regarding Plan Payments* and *Supplement to the Special Tax Notice Regarding Plan Payments* provide a summary of federal tax rules that might apply to your distribution including changes enacted by the Pension Protection Act of 2006 that effect plan payment rules. It is important that you read and understand this information before making a decision regarding distribution of retirement plan funds. If you don't understand the information, PERSI recommends you consult a qualified tax advisor.
- Federal law requires that you receive the notice at least 30 days, but not more than 180 days, prior to a distribution. The 30-day period begins the date you receive the notice. You can elect to proceed with distribution before 30 days by waiving your right to the 30-day notice period. Signing and submitting the form before the end of the 30 day waiting period is all that is required to waive your right to the notice period.

For More Information about Choice Plan Distributions

- Call ACS HR Solutions (the Choice Plan record keeper) for toll-free customer service at 1-866-437-3774.
- Call PERSI for toll-free customer service at 1-800-451-8228.

Return This Form to:

ACS HR Solutions
PERSI Administration
P.O. Box 1014
Totowa, NJ 07511-1014

Supplement to the Special Tax Notice Regarding Plan Payments

Purpose of this Notice

- This notice contains information that changes some of the information in the attached Special Notice.
- The Pension Protection Act of 2006 made the following changes please read this carefully.

Direct Rollovers to Roth IRAs

Effective January 1, 2008, eligible distributions paid from the Plan may be rolled over to a Roth individual retirement account ("Roth IRA") either directly from the Plan or within 60 days after you receive the distribution. However, if your distribution is issued before 2010, you must meet certain income limitations (described below) in order to do so. Please note, if you are a non-spouse beneficiary of a deceased participant, your eligible distribution may only be rolled over directly from the Plan to the Roth IRA.

Inclusion of Distribution in Income. If you elect to roll your distribution over to a Roth IRA, the taxable portion of your distribution will be included in your gross income. However, the distribution will not be subject to the additional 10% tax, as described in the Special Tax Notice, which may apply on distributions to a participant before age 59 ½. For rollovers occurring in 2010, unless you elect to include the amount of your Roth IRA rollover in your gross income on your federal income tax return for 2010, one half of the taxable portion of your Roth IRA rollover will be included in your gross income in 2011, and the other half of the taxable portion will be included in your gross income in 2012.

Tax Withholding. If the rollover is made directly from the Plan, it will not be subject to the mandatory 20% federal income tax withholding described in the Special Tax Notice. If you elect a direct rollover to a Roth IRA, income tax will not be withheld on your distribution, even though the taxable amount of the distribution will be includible in your gross income as described above. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are insufficient. To avoid owing these penalties, you may wish to consider either paying estimated taxes for the year in which your Roth IRA rollover will be included in income, or increasing the tax withholding on other income that you receive during that year.

Eligible Distributions. Your distribution may be rolled over to a Roth IRA only if it would otherwise be eligible to be rolled over to a traditional IRA or another eligible retirement plan. Please refer to Section I of the Special Tax Notice ("PAYMENTS THAT CAN OR CANNOT BE ROLLED OVER") for an explanation of the kinds of distributions that cannot be rolled over.

Income Limitations. Before January 1, 2010, you may **NOT** roll over your eligible distribution to a Roth IRA if either:

- Your modified adjusted gross income* exceeds (including the income of both you and your spouse if you are married) $100,000

  Or

- You are married, but you and your spouse file separate federal income tax returns.
- Special rules may apply if you are married and you do not live with your spouse for any portion of the year.

**See the instructions to IRS Form 8606 for a definition of "modified adjusted gross income" for this purpose.*

The Plan will not monitor whether you are eligible to roll over to a Roth IRA (IRS Notice 2008-30). It is your responsibility to determine whether you satisfy the income and other applicable requirements. If you make an error in determining your eligibility to roll over to a Roth IRA, you will be required to recharacterize your rollover. See "How Do You Recharacterize a Contribution" in IRS Publication 590 for details.

Non-spouse Beneficiaries – Direct Rollovers

Eligible distributions paid from the Plan to the non-spouse beneficiary of a deceased member may be directly rolled over to an eligible individual retirement account (IRA). Beneficiaries for this purpose are individuals and certain member established trusts that comply with IRS guidance. An estate is not an eligible beneficiary.

If you are a beneficiary who is not the surviving spouse or an ex-spouse alternate payee of the member, you may elect to have an eligible distribution directly rolled over from the Plan to an eligible IRA and defer taxation of such amount until the benefit is paid out either:

- By the end of the fifth calendar year following the date of the member's death

  OR

- Over your life expectancy (using IRS tables) provided payments begin by the end of the calendar year following the calendar year of the member's death.

Eligible Distributions. Distributions eligible to be directly rolled over to an eligible IRA by a non-spouse beneficiary include lump sum distributions and distributions of certain partial payments, but do not include required minimum distribution amounts payable under Section 401(a)(9) of the Internal Revenue Code.

Eligible IRA. A non-spouse beneficiary must set up a *special* IRA for this purpose, to which no other contributions (including rollovers) may be made. **An existing IRA may not be used.** This special IRA is treated by the Internal Revenue Service as an inherited IRA.

Special Tax Notice Regarding Plan Payments

Purpose of this Notice

- This Notice contains important information that you will need to review before deciding how to receive your benefits from the plan. Please keep this Notice for your reference.

About *Special Tax Notice*

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

This notice is provided to you by the Plan Administrator because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to 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 (the "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).

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

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.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

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

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days of receiving 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 you receive 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.

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 what portion of your payment is an eligible rollover distribution.

After-Tax Contributions. If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions.

The following rules apply:

a) Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your Plan Administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion. If you roll over your after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined. Once you roll over your after-tax contributions to a traditional IRA, those amounts **cannot** later be rolled over to an employer plan.

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

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

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

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

Required Minimum Payments. Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your employer.

Hardship Distributions. A hardship distribution cannot be rolled over.

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

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

Loans Treated as Distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III below. Ask the Plan Administrator of this Plan if distribution of your loan qualifies for rollover treatment.

The Plan Administrator 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 1 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 may not let you choose a direct rollover if your distributions for the year are less that $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. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gains treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a direct rollover, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You are under Age 59½" and "Special Tax Treatment if You were Born before January 12, 1936".

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 1 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 tax withheld, which will be credited against any income tax you owe for the year. There may 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.

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 day 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.

III. Payment Paid to You (continued)

Example: The taxable portion of your payment that can be rolled over under Part I above is $10,000 and you choose to have it paid to you. You will receive $8,000 and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving this $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 if You are Under Age 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to **(1)** payments that are paid after you separate from service with your employer during or after the year you reach age 55, **(2)** payments that are paid because you retire due to disability, **(3)** payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), **(4)** dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), **(5)** payments that are paid directly to the government to satisfy a federal tax levy, **(6)** payments that are paid to an alternate payee under a qualified domestic relations order, or **(7)** payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

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

Special Tax Treatment if You Were Born Before January 1, 1936. If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution", it may be eligible for special tax treatment. (See also "employer stock or securities" below.) A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the Plan for at least five years before the year in which you receive the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

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

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

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

Employer Stock or Securities. There is a special rule for a payment from the Plan that includes employer stock (or other employer securities). To use this special rule, **(1)** the payment must qualify as a lump sum distribution, as described above, except that you do not need five years of plan participation, or **(2)** the employer stock included in the payment must be attributable to "after-tax" employee contributions, if any. Under this special rule, you may have the option of not paying tax on the "net unrealized appreciation" of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the employer stock while it was held by the Plan. For example, if employer stock was contributed to your Plan account when the stock was worth $1,000 but the stock was worth $1,200 when you received it, you would not have to pay tax on the $200 increase in value until you later sold the stock. You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock can be rolled over to a traditional IRA or another eligible employer plan, either in a direct rollover or a rollover that you make yourself. Generally, you will no longer be able to use the special rule for net unrealized appreciation if you

III. Payment Paid to You (continued)

roll the stock over to a traditional IRA or another eligible employer plan.

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

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

Repayment of Plan Loans. If your employment ends and you have an outstanding loan from your Plan, your employer may reduce (or "offset" your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another eligible 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 (other than any employer securities). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

IV. Surviving Spouses, Alternate Payees and Other Beneficiaries

In general, the rules summarized above that apply to 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, such as a child or domestic partner, 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 paid to you. You may not roll over the payment to yourself or to an eligible employer plan. The IRA accepting the transfer is treated like a non-spouse inherited IRA, under which benefits must be distributed in accordance with the applicable required minimum distribution rules. In general, distributions from the rollover IRA must either be paid to you in full within 5 years of the employee's death or must commence within 12 months of the employee's death over your life expectancy. The benefits cannot be rolled over again from the rollover IRA.

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 59½.

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

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 web site at **www.irs.gov**, or by calling 1-800-TAX-FORMS.