Termination Refund Application

124 West Capitol, Suite 400
Little Rock, AR 72201-3704
501-682-7800 / 1-800-682-7377
WWW.APERS.ORG

I. Member Information

APERS ID	Last Name	First Name	M.I.

Date of Birth	Marital Status	Gender

Address	City	ST	Zip code

Primary Telephone Number	Secondary Telephone Number

II. Benefit Payment Option

Member: *Choose one of the following options for your payment.*

☐ Paid to me by Direct Deposit (Complete Section III) ☐ Paid in a Direct Rollover (Section IV must be completed)

☐ Partial Lump Sum Paid as Rollover Distribution with Remainder Paid as Lump Sum to Me. (Section III & IV must be completed)
Lump Sum Amount_____________ Rollover Amount________________

III. Direct Deposit Information

Type of Account ☐ Checking ☐ Savings

Routing Number	Account Number

IV. Rollover Trustee Information

Authorized Trustee Representative: Please provide the trustee information for the rollover payment. Then sign to verify that the plan accepts rollovers and that in accordance with the member's election in section II above, as the trustee, you agree to deposit the forthcoming rollover in the account listed below.

Type of Account ☐ Traditional IRA ☐ Eligible Employer Plan ☐ Roth IRA

Make Check Payable To	Telephone No

Mailing Address	City	ST	Zip Code

Trustee Representative Signature	Date

V. Member Signature and Acknowledgment

Sign below to request your refund and to acknowledge that you received and read the Requesting a Termination of Employment Refund and Special Tax Notice Regarding Plan Payments publications which explain the service credit, re-employment and tax implications of receiving a refund.

Signature	Date

VI. Notary Public Acknowledgment

State	County	Date Appeared

Certificate of Acknowledgment Before me, the undersigned notary, personally appeared the above-named employee satisfactorily proven to be the person whose name is subscribed to the within instrument and acknowledged that he or she executed the same for the purposes therein contained.	Affix seal or stamp here

Notary Public Signature	Date Commission Expires	

Form **W-4R**

Department of the Treasury
Internal Revenue Service

Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions

Give Form W-4R to the payer of your retirement payments.

OMB No. 1545-0074

2023

1a First name and middle initial	Last name	1b **Social security number**

Address

City or town, state, and ZIP code

Your withholding rate is determined by the type of payment you will receive.

- For nonperiodic payments, the default withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100% on line 2. Generally, you can't choose less than 10% for payments to be delivered outside the United States and its territories.
- For an eligible rollover distribution, the default withholding rate is 20%. You can choose a rate greater than 20% by entering the rate on line 2. You may not choose a rate less than 20%.

See page 2 for more information.

2	Complete this line if you would like a rate of withholding that is different from the default withholding rate. See the instructions on page 2 and the Marginal Rate Tables below for additional information. Enter the rate as a whole number (no decimals)	**2**	%

Sign Here

Your signature (This form is not valid unless you sign it.) **Date**

General Instructions

Section references are to the Internal Revenue Code.

Future developments. For the latest information about any future developments related to Form W-4R, such as legislation enacted after it was published, go to *www.irs.gov/FormW4R*.

Purpose of form. Complete Form W-4R to have payers withhold the correct amount of federal income tax from your nonperiodic payment or eligible rollover distribution from an employer retirement plan, annuity (including a commercial annuity), or individual retirement arrangement (IRA). See page 2 for the rules and options that are available for each type of payment. Don't use Form W-4R for periodic payments (payments made in installments at regular intervals over a period of more than 1 year) from these plans or arrangements. Instead, use Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments. For more information on withholding, see Pub. 505, Tax Withholding and Estimated Tax.

Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. Your withholding choice (or an election not to have withholding on a nonperiodic payment) will generally apply to any future payment from the same plan or IRA. Submit a new Form W-4R if you want to change your election.

2023 Marginal Rate Tables

You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the column that matches your filing status to find the corresponding rate of withholding. See page 2 for more information on how to use this table.

Single or Married filing separately		**Married filing jointly or Qualifying surviving spouse**		**Head of household**	
Total income over—	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**
$0	**0%**	$0	**0%**	$0	**0%**
13,850	**10%**	27,700	**10%**	20,800	**10%**
24,850	**12%**	49,700	**12%**	36,500	**12%**
58,575	**22%**	117,150	**22%**	80,650	**22%**
109,225	**24%**	218,450	**24%**	116,150	**24%**
195,950	**32%**	391,900	**32%**	202,900	**32%**
245,100	**35%**	490,200	**35%**	252,050	**35%**
591,975*	**37%**	721,450	**37%**	598,900	**37%**

* If married filing separately, use $360,725 instead for this 37% rate.

General Instructions *(continued)*

Nonperiodic payments—10% withholding. Your payer must withhold at a default 10% rate from the taxable amount of nonperiodic payments **unless** you enter a different rate on line 2. Distributions from an IRA that are payable on demand are treated as nonperiodic payments. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering "-0-" on line 2. See the specific instructions below for more information. Generally, you are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including "-0-") on any payments to be delivered outside the United States and its territories.

Note: If you don't give Form W-4R to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld. Generally, for payments that began before 2023, your current withholding election (or your default rate) remains in effect unless you submit a Form W-4R.

Eligible rollover distributions—20% withholding. Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can't choose withholding at a rate of less than 20% (including "-0-"). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% on line 2. Don't give Form W-4R to your payer unless you want more than 20% withheld.

Note that the following payments are **not** eligible rollover distributions: (a) qualifying "hardship" distributions, and (b) distributions required by federal law, such as required minimum distributions. See Pub. 505 for details. See also *Nonperiodic payments—10% withholding* above.

Payments to nonresident aliens and foreign estates. Do not use Form W-4R. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter "-0-" on line 2. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

Specific Instructions

Line 1b

For an estate, enter the estate's employer identification number (EIN) in the area reserved for "Social security number."

Line 2

More withholding. If you want more than the default rate withheld from your payment, you may enter a higher rate on line 2.

Less withholding (nonperiodic payments only). If permitted, you may enter a lower rate on line 2 (including "-0-") if you want less than the 10% default rate withheld from your payment. If you have already paid, or plan to pay, your tax on this payment through other withholding or estimated tax payments, you may want to enter "-0-".

Suggestion for determining withholding. Consider using the Marginal Rate Tables on page 1 to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of tax on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the Marginal Rate Tables.

The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.

To determine the appropriate rate of withholding from the table, do the following. Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.

If these two rates are the same, enter that rate on line 2. (See *Example 1* below.)

If the two rates differ, multiply (a) the amount in the lower rate bracket by the rate for that bracket, and (b) the amount in the higher rate bracket by the rate for that bracket. Add these two numbers; this is the expected tax for this payment. To get the rate to have withheld, divide this amount by the taxable amount of the payment. Round up to the next whole number and enter that rate on line 2. (See *Example 2* below.)

If you prefer a simpler approach (but one that may lead to overwithholding), find the rate that corresponds to your total income including the payment and enter that rate on line 2.

Examples. Assume the following facts for *Examples 1* and *2*. Your filing status is single. You expect the taxable amount of your payment to be $20,000. Appropriate amounts have been withheld for all other sources of income and any deductions or credits.

Example 1. You expect your total income to be $60,000 without the payment. Step 1: Because your total income without the payment, $60,000, is greater than $58,575 but less than $109,225, the corresponding rate is 22%. Step 2: Because your total income with the payment, $80,000, is greater than $58,575 but less than $109,225, the corresponding rate is 22%. Because these two rates are the same, enter "22" on line 2.

Example 2. You expect your total income to be $42,500 without the payment. Step 1: Because your total income without the payment, $42,500, is greater than $24,850 but less than $58,575, the corresponding rate is 12%. Step 2: Because your total income with the payment, $62,500, is greater than $58,575 but less than $109,225, the corresponding rate is 22%. The two rates differ. $16,075 of the $20,000 payment is in the lower bracket ($58,575 less your total income of $42,500 without the payment), and $3,925 is in the higher bracket ($20,000 less the $16,075 that is in the lower bracket). Multiply $16,075 by 12% to get $1,929. Multiply $3,925 by 22% to get $863.50. The sum of these two amounts is $2,792.50. This is the estimated tax on your payment. This amount corresponds to 14% of the $20,000 payment ($2,792.50 divided by $20,000). Enter "14" on line 2.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to provide this information only if you want to (a) request additional federal income tax withholding from your nonperiodic payment(s) or eligible rollover distribution(s); (b) choose not to have federal income tax withheld from your nonperiodic payment(s), when permitted; or (c) change a previous Form W-4R (or a previous Form W-4P that you completed with respect to your nonperiodic payments or eligible rollover distributions). To do any of the aforementioned, you are required by sections 3405(e) and 6109 and their regulations to provide the information requested on this form. Failure to provide this information may result in inaccurate withholding on your payment(s). Failure to provide a properly completed form will result in your payment(s) being subject to the default rate; providing fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Requesting a Termination of Employment Refund

I. Summary

This notice is provided to you by the Arkansas Public Employees' Retirement System (the "System") because you were a member who was covered under the contributory provisions and have terminated your employment that was covered under this System. As a terminated contributory member, you are eligible to receive a refund of the contributions that you made to the System. You are not eligible to receive the contributions that your employer made to the System. Non-contributory members are not eligible for a refund because they do not contribute to the System.

You are not required to receive a refund of your contributions. Before you decide to request a refund of your contributions, you should carefully read all of the information in this publication which explains the implications and restrictions for requesting and receiving a refund.

II. Service Credit

During your employment that was covered under the System, you accrued service credit towards retirement. Members accrue one month of service credit for each month in which they work at least 80 hours. For example, if you worked one (1) year for your employer and you worked at least 80 hours per month, you accrued 1 year of service credit towards retirement. Retirement service credit is important because members are vested for (or entitled to) retirement benefits once they have accrued five (5) years of service credit and because their retirement benefit is based, in a large part, on the total amount of service credit that they accrue.

When you receive a termination refund, you will forfeit (lose) the contributory service that you accrued. To restore the lost service credit, you must become re-employed by an APERS-participating employer and repay the refunded contributions and any refunded interest. In addition to the contributions and interest, you must also pay interest from the date that you received the refund until the date that you repay the refund. The current annual rate of interest to repay a refund is 8%

III. Processing Times and Re-Employment

We will process your refund after we receive and post your final contributions to your retirement record. Contributions post to your account at the end of a month for the previous month in which your employer withheld contributions. For example, if you received your last pay in June, your contributions will post to your retirement record at the end of July. At the end of July, we can then process your refund. Based on this time frame, it may take up to three months from when we receive your refund request for us to process your payment.

To qualify to receive your refund, you must not be an active member of this system, so you cannot be employed under this system again until after you receive your refund.

IV. Completing the Request Form

To request a refund of your employee contributions, you must complete the ***Termination of Employment Refund Request*** form and submit it to our office. The form must be completed by you, your most recent employer, a notary public, and if you elect a direct rollover, a rollover trustee representative.

The following information explains how to complete sections II through VI of the ***Termination of Employment Refund Request*** form.

II. Member Election - You must indicate the distribution method for your payment. You must also sign to acknowledge that you have read this notice and the accompanying special tax notice. You should not sign this application unless you have read and understand both publications.

III. Direct Deposit Information - If you choose direct deposit, include proper account information for your deposit.

IV. Rollover Trustee Information - If you elect to have your payment paid in a direct rollover, the trustee of the rollover plan must complete this section to verify that the plan accepts rollovers and to provide the trustee information for us to issue the payment.

V. and VI. Member Signature and Notary Public Acknowledgment - In the presence of a Notary Public, read the acknowledgment, then sign and date the application.

How to Obtain Additional Information

Your employee contributions will be taxable to you when we issue your refund. Therefore, you must carefully read the information included in the Special Tax Notice Regarding Plan Payments which you should have received along with this publication.

If you have any questions about requesting a refund, please contact a call center representative toll free at 800-682-7377.

Special Tax Notice Regarding Plan Payments

This notice is provided to you by the Arkansas Public Employees' Retirement System (the "Plan" and your "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, a Roth 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 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).

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 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 or Roth 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 to a traditional IRA or eligible employer plan will not be taxed in the current year and no income tax will be withheld.
 Your payment to a Roth IRA will be taxed in the current year and you choose whether to withhold income tax.
 You choose whether your payment will be made directly to your traditional IRA, Roth IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional IRAs.
 The taxable portion of your payment to a traditional IRA or eligible employer plan will be taxed later when you take it out of the 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, Roth IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over to your traditional IRA or eligible employer plan will not be taxed until you take it out of the plan. The amount rolled over to your Roth IRA is taxed in the current year.
- 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.

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, Roth IRA, or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account.

The following type of payment ***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 expediencies), or
- a period of 10 years or more.

I. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA, a Roth 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 to a traditional IRA or eligible employer plan until you later take it out of the plan, and no income tax withholding is required for any taxable portion. You *are* taxed on the portion of your payment for which you choose a DIRECT ROLLOVER to a Roth IRA, and you elect whether to

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).
Note: The Plan is not responsible for assuring your eligibility to roll over your payment to a Roth IRA (IRS Notice 2008-30). You should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA.

DIRECT ROLLOVER to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. 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 or Roth 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.

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 gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59½" and "Special Tax Treatment if You Were Born before January 1, 1936."

II. 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 also applies). 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, a Roth 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, a Roth IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over to a traditional IRA or the eligible employer plan will not be taxed until you take it out of the plan.*

For a traditional IRA or 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.*

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 directly to the government to satisfy a federal tax levy, (4) payments that are paid to an alternate payee under a qualified domestic relations order, (5) payments that do not exceed the amount of your deductible medical expenses, (6) payments that are paid to a qualified public safety employee (an employee of a State or political subdivision of a State if the employee provides police protection or firefighting services within the jurisdiction) who separates from service after age 50, or (7) payments that are rolled over to a Roth IRA. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from the 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. A lump sum distribution is a payment, within one year, of your entire balance under the Plan that is payable to you after you have reached age 59½ or because you have separated from service with your employer. 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 received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10–year averaging" (using 1986 tax rates). 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. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of 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.

III. 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, a Roth 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, a Roth 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 because the Plan does not permit rollovers for beneficiaries.

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 as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the 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's Internet Web Site at *www.irs.gov,* or by calling 1–800–TAX–FORMS.