

Special Tax Notice Regarding Plan Payments and Rollovers

Your Rollover Options

You are receiving this notice because some or all of the distribution you are receiving from your employer's retirement plan (the "Plan") may be eligible to be rolled over to another retirement account. This notice is designed to help you understand your options and the potential tax consequences of your decision.

General Information About Rollovers

How a Rollover Affects Your Taxes

If you choose not to roll over your payment, the taxable portion of your distribution will generally be subject to ordinary income tax in the year it is received. If you are under age 59½, an additional 10% early withdrawal penalty may also apply unless an exception is met. If you complete a rollover, taxation is deferred until you later withdraw the funds from the new account.

Types of Accounts That Can Accept a Rollover

You may roll your payment into an Individual Retirement Account (IRA) or into another qualified employer plan that accepts rollovers. The account or plan receiving your funds will determine the available investment options, fees, and distribution rules.

How to Complete a Rollover

There are two ways to complete a rollover: a direct rollover and a 60-day rollover.

- In a direct rollover, your distribution is paid directly from the Plan to the new IRA or employer plan.
- In a 60-day rollover, the payment is made to you, and you have 60 days from the date of receipt to deposit it into an eligible account. If you use this option, the Plan must withhold 20% for federal taxes, and you will need to use other funds to replace the withheld amount if you want to roll over the full distribution.

How Much Can Be Rolled Over

You may roll over all or part of an eligible distribution. Certain payments, such as required minimum distributions, hardship withdrawals, corrective distributions, and loan defaults, are not eligible for rollover. The Plan Administrator can inform you which portions of your payment are eligible.

10% Additional Tax on Early Distributions

If you receive a payment before reaching age 59½ and do not roll it over, you may be subject to a 10% additional tax on the taxable amount, unless you qualify for an exception. Exceptions generally include separation from service after age 55, disability, death, certain medical expenses, and other limited cases described in IRS rules.

Differences Between Plan and IRA Withdrawals

Withdrawals from an IRA before age 59½ may also be subject to a 10% penalty unless an exception applies. IRA exceptions include certain education expenses, first-time home purchases, and health insurance premiums during periods of unemployment.

State and Local Taxes

This notice addresses federal tax rules only. State or local income tax rules may also apply.

Special Rules and Options

After-Tax Contributions

If your distribution includes after-tax contributions, those amounts are not taxable. You may roll over these amounts directly to an IRA or another plan that separately accounts for after-tax contributions. Keep records of any after-tax funds for future tax reporting.

Missed 60-Day Deadline

If you miss the 60-day period for completing a rollover, the IRS may allow relief under limited circumstances, such as events beyond your control. You can self-certify eligibility for a waiver or request an IRS ruling. See IRS Publication 590-A for details.

Employer Stock

If your distribution includes employer securities and you do not roll them over, special tax rules may apply. The appreciation in value (net unrealized appreciation) may qualify for capital gains treatment when the stock is later sold.

Loan Offsets

If you have an outstanding plan loan that is offset when your employment ends, the offset amount is treated as a distribution. You may roll over the offset amount to avoid taxation. Qualified plan loan offsets may be rolled over until your tax filing deadline for that year, including extensions.

Special Circumstances

Certain public safety employees, disaster victims, and members of the Armed Forces may be entitled to special rollover rights. See IRS publications or consult a tax professional for guidance.

Payments After Death or Divorce

If you receive a payment as a surviving spouse or alternate payee under a Qualified Domestic Relations Order (QDRO), you generally have the same rollover options as the participant. Non-spouse beneficiaries may roll over only to an inherited IRA via direct transfer.

Nonresident Aliens

If you are not a U.S. resident, the Plan may be required to withhold up to 30% of the taxable portion of your payment unless reduced by a tax treaty. For details, see IRS Forms W-8BEN and 1040NR.

Your Rollover Options – Roth Accounts

If your payment is from a designated Roth account in the Plan, special tax rules apply. After-tax contributions in a Roth account are not taxable, but earnings may be taxed unless the distribution is considered qualified. A qualified distribution occurs once you have held the Roth account for at least five years and are age 59½, disabled, or deceased.

You may roll over your Roth distribution to another designated Roth account in an employer plan or to a Roth IRA. Rollovers to a Roth IRA are not subject to required minimum distributions during your lifetime. Nonqualified distributions may be subject to taxes on earnings and the 10% early withdrawal penalty.

If you do not roll over your Roth distribution and it is not qualified, only the earnings portion will be taxable. The Plan Administrator can provide a breakdown of after-tax and taxable amounts.

For More Information

You should consult a qualified tax advisor before deciding how to receive your Plan payment. For more detailed information, refer to IRS Publications 575, 590-A, and 590-B, or visit www.irs.gov.