

Tier One/Tier Two Member Withdrawal Application Packet

Important: Read instructions before you complete and submit forms.

Important Information

There are several important factors to consider when deciding whether to withdraw your member account(s):

- Your Tier One, Tier Two, Individual Account Program (IAP) and Employee Pension Stability Account (EPSA) disbursement(s) are based on the account balance(s) at the time PERS processes the payment, not the date you select to withdraw.
- Tier Two, IAP, and EPSA accounts are credited with investment earnings and losses annually and are subject to loss exposure until your account(s) is distributed.
- Tier Two, IAP, and EPSA accounts have no guaranteed rate of return.

Withdrawal Eligibility

You must have a bona fide separation period. You must be separated from all PERS employers, including substitute, temporary, and on-call positions, when PERS receives your **completed** withdrawal application. If an incomplete application is received, PERS will contact you with instructions to complete your application. You cannot be employed by a PERS employer when PERS receives your **completed** withdrawal application.

For a bona fide separation, you must remain separated from all PERS employers for the full calendar month following the month you terminated employment with your last PERS employer. The calendar month must run from the first day of the month through the last day. (Example: If you terminate any day in February and remain separated all of March, your bona fide separation period is fulfilled). PERS will not issue a withdrawal check until this separation period has elapsed. If PERS issues a withdrawal and later discovers the above criteria were not met, you must return the withdrawn amount(s) for redeposit into your Tier One/Tier Two and/or EPSA and IAP account(s).

Please ensure that you have terminated employment with all PERS employers. If you are unsure of which employers you have worked for, please contact PERS Member Services toll free at 888-320-7377.

You can withdraw your account balance(s) if you are not yet eligible for a service retirement.

Separate withdrawal eligibility rules and withdrawal applications apply to judge members and alternate payees (APs) with separate accounts (see the PERS website for the Judge Member's Handbook and AP eligibility information). **Contact Member Services toll free at 888-320-7377 if you are a judge, or to request an AP withdrawal application.**

This packet contains:

- Tier One/Tier Two Member Withdrawal Application form and instructions
- W-4R Withdrawal Lump Sum Withholding form and instructions
- Withdrawal Direct Transfer Rollover Acceptance form and instructions
- Verification of Age or Identity Fact Sheet
- Federal Tax Information Disclosure

What do I need to submit?

- Tier One/Tier Two Member Withdrawal Application form.
- Unless you are rolling over 100 % of your withdrawal, you **must also** submit the [W-4R Withdrawal Lump Sum Withholding form](#).
- If you are rolling over any portion of your withdrawal, you **must also** submit the [Withdrawal Direct Transfer Rollover Acceptance](#) form.
- Verification of Age or Identity document(s).

Submit forms and documents:

Mail to: PERS at PO Box 23700, Tigard, OR 97281-3700 or **Fax to:** 503-598-0561 or

Deliver to: 11410 SW 68th Parkway, Tigard OR 97223

General Information

- Most applications will be processed within 120 days from your effective withdrawal date, which is the later of:
 - The first day of the calendar month in which PERS receives your **completed** withdrawal application; or
 - The first day of the second calendar month following the calendar month in which you terminated employment with all PERS employers.
- By withdrawing your Tier One/Tier Two member account, you forfeit all membership rights in the Tier One/Tier Two program. Withdrawals do not include an employer match of dollars. You will receive the balance of your Tier One or Tier Two account. You may restore membership rights if:
 - You are reemployed in a PERS-qualifying position within five years from the date you separated from all PERS-participating employers, **and**
 - You redeposit your withdrawal amount, plus interest, within one year of reemployment. This will be your only opportunity to restore your Tier One or Tier Two membership rights.
- By withdrawing from the IAP you forfeit all rights in that program. You cannot restore those rights. You will receive the balance of your Individual Account Program (IAP) account, including any Optional Employer Contributions, to the extent you are vested; and
- You will receive the balance of your Employee Pension Stability Account (EPSA), if you have one.
- PERS cannot process the Withdrawal Direct Transfer Rollover Acceptance form until we receive the Tier One/Tier Two Member Withdrawal Application. We recommend submitting both documents together.
- If we do not receive complete and accurate forms and required documents within 180 days from the date we receive your initial withdrawal application, we may cancel your application.
- If your name has changed from the name PERS has on record, you must submit a copy of the legal document authorizing your name change (e.g., divorce decree, marriage license, etc.) and an [Information Change Request](#). This form is available on the PERS website. Write “Withdrawal pending” on the form, and submit it with your withdrawal application. Complete the application and all other forms using your new name as shown on your legal documentation.
- Please notify PERS if your address changes after receiving your distribution(s). **We will mail your IRS Form 1099-R (tax forms) by January 31 of the calendar year following your withdrawal distribution** to the address you indicate in Section A on the application (unless you change your address with an [Information Change Request](#) form).

Instructions for Tier One/Tier Two Member Account Withdrawal Application

Section A: Member Information (required)

Fill in the personal information block completely. If you do not know your PERS ID, leave it blank.

You must enter your Social Security number (SSN) or Individual Tax Payer Identification Number (ITIN) even if you are a nonresident noncitizen. Providing your SSN is mandatory, and PERS is authorized to request it under provisions of the Internal Revenue Code. It will be used primarily to comply with mandatory IRS reporting. It may also be used for confirmation purposes or recovery of overpaid funds.

You must enter your date of birth. You must also submit documents to verify your age. You will find a list of acceptable verification of age documents included in this packet in the section titled “Verification of Age or Identity.”

Provide your personal email address. Confirmation and follow-up letters are sent via email whenever possible.

Section B: Account withdrawal selection

- Check **All of my eligible PERS accounts** to apply for a withdrawal of all of your PERS member accounts. If you check this box, you will receive a withdrawal of all applicable accounts [this includes Tier One, Tier Two, IAP, Employee Pension Stability Account (EPSA), Police and Firefighter (P&F) unit account, and Loss of Membership (LOM) account].
- Check **My P&F unit account** to withdraw **only** your P&F unit account. This withdrawal cancels your P&F unit account and prevents you from contributing to or participating in the P&F unit account in the future, even when employed in another P&F position.
- Check **My Loss of Membership (LOM) account** to withdraw **only** your LOM account.
- Check **Judge Account** to withdraw **only** your Judge Member account. A withdrawal cancels all judge membership rights in the retirement system, including the right to claim credit for service time as a judge member prior to withdrawal.

Note: To apply for a withdrawal of your Alternate Payee (AP) account, you will need to complete an [Alternate Payee Withdrawal Application](#). Contact PERS Member Services toll free at 888-320-7377 for the AP Withdrawal Application.

Section C: Withdrawal payment options

The withdrawal payment option you choose will apply to all accounts you withdraw.

- Check **Cash Payout** if you want PERS to pay you directly.
- Check **Direct Transfer Rollover** if you want PERS to roll over all or any portion of your withdrawal amount.
 - The rollover amount from all accounts must total at least \$200.
 - If you checked this box, you **must** fill out the Withdrawal Direct Transfer Rollover Acceptance form.
- If you are splitting the withdrawal amount between the cash option and the direct transfer rollover:
 - Clearly indicate the percentage or dollar amount you want to roll over. We will mail the remaining balance to you after withholding 20% federal tax and, if appropriate, Oregon state tax from the taxable portion of your withdrawal.
 - If you do not specify a percentage or dollar amount to be rolled over, PERS will roll over 100% of your withdrawal.

Section D: Tax Withholding

Please read the Federal Tax Information Disclosure included in this packet.

Check the box indicating you have completed and are submitting the [W-4R Withdrawal Lump Sum Withholding](#) form with your Tier One/Tier Two Member Account Withdrawal Application.

- **PERS is required by federal law to withhold 20% federal income tax from any taxable ‘cash payout’ amount paid directly to you. PERS will also withhold 8% for Oregon state tax withholding.**
- If you want to add additional amounts to the federal withholding and/or to the Oregon withholding or if you want to be exempt from Oregon state taxes, complete the [W-4R Withdrawal Lump Sum Withholding](#) form.
- **Note: For non-Oregon residents who do not want Oregon taxes withheld, you must complete the [W-4R Withdrawal Lump Sum Withholding](#) form requesting no Oregon tax be withheld.**

Section E: Citizenship and Residency certification (required)

For the Citizenship section - check the box for one of the two options:

- Check **I am a U.S. citizen or resident noncitizen** if you are a U.S. citizen or a resident noncitizen.
 - If you are a United States citizen living outside of the United States, you will be required to complete form [W-9](#) and are not allowed to claim exempt from United States federal income tax withholding. The [W-9](#) is available in the Forms section of the PERS website.
- Check **I am a nonresident noncitizen** if you are a nonresident noncitizen and complete IRS Form [W-8BEN: Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding](#). This form is available in the Forms section of the PERS website.

For the Residency certification section:

- If you are a **Tier One member** (hired by a PERS-participating employer before January 1, 1996), by law you must declare if your benefit payment(s) will be subject to Oregon state income tax based on your residency.
- You must check one of the statements in Section E.
- You must sign the form to declare your residency. If you fail to provide a signature in this section, this form will be returned for signature, which may cause a delay processing your benefits.

Section F: Acknowledgment of Receipt of Federal Tax Information Disclosure (required)

The IRS requires PERS to notify you of the tax consequences of taking a withdrawal by providing the [Federal Tax Information Disclosure](#).

Sign in Section G to acknowledge that you have received and read the [Federal Tax Information Disclosure](#).

You have 30 days to review your withdrawal options and the associated tax consequences. PERS will not process your withdrawal payment until the 30-day period has passed unless you check the box to waive your right to this 30-day period. If you check the waiver box, PERS will process your withdrawal as soon as possible.

Section G: Member signature and Notary (required)

Do not complete any part of this section until you are with the notary. Any corrections, alterations, or omissions in this section may require a new application be submitted which could cause a delay processing your benefits.

Your signature and date must be notarized.

Your signature date and the notary’s signature date must be the same date.

The notary stamp must be legible.

Deliver, fax, or mail the application to PERS. Keep a copy for your records. If PERS is unable to process your withdrawal within 180 days from the application signature date, the IRS requires us to provide the [Federal Tax Information Disclosure](#) again, and you will need to complete a new [Acknowledgment of Receipt of Federal Tax Information Disclosure](#) form. We will contact you if this happens.

Instructions for Withdrawal Direct Transfer Rollover Acceptance

Use this form only if you select one of the Direct Transfer Rollover options in Section C on the Tier One/ Tier Two Member Withdrawal Application.

PERS cannot process the Withdrawal Direct Transfer Rollover Acceptance form until we receive your Tier One/ Tier Two Member Withdrawal Application.

Section A: Member Information

Fill in the personal information block completely. If you do not know your PERS ID, leave it blank.

Providing your Social Security number (SSN) is mandatory, and PERS is authorized to request it under provisions of the Internal Revenue Code. It will be used primarily to comply with mandatory IRS reporting. It may also be used for confirmation purposes or recovery of overpaid funds.

COMPLETE SECTION B OR C, BUT NOT BOTH

Section B: IRA information

- Consult your financial institution if you need help completing this section.
- Provide the IRA account number. This is not your Social Security number. Your financial institution can provide this information.
- Indicate whether the IRA is a traditional IRA or a Roth IRA by checking the appropriate box.
- The financial institution name you enter will be the payee on the rollover check.
- Provide the complete mailing address for the financial institution.
- Provide the financial institution's phone number.

IAP account rollover checks will be sent to you directly for you to forward to your financial institution.

Tier One/Tier Two and Employee Pension Stability Account (EPSA) rollover checks will be sent to your financial institution.

Section C: Eligible employer plan information (includes 457 deferred compensation plans)

Make sure your plan administrator or financial institution completes and signs this section.

As the plan administrator or financial institution, you will need to:

- Check the box acknowledging whether the plan will or will not accept and separately account for after-tax contributions.
- Sign and date as the authorized plan representative. We cannot process the rollover without a signature. (If rolling to Oregon Savings Growth Plan (OSGP), representative signature is not required).
- Print your name and title.
- On the lines provided, tell us to whom the check should be made payable, the mailing address, and the phone number of the financial institution where the check should be mailed.

Section D: Authorization and signature

If you wish PERS to release information to your authorized representative, check the box and write in the authorized representative's name. Sign and date the form.



Tier One/Tier Two Member Account Withdrawal Application

Section A: Member information (Type or print clearly in dark ink. Illegible forms may be returned to you. This could delay your request.)

First name	MI	Last name	Social Security number (Required)*	
Mailing address (street or PO box)			PERS ID (optional)	
City	State	ZIP code	Country	Date of birth (mm/dd/yyyy)
Home phone number	Work phone number	Cell phone number	Personal email	

Section B: Account withdrawal selection (select which account(s) you want to withdraw)

- ☐ All of my eligible PERS accounts.
☐ Only my P&F unit account.
☐ Only my Loss of Membership (LOM) account.
☐ Judge Account

Section C: Payment Options (Select one option only. The option you choose will apply to all accounts being withdrawn)

- ☐ 100% Direct Transfer Rollover to an IRA or eligible employer plan. To avoid delays and/or receiving a taxed cash payout, **you must also submit a Withdrawal Direct Transfer Rollover Acceptance form.** If rolling over 100% please skip to Section E on this form.
☐ Partial Direct Transfer Rollover to an IRA or eligible employer plan. Rollover _____ % or \$ _____ (Enter a whole dollar figure or a percentage) to a qualified plan with the remaining funds issued as a taxed cash payout. **You must also submit a Withdrawal Direct Transfer Rollover Acceptance form.** Continue to Section D in regard to the cash payout portion of your withdrawal.
☐ Cash Payout (Please issue my withdrawal payment check(s) payable directly to me.) Continue to Section D.

Section D: Tax Withholding

PERS must withhold 20% federal income tax from any taxable amount paid directly to you.

PERS will also withhold 8% Oregon state income tax from any taxable amount paid directly to you, this applies to both Oregon and non-Oregon residents.

To request additional withholdings, or exemption from Oregon withholding use the [W-4R Withdrawal Lump Sum Withholding form](#).

- ☐ I have completed and included my [W-4R Withdrawal Lump Sum Withholding form](#).

Section E: Citizenship and Residency certification (required)

- ☐ I am a U.S. citizen or resident noncitizen..
☐ I am a nonresident noncitizen, and I have completed and included my IRS Form W-8BEN.

Residency is required only for Tier 1 members. (Those hired by a PERS-participating employer before January 1, 1996).

- ☐ I am an Oregon state resident; withdrawal payments to me will not be exempt from Oregon income tax due to nonresidency.
☐ I am not an Oregon resident; withdrawal payments made to me will not be subject to Oregon personal income tax.

I hereby declare that the above statement is true to the best of my knowledge and belief, and I understand it is subject to penalty for perjury.

Member signature (do not print)

Date

*Providing your Social Security number (SSN) is mandatory, and PERS is authorized to request it under provisions of the Internal Revenue Code. It will primarily be used to comply with mandatory IRS reporting. It may also be used for confirmation purposes or recovery of overpaid funds.

In compliance with the Americans with Disabilities Act, PERS will provide help filling out this form upon request. You may request help by calling toll free 888-320-7377, or TTY 503-603-7766.

First name (required)	MI	Last name (required)	Social Security number (required)
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Section F: Acknowledgment of Receipt of Federal Tax Information Disclosure

By signing in Section G, I acknowledge that I have received and read the Federal Tax Information Disclosure.

- ☐ I waive my right to the 30-day period for reviewing the Federal Tax Information Disclosure. (optional)

Section G: Member signature and Notary (required)

Do not complete any portion of this section until you are with the notary

By signing below, I acknowledge the following:

- The information I have provided above is correct.
- I have terminated my employment with all PERS employers and will remain separated until PERS receives my **completed** Withdrawal application.
- I understand I must complete a bona-fide separation period and I cannot return to work for a PERS-participating employer for the full calendar month following the month in which I left employment. The calendar month must run from the first day of the month through the last day (example: If I terminate any day in February and remain separated all of March, my bona fide separation period will be fulfilled).
- PERS will not issue my withdrawal check until I meet these criteria.

Member's signature		Date
Notary Public		
State of	County of	
Member's name		
Signed before me on this date		
By (notary's signature)		



Withdrawal Direct Transfer Rollover Acceptance

Section A: Member information (Type or print clearly in dark ink. Illegible forms may be returned to you. This could delay your request.)

First name		MI	Last name		Social Security number (SSN)*
Mailing address (street or PO box)					PERS ID (optional)
City		State	ZIP code	Country	Date of birth (mm/dd/yyyy)
Home phone number	Work phone number		Cell phone number	Personal email	

Complete either Section B or Section C, not both

Section B: IRA Information

☐ Traditional IRA ☐ Roth IRA Account number (required) _____

Payable to (name of financial institution) _____

Financial institution mailing address (street or PO box) _____

City _____ State _____ Zip code _____ Phone number _____

Section C: Eligible employer plan information

As an authorized representative, agent, custodian, trustee, or plan administrator of an eligible employer plan, I hereby accept the direct transfer rollover from the Oregon Public Employees Retirement Systems plan, an eligible employer retirement plan under Internal Revenue Code 401(a), as specified below. If rolling to Oregon Savings Growth Plan (OSGP) the authorized representative signature is not required.

Choose one: The plan ☐ will ☐ will not accept and separately account for after tax dollars.

Authorized representative signature _____ Date _____

Print name and title _____

Make rollover payable to _____

Client's account number (required) _____

Financial institution mailing address (street or PO box) _____

City _____ State _____ ZIP code _____ Phone number _____

Section D: Authorization and signature

☐ I authorize PERS to release account information to _____.

(Authorized representative's name)

By signing below, I acknowledge the above information is correct.

Member signature (do not print)

Date

PERS cannot process the Withdrawal Direct Transfer Rollover Acceptance form until we receive your Tier One/ Tier Two Member Withdrawal Application.

*Providing your Social Security number (SSN) is mandatory, and PERS is authorized to request it under provisions of the Internal Revenue Code. It will primarily be used to comply with mandatory IRS reporting. It may also be used for confirmation purposes or recovery of overpaid funds.

In compliance with the Americans with Disabilities Act, PERS will provide help filling out this form upon request. You may request help by calling toll free 888-320-7377 or TTY 503-603-7766.

Acceptable documentation to verify date of birth

Photocopies of birth-date documents and, if applicable, beneficiary birth-date documents are required before benefits are paid. We will not accept documents that are incomplete, appear to be altered, or **are difficult to read**. If we cannot accept your documents, you will need to submit new photocopies. Please include your PERS ID or Social Security number* on all documents submitted, including beneficiary documents.

Group 1 If one item in this group is furnished showing birth dates, no further evidence of age is needed. Any ONE of these: • Copy of Oregon driver's license or ID card if issued on or after February 4, 2008 (current or expired) • Copy of REAL ID driver's license, driver's permit, or ID card issued by any state** (current or expired) • Copy of any other state's driver's license or ID card. (must be current) • Birth verification issued by state, county, or country (documents issued by foreign governments in a language other than English need to include a translation in English certified by a notary public, public agency, or other public official) • American Indian Reservation Age Verification • Infant baptism certificate • Hospital birth certificate (if signed by attending physician or issued by state) • Passport (current or expired) • School-age record • Naturalization or citizenship papers • Family Bible record If this record is furnished, include the following information certified by a notary public or other public official: copy of all family record entries in the Bible referring to applicant and parents, brothers, and sisters; Bible publication date or apparent age of Bible; and when birth date was entered and by whom.	Group 2 Two items in this group from different sources are sufficient if age or birth date is shown. Any TWO of these: Example: One child's birth certificate and one military ID • A notarized affidavit by an older, immediate family member who is in a position to know the birth date (e.g., father or mother) • Certificate of military record • Marriage record (record must show your age or date of birth at time of marriage) • County voter registration (must show your age or date of birth; do not send your precinct card) • Copy of child's birth certificate if it shows age of parents • Social Security record (record must be displayed on an estimate of benefits or screen print from the Social Security office; document must be dated within last 12 months) • Military ID (military record DD214) • Concealed weapons permit
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- If it is impossible for you to furnish the proof required in Group 1 or 2, write to PERS with a full explanation.
- We cannot return your documents, so do not send originals. If it is illegal to copy a document, bring it to a PERS office, and PERS will verify the birth information.
- Include the member's Social Security number or PERS ID on all documents so they are properly recorded.
- Mail, fax, or deliver your documents to PERS.

*Providing your Social Security number (SSN) is voluntary. It will be used for confirmation purposes. Failure to supply your SSN may delay the processing of this form.

**A compliant REAL ID will have a picture of a star, or a star cutout in the upper right-hand corner of the card. In lieu of REAL IDs, some states have "enhanced" driver's licenses, driver's permits, or ID cards. Enhanced cards are REAL ID compliant and bear an American flag emblem and the word "enhanced" on the front.

Federal Tax Information Disclosure

You are receiving this notice because all or a portion of a distribution you are receiving from your PERS Chapter 238 Program (Tier One/Tier Two) or Oregon Public Service Retirement Plan (OPSRP) Pension Program or Individual Account Program benefit is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

Rules that apply to most distributions from PERS are described in the “General Information About Rollovers” section. Special rules that only apply in certain circumstances are described in the “Special Rules and Options” section.

General information about rollovers

How can a rollover affect my taxes?

You will be taxed on your distribution from PERS if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive distributions later and the 10% additional income tax will not apply if those distributions are made after you are age 59½ (or if an exception applies).

Where may I roll over the distribution?

You may roll over the distribution to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to distribution from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?

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

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

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the distribution to make the deposit. If you do not do a direct rollover, PERS is required to withhold 20% of the distribution for federal income taxes. This means that, in order to roll over the entire distribution in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the distribution, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

Federal Tax Information Disclosure

How much may I roll over?

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

- Certain distributions spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions age 70½ (if born before July 1, 1949), age 72 (if born after June 30, 1949), or age 73 (if born after December 31, 1950).
- Hardship distributions
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by PERS
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment

The PERS administrator or the payer can tell you what portion of a distribution is eligible for rollover.

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

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

The 10% additional income tax does not apply to the following distributions from PERS:

- Distributions made after you separate from service if you will be at least age 55 in the year of the separation
- Distributions that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Distributions from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation
- Distributions made due to disability
- Distributions after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by PERS
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Distributions made directly to the government to satisfy a federal tax levy
- Distributions made under a qualified domestic relations order (QDRO)
- Distributions up to the amount of your deductible medical expenses
- Certain distributions made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days
- Distributions of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

Federal Tax Information Disclosure

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

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

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

Special rules and options

Will I owe state income taxes?

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

If your distribution includes after-tax contributions

After-tax contributions included in a distribution are not taxed. If a distribution is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the distribution. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a distribution.

You may roll over to an IRA a distribution that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later distributions from the IRAs). If you do a direct rollover of only a portion of the amount paid from PERS and a portion is paid to you, each of the distributions will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the distribution made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

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

Federal Tax Information Disclosure

If you miss the 60-day rollover deadline

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

If you were born on or before January 1, 1936

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

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

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

If you roll over your distribution to a Roth IRA

You can roll over a distribution made before January 1, 2010, to a Roth IRA only if your modified adjusted gross income is not more than \$100,000 for the year the distribution is made to you and, if married, you file a joint return. These limitations do not apply to distributions made to you from PERS after 2009. If you wish to roll over the distribution to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into a Roth IRA.

If you roll over the distribution to a Roth IRA, a special rule applies under which the amount of the distribution rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover). For PERS distributions during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a two-year period starting in 2011.

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

Federal Tax Information Disclosure

If you are not a plan participant

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

If you are a surviving spouse

If you receive a distribution from PERS as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA. An IRA you treat as your own is treated like any other IRA of yours, so that distributions made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until age 70½ (if born before July 1, 1949), age 72 (if born after June 30, 1949), or age 73 (if born after December 31, 1950). If you treat the IRA as an inherited IRA, distributions from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from PERS, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½ (if born before July 1, 1949), age 72 (if born after June 30, 1949), or age 73 (if born after December 31, 1950).

If you are a surviving beneficiary other than a spouse

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

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

If you are a nonresident alien

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

Federal Tax Information Disclosure

Other special rules

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

If your distributions for the year are less than \$200, PERS is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 will be directly rolled over to an IRA chosen by PERS or the payer. A mandatory cashout is a distribution from PERS to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed \$5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan). You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, *Armed Forces' Tax Guide*.

For more information

You may wish to consult with a professional tax advisor before taking a distribution from PERS. Also, you can find more detailed information on the federal tax treatment of distributions from employer plans in

- IRS Publication 575, *Pension and Annuity Income*
- IRS Publication 590, *Individual Retirement Arrangements (IRAs)*
- IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*

These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 800-TAX-FORM.

Federal Tax Information Disclosure

How much may I roll over?

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

- Certain distributions spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions age 70½ (if born before July 1, 1949), age 72 (if born after June 30, 1949), or age 73 (if born after December 31, 1950).
- Hardship distributions
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by PERS
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment

The PERS administrator or the payer can tell you what portion of a distribution is eligible for rollover.

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

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

The 10% additional income tax does not apply to the following distributions from PERS:

- Distributions made after you separate from service if you will be at least age 55 in the year of the separation
- Distributions that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Distributions from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation
- Distributions made due to disability
- Distributions after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by PERS
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Distributions made directly to the government to satisfy a federal tax levy
- Distributions made under a qualified domestic relations order (QDRO)
- Distributions up to the amount of your deductible medical expenses
- Certain distributions made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days
- Distributions of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution.

Federal Tax Information Disclosure

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

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

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

Special rules and options

Will I owe state income taxes?

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

If your distribution includes after-tax contributions

After-tax contributions included in a distribution are not taxed. If a distribution is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the distribution. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a distribution.

You may roll over to an IRA a distribution that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later distributions from the IRAs). If you do a direct rollover of only a portion of the amount paid from PERS and a portion is paid to you, each of the distributions will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the distribution made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

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

Federal Tax Information Disclosure

If you miss the 60-day rollover deadline

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

If you were born on or before January 1, 1936

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

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

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

If you roll over your distribution to a Roth IRA

You can roll over a distribution made before January 1, 2010, to a Roth IRA only if your modified adjusted gross income is not more than \$100,000 for the year the distribution is made to you and, if married, you file a joint return. These limitations do not apply to distributions made to you from PERS after 2009. If you wish to roll over the distribution to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into a Roth IRA.

If you roll over the distribution to a Roth IRA, a special rule applies under which the amount of the distribution rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover). For PERS distributions during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a two-year period starting in 2011.

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

Federal Tax Information Disclosure

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

If you are a surviving spouse

If you receive a distribution from PERS as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA. An IRA you treat as your own is treated like any other IRA of yours, so that distributions made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until age 70½ (if born before July 1, 1949), age 72 (if born after June 30, 1949), or age 73 (if born after December 31, 1950). If you treat the IRA as an inherited IRA, distributions from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from PERS, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½ (if born before July 1, 1949), age 72 (if born after June 30, 1949), or age 73 (if born after December 31, 1950).

If you are a surviving beneficiary other than a spouse

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

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

If you are a nonresident alien

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

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