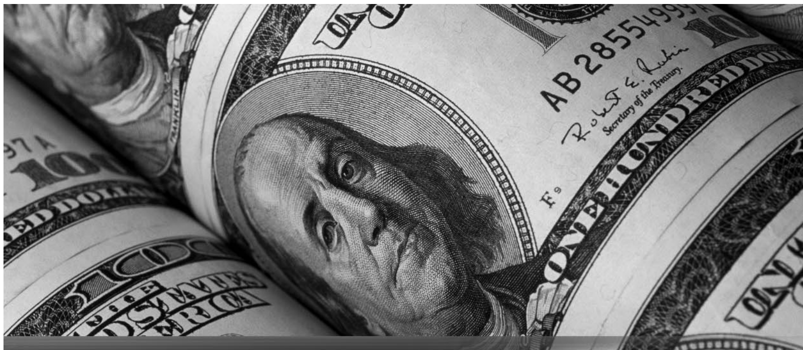
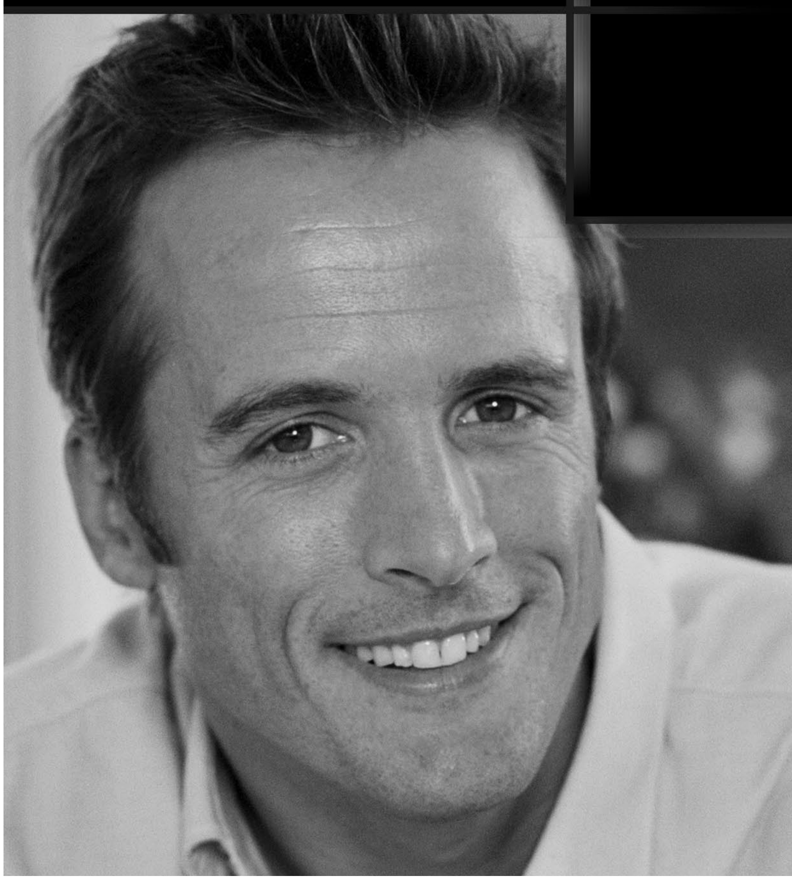


MyFRS
Florida Retirement System

MyFRS TERMINATION KIT

Florida Retirement System Investment Plan Special Tax Notice and Distribution Options

September 2014



Read this guide for information that can help you shape your financial future.

You may never have a better opportunity to accumulate a retirement nest egg than you did while working for an FRS-covered employer. So, before making any decisions, be sure to carefully consider all your options. Reading this guide can help, and you should call the MyFRS Financial Guidance Line to speak with an EY (formerly Ernst & Young) financial planner today for free, unbiased financial guidance.

Contents

Get Free Help Before You Decide!

Even if you've already made plans for your money, it's a good idea to review your options with an unbiased financial planner. Before deciding what to do with your Investment Plan account balance:

Call the MyFRS Financial Guidance Line toll-free at

1-866-446-9377, Option 2

or Telecommunications Relay Service (TRS) 711

and Visit MyFRS.com

This guide is a summary of the Investment Plan termination options available to FRS-covered employees and is written in non-technical terms. It is not intended to include every program detail. Complete details can be found in Chapter 121, Florida Statutes, the rules of the State Board of Administration of Florida in Title 19, Florida Administrative Code, and in the Investment Plan Summary Plan Description. In case of a conflict between the information in this guide and the statutes and rules, the provisions of the statutes and rules will control.

The examples used in this guide may differ from your personal financial situation, depending on factors such as your tax filing status, actual investment return, and account balance.

You Have an Important Decision to Make

Now that your employment with an FRS-covered employer has ended, you have some choices to make about your Investment Plan account. Your decision will affect your financial future during retirement. Reading this guide may help you determine the right path for you. This guide describes:

- Your options.
- Potential tax considerations if taking a distribution.
- Things to think about before making your decision.
- Resources to answer your questions.

Read this guide carefully before making your decision. If you have any questions:

Visit MyFRS.com and **Call 1-866-446-9377, Option 2**

Renewed Membership

If you are initially reemployed in FRS-covered employment (a regularly established position) **on or after** July 1, 2010, you will not be eligible for future membership in the FRS.

Requirements for Taking a Distribution

If you take a distribution (including a rollover) from your Investment Plan account, you will be considered "retired" under the FRS. Under Florida law, the following requirements must be met before you can receive a distribution from the FRS Investment Plan:

1) You must be vested,[1] as follows:
   a) If you have less than 1 year of FRS-covered service in the Investment Plan, you are vested only in your employee contributions (employee contributions are vested immediately) and are entitled only to a distribution of your employee contributions, plus earnings.
   b) If you have 1 year or more of FRS-covered service in the Investment Plan, you are fully vested and are entitled to a distribution of all employee and employer contributions, plus earnings.
   c) If you have less than 6 years (or 8 years, if initially enrolled in the FRS on or after July 1, 2011) of total FRS-covered service and you transferred any benefit from the Pension Plan to the Investment Plan, you are entitled only to a distribution of employee and employer contributions, plus earnings, that were earned as an Investment Plan member (subject to the above vesting requirements).
   d) If you have 6 or more years (or 8 or more years, if initially enrolled in the FRS on or after July 1, 2011) of total FRS-covered service and you transferred any benefit from the Pension Plan to the Investment Plan, you are entitled to a distribution of all employee and employer contributions, plus earnings, that were earned as an Investment Plan member, plus the transferred Pension Plan benefit, plus earnings.
2) You are required to terminate all employment with all FRS employers and be off all payrolls with FRS-covered employers for 3 full calendar months.
3) You must not be in a continuing relationship with any FRS-covered employer.
4) You cannot be actively employed by any FRS-covered employer in **any** capacity (including OPS, temporary employment, etc.) at the time of the distribution.
5) Following a distribution, you must not have any intention of returning to work for an FRS-covered employer in any capacity.

[1] If you are not fully vested in your account balance and do NOT take a distribution from your Investment Plan account, the unvested portion will be moved to a suspense account (invested in the Pyramis Intermediate Duration Pool Fund [90]). If you return to work within 5 years from the date of termination, the unvested portion of your account will be reinstated, plus earnings. If you, at any time, take a distribution from your vested account balance in the Pension Plan or Investment Plan, the unvested balance in the suspense account will be permanently forfeited.

Continues

Requirements for Taking a Distribution, continued

A distribution can be requested once you have been off all payrolls with FRS-covered employers for 3 full calendar months, unless you meet the normal retirement requirements of the FRS Investment Plan.[1] In this case, you can receive a one-time distribution of up to 10% of your account balance after 1 calendar month, and the remainder after 3 calendar months. The one-time 10% distribution is not applicable if you are taking a distribution made up only of employee contributions.

Not Achieved Normal Retirement (Example): If you terminate employment on January 15th and have not met the normal retirement requirements, you must be off all payrolls with FRS-covered employers during the months of February, March, and April. Then, on May 1st or later, you can contact the FRS Investment Plan Administrator to request a distribution from your account.

Achieved Normal Retirement (Example): If you terminate employment on January 15th and have met the normal retirement requirements, you are eligible to receive a one-time distribution of up to 10% of your account balance on March 1st and the remaining balance on May 1st or later.

[1] "Normal retirement" for FRS Investment Plan members is the later of either the date the member attains normal retirement under the provisions of the Pension Plan or the date the member is vested under the Investment Plan. In other words, if you are vested in the Investment Plan (at least 1 year of Investment Plan service or at least 1 year of combined Pension Plan and Investment Plan service) and you have reached age 62 or 65 (for Regular Class), then you qualify for normal retirement and can get a 10% distribution after you have been terminated for 1 calendar month. You also qualify for normal retirement if you are younger than age 62 or 65 (depends on date of hire) and have more than 30 or 33 years of service (depends on date of hire). The following chart gives further details based on class of membership and first date of hire.

Investment Plan Normal Retirement

	All Classes of Membership (except Special Risk)			Special Risk			
Hired prior to 7/1/11	Age 62 or older and 1 or more years of Investment Plan service	Age 62 or older and 1 or more years of combined Pension Plan and Investment Plan service	Any age and 30 or more years of service	Age 55 or older and 1 or more years of Investment Plan service	Age 55 or older and 1 or more years of combined Pension Plan and Investment Plan service	Age 52 or older and 25 or more years of Special Risk and military service	Any age and 25 or more years of Special Risk service
Hired after 7/1/11	Age 65 or older and 1 or more years of Investment Plan service	Age 65 or older and 1 or more years of combined Pension Plan and Investment Plan service	Any age and 33 or more years of service	Age 60 or older and 1 or more years of Investment Plan service	Age 60 or older and 1 or more years of combined Pension Plan and Investment Plan service	Age 57 or older and 30 or more years of Special Risk and military service	Any age and 30 or more years of Special Risk service

Requesting a Distribution

To request a distribution or a rollover, call the Investment Plan Administrator at 1-866-446-9377, Option 4, or log in at *MyFRS.com* and designate the type of distribution you wish to take. You do not need to complete any paper forms to request a distribution.

Investment Plan Retirement Checklist

To make sure you don't miss any critical retirement planning deadlines, be sure to review the publication "Investment Plan Retirement Checklist," available at *MyFRS.com* under "Resources," then "Publications."

Distribution Options

This chart describes your distribution options. Please read it carefully and then use the MyFRS financial guidance resources for free, unbiased assistance.

<table>
<tr><th>OPTION</th><th>DETAILS</th></tr>
<tr><td>Leave Your Money in the Plan
You have the option of leaving your money in the Investment Plan, even if you are no longer actively employed by an FRS-covered employer.

By keeping your money in the Plan, you avoid paying taxes and penalties.</td><td>You can keep your money in the Plan as long as you have an account balance of more than $1,000.[1]
• Although you will no longer receive employer contributions or make employee contributions, your Investment Plan account may continue to grow as a result of investment earnings.
• Your vested account will be subject to a quarterly $6 account maintenance fee after you have no contributions to your account for 3 consecutive calendar months.
• Choose from multiple investment options with low investment management fees.
• You can roll eligible retirement funds from other qualified plans (e.g., 401[k], 403[b], IRAs) into your FRS Investment Plan account, even if you are no longer an active FRS-covered member.
• You will continue to have:
  ◦ Free access to the unbiased financial planners at the MyFRS Financial Guidance Line for help in managing your account.
  ◦ All the distribution options listed on this and the next page.
[1] If your account balance is $1,000 or less, you will receive a mandatory distribution, subject to applicable taxes and penalties (see the "De Minimis Distributions" section on page 6 for further details and the option to avoid taxes/penalties by initiating a rollover).</td></tr>
<tr><td colspan="2">The following options enable you to receive income regularly in retirement:</td></tr>
<tr><td>Fixed Income Annuities
Provide a guaranteed monthly payment. We offer two types of fixed income annuities, depending on whether you want income now or income later.</td><td>Fixed Immediate Income Annuity
• Income payments begin within one year.
• Your monthly benefit will always stay the same.
• You can choose to receive the annuity payments for a specified period or for the rest of your life.
• Payments are not subject to market fluctuations.
• You have the option to receive a Return of Premium Guarantee (cash refund). This ensures that your beneficiary gets back everything that you put in, minus any payments you received.
• You have the option to provide a continuing benefit payment to your spouse or other beneficiary (ranging from 50% to 100% of the original benefit) after you die.
Fixed Deferred Income Annuity
• Income payments are delayed until you choose to receive them (between ages 50 and 85).
• Your monthly benefit will always stay the same.
• Can be used to replace income when other sources may have run out.
• You can choose to receive the annuity payments for a specified period or for the rest of your life.
• Payments are not subject to market fluctuations.
• You have the option to receive a Return of Premium Guarantee (cash refund). This ensures that your beneficiary will get back everything that you put in, minus any payments you received.
• You have the option to provide a continuing benefit payment to your spouse or other beneficiary (ranging from 50% to 100% of the original benefit) after you die.</td></tr>
<tr><td>Installment or Periodic Withdrawals
A flexible payment schedule that lets you decide how much money to withdraw and how often. (Note: This is not an annuity option.)</td><td>• You can receive the money you need for your living expenses while the balance remains invested.
• You can change the payment amount at any time.
• You can set up monthly, quarterly, semiannual, or annual payments.</td></tr>
</table>

Continues

Distribution Option, continued

OPTION	DETAILS
If you would prefer to move your money to another qualified retirement plan, consider this:	
Roll Your Money Into a Qualified Retirement Plan *As long as your account balance is vested, you can roll the account balance into an individual retirement account (IRA), Roth IRA, 401(k), 403(b), 457, or other qualified retirement plan.*	By keeping your money invested, you defer taxes and penalties. However, another plan administrator may: • Charge higher investment management and administrative fees. • Charge withdrawal or termination penalties. • Offer fewer payout options than you have through the FRS Investment Plan. • Pressure you to buy other products or services. If your reason for rolling your money out of the Investment Plan is because you cannot make ongoing contributions to your Investment Plan account, you may want to consider leaving your Investment Plan account balance in the Plan and make ongoing contributions to an outside account (e.g., an IRA). At a later date, you can roll these funds into the Investment Plan. Former FRS Investment Plan members (retirees) can roll eligible funds from other qualified retirement plans back into the FRS Investment Plan.
Your Investment Plan account balance is part of your retirement income. Before taking a lump-sum payment, consider how this will affect the amount of money you'll have when you retire.	
Lump-Sum Payment *You can choose to take a full or partial lump-sum distribution of your account balance and have it paid directly to you.* It's important to understand the tax implications of taking a distribution. Call the MyFRS Financial Guidance Line to speak with an unbiased financial planner at no cost, or contact another tax advisor of your choosing at your expense.	When you receive a lump-sum cash payment, you could lose 30%–40% or more of your account value because you'll be taxed on the full distribution and may be subject to a 10% federal tax penalty for early distribution. You may also lose the income you could have earned if you had kept your money invested. Please see pages 5–6 for additional information.
Combination *You can choose any combination of distribution options allowed under the Investment Plan: annuities, installment and periodic withdrawals, rollovers, and lump-sum distribution.*	

Distributions will be based on your total account balance at the close of business on the day the request is made, provided the request is completed by 4:00 p.m. ET.[1] If the distribution is requested after 4:00 p.m. ET or on a non-business day, the distribution amount will be based on the account balance at the close of business on the next business day the financial markets are open.

Once a distribution is taken from your Investment Plan account, no additional interest earnings are earned on those funds. If you fail to cash or deposit the distribution check within 180 days, it will be voided; a replacement check must be requested for the same amount as the voided distribution check.

Installment payments or lump-sum distributions from your Investment Plan account can be deposited directly into your personal banking account. ACH deposit information can be set up at any time at *MyFRS.com* by logging in and going to "Manage Investment," and then clicking on "Personal Information," and then "Financial Institutions." If you want to receive your distribution as a check, the check will be mailed to your address on file with the Investment Plan Administrator.

[1] If you have funds in the Self-Directed Brokerage Account (SDBA), you must have sufficient funds in your Investment Plan primary account to satisfy your distribution request. If there are insufficient funds in your primary account to process the distribution request, you will need to liquidate funds from your SDBA and transfer the funds to your primary account prior to processing a distribution. Review the "SDBA Access Guide" for additional information.

Caution About Cashing Out

Many people choose to cash out their retirement account and spend the money on today's expenses. But cashing out is typically not in your best long-term interest.

Here's why: Your Investment Plan benefit is intended to provide you with retirement income. If you spend this money now, you may not have enough money to live comfortably in retirement — not to mention the taxes and penalties you will have to pay on your distribution.

Caution About Health Insurance Coverage

Your eligibility to continue your current health insurance coverage with your employer may be affected if you take a distribution from your Investment Plan account. Before taking any distribution from your Investment Plan account, be sure to contact your employer's personnel office to verify your eligibility to continue this very important coverage.

Penalties and Taxes

If you receive a distribution of any of your Investment Plan balance (including a rollover to another plan), you will be considered retired under the FRS and:

- You will lose any non-vested prior FRS Pension Plan service.
- If you are reemployed in a regularly established position by an FRS-covered employer in the future, you will not be eligible for FRS membership (if initially reemployed on or after July 1, 2010).

For additional information, see the "Reemployment After Retirement" section (pages 10–11).

If you withdraw your money now, there are tax consequences. You'll owe income taxes on your entire distribution in the year it's paid to you, unless you roll it over into another qualified plan.

- **A mandatory 20% will automatically be withheld** from funds that are not directly rolled over into another tax-deferred retirement plan. This is required by federal regulations.
- If you're under age 59½ when you receive a distribution, you may owe an **additional 10% federal tax penalty** on the taxable portion of your distribution unless you meet one of the federal exemptions. For details, call 1-866-446-9377, Option 2.

For example, assume your account balance is $30,000 and you cash out. Depending on your tax bracket, with taxes and penalties, your balance may be reduced to $18,000. On the other hand, if you leave it in the Investment Plan until retirement age, you will not pay an early withdrawal penalty and your tax rate may be lower. **Think carefully about whether the loss of income is worth it to you.**

Age Doesn't Matter

Anyone who takes a distribution from their Investment Plan account is automatically considered "retired," regardless of whether or not they have reached normal retirement age.

Continues

Penalties and Taxes, continued

Your address impacts the withholding applied to the payment(s) you may receive from the IP. If your address is outside the United States, we're required to withhold 30% of your taxable income, unless you've submitted additional documentation that supports a lower withholding rate.

- If you're a U.S. citizen and want U.S. withholding applied to your payment, you must complete a Form W-9.
- If you're not a U.S. citizen, you may complete a Form W-8BEN if your country of residence qualifies for a reduced tax treaty rate. Some countries have a 30% withholding rate, so providing the Form W-8BEN wouldn't change your withholding. Other countries may have a withholding rate less than 30%, so providing the form would reduce the withholding applied to your payments. The treaty rates and Forms W-9 and W-8BEN can be found on the Internal Revenue Service (IRS) website at *www.irs.gov*. (See IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, for more information.) To receive the reduced withholding rate, if applicable, your form must be submitted and approved prior to your payment request. Please call the Investment Plan Administrator at 1-866-446-9377, Option 4, for additional information.

For additional information, see the Special Tax Notice (pages 13–16).

Loss of Earnings

There's more to consider than just taxes and penalties. If you take a distribution, you will lose the earnings you could have gained by leaving your money in the Plan. Thanks to compounding — or the snowballing effect of gaining interest on earnings — your savings can really add up.

You choose ...

Keep your money working		Cash out now	
Current balance	$30,000	$30,000	Current balance
Growth over 20 years (assuming 7% annual interest)	+ 86,000[1]	– 9,000	Pay penalties and taxes (assuming 30%)
Available balance after 20 years	**$116,000**	**$21,000**	**Available balance**

[1] Assumes no additional employer or employee contributions.

De Minimis Distributions

If your vested account balance after termination is $1,000 or less, it will be subject to an automatic de minimis distribution. No distribution will be made, however, until you have been terminated from all employment with FRS-covered employers for at least 6 calendar months. This distribution will either be:

- A complete lump-sum close-out of your account, subject to the provisions of the Internal Revenue Code, or
- Paid as a lump-sum direct rollover distribution on your behalf directly to the custodian of an eligible retirement plan, if you provide instructions to do so upon receiving notification of the distribution.

If you receive a de minimis distribution and later return to FRS-covered employment, you will not be considered a reemployed retiree and will not be subject to the limitations applicable to such employees. You will be placed back in the FRS Investment Plan and earn additional service credit. You are not eligible for the Health Insurance Subsidy (HIS) if you receive a de minimis distribution.

Required Minimum Distributions at Age 70½

You are not required to take your benefits when you terminate employment but can defer receiving benefits until a later date. In the calendar year you reach age 70½ or terminate employment (whichever is later), the Investment Plan Administrator will notify you that you must start withdrawing a minimum amount as required by federal law. This is referred to as a required minimum distribution (RMD). You have the option of deferring your first RMD payment until April 1st of the following year if you call the Investment Plan Administrator and request the deferral by November 30th. Ongoing, a notice will be mailed to you in January of each year an RMD is required, provided you are still terminated from employment with an FRS participating employer.

For example: If you are no longer employed under the FRS and you reach age 70½ on August 20, 2014, you must receive a 2014 RMD from your retirement account by December 31, 2014, unless you request a deferral of this first RMD payment until April 1, 2015. In January 2015, you will receive a notice that an RMD is required for 2015, provided you are still terminated from employment with an FRS participating employer. If eligible, you will receive the 2015 RMD by December 31, 2015.

The RMD calculation, which changes yearly, is based on your current age and your account balance at the end of the previous year. Any distributions you receive during the year will be applied to your RMD amount. If by December you have not satisfied your RMD requirement, an additional benefit payment will be sent to you in December of any year in which your total distributions for that year do not equal your RMD requirement.

If you are paid a federally mandated RMD from the FRS Investment Plan, you will not be considered a retiree nor will you lose any unvested service credit. If you receive an RMD and return to FRS-covered employment in the future, you will be placed back in the FRS Investment Plan and earn additional service credit. However, if you receive benefit payments over and above the required RMD, you will be considered a retiree and will forfeit any unvested account balance and associated service credit. If you return to FRS-covered employment in the future, you will not be eligible to enroll in the FRS as a reemployed retiree.

If you return to employment with an FRS-covered employer after receiving notice that an RMD is required, you will be paid the RMD for the year. Future RMDs will not be calculated and paid until you again terminate employment.

If it is later determined that you received an RMD that you were not eligible for, the FRS Investment Plan may request that the RMD be returned to your Investment Plan account.

You are not eligible for the Health Insurance Subsidy (HIS) if you receive an RMD. To be eligible for the HIS, you would have to request a distribution above any required RMD amount.

Changing Your Name or Address

Since you are no longer working for an FRS-covered employer, it is your responsibility to keep your name and address current with the Investment Plan Administrator. If your name or address changes after leaving FRS employment, do one of the following:

- **To change your name**, you need to either request a Name Change Form from the Investment Plan Administrator (1-866-446-9377, Option 4) or send a letter to the Investment Plan Administrator by mail (FRS Investment Plan, P.O. Box 785027, Orlando, FL 32878-5027) or by fax (1-888-310-5559). The letter should include your old name, your new name, the last 4 digits of your Social Security number, and a copy of the court order, marriage certificate, or driver's license reflecting your new name. If the form/letter is in good order, the Administrator will update the information in the recordkeeping system (if the form/letter is not in good order, your name change will not be processed until you provide the required information).
- **For address changes only**, you can make the address change online by logging in at *MyFRS.com* or by calling the Investment Plan Administrator at 1-866-446-9377, Option 4. For your security, a confirmation statement will be mailed within two business days to both your current address on file and the new address provided.
- **If you are receiving the Health Insurance Subsidy** and need to change your address for this benefit, complete and submit Form ADDCH-1, Address Change Request, available on the Division of Retirement's website at *frs.myflorida.com*.

If you do not request an address update, your distribution check (if applicable), member quarterly statements, and year-end tax forms will be mailed to your old address.

Health Insurance Subsidy (HIS)

The HIS is a supplemental benefit you may be eligible to receive. The HIS offsets the cost of your health insurance premiums and is only available after you have retired (received a self-initiated distribution). The HIS is not a health insurance policy. If you qualify, your HIS benefit is based on $5 for each year of creditable FRS-covered service, with a minimum HIS of $30 per month and a maximum HIS of $150 per month. (The HIS is subject to continued approval by the Florida Legislature.)

If you predecease your spouse, only your spouse will be entitled to receive your HIS benefit. It is not available to any other beneficiary.

To be eligible to receive monthly HIS payments, you must meet the following requirements:

- Have terminated employment with all FRS-covered employers.
- Have 6 or more years of FRS-covered service (or 8 years, if initially enrolled in the FRS on or after July 1, 2011) or be eligible for an FRS disability benefit.
- Have retired, which means you have received a self-initiated distribution from your Investment Plan account.
- Have met the normal retirement age or service requirements of the FRS Pension Plan for your class of membership. For example, if initially enrolled in the FRS prior to July 1, 2011, a Regular Class member must either be age 62 and have 6 years of service or have a total of 30 years of service regardless of age; and a Special Risk Class member must either be age 55 with 6 years of special risk service or have a total of 25 years of special risk service regardless of age. If initially enrolled in the FRS on or after July 1, 2011, a Regular Class member must either be age 65 and have 8 years of service or have a total of 33 years of service regardless of age; and a Special Risk Class member must either be age 60 with 8 years of special risk service or have a total of 30 years of special risk service regardless of age.
- Have health insurance (Cover Florida Health Care Access Program, Medicare, and TRICARE coverage are accepted).
- Have applied for the HIS.

You are not eligible for the HIS if you have received a required minimum distribution or a de minimis distribution.

The following documentation must be submitted to the Division of Retirement:

1. A properly completed Application for Health Insurance Subsidy for Investment Plan Members (HIS-IP). The HIS-IP form can be submitted to the Division of Retirement up to 6 months before your normal retirement date, even if other documents are not available.
2. A properly completed Health Insurance Subsidy Certification for Investment Plan Members (HIS-IP-2). This form must be completed after your termination date.
3. Proof of birth date. The Division will accept photocopies of one of the following, except for (g).
   a. Birth certificate
   b. Delayed birth certificate
   c. Census report more than 30 years old
   d. Life insurance policy more than 30 years old
   e. Letter from the Social Security Administration stating the date of birth it has established for the payment of benefits
   f. Certificate of naturalization
   g. In the absence of one of the above, a document from **two** of the following categories will be required:
      (1) Birth certificate of a child, showing your age (limit one)
      (2) Baptismal certificate more than 30 years old
      (3) Hospital record of birth
      (4) School record at time you entered grammar school
      (5) A copy of your death certificate will be required if your spouse is applying for the subsidy.

Continues

Health Insurance Subsidy (HIS), continued

After you are retired, the HIS payment will be payable beginning with the month in which you attain normal retirement under the FRS Pension Plan, provided the Division of Retirement has received Forms HIS-IP and HIS-IP-2 within 6 months following that date. If the Division receives the forms 7 or more months after your normal retirement date, the retroactive HIS payment will cover a maximum of 6 months.

If you leave FRS-covered employment and take a benefit distribution prior to meeting the FRS Pension Plan normal retirement requirements, you must wait until you reach normal retirement age to begin receiving your HIS benefit. If you elect the FRS Investment Plan Hybrid Option, you will receive your HIS payment once you begin receiving your FRS Pension Plan benefit.

Note: It is your (or your surviving spouse's) responsibility to obtain certification of health insurance coverage and to apply for the Health Insurance Subsidy using the required forms. HIS payments shall not be subject to assignment, execution, or attachment, or to any legal process whatsoever.

Contact the Division of Retirement if you have any questions or need to discuss your eligibility to receive the HIS. Call 1-866-446-9377, Option 3, or write to the Division of Retirement, Bureau of Retirement Calculations, P.O. Box 9000, Tallahassee, FL 32315-9000.

Reemployment After Retirement

If you request a distribution from your Investment Plan account, including a rollover to another qualified plan, you are considered a retiree.[1] As a retiree, you can be reemployed by a private employer or by any non-FRS-covered employer without affecting your retirement benefits. You cannot be reemployed with an FRS-participating employer in any capacity (FRS-covered or non-covered, including temporary, part-time, OPS, and regularly established positions) for the first 12 calendar months after taking a distribution without suspending your retirement benefits. Suspension of benefits, in this case, refers to your inability to take additional distributions from your Investment Plan account balance until certain requirements have been met. If you are reemployed with an FRS-covered employer prior to taking a distribution of your benefits, you will not be considered retired.

You cannot return to employment with an FRS-covered employer until you have been retired for 6 calendar months (i.e., 6 calendar months following the month in which a distribution was taken). If you are reemployed by an FRS participating employer within the first 6-calendar-month period after taking a distribution (retiring), your retirement will be voided. You and your employer will be required to repay any benefits received, and your FRS membership will then be reinstated. An alternative to repaying these benefits is for you to terminate employment for an additional period to satisfy the 6-calendar-month termination requirement.

If you've been retired for 6 calendar months, and you return to employment with an FRS-covered employer during the 7 to 12 calendar months after retirement, no additional Investment Plan distributions are permitted until you either terminate employment or complete a total of 12 calendar months of retirement. There are no reemployment exceptions.

[1] You will not be considered a retiree if you receive a de minimis distribution (for an account balance of $1,000 or less) or a required minimum distribution.

Be Aware!

The FRS considers you "retired" if you take any self-initiated distribution (cash-out or rollover) from your Investment Plan account.

Continues

Reemployment After Retirement, continued

After 1 Year

Once 12 calendar months have passed since retirement, you can receive further Investment Plan distributions even if you are reemployed by an FRS-covered employer.

Renewed Membership

Renewed membership in the FRS is **not** available for retired members who are initially reemployed in a regularly established position on or after July 1, 2010. Different termination requirements and reemployment limitations apply if you retired prior to July 1, 2010.

If you have any questions, contact the Financial Guidance Line at 1-866-446-9377, Option 2, and speak with a financial planner.

Independent Contractor

Independent contractors are self-employed individuals in the business of providing services to the general public, private companies, and public employers. After retiring from the Investment Plan, you may enter into a contract with any FRS-covered employer as an independent contractor without being subject to the reemployment-after-retirement provisions. Becoming a contract employee with an FRS-covered employer and receiving a Form 1099 instead of a W-2 is not becoming an independent contractor.

Attempts to convert employee positions into independent contractor relationships are rarely successful since employees perform work under the control of their employers and do not offer their services directly to the general public or other private sector or public employers. The Division of Retirement has discovered numerous "violations" where employees have been misclassified as independent contractors. If a retiree is improperly classified as an independent contractor, he or she may become "unretired" and be required to repay all retirement benefits received. Additionally, the FRS-covered employer may be obligated to pay the required employee and employer retirement contributions and Social Security contributions necessary to retroactively enroll the employee in the FRS back to the date the employee was incorrectly classified as an independent contractor.

If you are considering providing independent contractor services to an FRS-covered employer during the first 12 calendar months after you receive your initial distribution, you should submit a copy of your contract to the Division of Retirement's Enrollment Section for a worker status determination. You may contact this section at 1-877-377-3675 (toll-free), at 850-488-8837 in the Tallahassee local calling area, by email at *enrollment@dms.myflorida.com*, or by U.S. mail at Enrollment Section, P.O. Box 9000, Tallahassee, FL 32315-9000.

Caution!

Do not return to work as a "consultant" or independent contractor until the Division of Retirement has first provided you a determination of your worker status.

Continues

Reemployment After Retirement, continued

The following tables provide information on when you may return to FRS-covered employment after retiring from the Investment Plan:

If you are an FRS retiree and return to work[1] with an FRS participating employer …		
Within 6 Calendar Months	You (and possibly your employer) will be required to repay the distribution you received. To avoid repayment, wait a full 6 calendar months from the month you took your distribution or rollover to return. If you've already been rehired, terminate your employment and return after satisfying the 6-calendar-month period.	You must notify the Investment Plan Administrator of your employment during this period by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4.
During Calendar Months 7 to 12	Any distributions you are receiving from the Investment Plan will stop until 12 calendar months have elapsed since you became an FRS retiree or you terminate employment with all FRS participating employers.	
After 12 Calendar Months	You will not be required to repay any prior distributions, and you may continue receiving distributions from the Investment Plan without interruption.	

[1] This includes work in a temporary, part-time, OPS, or regularly established position, regardless of whether it is an FRS-covered or non-covered position.

Investment Plan Termination and Reemployment

Renewed membership is NOT allowed.

Distribution Month (Retired)		Termination Requirement		Reemployment
January 2013	**Distribution month plus 6 months**	January 2013–July 31, 2013	**No exceptions — months 7–12 must suspend distributions**	August 1, 2013–January 31, 2014
February 2013		February 2013–August 31, 2013		September 1, 2013–February 28, 2014
March 2013		March 2013–September 30, 2013		October 1, 2013–March 31, 2014
April 2013		April 2013–October 31, 2013		November 1, 2013–April 30, 2014
May 2013		May 2013–November 30, 2013		December 1, 2013–May 31, 2014
June 2013		June 2013–December 31, 2013		January 1, 2014–June 30, 2014
July 2013		July 2013–January 31, 2014		February 1, 2014–July 31, 2014
August 2013		August 2013–February 28, 2014		March 1, 2014–August 31, 2014
September 2013		September 2013–March 31, 2014		April 1, 2014–September 30, 2014
October 2013		October 2013–April 30, 2014		May 1, 2014–October 31, 2014
November 2013		November 2013–May 31, 2014		June 1, 2014–November 30, 2014
December 2013		December 2013–June 30, 2014		July 1, 2014–December 31, 2014
January 2014		January 2014–July 31, 2014		August 1, 2014–January 31, 2015
February 2014		February 2014–August 31, 2014		September 1, 2014–February 28, 2015
March 2014		March 2014–September 30, 2014		October 1, 2014–March 31, 2015
April 2014		April 2014–October 31, 2014		November 1, 2014–April 30, 2015

Continues

Reemployment After Retirement, continued

Investment Plan Termination and Reemployment

Renewed membership is NOT allowed.

Distribution Month (Retired)		Termination Requirement		Reemployment
May 2014	Distribution month plus 6 months	May 2014–November 30, 2014	No exceptions — months 7–12 must suspend distributions	December 1, 2014–May 31, 2015
June 2014		June 2014–December 31, 2014		January 1, 2015–June 30, 2015
July 2014		July 2014–January 31, 2015		February 1, 2015–July 31, 2015
August 2014		August 2014–February 28, 2015		March 1, 2015–August 31, 2015
September 2014		September 2014–March 31, 2015		April 1, 2015–September 30, 2015
October 2014		October 2014–April 30, 2015		May 1, 2015–October 31, 2015
November 2014		November 2014–May 31, 2015		June 1, 2015–November 30, 2015
December 2014		December 2014–June 30, 2015		July 1, 2015–December 31, 2015
January 2015		January 2015–July 31, 2015		August 1, 2015–January 31, 2016
February 2015		February 2015–August 31, 2015		September 1, 2015–February 29, 2016
March 2015		March 2015–September 30, 2015		October 1, 2015–March 31, 2016
April 2015		April 2015–October 31, 2015		November 1, 2015–April 30, 2016
May 2015		May 2015–November 30, 2015		December 1, 2015–May 31, 2016
June 2015		June 2015–December 31, 2015		January 1, 2016–June 30, 2016
July 2015		July 2015–January 31, 2016		February 1, 2016–July 31, 2016
August 2015		August 2015–February 29, 2016		March 1, 2016–August 31, 2016
September 2015		September 2015–March 31, 2016		April 1, 2016–September 30, 2016
October 2015		October 2015–April 30, 2016		May 1, 2016–October 31, 2016
November 2015		November 2015–May 31, 2016		June 1, 2016–November 30, 2016
December 2015		December 2015–June 30, 2016		July 1, 2016–December 31, 2016
January 2016		January 2016–July 31, 2016		August 1, 2016–January 31, 2017
February 2016		February 2016–August 31, 2016		September 1, 2016–February 28, 2017
March 2016		March 2016–September 30, 2016		October 1, 2016–March 31, 2017
April 2016		April 2016–October 31, 2016		November 1, 2016–April 30, 2017
May 2016		May 2016–November 30, 2016		December 1, 2016–May 31, 2017
June 2016		June 2016–December 31, 2016		January 1, 2017–June 30, 2017

Revision date: September 1, 2014

Special Tax Notice – Governmental Plan Payments (other than 457 Plans)

This notice explains how you can continue to defer federal income tax on your retirement savings in your Plan and contains important information you will need before you decide how to receive your Plan benefits. This notice does not address any applicable state or local tax rules that may apply.

This notice is provided to you 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 an 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, or in the case of a Roth conversion, to obtain tax-free investment returns. 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, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Before making the rollover, check with the administrator of the plan that is to receive your rollover.

If you have additional questions after reading this notice, you should contact your Plan Administrator at 1-866-446-9377, Option 4.

Summary

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- A certain type of payment — called a "DIRECT ROLLOVER" — can be made directly to a traditional or Roth IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit; or
- The payment can be PAID TO YOU.

If you choose a **DIRECT ROLLOVER**:

- You choose whether your payment will be made directly to your IRA (traditional or Roth) 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 or Roth IRAs. A distribution of non-Roth amounts can be rolled over to an eligible employer plan, to a traditional IRA or, by paying taxes on the non-Roth amounts and converting them to Roth amounts, to a Roth IRA.
- You can roll the payment to a traditional IRA or an eligible employer plan and the taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.
- You can roll the payment to a Roth IRA and later distributions from the Roth IRA (including a distribution of earnings) will not be taxed, provided that the distribution is a "qualified distribution" from the Roth IRA.

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 or in accordance with Plan guidelines 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% early withdrawal tax. The additional tax would be assessed when you file your 1040 tax return.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, **you must find other money to replace the 20% of the taxable portion that was withheld.** If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Special options are available to eligible retired public safety officers and are described below under "Payment Paid to You."

Your Right to Waive the 30-Day Notice Period

Generally, neither a direct rollover nor a payment paid to you can be made from the Plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you can waive the notice period by making an affirmative verbal election over the Plan Administrator's recorded telephone line indicating whether or not you wish to continue with the transaction and waive the waiting period. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

Continues

More Information

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to an 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 portion of a payment (if any) that is drawn from an after-tax contributions account can be rolled over to an IRA or to an eligible employer plan that accepts after-tax rollover contributions. The portion of a payment (if any) that is drawn from other types of accounts can be rolled over to an eligible employer plan, to a traditional IRA, or, if you make a Roth conversion, to a Roth IRA. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

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

Roll Over Into a Traditional IRA. You can roll over your after-tax contributions to an IRA either directly or indirectly. Your Plan Administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion. If you roll over after-tax contributions to an IRA, it is your responsibility to keep track of, and report to the Internal Revenue Service on the applicable forms, the amount of these after-tax contributions. This will enable the non-taxable amount of any future distributions from the IRA to be determined. Once you roll over your after-tax contributions to an IRA, those amounts CANNOT later be rolled over to an employer plan.

Roll Over Into an Employer Plan. You can roll over your after-tax contributions to an eligible employer plan using a DIRECT ROLLOVER if the other plan agrees to accept the rollover and provide separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can roll over after-tax contributions to either a qualified defined contribution or defined benefit plan under Code section 401(a) or a tax-sheltered annuity under Code section 403(b). You cannot roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions PAID TO YOU first. You must instruct the Plan Administrator of this Plan to make a DIRECT ROLLOVER on your behalf. Also, you cannot first roll over after-tax contributions to an IRA and then roll over that amount into an employer plan.

Conversion of Non-Roth Amounts by Means of a Rollover Into a Roth IRA. If you roll over a payment to a Roth IRA, a special rule applies under which the amount of the payment 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 5 years, counting from January 1 of the year of the rollover). A qualified distribution from a Roth IRA is a payment made after you have had a Roth IRA for at least 5 years and (1) you are age 59½ or (2) after your death or disability or (3) as a qualified first-time homebuyer distribution of up to $10,000. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments 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. You cannot roll over a payment from the Plan to a designated Roth account in another employer plan. For more information, see IRS Publication 590, "Individual Retirement Arrangements (IRAs)."

Payments That Cannot Be Rolled Over. The following types of payments cannot be rolled over:

Payments Spread Over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for (1) your lifetime (or a period measured by your life expectancy), or (2) your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or (3) a period of 10 years or more.

Required Minimum Payments. Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over, because it is a "required minimum payment" that must be paid to you.

The Investment Plan Administrator should be able to tell you if your payment includes amounts that cannot be rolled over.

II. DIRECT ROLLOVER

A **Direct Rollover** is a direct payment of the amount of your Plan benefits to an 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. If your DIRECT ROLLOVER is into a traditional IRA or an eligible employer plan, you are not taxed on any taxable portion of your payment until you later take it out of the traditional IRA or eligible employer plan. If your DIRECT ROLLOVER is into a Roth IRA, you are taxed on the taxable portion of your payment in the conversion to Roth treatment, and if the later distribution from the Roth IRA is a "qualified distribution," you are not taxed when you take it out of the Roth IRA. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than $200. Any eligible rollover distribution that you receive from the Plan that is otherwise non-taxable, and that you wish to roll over to an eligible employer plan, can be rolled over only in a DIRECT ROLLOVER.

Continues

Direct Rollover to a Traditional IRA. You can open an IRA to receive the DIRECT ROLLOVER. If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a DIRECT ROLLOVER to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. (See IRS Publication 590, "Individual Retirement Arrangements (IRAs)," for more information on IRAs, including limits on how often you can roll over between IRAs).

Direct Rollover to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a DIRECT ROLLOVER to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

Direct Rollover of a Series of Payments. If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting From a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 2, 1936, you might be entitled to 10-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 an IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below titled "Additional 10% Tax if You Are Under Age 59½" and "Special Tax Treatment if You Were Born Before January 2, 1936."

Physical Payment of the Direct Rollover. The Investment Plan Administrator does not currently process electronic direct rollovers to other retirement plan providers. A direct rollover is accomplished by making the distribution check payable to the new retirement plan provider for the benefit of the member. This type of distribution still qualifies for the direct rollover provisions outlined above.

III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I above) and the payment is PAID TO YOU in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or an eligible employer plan that accepts rollovers (or unless you are an eligible retired public safety officer who makes the election to pay health care or long-term care premiums, described in this section below). 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 can 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 an 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 an IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. This 60-day rollover option is also available for converting to a Roth IRA.

You can roll over up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over under Part I above is $10,000, and you choose to have it PAID TO YOU. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you can roll over the entire $10,000 to an IRA or an eligible employer plan. To do this, you roll over the $8,000 you received from the Plan, and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000 withheld. However, any refund is likely to be larger if you roll over the entire $10,000.

Additional 10% Tax if You Are Under Age 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not

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apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments that do not exceed the amount of your deductible medical expenses, or (7) payments from a governmental defined benefit pension plan to a qualified public safety official following separation from service after age 50. See IRS Form 5329 for more information on the additional 10% tax.

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

Special Tax Treatment if You Were Born Before January 2, 1936. If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump-sum distribution," it may be eligible for special tax treatment. A lump-sum distribution is a payment, within 1 year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump-sum distribution, you must have been a participant in the plan for at least 5 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 2, 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.

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

Special Election by Eligible Retired Public Safety Officers. If you are an "eligible retired public safety officer," you can make an election to exclude up to $3,000 of your otherwise taxable payment from your gross income, and not be taxed on the amount you exclude, by instead having your payment directly made to the provider of an accident or health insurance plan or a qualified long-term care insurance contract covering you, your spouse, or your dependents. All distributions are combined from all of your eligible retirement plans — section 401(a), 457(b), 403(a) and 403(b) plans — for purposes of the $3,000 limit. You are an "eligible retired public safety officer" if you separated from service as a public safety officer of the employer maintaining the plan, and your separation from service was due to your disability or attainment of normal retirement age. Contact the Plan Administrator for more information about this special election.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you can choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional or 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 or to an eligible employer plan. Thus, you have the same choices as the employee.

The Plan allows non-spouse beneficiaries to make a DIRECT ROLLOVER of their share of an employee's account.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump-sum distributions and the special rule for payments that include employer stock, as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump-sum distribution if the employee met the appropriate age requirements, whether or not the employee had 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, an Ernst & Young financial planner, 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 (IRAs)." These publications are available from your local IRS office, on the IRS's Internet website at *irs.gov,* or by calling 1-800-TAX-FORMS.