

# DISTRIBUTION OF RETIREMENT CONTRIBUTIONS ELECTION



Sonoma County Employees' Retirement Association  
 433 Aviation Boulevard, Suite 100, Santa Rosa, CA 95403  
 Tel: (707) 565-8100 / Fax: (707) 565-8102  
 www.scretire.org

MEMBER NAME: \_\_\_\_\_ SSN: \_\_\_\_\_

*Member to elect one of the following, per the provisions on page 2:*

- Deferred status with reciprocity:** Having terminated employment with a SCERA-covered employer, I hereby elect to leave my contributions on deposit with SCERA and I will become a member of the \_\_\_\_\_ Retirement System within six months of my termination.
- Deferred non-vested status:** Having fewer than five years of retirement service credit, and having terminated employment with a SCERA-covered employer, I hereby elect deferred non-vested status and thereby leave my contributions on deposit with SCERA.
- Deferred vested status:** Having five or more years of retirement service credit, and having terminated employment with a SCERA-covered employer, I hereby elect deferred vested status and thereby leave my contributions on deposit with SCERA.
- Withdrawal of my retirement funds:**  
 I request that \_\_\_\_\_% be withheld for Federal income tax in addition to the 20% required withholding.  
 I request that \_\_\_\_\_% be withheld for California State income tax.
- Direct rollover of all eligible funds to the qualified retirement plan below:**  
 I understand it is my responsibility to determine the tax-qualified status of a plan receiving the direct rollover.

Name of Qualified Plan: \_\_\_\_\_ Account No: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

**I have read and understand my rights regarding the disposition of my retirement account as explained on page 2 of this form. If electing a rollover or withdrawal of my funds, I declare under penalty of perjury under the laws of the State of California that I meet the employment requirements required to process this withdrawal/rollover as explained on page 2. In addition I understand the pertinent information on page 2 of this form and in Attachment A "Special Tax Notice Regarding Plan Payments and Federal Income Tax".**

\_\_\_\_\_  
 Member Signature Date Signed

\_\_\_\_\_  
 Spouse/Domestic Partner Signature Date Signed  
(required for withdrawals/rollovers)

\_\_\_\_\_  
 Address\* City State Zip

\_\_\_\_\_  
 Email Phone No.

\*If this address differs from what SCERA has on file, your signature on this form authorizes SCERA to update our records with this address.

<b><u>RETIREMENT TO COMPLETE</u></b>			
Last day in pay status: _____		Account Transaction Date Range: _____ to _____	
Claim Prepared By _____	Payroll Input By _____	Verified By _____	Gross Amount _____

*The following provisions apply for each status listed.*

### **Reciprocity**

- Reciprocity is not automatic. It must be requested from the system you are leaving.
- You must become a member of another reciprocal California public retirement system within six months of termination from a SCERA-covered employer.
- You must retire on the same date from all reciprocal systems.
- Your funds will remain on deposit with the system you are leaving and **cannot be withdrawn** unless or until you terminate membership with the reciprocal system and withdraw your funds from that system.
- Accumulated SCERA contributions earn the SCERA interest assumption rate semi-annually.

### **Deferred Non-Vested**

- You have fewer than five years of retirement service credit.
- If your contributions remain on deposit until you reach age 70, you will be eligible to apply for a service retirement and begin receiving a lifetime monthly benefit.
- If you have a total of ten years of combined service credit in reciprocal California public retirement systems, but are not eligible for reciprocity, you may be eligible for a service retirement prior to age 70. Please contact SCERA for further information.
- An election to allow contributions to remain on deposit may be revoked by the member at any time, prior to retirement, if you meet the ***Withdrawal / Rollover Employment Requirements*** below.
- Accumulated SCERA contributions earn the SCERA interest assumption rate semi-annually.

### **Deferred Vested**

- You must have a minimum of five years of retirement service credit.
- You may apply for service retirement upon reaching the date you would have been eligible to retire had you remained a SCERA member in a full-time position.
- An election to allow contributions to remain on deposit may be revoked by the member at any time, prior to retirement, if you meet the ***Withdrawal / Rollover Employment Requirements*** below.
- Accumulated SCERA contributions earn the SCERA interest assumption rate semi-annually.

*The following provisions apply for lump sum withdrawal or rollover of your retirement funds:*

#### ***Withdrawal / Rollover Employment Requirements***

An election to withdraw/rollover accumulated contributions is not allowed if you are:

- employed in any capacity with a SCERA-covered agency; or
- an employed member of a California state funded retirement system; or
- an employed member of a reciprocal system who is eligible to develop reciprocity.

- If you withdraw or rollover your funds, you will not be eligible for any future retirement benefit for the period of service refunded unless you re-enter SCERA membership and redeposit the withdrawn funds plus interest.
- Refunds of less than \$200 will not be subject to withholding.
- Refunds of taxable contributions and interest in an amount over \$200 (not rolled over into a traditional IRA or qualified retirement plan) will be subject to a mandatory 20% Federal tax that SCERA will withhold before issuing a refund. In addition, if you are younger than 59 ½ years old the refund may be subject to a 10% Federal excise tax and a 2 ½% State excise tax for the year the funds are withdrawn.
- Any retirement contributions already taxed are not subject to withholding.
- **To be eligible for a disability retirement, you must be a member of SCERA with funds on deposit in the system.** If termination is being considered for health reasons, please contact SCERA for counseling.
- If you withdraw your SCERA funds and were, or become, a law enforcement member or firefighter with a California public agency, you may have the option to redeposit with SCERA.

## ATTACHMENT A

### SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS AND FEDERAL INCOME TAX

This notice explains how you can continue to defer federal income tax on your retirement savings in the Sonoma County Employees' Retirement Association ("SCERA" or "Plan") and contains important information you will need before you decide how to receive your Plan benefits. This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. Other tax rules apply for California.

You are receiving this notice because all or a portion of a payment you are receiving from the Plan is eligible to be rolled over to an IRA or an eligible employer plan. A rollover is a payment by you or SCERA (your "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. This notice is intended to help you decide whether to do such a rollover.

Rules that apply to most payments from a plan 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 a payment from the Plan 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 payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

##### *Where may I roll over the payment?*

You may roll over the payment 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 payment 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, the Plan will make the payment 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 payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received). This means that, in order to roll over the entire payment 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 payment, 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).

### ***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 payment from the Plan is eligible for rollover, except:

- Certain payments 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 after age 70½ (or after death)
- Corrective distributions of contributions that exceed tax law limitations

The Plan administrator or payor can tell you what portion of a payment 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 payment from the Plan (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 payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments 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);
- Payments 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;
- Payments made due to disability;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO); or
- Payments up to the amount of your deductible medical expenses.

### ***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 payment 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 payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for qualified domestic relations orders 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 payments 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) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

### ***Will I owe state income taxes?***

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

### ***If my payment is not eligible for rollover, will it be subject to mandatory withholding?***

If any portion of your payment is taxable, but cannot be rolled over, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask SCERA for the election form and related information.

### ***What are the consequences of taking direct payment of a distribution?***

If you choose to have a distribution paid to you now (rather than deferring receipt, for example, by leaving the money in the Plan or by rolling over the eligible rollover distribution to a traditional IRA or an eligible employer plan):

- You could lose your ability to defer income taxes on the distribution until a later date.
- You may be subject to the additional 10% early distribution penalty if you receive payment before age 59½.
- Your benefit may be less now than it will be if you defer receipt until a later date.
- Your retirement savings may be reduced.

### ***How much time do I have to decide?***

Generally, neither a direct rollover nor a payment 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 may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan administrator.

## **SPECIAL RULES AND OPTIONS**

### ***If your payment includes after-tax contributions***

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, 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 payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment 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 payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth 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 payment 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 payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

### ***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 payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, *Contributions to 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 payment 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 payment is used to pay for health coverage or qualified long-term care insurance***

If the Plan is a governmental plan, 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 Plan payments 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 payment to a Roth IRA***

If you roll over a payment from the Plan 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).

If you roll over the payment to a Roth IRA, later payments 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 payment 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 5 years. 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. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)* and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

## ***Can I roll over my payment to an employer's Roth IRA?***

You cannot roll over a payment from the Plan to a designated Roth account in another employer's plan.

### ***If you are not a plan participant***

Payments 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 payment from the Plan 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 payments 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 after you are age 70½.

If you treat the IRA as an inherited IRA, payments 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 the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

Under the current IRS guidance, effective September 16, 2013, same-sex couples legally married in a jurisdiction with laws authorizing same-sex marriage will be treated as married for federal tax purposes and the rules described in this Notice for surviving spouses will be applicable. Note that individuals who are in registered domestic partnerships, civil unions, or other similar relationships that may be recognized under state law but are not considered a legal marriage under state law, will not be treated as married for federal tax purposes. Individuals who are not considered married spouses for federal tax purposes would be covered by the rules described under the section below titled "*If you are a surviving beneficiary other than a spouse.*"

Note that California state law recognizes same-sex spouses and, for California state tax purposes, also treats registered domestic partners in the same manner as spouses. This means that it appears there will continue to be a difference in treatment of registered domestic partners for federal and California tax purposes. This area of law is evolving and anyone affected by these situations may wish to consult with a professional financial or tax advisor.

- *If you are a surviving beneficiary other than a spouse*

If you receive a payment from the Plan 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. Payments 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.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments 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%, the Plan is generally required to withhold 30% of the payment 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*.

### ***Other special rules***

- If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).
- If your payments for the year are less than \$200, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.
- 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**

For specific tax advice, please consult with a professional tax advisor before taking a payment from the Plan. You can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*; IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*; and 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](http://www.irs.gov), or by calling 1-800-TAX-FORM.