

San Mateo County Electrical Construction Industry Retirement Plan

ADMINISTRATIVE OFFICES

6800 Santa Teresa Boulevard, Suite 100, SAN JOSE, CA 95119
(408) 288-4555

THIS IS THE FINAL EXTENSION

Dear Participant:

Enclosed please find a Termination of Employment Distribution application for a withdrawal of a portion of your individual account with the San Mateo County Electrical Construction Industry Retirement Plan as a result of the Coronavirus (COVID-19). **You have to be a Vested Participant to be entitled to a distribution.**

Please complete, sign and return the application to our office.

You may be entitled to make a distribution of \$10,000 during each month between January 1, 2021 through August 31, 2021. If you remain unemployed for thirty consecutive days, you will be entitled to a distribution of up to another \$10,000 from your Individual Account in the next month. Thus, if you apply during February and otherwise qualify for the distribution during both January and February, you could be entitled to a distribution of \$10,000 for both January and February 2021, or \$20,000 (a net \$16,000 after the required 20% IRS withholding). Additional distributions for up to \$10,000 may continue each month through August 31, 2020 if you are not working. To be entitled to a distribution you must meet **all** of the following requirements to withdraw from your individual account.

1. You must have had a Termination of Covered Employment (or you are otherwise unable to work) on or after January 1, 2021 through August 31, 2021, as a result of the impact of the Coronavirus.
2. You must be a Vested Participant.
3. You cannot have performed any non-covered work in the electrical industry during 2021.

Also included is a Special Tax Notice regarding your plan payments. Please read the notice regarding the 20% Federal Income Tax carefully and potential additional tax penalties for a premature distribution if you are under 55 years of age.

If you are married, you must have your spouse's signature notarized on the Termination of Employment Distribution application.

Upon completion, please return the forms to the administrative office at the above address. **Please do not mail these forms to the Union Hall.**

If you have any questions, please do not hesitate to contact the pension administrative department at (408) 288-4555.

San Mateo County Electrical Workers Joint Trust Funds

ADMINISTRATIVE OFFICES

6800 Santa Teresa Blvd. Ste. 100, SAN JOSE, CA 95119

(408) 288-4555

THIS IS THE FINAL EXTENSION

TERMINATION OF EMPLOYMENT DISTRIBUTION APPLICATION

Participant's Name: _____ SSN: _____

Address: _____
Street City State Zip Code

Phone: _____ Date of Birth: _____

Spouse's Name: _____ Spouse's SSN: _____

Spouse's Date of Birth: _____

Marital Status: ☐ Married ☐ Single ☐ Divorced ☐ Widowed

If divorced, please provide a copy of the Divorce Decree with any Property Settlement Agreement.

Is any portion of your Pension Benefit payable to someone else under a Court Order: ☐ Yes ☐ No

DIRECTIONS: Please read and initial the statements below.

Initial I have not worked under the Collective Bargaining Agreement and have not worked for any employer whose employees are covered by IBEW Local 617 during _____. **My last day of work was** _____.

Initial I have not performed any work in non-covered work in the electrical industry during 2021. I am not working now.

Initial I understand that I have to be a vested Participant.

Please be advised that all distributions are subject to, and will be reduced by, a mandatory 20% Federal withholding tax and any additional withholdings requested by you. Additionally, If you are under age 55 (or your termination of employment occurred before you attained age 55), Federal and State tax penalties will apply. These penalties are in addition to any ordinary tax liability you may have as a result of this distribution.

Amount Requested

Gross amount requested \$ _____.

I understand that I am subject to the mandatory 20% federal withholding, however, I would like an additional \$ _____ or _____% withheld for federal taxes which will exceed the mandatory 20%. In addition, I would like \$ _____ or _____% withheld for state taxes from my distribution.

To receive your distribution by the first of the following month, your request must be received no later than the fifteenth of the current month.

Signature of Applicant

Please Complete Spousal Consent Form as necessary

Date

NOTE: If you are married, your spouse will need to complete this form. The consent form will also need to be either notarized or witnessed by a plan representative.

SPOUSAL CONSENTFORM

I, _____, swear that I am the legal spouse
(Name)

of the Employee described above.

I hereby consent to the Employee's election to receive our pension benefit in a form of a Direct Rollover or a Cash Distribution.

Spouse's Signature

Spouse's Social Security Number

NOTARY ACKNOWLEDGMENT REQUIRED UNLESS CHOOSING PLAN REPRESENTATIVE WITNESS)

.....
PUBLIC HEALTH EMERGENCY _____

(Please note during the public health emergency, notarization of this form is not required but by completing the above consent form you are also certifying under penalty of perjury that the information above is true and correct. THEREFORE, PLEASE CHECK THIS BOX BELOW IF YOU ARE UNABLE TO SEEK A NOTARY DURING THE COVID-19 PANDEMIC AND INSTEAD IS SEEKING A PLAN REPRESENTATIVE TO WITNESS THE REQUIRED SIGNING OF YOUR CONSENT. THE IRS has issued temporary relief regarding the physical present requirement for Plan Representative witness pursuant to IRS Notice 2020-42.)

_____ I AM UNABLE TO SEEK A NOTARY DURING THE PUBLIC HEALTH EMERGENCY. I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE ABOVE IS TRUE AND CORRECT.

PLAN REPRESENTATIVE WITNESS (this portion is REQUIRED if you cannot obtain a notary).

Plan Representative Signature: _____ Date: _____

☐ Check this box if signing in physical presence of Plan representative.

☐ Check this box if witness signing through live-audio-video conference pursuant to IRS Notice 2020-42.

See Attached Notary Acknowledgement

-
-
- Securely attach this document to the signed document with a staple.

CALIFORNIA ALL- PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }

County of _____ }

On _____ before me, _____,
(Here insert name and title of the officer)

personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature

(Notary Public Seal)

ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

CAPACITY CLAIMED BY THE SIGNER

- ☐ Individual (s)
☐ Corporate Officer

(Title)

- ☐ Partner(s)
☐ Attorney-in-Fact
☐ Trustee(s)
☐ Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

This form complies with current California statutes regarding notary wording and, if needed, should be completed and attached to the document. Acknowledgments from other states may be completed for documents being sent to that state so long as the wording does not require the California notary to violate California notary law.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he/she/they~~, is /are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document with a staple.

SAN MATEO COUNTY ELECTRICAL WORKERS LOCAL 617
ELECTRONIC FUNDS TRANSFER (EFT) APPLICATION

Please *attach voided check* here.

RETIREE NAME: _____

RETIREE SS#: _____

ADDRESS: _____

TELEPHONE #: _____

I request that my pension benefit check be deposited electronically into:

☐ Checking Account # _____

☐ Savings Account # _____

I agree with and understand the following:

- (A) This Direct Deposit request is to remain in effect until written notification is given to the plan office or the plan office no longer offers Direct Deposit via *Electronic Funds Transfer*.
- (B) It is my responsibility to provide any bank changes (account #, name, or address) to the plan office to assure timely receipt of my benefit.
- (C) If my home address changes, I will advise the plan office of the changes in writing.
- (D) There will be a transaction reversal for any amount deposited into my account that I am not entitled to receive.

Signature: _____

Date: _____

For office use only:	()	Add	()	CA
	()	Change	()	CA/Nacha Screen
	()	Delete		

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State of California }

County of _____ }

On _____ before me, _____,
(Here insert name and title of the officer)

personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature

(Notary Public Seal)

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(Title or description of attached document continued)

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 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document with a staple.



LOCAL UNION 617
INTERNATIONAL BROTHERHOOD
OF ELECTRICAL WORKERS

SAN MATEO COUNTY

ELECTRICAL WORKERS JOINT TRUST FUNDS



SAN MATEO COUNTY CHAPTER
NATIONAL ELECTRICAL
CONTRACTORS ASSOCIATION

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice explains how you can continue to defer federal income tax on your retirement benefits from the San Mateo Electrical Construction Industry Retirement Plan (I "Plan") and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Plan's Board of Trustees, which is the "Plan Administrator" under federal law, because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or the Plan Administrator to a traditional IRA or another *plan*.

A rollover is a payment by you or the Plan Administrator of all or part of your benefit to an eligible employer plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Under the Internal Revenue Code, your payment(s) **cannot** be rolled over to certain types of IRA's, such as a Roth IRA, 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 a plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover.

Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions. If this is the case, 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, that 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

United Administrative Services, PO Box 5057, San Jose, CA 95150-5057 Telephone
(408) 288-4400 Toll Free (877) 827-4239 Fax (408) 288-4439

accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

This notice, which is patterned in many parts on an IRS model notice, is required by federal law. **The notice is not personal tax advice. You should consult with a personal tax advisor for tax advice upon which you want to reply.**

If you have additional questions after reading this notice, you may contact the Plan Office at 408-288-4400.

General Rules on Taxation and Early Distributions

(1) **Tax on Distributions.** As a general rule, when you receive a distribution directly from a qualified pension plan, such as this Plan, you will pay federal and state taxes on the distribution. (There may be an exception for certain types of payments on account of a disability.) This notice is intended simply to provide you with general information on the tax rules and some of your options.

(2) **Potential 10% Additional Tax on Certain Distributions.** In the Tax Reform Act of 1986, Congress added section 72(t) to the Internal Revenue Code, which imposes an additional 10% tax on certain early distributions from a qualified plan, unless the distribution meets one of the exceptions listed below. The **primary exceptions of the 10% tax penalty** include:

1. **Eligible Rollover.** You roll over the distribution in the manner described below in the Summary.
2. **Early Retirement At age 55.** A distribution made to you on account of qualifying for early retirement under the Plan on or after age 55.
3. **Certain Disabilities.** A distribution due to your inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be, expected to result in death or to be of long-continued and indefinite duration. (Not all disabilities meet this standard.)
4. **Periodic Payments-Substantially Equal Payments.** Periodic payments which are made in a series of substantially equal periodic installments (at least annually or more often) made for your life or life expectancy or for the joint lives or a term equal to the joint life expectancies of you and a designated beneficiary.

5. **Medical Deduction.** A distribution to the extent such distribution does not exceed the amount allowable as a medical deduction under Internal Revenue Code Section 213.
6. **Death Benefits.** A distribution to your beneficiary or your estate on account of your death.
7. **Certain Domestic Relations Orders.** A distribution to an alternate payee (spouse, child, or other dependent) pursuant to a qualified domestic relations order.

Warning: You may also be liable for state tax penalties. For example, California assesses a 2.5% penalty.

Reminder: The information in this notice is not intended to be tax advice. Thus, it is suggested that you consult with a tax advisor before you file your application to receive your benefits from the Plan

SUMMARY

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

- (1) Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- Your payment will **not** be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- 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.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive *only 80%* of the taxable amount of the payment, because the *Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.*
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before the plan's early retirement age of 55, you may have *to* pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA 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.

Your Right to Waive the 30-Day Notice Period.

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.

MORE INFORMATION

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

a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

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:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

Required Minimum Payments. Beginning when you reach age 70-1/2 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. Special rules apply if you own more than 5% of your employer.

Hardship Distributions. A hardship distribution cannot be rolled over.

Corrective Distributions. A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

Loans Treated as Distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan-offset amount is eligible for rollover, as discussed in PART II below. The 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 a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. 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.

DIRECT ROLLOVER to a Traditional IRA.

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

DIRECT ROLLOVER to a Plan

If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. 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 a traditional 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 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment.

See the sections below entitled "Additional 10% Tax if You Are under Age 59-1/2" and "Special Tax Treatment if You Were Born before January 1, 1936."

III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above, and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

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

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a *traditional* IRA 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.

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 may roll over the entire \$10,000 to a **traditional 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.)

Possible Additional 10% Tax If You Are under Age 59-1/2. If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to

- (1) payments that are paid after you separate from service under your Plan 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, or
- (6) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from the Plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution" it may be eligible for special tax treatment. A lump sum distribution is a payment within one year, of your entire balance under the Plan (and certain other similar plans of the

employer) that is payable to you after you have reached age 59-1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59-1/2 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 five years before the year in which you received the distribution.

The special tax treatment for lump sum distributions that may be available to you is described below.

Ten-Year Averaging. In brief, if you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using a "10-year averaging" method which also uses 1986 tax rates. Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or 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 a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

Repayment of Plan Loans. If at the time you apply for your pension benefits, you have an *outstanding* from the Plan, the Plan may reduce or offset your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset.

If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other cash payments from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash paid to you. The amount of a defaulted Plan loan that is a taxable deemed distribution cannot be rolled over.

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.

Congress recently changed the rules to permit a non-spouse beneficiary to rollover benefits but only to an Inherited IRA. Any such rollover has to be a direct transfer to that inherited IRA. Non-spouse beneficiaries cannot rollover benefits to another qualified pension plan or to a regular IRA. If, however, a non-spouse beneficiary chooses to take a distribution from the Plan, rather than having a rollover, the beneficiary is not subject to mandatory 20% withholding. Ordinary income tax would apply. You may want to consult with a tax advisor regarding your options.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA 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.

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 59-1/2.

If you are a beneficiary other than a surviving spouse or an alternate payee, the Plan may permit you to choose to have a payment that can be rolled over, as described in Part I above, paid in a Direct Rollover to a Traditional IRA or have the benefit paid to you. You may not roll over the payment that is made directly to you, nor may you choose to roll over the payment to an eligible employer plan. The IRA accepting the transfer is treated like a non-spouse Inherited IRA, under which benefits must be distributed in accordance with the required minimum distribution rules. In general,

distributions from the Inherited IRA must either be paid to you in full within 5 years of the employee's death or must commence within 12 months of the employee's death and be paid over your life expectancy. The benefits cannot be rolled over from the Inherited IRA to any other IRA.

As explained above, surviving spouses and alternate payees have the same choices as the employee. However, unlike surviving spouses and alternate payees, non-spouse beneficiaries do not have the same choices as the employee. Because of this difference, the mandatory withholding rules described in Number 4 above, that typically apply to payments that are not rolled over, do not apply to payments made to non-spouse designated beneficiaries. If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Number 4 above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

State or Local Income Tax

Please note that state or local income tax is withheld only for those states where such withholding is mandatory. If you reside in a state that has a state income tax, and the state does not have a mandatory withholding rule, you will be responsible for any state income taxes due on the taxable portion of your distribution. You should also be aware that some states have not yet changed their laws to take into account the expanded rollover rules that became effective January 1, 2002. In certain cases, a rollover now permitted under federal law may be subject to taxation under state law. However, once the rollover is taxed under state law, the state would not tax this amount again when later you receive it as a distribution.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements.

These publications are available from your local IRS office, on the IRS' s Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.