Termination Election of Membership Form

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14th Street, Suite 1000 **VOICE (510) 628-3000**
Oakland, CA 94612 **FAX (510) 268-9574**

PART I – MEMBER INFORMATION *Please print.*

Name: ______________________ Employee ID #: ________ Social Security Number: ____–____–____

Address: ______________________ City: ______________ State: ______ Zip: ______

Birth Date: ____/____/____ Phone Number: ____________ If Other Name Used, Please List Name: ____________

Job Title: ______________________ Department: ______________ Dept. Phone Number: ______–______

PART II, ELECTION OF MEMBERSHIP

- Upon separation of employment, one of the following options is available:

  A. You may elect to defer membership and leave your contributions on deposit. To defer your membership, complete Section A – Defer Membership, by checking the box

  B. You may defer membership and establish reciprocity if you are accepting employment with an employer covered by a reciprocal retirement system, provided membership in the agency begins within 6 months of your separation date. To elect reciprocity, complete Section B – Reciprocity Election by checking the box. Indicate the reciprocal agency and effective employment date. You will receive a letter with your reciprocal status upon our verification of eligibility.

  C. You may terminate your membership in ACERA and receive a refund of your contributions. To receive a refund of contributions, complete Section C – Withdraw (Refund) Contributions. If you are rolling over your funds, please review the attached IRS notice detailing your rollover rights. Upon verification of termination and receipt of final payroll/contribution information from your employer, if applicable, your refund will be processed with the next available check run. Please note that refunds cannot be processed until this information is received. Generally, this process takes 6 to 8 weeks from your separation date or ACERA's receipt of your request, whichever is later.

- To be eligible to elect a refund, you must be permanently separating from all employment covered by ACERA. If you indicate that the refund is to be rolled over, the payee on the check will not be you, but will be the trustee (bank or brokerage firm) of the account. It is your responsibility to provide accurate information on the institution intended to receive a rollover distribution. ACERA will not check to see if this information is correct or verify that the account is open.

SECTION A – DEFER MEMBERSHIP

☐ ➢ **DEFER MEMBERSHIP**: I elect to defer membership and leave accumulated contributions on deposit. (Generally, members with less than 5 years of credited service will not be entitled to a retirement benefit other than a refund of contributions and interest, if applicable, of their account balance).

Member Signature: ______________________________ Date: ______________

SECTION B – RECIPROCITY ELECTION

☐ ➢ I am accepting employment with an employer covered by a reciprocal retirement system, which will begin within 6 months of my separation date. I want to establish reciprocity, and understand that I must <u>leave my accumulated contributions and interest, if applicable, on deposit.</u> Please provide information regarding the reciprocal retirement system below.

Reciprocal Retirement System: ______________________ Date of Employment: ____________

Member Signature: ______________________________ Date: ______________

SECTION C – WITHDRAW (REFUND) CONTRIBUTIONS

Please read the attached Withdrawal Information Sheet and 402(f) Special Tax Notice before submitting this form.

- By electing a refund, this **refund** will <u>terminate your membership in ACERA and you will not be eligible for any future retirement benefits</u>.

☐ ➢ I elect to **terminate** my membership in ACERA and receive a refund of my total accumulated contributions and interest, if applicable. When paying refunds, ACERA is required by law to withhold federal tax from taxable contributions and interest, if applicable. State law requires taxes to be withheld unless you elect taxes not be withheld. Federal tax withholding is 20% of taxable amount. State tax is 10% of the federal tax withholding, i.e. 2% of total taxable distribution. If you do not want to have state taxes withheld from your refund, complete Section C on page 2 of this form.

☐ ➢ I elect to terminate my membership in ACERA and **rollover*** my eligible accumulated contributions and interest, if applicable, to the institution or plan designated below. (Any post-tax contribution paid into ACERA pre-1985 and post-tax lump sum purchases will be paid directly to you).

☐ ➢ I elect to terminate my membership in ACERA and receive a refund of $______________ and **rollover*** the balance of my eligible contributions to the institution or plan designated below.

*** IF YOU HAVE ELECTED A ROLLOVER OR PARTIAL ROLLOVER, YOU MUST COMPLETE THIS SECTION**

Name of Institution or Employer's Qualified Plan: ______________________

Address of Institution or Employer: ______________________

IRA Number or Plan Number and Employer's EIN Number: ______________________

Both sides of this Termination Form must be completed if you have selected a refund of contributions.

SECTION C – WITHDRAW (REFUND) CONTRIBUTIONS (CONTINUED)

STATE & FEDERAL TAX NOTICE:

When paying refunds, ACERA is required by law to withhold federal tax from taxable contributions and interest, if applicable. Federal tax withholding is 20% of taxable amount. State tax is 10% of the federal tax withholding, i.e. 2% of total taxable distribution. Federal tax withholding is mandatory.

State law requires taxes to be withheld unless you elect taxes not be withheld. If you do not want to have state taxes withheld from your refund, please indicate by checking the box and signing below.

☐ **DO NOT** withhold state tax from my refund check.

Member Signature: ______________________ Date: ______________

- **WAIVER OF RIGHTS:** I am aware of my service and disability retirement rights under ACERA. Despite my knowledge of these rights, I hereby WAIVE all rights to any future retirement benefits, in order to take this refund of contributions and interest, if applicable. I further understand that my tax-deferred contributions are subject to income tax withholding unless rolled over. I further understand that my request for a refund will be processed within 6 – 8 weeks from ACERA's receipt of this completed form or my separation date, whichever is later.

Member Signature: ______________________ Date: ______________

PART III – SPOUSAL RELEASE

- One of the following two sections must be completed if you have elected a withdrawal (refund) of contributions.

PART III SECTION A - SIGNATURE OF MEMBER SPOUSE

- I am the spouse of the member who is submitting this *Termination Election of Membership Form*. By signing below, I hereby acknowledge that I am informed about this form and its election.

Name of Spouse, please print: ______________________

Signature of Spouse: ______________________ Date: ______________

PART III SECTION B - DECLARATION OF REASON FOR ABSENCE OF SPOUSE'S SIGNATURE

- Pursuant to Government Code Section 31760.3 the member's current spouse must be made aware of the selection of benefits or change in beneficiary made by the member. The spouse of an ACERA member must acknowledge the submission of a request for a refund of contributions; election of retirement optional settlement; and designation of beneficiary for pre-retirement death benefits. If a spouse's signature does not appear, the following information must be completed by the member and submitted with the application or form.
  - I declare under penalty of perjury under the laws of the State of California that: (Check one)
    - ☐ I am not married.
    - ☐ My current spouse has no identifiable community property interest in any ACERA benefits earned through my employment.
    - ☐ I do not know and have taken reasonable steps to determine the whereabouts of my current spouse.
    - ☐ My current spouse has been advised of my election and has refused to sign the written acknowledgement.
    - ☐ My current spouse is incapable of executing the written acknowledgement because of an incapacitating mental or physical condition.
    - ☐ My current spouse and I have executed a marriage settlement agreement pursuant to California Family Code §§1500 – 1620 that makes the community property law inapplicable to our marriage.
  - I certify under penalty of perjury that the forgoing information is true and correct.

Member Signature: ______________________ Date: ______________

For ACERA Use Only

	PREVIOUSLY TAXED	ROLLOVER DISTRIBUTION	DISTRIBUTION TO MEMBER	TOTAL DISTRIBUTION
CONTRIBUTIONS (515-00-001)				
INTEREST (515-00-001)				
COL CONTRIBUTIONS (515-00-002)				
COL INTEREST (515-00-002)				
TOTAL				
STATE TAX WITHHELD				
FEDERAL TAX WITHHELD				
WARRANT	#	#	#	

Both sides of this Termination Form must be completed if you have selected a refund of contributions.

WITHDRAWAL REQUEST INFORMATION SHEET

- **IT IS STRONGLY ENCOURAGED THAT YOU SEEK THE PROFESSIONAL GUIDANCE OF YOUR TAX CONSULTANT.**

A. MEMBERS WHO ELECT TO LEAVE CONTRIBUTIONS ON DEPOSIT VESTED VS. NON-VESTED

- **VESTED MEMBERS (5 OR MORE YEARS OF SERVICE)**

  You may elect to leave your retirement funds with ACERA and defer your retirement benefits. If you defer your retirement, you can apply for retirement benefits upon reaching age 50 and after 10 years in membership, or upon attaining age 70. If you are a safety member, you may apply for your benefit at the time when you would have earned 20 years of service or upon reaching age 50 and 10 years of membership in ACERA, whichever is sooner. Also, if you defer and subsequently return to covered employment, you will return at your original entry age and tier status. Members who elect to defer their retirement will continue to earn interest, if applicable, on their contributions and may subsequently withdraw their retirement contributions and interest, if applicable, by submitting this *Termination Form.* Service credit is not earned while in deferred membership status.

- **NON-VESTED MEMBERS (LESS THAN 5 YEARS)**

  If you have less than five years and elect to leave your contributions on deposit, generally, you will be only eligible to receive the balance of your contributions and interest, if applicable, at any time you choose to have your funds disbursed. Leaving your contributions on deposit will usually not result in attaining retirement benefit eligibility. There are certain circumstances, however, that could allow a non-vested member to become eligible for a retirement benefit such as; becoming age 70, re-entering membership and earning enough service to become vested, establishing reciprocity (see reciprocity section), or purchasing available service credit to become vested. Also, if you defer and subsequently return to covered employment, you will return at your original entry age and tier status. Members who elect to defer their retirement will continue to earn interest, if applicable, on their contributions and may subsequently withdraw their retirement contributions and interest, if applicable, by submitting this *Termination Form.* Service credit is not earned while in deferred membership status.

- **MEMBERS WHO ELECT RECIPROCITY (TRANSFER TO A RECIPROCAL AGENCY)**

  As a member of ACERA, accepting covered employment with one of the reciprocal retirement systems listed below, you will have certain rights if you enter that employment within 6 months after leaving your ACERA covered employment and leave your retirement funds with ACERA. These rights include continuation of basic death and disability benefits; service under all systems will be added together to determine eligibility for benefits; contribution rates in the reciprocal system may be based on your age when you first entered ACERA rather than your current age; and final compensation used to determine your retirement benefits from ACERA will be the highest income earned under either of the linked systems, provided that you retire from the systems at the same time. Contributions you have elected to leave on deposit with ACERA may not be withdrawn while you remain in employment covered by one of the reciprocal systems. Once reciprocity is established, it may not be broken without significant consequences. Please contact ACERA (510-628-3000) for further information regarding reciprocity.

  Reciprocal Systems

  Other 1937 Act County Systems and their affiliated Districts: Contra Costa; Fresno; Imperial; Kern; Los Angeles; Marin; Mendocino; Merced; Orange; Sacramento; San Bernardino; San Diego; San Joaquin; San Mateo; Santa Barbara; Sonoma; Stanislaus; Tulare; Ventura.

  PERS (Public Employees' Retirement System), STRS (State Teachers' Retirement System), JRS (Judges' Retirement System), City and County of San Francisco

  Any retirement system that has reciprocity with PERS, except UCRS (University of California Retirement System).

B. MEMBERS WHO ELECT TO WITHDRAW THEIR RETIREMENT

Upon terminating your employment you can terminate your membership and withdraw your contributions and interest, if applicable, from ACERA. By requesting a withdrawal of your retirement contributions and terminating your membership in ACERA, you will be waiving and giving up any rights to retirement benefits which you might have been able to claim if you had remained a member. If you believe that you are disabled, either from your employment or you have a disability that is not job connected but still prevents you from working, by withdrawing your funds from ACERA you will be giving up the right to apply for disability retirement benefits. You must apply for disability benefits within four months of termination of your employment. ACERA staff is available at (510) 628-3000 to explain the nature and extent of retirement and disability benefits available to you, if you desire.

- **LUMP SUM WITHDRAWALS**

  This information is important in your decision of how to receive your retirement benefits from ACERA.

A retirement refund from ACERA that is eligible for “rollover” can be withdrawn in three ways. You can have your payment (1) paid to you; or (2) paid in a “direct rollover”; or (3) combination of direct rollover and payment to you. A rollover is a payment of your ACERA retirement funds to your individual retirement account (IRA) or to another employer’s retirement plan or another eligible plan. The choice you make will affect the tax and/or penalties you will owe on your withdrawal. The term “IRA”, as used in this notice, includes individual retirement accounts and individual retirement annuities.

- **IF YOU CHOOSE TO HAVE YOUR FUNDS PAID TO YOU**
  - Any previously taxed (post-tax) contributions will be refunded directly to you without any withholding.
  - ACERA is required by law to withhold 20% of the taxable refund and send it to the IRS as income tax withholding to be credited against your income taxes.
  - ACERA is required by law to withhold 10% of the federal tax withheld (i.e. 2% of the total taxable distribution) for state tax withholding unless you elect to not have state tax withheld.
  - You can roll over the payment by paying to an IRA or another eligible plan that accepts rollovers, within 60 days of receiving the refund. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.

- **PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER**

  Payments from ACERA may qualify for “eligible rollover distribution”. This means that they can be rolled over to an IRA (Individual Retirement Account) or to another employer plan that accepts rollovers. ACERA staff can tell you what portion of your payment is an eligible rollover distribution. In general, only the “taxable portion” (contributions made on a pre-tax basis) of your retirement refund is an eligible rollover distribution. Employee contributions made on an “after-tax” (post-tax) basis are non-taxable when they are refunded to you, and therefore ineligible for roll over. Prior to January 1, 1985, employee contributions were made on an “after-tax” (post-tax) basis. Lump sum cash payments (excluding payments made by rollover) for redeposits, and purchases of service are also considered “after-tax” (post-tax) contributions.

- **DIRECT ROLLOVER**

  You can choose a direct rollover of all or any portion of your pre-tax contributions as an “eligible rollover distribution,” as described above. In a direct rollover, the eligible rollover distribution is paid directly from ACERA to an IRA or other employer plan that accepts rollovers.

- **IF YOU CHOOSE A DIRECT ROLLOVER,**
  - Your payment will be made directly to your IRA, to another employer plan that accepts rollovers, or another eligible plan.
  - Pre-tax contributions, which are “rolled over” into an eligible IRA or employer plan, are not taxable until you withdraw those funds out of the IRA or the employer plan.
  - The amount of the rollover will only include contributions made on a pre-tax basis and exclude your post-tax contributions. Your post-tax contributions will be refunded directly to you.

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 Alameda County Employees' Retirement Association ("ACERA" 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 may be eligible to be rolled over to an IRA, Roth IRA, or an eligible employer plan. A rollover is a payment by you or ACERA (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 that is eligible for rollover (see "*How much may I roll over?")* 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 eligible 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. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment. If you roll over your benefit, however, 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 sections below entitled "*If you were born on or before January 1, 1936*" and "*If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?*"

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)

The Plan administrator or payer 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;
- 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 is 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 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 ACERA for the election form and related information.

What are the consequences for failing to defer receipt of an eligible rollover distribution?

If you choose to have an eligible rollover distribution (or a distribution that is not eligible for rollover) 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 generally included in the payment.

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). The Plan Administrator can tell you the amount of any after-tax contributions included in your distribution request. If you do a 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 complete distribution of your benefit which totals $12,000, of which $2,000 is after-tax contributions. In this case, if you roll over $10,000 to an IRA, 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.

Special Note: The Internal Revenue Service is currently taking the position that if there are two different recipients for a Plan distribution, then there are two distributions. In that case, the Internal Revenue Service is taking the position that, for example, if you receive a separate check for the amount of after-tax contributions you have made to the Plan and the remainder is forwarded to another qualified plan or an IRA, each of those two distributions must be treated as having an allocable share of after-tax contributions. The Internal Revenue Service has indicated to representatives of the American Bar Association that they are looking into this issue. If your payment includes after-tax contributions, you should consult with a personal financial and/or tax advisor regarding your rollover elections.

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, 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 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 the 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). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

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, Individual Retirement Arrangements (IRAs).

You cannot roll over a payment from the Plan to a designated Roth account in an employer 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.

Note that although California state law recognizes same-sex spouses and domestic partners, a spouse for federal tax law purposes must be a person of the opposite sex to whom you are married. A same-sex spouse or domestic partner beneficiary is treated as a nonspouse beneficiary for federal tax law purposes. See the rules described under the section below titled "*If you are a surviving beneficiary other than a spouse*."

- *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 not elect to have separate portions of an eligible rollover distribution directly rolled over to multiple trustees or custodians.

- You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.

For More Information

You may wish to consult with ACERA, or a professional tax advisor, before taking a payment from the Plan. Also, 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, 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, or by calling 1-800-TAX-FORM.

If you have additional questions after reading this notice, you can contact ACERA at (510)628-3000.