Termination Election Form

475 14th Street, Suite 1000, Oakland, CA 94612-1916 • QIC 22901
510-628-3000 • 1-800-838-1932 • Fax: 510-268-9574
Email: info@acera.org • Website: www.acera.org

SECTION 1

Information About You

Your Name (First Name, Middle Initial, Last Name)

Full Social Security Number

Physical Home Address

City

State

ZIP

Birth Date (mm/dd/yyyy)

Home/Cell Phone

Work Phone

Personal Email Address (Not Work Email Address)

Please List Any Other Names Used

SECTION 2

Marital or Domestic Partnership Status

Members who have divorced or terminated domestic partnerships must submit the final judgment (all pages) or other terminating documentation and any settlement agreement or property order for legal review, if a divorce or termination of domestic partnership occurred during ACERA membership. ACERA may also require additional documents. ACERA will only process payment upon conclusion of legal review.

Current Marital, State-Registered Domestic Partnership, or Alameda County Domestic Partnership Status:

☐ Married or Partnered ☐ Divorced or Partnership Terminated ☐ Single & Never Married or Partnered ☐ Spouse or Domestic Partner Deceased

Name of Current Spouse or Domestic Partner

Date of Marriage or Domestic Partnership (mm/dd/yyyy)

First Prior Marriage / Domestic Partnership That Existed During ACERA Membership

Name of First Prior Spouse or Domestic Partner

Start Date (mm/dd/yyyy) to Separation Date (mm/dd/yyyy)

Second Prior Marriage / Domestic Partnership That Existed During ACERA Membership

Name of Second Prior Spouse or Domestic Partner

Start Date (mm/dd/yyyy) to Separation Date (mm/dd/yyyy)

Please submit an attachment with Name, Marriage Date, and Separation Date of all additional prior marriages, state-registered domestic partnerships, or Alameda County domestic partnerships.

Deceased Spouse / Domestic Partner

If spouse, state-registered domestic partner, or Alameda County domestic partner are deceased, please provide their name and date of death.

Name of Deceased Spouse, State-Registered Domestic Partner, or Alameda County Domestic Partner

Date of Death (mm/dd/yyyy)

Please submit an attachment with the information requested above if you have more than one deceased spouse/domestic partner to whom you were married or partnered during any portion of your ACERA membership.

By signing and submitting this form to ACERA, you are certifying that you have disclosed your current spouse/domestic partner (if any) and any ex-spouses/ex-domestic partners of yours during any portion of your ACERA membership. If any such person ever establishes a right to any amounts after ACERA has paid those amounts to you, you will be fully liable for those amounts, which ACERA may recover from you.

SECTION 3

Election of Membership or Termination

Upon permanent separation of employment covered by ACERA, one of the following three options is available. If you do not respond within 30 days after separating employment, your account will be automatically placed in deferred status.

Please elect ONE option (1, 2, or 3).

☐ **1. Defer ACERA Membership**

I elect to defer membership and leave my member contributions and accrued interest on deposit so that the funds will continue to accrue interest and I may later either withdraw the funds (plus interest) or retire when I become eligible.

Please review the Termination Information Sheet provided with this form for information regarding your retirement eligibility.

If you checked No. 1 above, skip to Section 6 below.

☐ **2. Establish Reciprocity With Another California Retirement System and Defer ACERA Membership**

I am accepting employment covered by a reciprocal retirement system, which will begin within six months after my ACERA separation date. I understand that:

- I must leave my accumulated contributions and accrued interest on deposit with ACERA.
- I may not withdraw my funds from ACERA while I am a member of my other retirement system, except in the limited circumstance described immediately below.
- If I am granted a disability retirement from my subsequent system, my allowance from ACERA may be reduced or eliminated entirely, but if that happens I will be entitled to withdraw my member contributions and accrued interest.

Please provide information regarding the reciprocal retirement system below:

Reciprocal Retirement System | Date of Employment

Please review ACERA's reciprocity webpage at www.acera.org/reciprocity.

You will receive a letter with your reciprocal status upon our verification of eligibility.

If you checked No. 2 above, skip to Section 6 below.

Put your name and date at the top of every page.

Your Name (First Name, Middle Initial, Last Name) | Date (mm/dd/yyyy)

SECTION 3

Election of Membership or Termination (continued)

☐ **3. Withdraw Contributions and Termination of ACERA Membership**

I elect to withdraw my contributions and accrued interest and terminate my ACERA membership. I understand I will not be eligible for any future benefits from ACERA unless I later become employed by an ACERA-participating employer and once again become an active ACERA member. If I become an active ACERA member again, I will have the option to redeposit my withdrawn funds, plus interest, to get my forfeited service credit back.

Upon verification of termination and receipt of final payroll/contribution information from your employer, your refund will be processed with the next available check run. Refunds cannot be processed until that information is received. This process usually takes 6 to 8 weeks from your separation date or ACERA's receipt of your request, whichever is later.

Please read the attached Termination Information Sheet and Special Tax Notice Regarding Plan Payments And Federal Income Tax before submitting this form, then select one of three options below and complete Sections 4 and 5 below.

Please select ONE withdrawal option (A, B, or C) below.

☐ **A. Refund:** I elect to terminate my membership in ACERA and receive a refund of my contributions and accrued interest.

PLEASE MAKE THE FOLLOWING TAX ELECTION FOR REFUND:

Federal taxes ________ % (must be 20% or greater; it will be 20% if left blank).

California taxes ________ % (any percentage, including 0%; it will be 2% if left blank)

☐ **B. Rollover:** I elect to terminate my membership in ACERA and rollover my eligible contributions and accrued interest to the institution or plan designated below. (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. The payee on the check will be the bank or brokerage firm you list below. Any post-tax contribution paid into ACERA pre-1985 and post-tax lump sum purchases will be paid directly to you.)

PLEASE PROVIDE ACCOUNT INFORMATION FOR ROLLOVER:

Name of Institution for Rollover: ________________

Address of Institution for Rollover: ________________

IRA Account Number or Plan Number: ________________

Put your name and date at the top of every page.

Your Name (First Name, Middle Initial, Last Name) | Date (mm/dd/yyyy)

SECTION 3

Election of Membership or Termination (continued)

☐ **C. Refund and Rollover:** I elect to terminate my membership in ACERA and receive a refund of $______________ and rollover the remaining balance in my member account after the refund to me to the institution or plan designated below.

PLEASE MAKE THE FOLLOWING TAX ELECTION FOR AMOUNT PAID TO YOU:

Federal taxes ________ % (must be 20% or greater; it will be 20% if left blank).

California taxes ________ % (any percentage, including 0%; it will be 2% if left blank)

PLEASE PROVIDE ACCOUNT INFORMATION FOR ROLLOVER:

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. The payee on the check will be the bank or brokerage firm you list below. Any post-tax contribution paid into ACERA pre-1985 and post-tax lump sum purchases will be paid directly to you.

Name of Institution for Rollover: ____________________

Address of Institution for Rollover: ____________________

IRA Account Number or Plan Number: ____________________

SECTION 4

Signature of Member's Spouse or Domestic Partner (Withdrawals Only)

If you elected Withdrawal and Termination of Membership, you must complete this section.

If you are married, in a state-registered domestic partnership, or in an Alameda County domestic partnership, then your current spouse/domestic partner needs to sign below. If your spouse/ domestic partner cannot or will not sign or if you do not have a spouse/domestic partner, then you must complete and execute the declaration at the bottom of the page.

I, ____ ,
Name of Spouse or Domestic Partner (Print First Name, Middle Initial, Last Name)

have reviewed the completed sections in this Termination Election of Membership Form. I am the spouse, state-registered domestic partner, or Alameda County domestic partner of the ACERA member who is submitting this Termination Election of Membership Form. I understand that the sole purpose of my signature below is to acknowledge that I am aware of the withdrawal of funds elected by my spouse, state-registered domestic partner, or Alameda County domestic partner.

Spouse, State-Registered Domestic Partner, or Alameda County Domestic Partner Signature | Date (mm/dd/yyyy)

Email of Spouse or Domestic Partner

Member Declaration If There Is No Spouse or Domestic Partner Signature Above

If you are not married, in a state-registered domestic partnership, or in an Alameda County domestic partnership, or if your spouse/domestic partner has not signed above, then you must execute a declaration with one of the choices below.

I, ____ , declare as follows:
Name of Member (Print First Name, Middle Initial, Last Name)

- ☐ I am not currently married, in a state-registered domestic partnership, or in an Alameda County domestic partnership.
- ☐ My current spouse/domestic partner has no identifiable community property interest in my ACERA benefits.
- ☐ I do not know, and have taken all reasonable steps to determine, the whereabouts of my current spouse/domestic partner.
- ☐ My current spouse/domestic partner has been advised of my selection of an optional settlement and/or my change in beneficiary designation and has refused to sign the written acknowledgment.
- ☐ My current spouse/domestic partner is incapable of executing the acknowledgment because of an incapacitating mental or physical condition.
- ☐ I and my current spouse/domestic partner have executed a marriage settlement agreement pursuant to Part 5 (commencing with Section 1500) of Division 4 of the Family Code which makes the community property law inapplicable to the marriage/domestic partnership.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Member Signature | Date (mm/dd/yyyy)

SECTION 5

Identification (Withdrawals Only)

Log in to your ACERA account at www.acera.org/login. Under My Contributions, look at the Total Balance. Select ONE option:

☐ My Total Balance is less than $10,000.

If your Total Balance is less than $10,000 please attach a copy of a valid (not expired) photo identification. Acceptable forms of identification are:

- Driver's license or state identification card from California or other U.S. State.
- Official US passport or official passport issued from a US territory
- Valid foreign passport with valid record of arrival/departure (Form I-94)

☐ My Total Balance is $10,000 or more.

If your Total Balance is $10,000 or more, you MUST get this form notarized. Use the California All-Purpose Acknowledgement located after the signature page below.

Put your name and date at the top of every page.

Your Name (First Name, Middle Initial, Last Name) | Date (mm/dd/yyyy)

SECTION 6

Waiver and Signature

I acknowledge the following.

- If I withdraw my contributions and terminate my ACERA membership, I am giving up any rights I have to retire for service or disability. I understand that I can obtain retirement benefit estimates from ACERA before deciding whether to withdraw my contributions.
- My tax-deferred contributions are subject to income tax withholding unless rolled over (please review the Special Tax Notice attached below).
- 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.
- **I understand that if there is a pending administrative appeal, grievance hearing arbitration reinstatement/settlement concerning my employment and if I withdraw contributions and interest at any time prior to reinstatement or return to employment status with my former employer, I will be required to make an irrevocable election regarding redeposit of the accumulated contributions plus applicable interest.**

I hereby confirm the election of Deferred Membership, Reciprocity, or Withdrawal/Termination shown on this form. I understand this form is not effective (binding on ACERA) until it is received by ACERA and ACERA has confirmed it is complete.

Member Signature | Date (mm/dd/yyyy)

Before submitting this form to ACERA, please check the following:

- All required fields are complete.
- I signed above.
- (Withdrawals only, under $10,000) I attached a copy of a valid photo identification.
- (Withdrawals only, over $10,000) I have had the form notarized.

How to Submit Your Termination Election Form

510-628-3000 • 1-800-838-1932 • info@acera.org

If You Elected to:

1.) Defer Your Membership or 2.) Elect Reciprocity

Use One of Five Options:

- **OPTION A: Scan and Upload**
  1. Print your form and sign it.
  2. Install the free Adobe Scan app on your smartphone, and use it to create a single PDF of all pages of your form. Visit www.acera.org/scan for a tutorial and a link to get the app. (Alternatively, you can use a physical scanner to create a PDF.)
  3. Log in to your account at www.acera.org/login. Click the Upload Documents link to upload your signed, scanned, PDF form. (Or instead of uploading, you can email it to info@acera.org.)

- **OPTION B: Quick Code (QIC)**
  Print your form, sign it, place it in a county Quick Code (QIC) envelope, and send it to ACERA at 22901.

- **OPTION C: Fax**
  Fax your printed, signed form to 510-268-9574.

- **OPTION D: Mail**
  Mail your printed, signed form to:

  ACERA
  475 14th Street, Suite 1000
  Oakland, California 94612

- **OPTION E: Drop It In Our Office Drop Box**
  Print your form, sign it, and submit the original copy in our drop box. Our drop box is in our office elevator lobby on the 10th floor of 475 14th Street in Oakland. The lobby is open during regular business hours, Mon-Fri 9:00am–4:30pm, excluding holidays. You don't need an appointment.

If You Elected to:

3.) Withdraw Contributions (Refund and/or Rollover)

Use One of Three Options:

- **OPTION A: Quick Code (QIC)**
  Print your form, sign it, place it in a county Quick Code (QIC) envelope, and send it to ACERA at 22901.

- **OPTION B: Mail**
  Mail your printed, signed form to:

  ACERA
  475 14th Street, Suite 1000
  Oakland, California 94612

- **OPTION C: Drop It In Our Office Drop Box**
  Print your form, sign it, and submit the original copy in our drop box. Our drop box is in our office elevator lobby on the 10th floor of 475 14th Street in Oakland. The lobby is open during regular business hours, Mon-Fri 9:00am–4:30pm, excluding holidays. You don't need an appointment.

California All-Purpose Acknowledgement

CIVIL CODE §1189

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,____,
Date Name and Title of the Officer

personally appeared ____
Name(s) of Signer(s)

____,

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.

Signature ____
Signature of Notary Public

Place Notary Seal Above

Optional

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title of Type of Document:____

Document Date:____Number of Pages:__________________

Signer(s) Other Than Named Above:____

Capacity(ies) Claimed by Signer(s)

Signer(s) Name:
☐ Corporate Officer — Title(s):________________
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other:___________________________________
Signer Is Representing:______________________
____

Signer(s) Name:
☐ Corporate Officer — Title(s):_____________
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other:_________________________________
Signer Is Representing:___________________
____

Termination Information Sheet

YOU ARE STRONGLY ENCOURAGED TO SEEK THE PROFESSIONAL GUIDANCE OF YOUR TAX CONSULTANT.

A. MEMBERS IN TIERS 1, 2 AND 3 WHO ELECT TO LEAVE CONTRIBUTIONS ON DEPOSIT

- ▹ If you have at least five years of service credit (ACERA and reciprocal), you are eligible to retire at age 50 after you have been in membership for 10 years (ACERA or reciprocal).
  - o If you are a general member, you may retire after 30 years in membership (ACERA or reciprocal), even if that is before age 50.
  - o If you are a safety member, you may retire after 20 years in membership (ACERA or reciprocal), even if that is before age 50
- ▹ If you have less than five years of service credit (ACERA and reciprocal), you are eligible to retire at age 70.
- ▹ You will continue to earn interest on your contributions and you may later withdraw your retirement contributions and interest before (and instead of) retiring.

B. MEMBERS IN TIER 4 WHO ELECT TO LEAVE CONTRIBUTIONS ON DEPOSIT

- ▹ If you have five years of service credit (ACERA or reciprocal), you are eligible to retire at:
  - o Age 52 if you are a general member.
  - o Age 50 if you are a safety member.
- ▹ If you have less than five years of service credit, you are eligible to retire at age 70.
- ▹ You will continue to earn interest on your contributions and you may later withdraw your retirement contributions and interest before (and instead of) retiring.

C. 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 six months after leaving your ACERA covered employment and leave your retirement funds with ACERA. The primary benefits of reciprocity are:
  - o Service under all systems will be added together to determine eligibility for benefits if you retire concurrently from both systems (concurrent retirement is not required when it is not possible).
  - o Contributions to the reciprocal system may be based on your age when you first entered ACERA.
  - o Compensation at your reciprocal system may be considered for the purposes of determining your ACERA final compensation used to determine your ACERA allowance (and vice versa) if you retire concurrently from both systems (concurrent retirement is not required when it is not possible).
- ▹ Contributions you have elected to leave on deposit with ACERA may not be withdrawn while you are a member of the reciprocal system, except in the limited circumstance described below.
- ▹ If your subsequent system grants you a disability retirement, your ACERA allowance may be reduced or eliminated entirely, but if that happens you will be entitled to withdraw your member contributions and accrued interest.
- ▹ Please contact ACERA (510-628-3000) for further information regarding reciprocity.

▪ <u>**Reciprocal Systems**</u>

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 University of California Retirement Plan (UCRP) (although some UCRP members working in hospitals may qualify for reciprocity).

D. MEMBERS WHO ELECT TO WITHDRAW THEIR RETIREMENT

- ▹ By requesting a withdrawal of your retirement contributions and terminating your membership in ACERA, you will be giving up any rights to retirement benefits that you might have been able to claim if you had remained a member. You can obtain retirement benefit estimates from ACERA before deciding whether to withdraw your contributions. You are strongly encouraged to consult with ACERA staff is available at (510) 628-3000 before withdrawing your funds if you believe you might be entitled to a disability retirement, because you will not be able to apply for a disability after withdrawing your funds.
- ▹ A 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 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.

- **Tax Information**

  - ▹ 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 portion of the refund and send it to the IRS as income tax withholding to be credited against your income taxes when you file your Form 1040.
  - ▹ If you have reached your applicable required minimum distribution (RMD) age under IRC § 401(a)(9) (meaning (i) age 70 ½ if you attained age 70 ½ before January 1, 2020, (ii) age 72 if you attained age 70 ½ on or after January 1, 2020 and age 72 before January 1, 2023, (iii) age 73 if you attained age 72 on or after January 1, 2023 and age 73 before January 1, 2033, or (iv) age 75 if you attain age 73 on or after January 1, 2033), a portion of your distribution constitutes an RMD and is ineligible for rollover. ACERA is required by law to withhold only 10% on the taxable portion of your refund which is ineligible for rollover/constitutes an RMD and send it to the IRS as income tax withholding to be credited against your income taxes when you file your Form 1040.
  - ▹ If you are a California resident, ACERA is required by law to withhold 10% of the federal tax withheld (i.e. 2% of the total taxable distribution eligible for rollover or 1% of any RMD) for state tax withholding unless you elect to have a lesser amount (or no amount) withheld.
  - ▹ With respect to the portion of your distribution eligible for rollover (that portion which does not constitute an RMD), 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. In order to avoid the payment of any state or federal income taxes on the portion of your distribution eligible for rollover, you will need to make-up any taxes withheld from the eligible rollover distribution by ACERA when rolling over the payment to the IRA or other eligible plan. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.

- **Distribution of After-Tax Contributions**

  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 re-deposits, and purchases of service are also considered "after-tax" (post-tax) contributions. The portion of your distribution attributable to "after-tax" contributions is non-taxable when refunded to you and not subject to federal or state income tax withholding. These amounts may also be eligible to be rolled over into a Roth IRA.

- **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 not include RMDs. RMDs must be paid 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 ACERA is 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. After-tax contributions are eligible for rollover to a Roth IRA. 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, wil 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.

<u>If you do a direct rollover</u>, 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.

<u>If you do not do a direct rollover</u>, 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 portion of the payment that is eligible for rollover, and 10% of any RMD, in 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. (You may not rollover the portion that is attributable to an RMD.) If you do not roll over the entire amount of the payment, the portion not rolled over will be subject to federal and state tax and may also 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 your applicable RMD age (as explained, above) or after death.

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 59 ½, 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 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 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?

Yes. If you are a California resident, under California law, ACERA is required to withhold 10% of any federal taxes withheld (or 2% of the taxable portion of your refund eligible for rollover) in California taxes.

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. 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). ACERA 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.

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 RMDs 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 ACERA to a designated Roth account in an employer plan.

If you are not a member

Payments after death of the participant. If you receive a distribution after the member'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 member was born on or before January 1, 1936.

- ***If you are a surviving spouse***

If you receive a payment from ACERA as the surviving spouse of a deceased member, you have the same rollover options that the member 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 RMDs from your IRA do not have to start until after you reach attain your applicable RMD age.

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 member had started taking RMDs, you will have to receive RMDs from the inherited IRA. If the member had not started taking RMDs from ACERA, you will not have to start receiving RMDs from the inherited IRA until the year the member would have attained his or her applicable RMD age.

Under 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 the 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 ACERA because of the member'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 RMDs from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the member who receives a payment from ACERA under a qualified domestic relations order (QDRO), you generally have the same options the member 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%, ACERA 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, ACERA 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 electing to receive your benefit. 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 (800) 838-1932.