

Important Notice: Members who voluntarily or involuntarily terminate employment with any SBCERA participating employer have certain rights and options with regard to their SBCERA account. Please read the following information to help you decide what to do with your SBCERA account. If you need further clarification, please call SBCERA at (909) 885-7980 or toll free at (877) 722-3721.

If you have five (5) or more years of employment service, below are the options available to you when you terminate your employment from any SBCERA participating employer. If you do not return this form to SBCERA, your account will automatically be put into a Deferred status.

- 1) You are considered vested in the retirement plan. Being vested allows you to defer your retirement. With this option, you must leave your contributions on deposit with SBCERA. You will begin to receive the benefits once you are eligible to retire, and when you submit an application for retirement. There are two requirements to retire: (1) you must be at least 50 years old **AND** (2) you must have the equivalent of at least 10 years of service credit had you not left the SBCERA employer. To get an idea of how much your retirement benefits will be when you are eligible, please call SBCERA to request a benefit estimate. If this is your preferred option, please complete and sign the enclosed ***Request to Defer Retirement Form***.
- 2) If you are working for another public agency in California that has a reciprocal agreement with SBCERA, you also have the option to defer your retirement and establish "reciprocity." Reciprocity links your employment service between two retirement systems that have a reciprocal agreement. Your employment with the other public agency must begin within 180 days after your termination date with the SBCERA employer. If this applies to you, please complete and sign the enclosed ***Request to Defer Retirement Form***.
- 3) If you have only non-refundable contributions, your only option is deferred retirement. You may not request a refund. Please make sure to complete and sign the enclosed ***Request to Defer Retirement Form***. If you have both refundable and non-refundable contributions, you may request the refundable portion of your contributions. **Please note that you waive all rights to retirement benefits including disability when you request a refund of your refundable contributions.** Please call SBCERA to verify if this option is available to you.
- 4) If you have refundable contributions, you have the right to a refund of the money in your account. You can request a refund of your account balance, or a rollover of your account balance to a qualified retirement plan (IRA) of your choice. You can also rollover a partial amount to a qualified retirement plan (IRA) and have the remaining funds paid to you. If this is your preferred option, please complete and sign the enclosed ***Request for Refund of Contribution / Rollover to IRA / Leave Funds on Deposit Form***. A refund or rollover of your contributions will terminate all rights to any retirement benefits including disability benefits.

If you have less than five (5) years of employment service, below are the options available to you when you terminate your employment with any SBCERA participating employer. If you do not return this form to SBCERA, your account will automatically be put "On Deposit."

- 1) You may leave your funds on deposit with SBCERA and let them continue to earn interest. Currently, the interest rate is based on the six-month T-bill rate. If this is your preferred option, please complete and sign the enclosed ***Request for Refund of Contribution / Rollover to IRA / Leave Funds on Deposit Form***.
- 2) If you have refundable contributions, you have the right to access the money in your account. You can request a refund, or rollover your account to a qualified retirement plan (IRA) of your choice. You can also rollover a partial amount to a qualified retirement plan (IRA) and have the remaining funds paid to you. If this is your preferred option, please complete and sign the enclosed ***Request for Refund of Contribution / Rollover to IRA / Leave Funds on Deposit Form***.
- 3) If you have only non-refundable contributions, your only option is deferred retirement with reciprocity. If you are employed by another public agency in California within 180 days after your termination date from a SBCERA employer, please contact SBCERA to find out if you are eligible for reciprocity. If you are re-employed by the County of San Bernardino or become employed by another SBCERA employer, you may request service credit for the period of employment for which you elected non-refundable contributions. Please complete and sign the enclosed ***Request to Defer Retirement Form***. If you have both refundable and non-refundable contributions, you may request the refundable portion of your contributions. **Please note that you waive all rights to retirement benefits including disability when you request a refund of your refundable contributions.** Please call SBCERA to verify if this option is available to you.



Request to Refund Contributions / Rollover to IRA / Leave Funds on Deposit

Please make sure you have read the cover page for this form. If you have questions, please call SBCERA at (909) 885-7980 or toll free at (877) 722-3721. After completing this form, please send it to SBCERA at 348 W. Hospitality Lane 3rd Floor, San Bernardino, CA 92415-0014.

PART I. EMPLOYEE INFORMATION

Name of Member _____ SSN _____

Mailing Address _____

Contact Phone No. _____ Dept/ District _____

Termination Date _____

PART II. SELECTION OF OPTION

Please handle my SBCERA account in the following manner:

I elect to leave my retirement contributions on deposit with SBCERA. Because I am not vested, I understand that leaving my contributions on deposit with SBCERA does not entitle me to any future retirement benefits including disability. I may request a refund of my refundable contributions at any time.

I elect to rollover my tax-deferred contributions to a qualified IRA. The amount of tax-deferred dollars which I do not want to rollover, but want paid directly to me is \$ _____ (An estimate of pre-tax dollars can be obtained from SBCERA).

Please withhold California State Tax at 2% _____ Yes _____ No

I understand that for the tax-deferred contributions to be rolled over, the line on the check will be designated to the trustee of the new account and not to me as in the example: "To the ABC Bank as Trustee of John Smith". Note: Contributions made with after-tax dollars can be refunded, but cannot be rolled over.

Please certify that the plan is qualified according to the "Unemployment Compensation Amendments of 1992" and the following information is accurate.

Name of Recipient Institution _____

Address of Recipient Institution _____

Account Number _____

Name & Signature of Representative for Financial Institution _____

Title _____ Date _____



348 W. Hospitality Lane, San Bernardino CA 92415-0014

909 885 7980

I elect a refund of contributions.

Please withhold California State Tax @ 2% _____ Yes _____ No

Federal Income Tax Withholding: Your tax-deferred contributions and interest in SBCERA will be subject to taxes as personal income in the year you receive your refund. Therefore, 20% Federal income tax will be withheld from your refund, unless your refund is less than \$200.00 or your contributions were made with after-tax dollars. **Please read the attached two-page guide entitled "Special Tax Notice regarding Lump Sum Withdrawals".**

State Income Tax Withholding: Two percent (2%) State income tax can be withheld from your refund at your request.

I have read the notices and instructions including the two-page guide entitled "Special Tax Notice regarding Lump Sum Withdrawals" and do hereby affirm that by making a claim for one of the aforementioned options, marking the appropriate box and affixing my signature below, all the statements are accurate.

Waiver of Rights: I am aware of my service and disability retirement rights with SBCERA. I have read the description of rights, and the benefits calculations formula and table, set forth in the SBCERA Retirement Plan Booklet for my classification as well as the instructions in this form regarding my rights to a disability retirement.

Signature of Member _____ Date _____

Despite my knowledge of these facts, I hereby WAIVE all rights to any future retirement benefits in order to take a refund or rollover of contributions.

_____ **Member's Initials (Refund/rollover cannot be processed without member's initials.)**

PART III. NOTIFICATION OF SPOUSE

Government Code 31672.3 requires that the member's current spouse be notified of the member's selection of benefits. **IF MEMBER IS NOT MARRIED OR CANNOT OBTAIN SIGNATURE OF CURRENT SPOUSE, the JUSTIFICATION FOR NON SIGNATURE OF SPOUSE Form must be completed and signed.**

By signing this form, I, _____ acknowledge my spouse's selection of benefits.
Printed Name of Spouse

Signature of Spouse _____ Date _____

An Advisory prepared by SBCERA
SPECIAL TAX NOTICE REGARDING LUMP-SUM WITHDRAWALS

Please consult your professional tax advisor for assistance with your decisions regarding tax withholding and tax filing. SBCERA cannot offer tax or legal advice. This notice contains important information you will need before you decide how to receive your benefits from the San Bernardino County Employees' Retirement Association (SBCERA). This special notice is intended to give you a general idea of the tax consequences regarding lump-sum withdrawals.

Every effort has been made to ensure the timeliness and accuracy of the information offered. However, you should not rely solely on the information contained herein. Your tax liability will depend on the particular circumstances of your situation. Your actual tax liability will be determined according to Federal and State tax laws. Therefore, your tax liability may, in some cases, be different from those presented in this special notice. In the event of any discrepancy between the information contained in this special notice and the Federal and State tax laws, the Federal and State tax laws will govern.

SUMMARY

A payment from SBCERA that is eligible for rollover can be taken in two ways. You can have all or any portion of your payment either (1) paid in a "direct rollover" or (2) paid to you. A rollover is a payment of your SBCERA benefits to your Individual Retirement Account (IRA) or to another employer plan. This choice will affect the tax you owe.

If you choose a Direct Rollover:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your IRA or if, you choose, to another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the IRA or the employer plan.

If you choose to have your SBCERA lump-sum benefits paid to you:

- You will receive only 80% of the payment because the SBCERA Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 ½, you also may have to pay an additional 10% Federal excise tax as well as 2½% State excise tax.
- You can roll over the payment by paying it to your IRA or to another employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to roll over 100% of the payment to an IRA or an employer plan, you must find other money to replace the 20% 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.

I. Payments that Can and Cannot be Rolled Over

Payments from SBCERA may be "eligible rollover distributions". This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. Your SBCERA staff should be able to tell you what portion of your payment is an eligible rollover distribution. This type of payment *cannot* be rolled over:

Non-Taxable Payments— In general, only the "taxable portion" of your payment is an eligible rollover distribution. If you have made "after tax" employee contributions to SBCERA, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over. (After tax employee contributions generally are contributions you made from your own pay that were already taxed).

II. Direct Rollover

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution" as described above. In a direct rollover, the eligible rollover distribution is paid directly from SBCERA to an IRA or another employer plan that accepts rollovers. If you chose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

(1) Direct rollover to an IRA— You can open an IRA to receive the direct rollover. (The term IRA, as used in this notice, includes individual retirement accounts and individual retirement annuities). If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangement for more information on IRAs, including limits on how often you can roll over between IRAs.

(2) Direct Rollover to a Plan— If you are employed by a new employer that has a plan and you want a direct rollover to that plan, ask the Administrator of the plan whether it will accept your rollover. An employer plan is not legally required to accept a rollover. If your new employer's plan does not accept a rollover, you can choose a direct rollover to an IRA.

III. Payment Paid to You

If you have the payment made to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it, unless you roll it over to an IRA or another plan that accepts rollovers within 60 days. If you do not roll it over, special tax rules may apply.

INCOME TAX WITHHOLDING

Mandatory Withholding

If any portion of the payment to you is an eligible rollover distribution, SBCERA is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is \$10,000, only \$8,000 will be paid to you because SBCERA must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full \$10,000 as a payment from SBCERA. You will report the \$2,000 as tax withheld and it will be credited against any income tax you owe for the year.

60-Day Rollover Option

If you have an eligible rollover distribution paid to you, you can still decide to rollover all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll it over, you must make the rollover 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 IRA or the employer plan.

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

For Example: Your eligible rollover distribution is \$10,000 and you choose to have it paid to you. You will receive the \$8,000 and \$2,000 will be sent to IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may rollover the entire \$10,000 to an IRA or employer plan. To do this, you roll over the \$8,000 you received from SBCERA, 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 IRA or employer plan. If you rolled over the entire \$10,000, then when you file your income tax you *may* get a refund 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 rollover the entire \$10,000).

Additional 10% Tax if you are under age 59 ½

If you receive a payment before you reach age of 59 ½ 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 does not apply to your payment if it is (1) paid to you because you separate from service with your employer during or after the year you reach age 55; (2) paid because you retire due to disability; (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or yours and your beneficiary's lives or life expectancies); or, (4) used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% tax. (You may also be subject to a 2½% State penalty tax for early withdrawal).

Special Tax Treatment

If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump-sum distribution" it may be eligible for special tax treatment. A lump-sum distribution is a payment of your entire balance under SBCERA that is payable to you within one year because you have separated from service with your employer, and you have reached age 59½. For a payment to qualify as a lump-sum distribution, you must have been a participant in SBCERA for at least five years. The special tax treatment for lump-sum distributions is described below:

Five-year averaging

If you receive a lump-sum distribution after you are age 59½, you may be able to make a one-time election to figure the tax on the payment by using the "five-year averaging". Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over five years.

10-year averaging if you were born before 1/1/1936

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 "10-year averaging" (using 1986 tax rates) instead of five-year averaging (using current tax rates). Like the five-year averaging rules, 10-year averaging often reduces the tax you owe.

Capital Gain Treatment if you were born before 1/1/1936

In addition, if you receive a lump-sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in SBCERA (if any) 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. If you have previously rolled over a payment from SBCERA (or certain other similar plans of the employer), then you cannot use this special tax treatment for later payments from SBCERA. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described on IRS Form 4972, which has more information on lump-sum distributions and how you elect the special tax treatment.

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 SBCERA results from a "qualified domestic relations order" which is an order issued by a court, usually in connection with a divorce or legal

separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA, but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you want it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers. If you are a beneficiary other than the surviving spouse, you cannot choose a direct rollover and you cannot rollover the payment yourself.

If you are a surviving spouse, an alternate payee, or other beneficiary, your payment is not subject to the additional 10% tax described in Section III above, even if you are younger than age 59 ½.

If you are a surviving spouse, an alternate payee or other beneficiary, you may be able to use the special tax treatment for lump-sum distributions and the special rule for payments that includes employer stock as described in Section 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 five years of participation in SBCERA.

Please contact the Internal Revenue Service (1-800-829-1040) to obtain additional data and booklets including:

- #575 Pension and Annuity Income
- #590 Individual Retirement Arrangements (IRAs)
- #554 Tax Information For Older Americans

Or, seek the professional guidance of your tax consultant.