# Refund Application Package

March 2012

mainePERS
Public Employees Retirement System

# Maine Public Employees Retirement System

# Refund Application Package

**This booklet contains information to apply for a refund of your MainePERS contributions.**

MainePERS members can take a refund of their MainePERS contributions, along with the interest those contributions have earned, when they leave all MainePERS-covered positions. You do not receive any contributions your employer made on your behalf. This booklet contains federal tax information that may affect how you choose to receive your refund. This booklet reflects MainePERS understanding as of the date of printing. MainePERS recommends that you consult with your own tax advisor before making your decision.

## What You Need to Do

1. Read this information and contact MainePERS if you have questions about your eligibility to receive a refund or about the effects of taking a refund.

2. If you have questions about taxes, please contact the Internal Revenue Service, your State tax division, or your tax advisor. You may also want to learn more about specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, *Pension and Annuity Income,* and IRS Publication 590, *Individual Retirement Arrangements.* These publications are available at www.irs.gov.

3. Complete the Refund Application form and, if necessary, have your former employer certify it.

4. If you are applying to directly receive any portion of your refund, complete the Authorization Agreement for Electronic Direct Deposit.

5. If you are rolling any portion of your refund, attach Direct Rollover documentation and/or a letter of acceptance from your rollover company.

# Who Can Take a Refund

Anyone who has terminated MainePERS-covered employment can take a refund of his or her contributions. MainePERS cannot pay you for a partial refund. If you request a refund, MainePERS must refund your entire member contribution account.

# When You Can Expect Your Refund

You can expect your refund 22 to 60 days after MainePERS has received:

- Your completed Refund Application; and
- The last payroll report for you from your employer. MainePERS needs this report to confirm that we have your most recent contributions and can include them in your refund.

# Before You Take a Refund

## Your MainePERS Benefits: What You Will Give Up

If you take a refund, you waive all rights to your MainePERS benefits.

If you are a contributing member of MainePERS, certain benefits may be available to you, including a disability retirement benefit and pre-retirement death benefits.

You also become eligible for a service retirement benefit when you reach your normal retirement age, as long as you meet one of the following conditions:

(1) You are a contributing member of MainePERS and you have accrued at least one year of creditable service immediately before retirement.

(2) You may or may not be a contributing member of MainePERS now, but you meet one of the following conditions:

- Your last date as a contributing member is prior to October 1, 1999, and you have 10 or more years of creditable service.
- Your last date as a contributing member is on or after October 1, 1999, and you have 5 or more years of creditable service.

Instead of taking a refund or rollover, you may leave your contributions on account with MainePERS. Your contributions will continue to earn interest. If you leave the contributions in your account with MainePERS, you may withdraw them at a later date or apply for a retirement benefit if and when you become eligible.

If you are not an active member and your contributions remain on account, MainePERS will automatically refund them directly to you in the year after you turn 70½.

## Rejoining MainePERS

If you withdraw your contributions and then rejoin MainePERS, you may be able to repurchase your refunded creditable service. Please contact MainePERS for more information.

# Your Choices for Receiving a Refund

You can take your refund as:

- a payment made directly to you (directly deposited into your personal checking or savings account); or
- a "direct rollover," which means that MainePERS pays the refund directly to an Individual Retirement Account/ Annuity [IRA] or to another employer plan that accepts rollovers; or
- a combination of these two options.

# Payments Eligible for a Rollover

The only payments from MainePERS that may be eligible to be rolled over into an IRA or another employer plan that will accept such payments are refunds for legitimate member contributions and accumulated interest.

MainePERS cannot roll over monthly benefit payments and refunds of contributions made in error. Also, a portion of any refund paid to you on or after April 1 of the year after you turn 70½ (which is known as a "minimum required distribution") cannot be rolled over.

If you are an active employee older than 70½ this rule does not apply to you until April 1 or the calendar year in which you terminate/ retire.

# Direct Rollover

You can choose a direct rollover of all or any portion of your payment that is an eligible rollover distribution. In a direct rollover, no income tax is withheld. MainePERS pays the eligible rollover distribution directly to an IRA or another qualified employer plan that accepts rollovers.

MainePERS requires rollover forms and/ or a letter of acceptance from the financial institution to which you are rolling your funds. The forms must show the type of IRA, your account number, to whom the rollover check is to be made payable and the address to which it is to be sent.

## Direct Rollover to an IRA

You can open an IRA to receive the direct rollover. 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 roll after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined. Once you roll over after-tax contributions to a traditional IRA, those amounts cannot later be rolled over to an employer plan.

See IRS Publication 590, *Individual Retirement Arrangements,* for more information on IRAs.

If you choose a direct rollover to a Roth IRA, MainePERS will not withhold income tax.For that tax year you must report the amount rolled over to a Roth IRA as part of your gross income.

### Direct Rollover to a Plan

If you are employed by a new employer that has a plan that accepts rollovers and you want a direct rollover to that plan, ask the administrator of the plan whether it will accept your rollover from MainePERS. If your new employer's plan does not accept a rollover, you can choose a direct rollover to an IRA.

Certain federal tax restrictions apply to these options. This is in part because since January 1, 1989, you have not paid federal taxes on your MainePERS contributions. If you began paying into MainePERS before January 1, 1989, you have paid federal tax on the contributions you made before that date, but you still owe federal tax on the contributions you made after that date. Regardless of when you began making contributions to MainePERS, you have not paid federal tax on the interest your contributions have earned.

Any service credit you may have purchased, or any "excess contributions" you may have made to MainePERS to increase your retirement benefit with "after-tax" dollars, are treated as though you had paid federal tax on them.

You have paid State taxes on all your contributions, but interest on refunded contributions is subject to State tax. You may be eligible for an income modification from the State of Maine for MainePERS members who transfer post-1988 employee contributions directly from MainePERS system into an IRA. In the year of the rollover distribution, the information return issued by MainePERS will show the amount of employee contributions. You may claim the total modification in the year of the rollover and not have to apportion it each year that you withdraw it from your IRA.

**Example:**

| | | |
|---|---|---|
| Pre-1989 Contribution | $2,000 | tax-paid money |
| Post-1988 Contribution | $7,000 | tax deferred by Federal |
| Interest Earned | $3,000 | tax deferred by State and Federal |
| Total Refund From MainePERS | $12,000 | |

The $7,000 post-1988 contribution may be claimed on your *State* tax return as income modification. Refer to instructions on *Schedule 1, Income Modifications* on your State of Maine tax return. If you have further questions, contact your tax advisor or your State tax division.

## Payment Made to You

If any portion of your refund will be paid directly to you, MainePERS will deposit the net amount directly into your personal checking or savings account. Complete the form *Authorization Agreement for Electronic Direct Deposit*, which can be found in the back pocket of this packet or in the Forms section of our web site at www.mainepers.org.

### Payments That Cannot Be Rolled Over

*Required Minimum Payments*. Beginning in the year you reach age 70½ (or the year you retire if later), a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you.

### Mandatory Withholding

If any portion of the payment to you is federally tax deferred, MainePERS is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. We are also required by law to withhold 5% of any portion of the payment that is State tax deferred. This amount is sent to Maine Revenue Service as income tax withholding. For example, if you receive a refund of $10,000 that was both Federally and State tax deferred, you will receive $7,500. MainePERS must withhold $2,000 as Federal and $500 as State income tax. However, when you prepare your income tax returns for the year, you will report the full $10,000 as a payment from MainePERS. You will also report the $2,500 as tax withheld, and it will be credited against any income tax you owe for the year.

### Sixty-Day Rollover Option

If you have an eligible rollover distribution paid directly to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to make a rollover, you must do so 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 (savings, a loan, etc.) within the 60-day period to contribute to the IRA or the employer plan to replace the 20% withheld. The 20% withheld will be credited against your income tax obligation and all or part of it may be refunded. On the other hand, if you roll over only the 80% you received, you will be taxed on the 20% withheld.

**Example:**

Your eligible rollover distribution is $10,000, and you choose to have it paid to you. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to an IRA or employer plan. To do this, you use the $8,000 received from MainePERS and $2,000 from other sources. In this case the entire $10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of the $2,000 withheld.

On the other hand, if you roll over only the $8,000 you received, 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 the entire $10,000 was rolled over.

### Additional 11.5% Tax If You Are Under Age 59½

If you receive a refund payment before you reach age 59½ 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 federal taxable portion of the payment and an extra 1.5% of the State taxable portion of the payment. The 10% Federal Income Tax surcharge and the State surcharge are not withheld from your refund payment. The additional 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 in which you reach age 55;

(2) paid because you retire due to a disability;

(3) used to pay certain medical expenses.

See IRS Form 5329, "*Return for IRA Taxes*," or more information on the additional 10% tax.

If your eligible rollover distribution is not rolled over, it will be taxed in the year in which 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 from MainePERS within one year of your reaching age 59½ or separating from service with your employer. For a payment to qualify as a lump sum distribution, you must have been a participant in MainePERS for at least five years.

Special tax treatments for lump sum distributions include:

- Ten-Year Averaging If You Were Born Before January 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 "ten-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

- Capital Gain Treatment If You Were Born Before January 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 MainePERS 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 MainePERS, you cannot use this special tax treatment for later payments from MainePERS.

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, "Tax On Lump Sum Distributions," which has more information on lump sum distributions and how you elect the special tax treatment.

## Partial Direct Rollover

You may choose to roll only a portion of your MainePERS account to a qualified plan. If you do this and a portion of your contributions have already been taxed (i.e., pre-1989 contributions or any payments you made to purchase service that were not directly rolled from another qualified plan), your taxed contributions will be distributed between what you roll and what you directly receive.

**Example:**

| | | |
|---|---|---|
| Pre-1989 Contribution | $2,000 | tax-paid money |
| Post-1988 Contribution | $7,000 | tax deferred by Federal |
| Interest Earned | $3,000 | tax deferred by State and Federal |
| Total MainePERS funds | $12,000 | |

If you choose to roll 90% and directly receive 10% of your funds, your disbursements would look like this:

**Example:**

| | | |
|---|---|---|
| **ROLLOVER:** | | |
| Pre-1989 Contribution | $1,800 | 90% of tax-paid money |
| Post-1988 | $6,300 | 90% of tax deferred by Federal |
| Interest Earned | $2,700 | 90% of tax deferred by State & Federal |
| Total Rollover | $10,800 | 90% of total |
| **PAID TO YOU:** | | |
| Pre-1989 Contribution | $ 200 | 10% of tax-paid money |
| Post-1988 Contribution | $ 700 | 10% of tax deferred by Federal |
| Interest Earned | $ 300 | 10% of tax deferred by State & Federal |
| **GROSS**: | $1,200 | 10% of Total |

In this example, MainePERS would withhold $200 in Federal taxes (20% of Federal taxable amount paid to you) and $15 in State Taxes (5% of State taxable amount paid to you). The net amount of your refund would be $985. There will be no income tax withholding if your payment is less than $200.

# Surviving Spouses, Alternate Payees and Other Beneficiaries

In general, the rules summarized above that apply to payments to MainePERS members also apply to payments to surviving spouses of members and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in MainePERS 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 member's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries:

- 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 paid to you, you can keep it or roll it over yourself to an IRA. You cannot roll it over to an employer plan.

- If you are an alternate payee, you have the same choices as the member. Thus, you can have the payment paid in a direct rollover to an IRA or paid to you. If 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 can choose a direct rollover to an inherited IRA, but you cannot roll over the payment yourself. IRS Publication 575, Pension and Annuity Income, gives specific information concerning this direct rollover option.

If you are a surviving spouse, an alternate payee, or a beneficiary other than a surviving spouse, your payment is not subject to the additional 10% federal and 1.5% Maine Public Employees tax described above, even if you are younger than age 59½. You also may be able to use the special tax treatment for lump sum distributions. If you receive a payment because of the death of a member, you may be able to treat the payment as a lump sum distribution if the member met the appropriate age requirements, whether or not the member had five years of participation in MainePERS.

## How to Obtain Additional Information

You can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, by calling 1-800-TAX-FORMS, or visit www.irs.gov.

# www.mainepers.org

Located on the internet at www.mainepers.org, the site is designed to provide members, retirees, participating employers, and other interested parties information about membership in the Retirement System and a general understanding of the functions of MainePERS.

Navigating through the site you will find:

- √ Publications
- √ Laws and Rules
- √ Downloadable Forms
- √ Frequently Asked Questions
- √ Newsletters
- √ Member Booklets
- √ Employer Updates
- √ Retirement Legislation

Also included are a number of links to Web sites maintained by other entities that we think may be of interest for retirement planning purposes.

There are a number of forms available on the site that can be easily downloaded and printed. Some forms are available as a fillable option, where members can complete online, print, and then mail to MainePERS (submission online is not available at this time).

**MAINE PUBLIC EMPLOYEES**
**RETIREMENT SYSTEM**
46 State House Station
Augusta, ME  04333-0046

Telephone:  (207) 512-3100
Toll-free:  1-800-451-9800
TTY:  (207) 512-3102

**www.mainepers.org**

A publication of

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

www.mainepers.org

## CONTACT US!

**MainePERS**
46 State House Station
Augusta, ME 04333-0046

**Main Line**: (207) 512-3100
**Toll-free**: (800) 451-9800
**Fax**: (207) 512-3101
**Email:** Refund@mainepers.org

**Office Hours**
Monday through Friday from 8:00 a.m. to 5:00 p.m., with the exception of recognized holidays.

Maine Public Employees Retirement System

46 State House Station
Augusta, ME 04333-0046
Telephone: (207) 512-3100
Toll-free: 1-800-451-9800
TTY: (207) 512-3102

# SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS UNDER GOVERNMENTAL 401(A) PLANS

This notice explains how you can continue to defer federal income tax on your retirement savings in the **Maine Public Employees Retirement System** (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits.

**This notice is provided to you by the Maine Public Employees Retirement System (your "Plan Administrator") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to an IRA or an eligible employer plan. A rollover is a payment by you or the 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. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). Note, however, that for a distribution made after December 31, 2007, your payment can be rolled over to a Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your adjusted gross income cannot exceed $100,000 and you must not be married filing separately). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).**

**An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if an eligible employer plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to an IRA or split your rollover amount between the employer plan in which you will participate and an IRA. If an eligible employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.**

**If you have additional questions after reading this notice, you can contact your Plan Administrator at (207) 512-3100 or toll free at 1-800-451-9800.**

## SUMMARY

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

(1) Certain payments can be made directly to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or

(2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER to a traditional IRA or an eligible employer plan:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA (see the special rules for rollovers to Roth IRAs below), a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

Note that for a distribution made after December 31, 2007, you can choose a direct rollover to a Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your adjusted gross income cannot exceed $100,000 and you must not be married filing separately). If you make a direct rollover of your distribution to a Roth IRA, the amount of your distribution will be included in your taxable income (except for any portion of the distribution that represents a return of your after-tax contributions to the Plan). You may be able to elect to delay recognizing the distribution as part of your taxable income until 2011 and 2012 if you elect a direct rollover to a Roth IRA in the 2010 taxable year. A direct rollover of your distribution to a Roth IRA avoids the 10% tax on early distributions received prior to the date you reach age 59½, become disabled, or retire under the terms of the Plan. You should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA.

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

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.

- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax. See special note below for qualified public safety employees.

- You can roll over all or part of the payment by paying it to your IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over to a traditional IRA or eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

*Qualified Public Safety Employees.* On and after August 18, 2006, if you are a "qualified public safety employee" who terminates employment in the calendar year in which you are age 50 or older, and receive an eligible rollover distribution, you will not have to pay the additional 10% tax on a payment that is eligible for rollover and PAID TO YOU. You are a "qualified public safety employee" if you are an employee of a State or political subdivision of a State who provides police protection, fire-fighting services, or emergency medical services for an area within the jurisdiction of the State or political subdivision.

*Qualified Reservist Distribution*. If you are a "qualified reservist" on active duty, who takes a withdrawal after September 11, 2001, of all or part of your contributions from a deemed IRA or your elective deferrals under a 401(k) plan or 403(b) annuity, you will not have to pay the additional 10% tax on a payment that is eligible for rollover and PAID TO YOU. You are a "qualified reservist" if you are a reservist or national guardsman ordered or called to duty after September 11, 2001, and before December 31, 2007, for a period in excess of 179 days or for an indefinite period. You may repay a qualified reservist distribution to a traditional IRA (i) at any time during the two (2) year period after the end of active duty, or (ii) by August 17, 2008, if later.

*Your Right to Waive the 30-Day Notice Period*. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

## MORE INFORMATION

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

II. DIRECT ROLLOVER

III. PAYMENT PAID TO YOU

IV. SURVIVING SPOUSES AND ALTERNATE PAYEES

V. OTHER BENEFICIARIES

VI. SPECIAL RULES FOR SURVIVING SPOUSES, ALTERNATE PAYEES AND OTHER BENEFICIARIES

## I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers, or beginning January 1, 2008, they can be rolled over to a Roth IRA. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

*After-tax Contributions*. If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

**(a)** **Rollover into a Traditional IRA**. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

**(b)** **Rollover into an Employer Plan**. Beginning January 1, 2007, you can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) to another such plan or to a Code section 403(b) annuity contract using a direct rollover if such other plan or annuity contract provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. You can also roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) to a traditional IRA; however, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan. You CANNOT roll over after-tax contributions to a governmental 457 plan.

The following types of payments *cannot* be rolled over:

***Payments Spread over Long Periods***. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

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

***Required Minimum Payments***. Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own more than 5% of your employer.

*Hardship Distributions*. A hardship distribution cannot be rolled over.

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

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

## II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to an IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. Except a direct rollover to a Roth IRA on or after January 1, 2008, you are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER.

***DIRECT ROLLOVER to an IRA***. You can open a traditional IRA, or beginning January 1, 2008, a Roth IRA, to receive the direct rollover. 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 make sure that 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 Arrangements, for more information on IRAs (including limits on how often you can roll over between IRAs).

***DIRECT ROLLOVER to a Plan***. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

***DIRECT ROLLOVER of a Series of Payments***. If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

***Change in Tax Treatment Resulting from a DIRECT ROLLOVER***. The tax treatment of any payment from the eligible employer plan or IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59½ " and "Special Tax Treatment if You Were Born before January 1, 1936."

## III. PAYMENT PAID TO YOU

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

***Income Tax Withholding***:

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

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

*Sixty-Day Rollover Option*. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. Unless you roll over your distribution to a Roth IRA, the portion of your payment that is rolled over will not be taxed until you take it out of the IRA or eligible employer plan. If you roll over to a Roth IRA, the distribution will be included in your taxable income for the year in which it was paid to you.

If you want to roll over a payment you received to a traditional IRA or eligible employer plan, you can roll over up to 100% of your payment (that can be rolled over as explained under Part I above), including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

*Example*: The taxable portion of your payment that can be rolled over under Part I above is $10,000, and you choose to have it paid to you. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the $8,000 you received from the Plan, and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000 withheld. (However, any refund is likely to be larger if you roll over the entire $10,000.)

***Additional 10% Tax If You Are under Age 59½***. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments that do not exceed the amount of your deductible medical expenses, (7) payments to a qualified public safety employee who separates from service during or after the year reaching age 50, or (8) a qualified reservist distribution from a deemed IRA or attributable to elective deferrals under a 401(k) plan or 403(b) annuity. See IRS Form 5329 for more information on the additional 10% tax.

***Special Tax Treatment If You Were Born before January 1, 1936***. If you receive a payment from a plan qualified under section 401(a) that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

*Ten-Year Averaging*. 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). Ten-year averaging often reduces the tax you owe.

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

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

### *IV. SURVIVING SPOUSES AND ALTERNATE PAYEES*

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

### *V. BENEFICIARIES*

If you are a beneficiary other than a surviving spouse or an alternate payee and receive a distribution on or after January 1, 2007, you can choose to be paid in a DIRECT ROLLOVER to a traditional IRA, which will be treated as an inherited IRA subject to the minimum distribution rules applicable to beneficiaries. You cannot choose a direct rollover to a Roth IRA or an eligible employer plan, and you cannot roll over the payment yourself.

### *VI. SPECIAL RULES FOR SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES*

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59½ .

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

### *VII. HOW TO OBTAIN ADDITIONAL INFORMATION*

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.

maine PERS
Public Employees
Retirement System

46 State House Station
Augusta, ME 04333-0046
Telephone: (207) 512-3100
Toll-free: 1-800-451-9800
TTY: (207) 512-3102

# REFUND APPLICATION

## Information About You

Member Name: ______ Prefix ______ First ______ MI ______ Last ______ Suffix

Social Security Number: ______ Daytime Telephone Number: ______

Mailing Address: ______ Street/PO Box ______ City/Town ______ State ______ ZIP

E-mail address: ______ Termination Date: ______

## Options For Receiving Your Refund

❑ I choose to directly RECEIVE all of my MainePERS refund. I understand that MainePERS will withhold 20% of this amount for federal taxes, 5% of any amount not already taxed by the state for state taxes and pay the balance directly to me. If the refund amount is less than $200 neither federal nor state withholding applies.

❑ I choose to ROLL OVER all or part of my MainePERS refund. MainePERS does not roll over amounts less than $200. I understand that no federal tax will be withheld from the amount rolled over. **(Choose one)**:

- ❑ **I choose to rollover 100% of my eligible refund.** Are you rolling over into a Roth IRA? ❑ Yes ❑ No
- ❑ **I choose to roll over _______% OR $_______________of my eligible refund.** *(Provide the percentage or dollar amount.)* Are you rolling over into a Roth IRA? ❑ Yes ❑ No

*IMPORTANT NOTE:* **You must provide rollover forms for the receiving financial institution showing the type of IRA, your account number, to whom we should make the rollover check payable and the address where it should be sent. If your financial institution does not have a rollover form, provide a letter of acceptance from the institution, including the information listed above.**

## Employer Certification (Forward to your employer if you terminated service within the last three months.)

This is to certify that the applicant terminated employment on ____________________ (Date). The date we issued/will issue his/her last pay is/will be ________________________ (Date).

______________________ Signature of Certifying Official ______________________ Employer Name & Code ______________ Date

## Your Signature and Notarization (Sign this form in the presence of a Notary Public.)

I have read all the information in the MainePERS Refund Application Package including the enclosed Special Tax Notice Regarding Rollover Options Under a Government Plan. I understand that by receiving a refund of my MainePERS contributions, I am giving up all rights to any MainePERS benefits. I understand I must terminate all MainePERS-covered employment to be eligible for a refund. This application will be void if I return to covered employment before the refund payment is issued. In addition, I understand that I am solely responsible for all tax and other consequences of my decision.

______________________ Signature of Member ______________ Date

______________________ Printed Name

The member, who is named and who has signed above, personally appeared before me on ____________________ (Date) has executed this document in my presence and has acknowledged it as his/her free act and deed.

______________________ Signature of Notary Public/Attorney at Law

______________________ Printed Name

My commission expires on ______________________ Date

Form #GU-0002
Rev. 2/12

maine PERS Public Employees Retirement System

46 State House Station
Augusta, ME 04333-0046
Telephone: (207) 512-3100
Toll-free: 1-800-451-9800
TTY: (207) 512-3102

# AUTHORIZATION AGREEMENT FOR ELECTRONIC DIRECT DEPOSIT

## Personal Information

Member Name:

| Prefix | First | MI | Last | Suffix |
|---|---|---|---|---|
| | | | | |

Social Security Number: ____________ Daytime Phone: ____________

## Financial Information

**If you have questions concerning the information below, contact your financial institution.**

TRANSIT ROUTING NUMBER ____________ DEPOSITOR ACCOUNT NUMBER ____________

❑ My signature below authorizes MainePERS to remit any benefit payments due to me by crediting my account indicated above. The financial institution named above is requested to A) accept any deposits initiated by MainePERS to this account and B) credit these deposits to the account without responsibility for their correctness. I authorize MainePERS to recover from this account any overpayments to this account due to death, change in benefit status, or other legitimate causes.

**FINANCIAL INSTITUTION INFORMATION:**

Name: ____________________

Address: ____________________

____________________

____________________

Telephone: ____________________

Generally, if your authorization agreement is in our office before the 15th of the month, the direct deposit will take effect in the same month.

Electronic direct deposit is not available to financial institutions outside of the U.S.

*Check one:*
❑ Checking
❑ Savings

*Check one:*
❑ Whole Check
❑ Specify Amount:$__________

**Signature:** ____________________ **Date:** ____________________

## Check Information

Example of a check with the fields identified that are necessary to complete the Authorization Agreement: