Selection of Partial Lump Sum Distribution

TMRS®
Texas Municipal Retirement System

MEMBER INFORMATION

Please type or use only black ink and do not highlight. Any corrections must be initialed.

TMRS Identification Number (not required)

Member's Name (first, middle, last)

Social Security Number

Mailing Address

Daytime Phone Number

City

State

Zip

PARTIAL LUMP SUM DISTRIBUTION (PLSD) SELECTION

The Partial Lump Sum Distribution I elect is the amount of the Retiree Life Only* benefit multiplied by (Please check only **one** box):

☐ **12** ☐ **24** ☐ **36**

* *The Retiree Life Only benefit is used here only to calculate the amount of your Partial Lump Sum Distribution. You can select any of the seven retirement options for retirement purposes (see the Selection of Retirement Plan form).*

NOTE: *The amount of your Partial Lump Sum Distribution cannot be more than 75% of your account balance.*

I choose to have my PLSD distributed as follows:

☐ **Direct Payment to Member**
I want the entire Partial Lump Sum Distribution (less 20% withholding) paid directly to me.

NOTE: *The IRS may require you to pay a 10% tax penalty, in addition to regular federal income tax, on your Partial Lump Sum Distribution. You may wish to consult with a tax advisor or the IRS to determine your potential liability.*

☐ **Direct Rollover to IRA/Employer Plan**
I want all or part of my PLSD transferred to the plan named on the attached *Rollover of Refund or PLSD* (TMRS_ROLL) form.

MEMBER CERTIFICATION – I certify and understand that:

- I have received the printed explanation, *Special Tax Notice Regarding Plan Payments*, prior to signing this certification and waive the requirement of 30 days notice.
- Federal income tax law requires TMRS to withhold 20% income tax from the taxable portion of my PLSD subject to federal income taxation unless I elect to have the taxable portion transferred directly to an IRA or other employer plan that accepts rollovers.

X

Member's Signature

Date Signed (MM/DD/YYYY)

Please read the instructions provided with this form.

PURPOSE

The selection of *Partial Lump Sum Distribution* (TMRS-PLSD) form allows you to receive a one-time, partial lump sum payment in addition to your monthly retirement benefit. If you are taking a Partial Lump Sum Distribution, you must complete and return this form to TMRS along with your retirement application. Election of the Partial Lump Sum Distribution (PLSD) will reduce your monthly annuity payment.

INFORMATION ABOUT HOW THE PLSD IS CALCULATED

In the "Partial Lump Sum Election" section, you should check either 12, 24, or 36. The amount of the Partial Lump Sum Distribution is calculated by multiplying the amount of the Retiree Life Only option times 12, 24, or 36. This calculation is part of the estimate that should be provided to you prior to making this election.

WHEN TO EXPECT YOUR PARTIAL LUMP SUM DISTRIBUTION

Your Partial Lump Sum Distribution payment will be deposited electronically along with your first monthly payment to the financial institution and the account indicated on your TMRS *Direct Deposit Authorization* (TMRS-80E) form. Any portion of the payment that is rolled over will be sent directly to the financial institution that you indicate.

If you are rolling over any portion of your PLSD to an eligible plan, that portion of your PLSD will be mailed directly to the financial institution you named. Please review the rollover information included in the attached *Special Tax Notice Regarding Plan Payments* before you complete the *Selection of Partial Lump Sum Distribution* (TMRS-PLSD) form and *Rollover of Refund or PLSD* (TMRS-ROLL) form.

The portion of the payment that is not rolled over to an IRA or eligible employer plan will be mailed to your personal address listed on this form.

Rollover of Refund or PLSD

To be submitted in addition to any Application for a Lump Sum Payment

TMRS® Texas Municipal Retirement System

PAYEE INFORMATION

Please type or use only black ink and do not highlight. Any corrections must be initialed.

Payee Name (first, middle, last) _____ Social Security Number _____

Home Mailing Address _____ Daytime Phone Number _____

City _____ State _____ Zip _____

I have completed an application for payment and have selected a Direct Rollover to an IRA or Employer Plan for the lump sum distribution payment option. I wish to have the funds transferred to the plan named below and represent to TMRS that it is an eligible plan for the purpose of this transfer. In addition, I do understand that any portion of the lump sum payment that is not rolled over and is paid directly to me will be subject to federal income taxation. In addition, rollovers to Roth IRAs will result in income subject to federal income taxation. ***Note to TMRS members:*** *The IRS may require you to pay a 10% tax penalty, in addition to the regular federal income tax, on a lump sum distribution sent directly to you. You may wish to consult with a tax advisor or the IRS to determine your potential liability.*

ROLLOVER AMOUNT *(Choose only **one**)*:

If you want to rollover any part of the nontaxable portion of this distribution, please contact TMRS for further instructions.

☐ the taxable portion only **OR** ☐ $_____ (specific amount or %)

ACCOUNT DESCRIPTION

For TMRS Members, Retirees, Former Spouses and Surviving Spouses:

☐ Employer Plan

☐ Traditional IRA

☐ Roth IRA: TMRS will not withhold federal income taxes without further instructions. Please contact TMRS for assistance.

For Non-spouse Beneficiary Payees Only:

☐ Inherited IRA

ROLLOVER INFORMATION

Name of Rollover Institution _____

Address of Rollover Institution _____ City _____ State _____ Zip _____

Account Number (if applicable) _____ Phone Number of Rollover Institution _____

X

TMRS Account Holder's Signature _____ Date Signed (MM/DD/YYYY) _____

TMRS WILL NOT ACCEPT

- Attachments (including rollover forms from other retirement plans)
- Alterations without initials
- An incomplete form or any attempt to change its provisions
- Requests for rollovers to SIMPLE IRAs, Coverdell Education Savings Accounts, or nongovernmental 457(b) plans
- Requests for rollovers to the following retirement systems: Texas County and District Retirement System, Employees Retirement System of Texas, Judicial Retirement System of Texas, Teacher Retirement System of Texas, or the City of Austin Employees Retirement Plan, unless the rollover has been approved by the respective system to purchase service credit

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS FROM THE TEXAS MUNICIPAL RETIREMENT SYSTEM

You are receiving this notice because all or a portion of a payment you are receiving from the Texas Municipal Retirement System (TMRS) is eligible to be rolled over to an IRA or an employer plan. This notice contains important information you will need before you decide how to receive your TMRS benefits.

Rules that apply to most payments from TMRS 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.

If you have additional questions after reading this notice, you can contact the Texas Municipal Retirement System at (800) 924-8677, by mail at P.O. Box 149153 Austin, Texas 78714-9153, or through email at *help@tmrs.com*.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

You will be taxed on a payment from TMRS 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).

If you do a rollover to a traditional IRA or an eligible employer plan, you will not have to pay tax until you receive payments later from the IRA or plan, and the 10% additional income tax will not apply if those payments are made after you are age 59 ½ (or if an exception applies).

If you do a rollover to a Roth IRA, you will be taxed on the amount rolled over (reduced by any after-tax amount). However, if you are under age 59 ½ at the time of the rollover, the 10% additional income tax will not apply. See the section below titled "If you roll over your payment to a Roth IRA" for more details.

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 employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

If you do a direct rollover, TMRS will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, TMRS is required to withhold 20% of the payment for federal income taxes. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from TMRS is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70½ (or after death)
- Corrective distributions of contributions that exceed tax law limitations

TMRS can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from TMRS (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 TMRS:

- 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 from a governmental defined benefit pension plan 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 from a TMRS employer
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- 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 (QDROs) 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 for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

You should contact the IRA administrator for questions regarding early distributions.

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules). Texas does not currently have a personal income tax.

SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit; an allocable portion of your after-tax contributions is generally included in the payment, so you cannot take a payment of only after-tax contributions. In addition, special rules apply when you do a rollover, as described below.

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). If you do a direct rollover of only a portion of the amount paid from TMRS and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from TMRS to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day 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 distribution of $12,000, of which $2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth IRA in a 60-day rollover, 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-A, Contributions to 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 roll over your payment to a Roth IRA

If you roll over the payment from TMRS 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).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

You cannot roll over a payment from TMRS to a designated Roth account in an employer plan.

SURVIVOR BENEFICIARIES AND QUALIFIED DOMESTIC RELATIONS ORDERS

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse. If you are a surviving spouse. If you receive a payment from TMRS as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½. You should contact the IRA administrator for questions regarding early distributions.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

If you are a surviving beneficiary other than a spouse. If you receive a payment from TMRS because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from TMRS under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may be able to roll over the payment to your own IRA or an eligible employer plan that will accept it), if the QDRO so permits. Payments under the QDRO are taxable to the payee and will not be subject to the 10% additional income tax on early distributions.

OTHER SPECIAL RULES

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

Because TMRS is a governmental plan, 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 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%, TMRS 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.

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 TMRS, or a professional tax advisor, before taking a payment from TMRS. 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-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, distributions from 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.