County Employees' Retirement Fund
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INSTRUCTIONS FOR FORM 2A REFUNDS PAYMENT ELECTION

This notice contains important information you will need before you decide how to receive your CERF refund.

DIRECT DEPOSIT OPTION

To establish a Direct Deposit the required documents must be attached to the Form 2A. The name on the checking/savings account MUST match the name on file with CERF. If the direct deposit information is incomplete or illegible, the CERF office will attempt to contact you to verify the direct deposit request. If the CERF office is unable to contact you to verify the request, a check will be mailed to the address on the Form 2A or the address on the account to avoid any delays in processing.

Checking Account: Attach a voided check **OR** a letter on financial institution letterhead verifying the name on the account, the account number, and routing number.

Savings Account: Attach a voided deposit slip **OR** a letter on financial institution letterhead verifying the name on the account, the account number, and routing number.

A direct deposit cannot be sent to a prepaid debit card, business account or other retirement plan. By requesting the refund via direct deposit, you will certify, represent, and warrant that the account requested for direct deposit is established at a financial institution or a branch of a financial institution located within the United States. CERF reserves the right to reject the direct deposit request and deliver any payment via check in lieu of direct deposit.

If the account requested for direct deposit is closed when the payment is submitted or if the bank rejects the payment for any reason, a $25.00 charge will be deducted from the distribution and the payment will be re-issued via a check.

CERF REFUND OPTIONS

This notice is provided to you by the CERF Administrative Office (your “Plan Administrator”), because all or part of the payment that you will soon receive from the CERF Pension Plan (the “Plan”) may be eligible for rollover by you or your Plan Administrator to a traditional IRA, a Roth 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 (or a rollover to a Roth IRA, as described below). 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; section 403(b) tax-sheltered annuity; or 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 a 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 (traditional or Roth) or split your rollover amount between the employer plan in which you will participate and an IRA (traditional or Roth). If an 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.

Generally, the rules summarized below are described from an employee’s perspective but generally apply to payments to a surviving spouse of an employee, as described in the “Surviving Spouses” section. Special rules apply to non-spouse beneficiaries, which are different from the rules that apply to surviving spouses and employees. The rules for non-spouse beneficiaries are described in the “Non-Spouse Beneficiaries” section. If you have additional questions after reading this notice, you can contact your Plan Administrator at (877) 632-2373.

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 a traditional IRA, a Roth IRA, or, if you choose, another eligible employer plan that will accept it and hold it for your benefit (“DIRECT ROLLOVER”). In order for you to roll over all of your pre-tax or after-tax contributions, your contributions must equal at least $200. If you have over $500 in contributions, you may choose to have a portion paid to you and a portion rolled over. The part which is rolled over must total at least $500; or

(2) The payment can be PAID TO YOU. If you have less than $200 in contributions, the payment must be made to you. You may then do a 60-day rollover.

If you choose a **DIRECT ROLLOVER**:

- Except in the case of a Roth IRA (discussed below), 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 IRA (traditional or Roth) or to an eligible employer plan that accepts your rollover.
- Generally, the taxable portion of your payment will be taxed later when you take it out of the traditional (non-Roth) 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.
- If you are eligible (based on certain rules, including the adjusted gross income limits discussed below) and you choose to roll the amount over to a Roth IRA, the taxable amount of the distribution will be included in your taxable income in the current year (except to the extent it represents a return of after-tax contributions). When you later take a distribution out of the Roth IRA, it will not be taxed if you meet certain distribution requirements.

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

- You will receive only 80% of the taxable portion of the payment, because the Plan 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. You may not waive this withholding.
- The taxable amount of your payment will be taxed in the current year unless, within 60 days of receipt, you roll it over to a traditional IRA or eligible employer plan. 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 59 1/2, you may have to pay an additional 10% tax.
- If, within 60 days of receipt, you choose to roll the amount over to a traditional IRA or an eligible employer plan, the amount rolled over will not be taxed until you take a distribution. However, if you later choose to roll the amount over to a Roth IRA, the taxable amount of the distribution will be included in your taxable income for the current year.

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

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 the Plan Administrator receives it.

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 an IRA (traditional or Roth) or to another eligible employer plan that accepts rollovers. Generally, any payment from the Plan will be an eligible rollover distribution except: (1) certain payments spread over a period of at least 10 years or over your life or life expectance (or the lives or joint life expectancy of you and your beneficiary) and (2) required minimum distributions after age 70 1/2 (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949). Your Plan Administrator will 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 an IRA (traditional or Roth) or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

Rollover into an IRA (Traditional or Roth)
You can roll over your after-tax contributions to an IRA (traditional or Roth) 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.

If you roll over after-tax contributions to a Roth 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 that represents a return of after-tax contributions to be determined, since the remaining amounts will be taxable at the time of the initial distribution from the Plan.

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

Rollover into an Employer Plan
You can roll over 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. You cannot first roll over after-tax contributions to an IRA (traditional or Roth) and then roll over that amount into an employer plan.

DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to an IRA (traditional or Roth) or another 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 the Summary above. Except in the case of a rollover of a pre-tax amount to a Roth IRA (discussed below), you are not taxed on any 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 portion of your Plan benefits for which you choose a DIRECT ROLLOVER.

DIRECT ROLLOVER TO A TRADITIONAL IRA

You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. 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)*.

DIRECT ROLLOVER TO A ROTH IRA

You can open a Roth IRA to receive the direct rollover. If you choose to have your payment made directly to a Roth IRA, contact an IRA sponsor to find out how to have your payment made in a direct rollover to a Roth IRA at that institution. Remember that you will generally be taxed on any amount rolled over to a Roth IRA (except to the extent it represents a return of after-tax contributions). The 10% additional income tax on early distributions, however, 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). It is also important to note that in order to receive a tax-free distribution from a Roth IRA, you will be required to delay distribution until at least five years have passed since January 1 of the first taxable year in which a contribution was made to a Roth IRA set up for your benefit and distribution must be made on or after you reach age 59 1/2, made because you are disabled, made to a beneficiary or to your estate after your death, or that is made to buy, build, or rebuild a first home (up to $10,000) (“a qualified distribution”). Note that part of any distribution from a Roth IRA that is not a qualified distribution may be taxable as ordinary income on the earnings after the rollover and subject to the additional 10% tax on early distributions. 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)*.

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. If your new employer’s plan does not accept a rollover, you can choose a DIRECT ROLLOVER to an IRA (traditional or Roth). 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.

CHANGE IN TAX TREATMENT RESULTING FROM A DIRECT ROLLOVER

The tax treatment of any payment from the eligible employer plan or IRA (traditional or Roth) 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 on a distribution, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional 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 $59^1/_2$ “ and “Special Tax Treatment if You Were Born before January 1, 1936.”

PAYMENTS PAID TO YOU

If your payment represents pre-tax contributions that can be rolled over and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA (traditional or Roth) or another 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 and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if you can roll over a 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 to a traditional IRA or an eligible employer plan within 60 days (see “Sixty-day Rollover Option” below), you must report the full $10,000 as a payment from the Plan. If you make a rollover to a traditional IRA or eligible employer plan within the sixty-day period discussed below, you must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year. Again, remember that, if you choose to roll over an amount to a Roth IRA, that entire amount will be included in your taxable income in the current year (except to the extent it represents a return of after-tax contributions).

Voluntary Withholding

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

Sixty-Day Rollover Option

If you receive a payment that can be rolled over, you can still decide to roll over all or part of it to an IRA (traditional or Roth) or another eligible employer plan that accepts rollovers. If you decide to roll the amount over, you generally must contribute the amount of the payment you received to an IRA (traditional or Roth) or another eligible employer plan within 60 days after you receive the payment. Except in the case of a Roth IRA, the portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. The portion of your payment that is rolled over to a Roth IRA will be taxable in the current year (except to the extent it represents a return of after-tax contributions). However, when you later take a distribution out of the Roth IRA, it will not be taxed if, among other things, you do not take a distribution for at least five years following the first taxable year in which a contribution was made to a Roth IRA set up for your benefit.

You can roll over up to 100% of your payment that can be rolled over, 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 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% that you received, you will be taxed on the 20% that was withheld.

Generally, the 60-day rollover deadline may not 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. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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)*.

Additional 10% Tax If You Are Under Age 59$^1/_2$

If you receive a payment before you reach age 59$^1/_2$ 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 from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be at least age 50 in the year of the separation, or (8) payments after your death. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59$^1/_2$, unless one of the exceptions applies.

Special Tax Treatment If You Were Born 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*.

SURVIVING SPOUSES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees.

If you are a surviving spouse, you may choose to have a payment that can be rolled over, paid in a DIRECT ROLLOVER to a traditional IRA, to a Roth IRA, 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 a traditional IRA, to a Roth IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a surviving spouse, your payment is generally not subject to the additional 10% tax, even if you are younger than age 59$^1/_2$. You may be able to use the special tax treatment for lump sum distributions if the participant was born on or before January 1, 1936.

NON-SPOUSE BENEFICIARIES

If you are a non-spouse beneficiary, your only rollover option is to do a DIRECT ROLLOVER to an inherited IRA (traditional or Roth). Except in the case of a Roth IRA, you are not taxed on any portion of your payment for which you choose a DIRECT ROLLOVER in the year it is rolled over. In addition, no income tax withholding is required for any portion of your Plan benefits for which you choose a DIRECT ROLLOVER.

If you have the payment rolled over into an IRA (traditional or Roth), the IRA must be titled in a manner that identifies it as an IRA of the deceased employee and you, as the beneficiary. Any IRA you open for the purpose of receiving a DIRECT ROLLOVER will be treated as an inherited IRA under the law.

If you have the payment paid to you, it will be taxed in the year you receive it.

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 retirement plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*. These publications are available from your local IRS office, or the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.