



## REFUND APPLICATION PACKET

This information is intended for members of the City of Austin Employees' Retirement System (COAERS) who have terminated employment with a COAERS employer. Enclosed are three important documents:

1. Important Information for Members Applying for a Refund,
2. Your Rollover Options, and a
3. Refund Application.

A description of each document is below.

### **Important Information for Members Applying for a Refund**

This document describes the process for obtaining a refund from COAERS and important information about the consequences of receiving a refund. It also describes the benefits of keeping your deposits with COAERS and maintaining your COAERS membership. It also describes the important responsibilities you have if you keep your COAERS membership.

### **Your Rollover Options**

This document is an important notice that describes the tax consequences of receiving your COAERS deposits and your options to roll over your refund.

### **Refund Application**

This document initiates the process of refunding your COAERS deposits.

You should read all following information carefully before you complete and submit a Refund Application.

If you have any questions, contact COAERS at 512-458-2551, go online to [www.coaers.org](http://www.coaers.org), or visit our office at 4700 Mueller Blvd, Suite 100 in Austin, TX 78723.

## Important Information for Members Applying for a Refund

This information is intended for members of the City of Austin Employees' Retirement System (COAERS) who have terminated employment with a COAERS employer. You should read the following information carefully before you complete and submit a Refund Application. If you have any questions, contact COAERS at 512-458-2551

### Discontinue Your COAERS Membership and Receive a Refund of Your Deposits

After the termination of your employment, COAERS can refund your deposits, interest, and any payments you may have made to us for a purchase of service. This process can take up to 60 days. We will begin the refund process once we receive and approve your completed Refund Application and receive confirmation of the termination of your employment.

### Impact of Terminating COAERS Membership

If you obtain a refund of your deposits,

- Your membership in COAERS is terminated and you no longer have any rights to any benefits from COAERS in the future, and
- You may have to meet different more difficult eligibility requirements for retirement if you become a COAERS member again, and
- You may not be able to use your COAERS service toward eligibility with other Texas proportionate retirement systems.

### Options for Refunding Your Deposits

- Receive a lump-sum payment. You can choose to receive your refund as a lump-sum payment. This payment reflects the deposits you have made to the plan, interest credited to your account, and payments you made for a purchase of service. It does not include contributions made by your employer. Deposits you made on a tax deferred basis are taxable. However, they can be rolled over. **Therefore, it is imperative that you read the enclosed "Your Rollover Options" information.** If you do not roll over deposits, we will withhold a mandatory 20% for federal income taxes from your payment. In addition, you may owe an additional tax penalty of 10%. You may also defer your refund until COAERS makes an annual interest allocation to your deposits. Your refund will then be processed the next January.
- Roll over all or a portion of your account. You can choose to roll all or a portion of your tax deferred funds without penalty into a tax-deferred retirement plan such as a traditional IRA or eligible employer plan. To complete a rollover, *one of the following forms of documentation* must also be provided to COAERS from the receiving plan or financial institution: 1) a Trustee to Trustee Transfer letter on company letterhead; 2) a Letter of Acceptance; 3) an Automated

Customer Account Transfer (ACAT) form; or 4) a Direct Transfer/Rollover form. This third party document must be signed by a representative of the receiving plan or financial institution and include the following information:

<p><b>Member Information:</b></p> <ul style="list-style-type: none"> <li>• Name of the Member</li> <li>• Member's SSN</li> <li>• Type of Account (e.g. IRA)</li> <li>• Account Number</li> <li>• Certification of ability to accept after-tax funds (if applicable)</li> </ul>	<p><b>Transfer From:</b></p> <p>City of Austin Employees' Retirement System 4700 Mueller Blvd., Ste. 100 Austin, Texas 78723</p> <p>Type of Plan -401(a) Defined Benefit Plan</p>	<p><b>Transfer To:</b></p> <ul style="list-style-type: none"> <li>• Name of company to make check payable</li> <li>• Mailing address</li> <li>• Contact person/phone number</li> </ul>
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Tax Reporting. If you terminate your COAERS membership and obtain a refund of your deposits, you will receive a 1099-R form at the beginning of the following year that will include your taxable and non-taxable benefits as reported to the IRS. Be sure to keep your address current with our office so you will receive your 1099-R. You can download a change of address form from our website, or call us to request one.

**Keep Your COAERS Membership**

If you do not receive a refund of your deposits at the termination of your employment, you retain your COAERS membership. There are advantages to retaining COAERS membership. For example, if you were a member of Group A at the time you left employment, you would retain that status if you return to employment with a COAERS employer at a future date. Your service credit with COAERS may help you attain eligibility in another Texas retirement system which participates in the Proportionate Retirement Program. Also, your participation in another Texas retirement system may add to your service credit in COAERS making you eligible to retire in the future. COAERS recognizes proportionate service credit accrued in the following retirement systems:

- Austin Police Retirement System
- El Paso Firemen and Policemen’s Pension Fund
- The El Paso City Employees’ Pension Fund
- Employees Retirement System of Texas (ERS)
- Judicial Retirement System of Texas I and II
- Teacher Retirement System of Texas (TRS)
- Texas County and District Retirement System (TCDRS)
- Texas Municipal Retirement System (TMRS)
- Other Texas retirement systems covering municipal employees who have elected to participate in the Proportionate Retirement Program

If you have service credit with a retirement system that participates in the Proportionate Retirement Program, that service may count toward the five years of service credit needed for vesting. You are considered vested if you have at least five years of service credit and do not withdraw your accumulated deposits if you terminate employment. If you are a vested COAERS member, maintaining your COAERS membership upon terminating employment is important. As a vested member you have accrued a non-forfeitable right to a monthly retirement benefit when you meet applicable eligibility requirements. In addition to receiving a lifetime monthly benefit payment upon eligibility for retirement, vested membership also offers other benefits. For example, if you were a member of Group A at the time you left employment, you would retain that status if you return to employment with a COAERS employer at a future date. Retired COAERS members may also have access to health, dental, and vision insurance through the City of Austin upon retirement. Death benefits are also provided upon the death of a vested or retired member.

COAERS will produce an Annual statement for you each year with important information about your COAERS account.

### **Responsibilities as a COAERS Member**

You do have certain responsibilities if you keep your COAERS membership after termination. First, you are solely responsible for timely and properly applying for benefits. Also, you are responsible for notifying COAERS of your proportionate time in another Texas retirement system which participates in the Proportionate Retirement Program and keeping that information current. If you don't keep this information current, you may lose benefits. You are also responsible for keeping your contact information and beneficiary designations current with COAERS.

### **Contact Us Regularly**

Contact us regularly to discuss your eligibility for benefits and update your account. When you contact us, let us know if you are working for another employer and ask us to verify if you have proportionate service credit in that retirement system. Also ask us about verifying and updating your current address and beneficiary designations.

### **Remember These Eligibility Rules for Retirement**

If you are unsure about whether you meet these rules, contact us to discuss your eligibility. Don't forget to tell us if you have proportionate service.

#### **Group A**

#### **(Employees who became members before January 1, 2012)**

If your full-time, regular employment date is before January 1, 2012, you are eligible for normal retirement and can receive a monthly benefit payment for life when you meet one of these requirements:

- You reach age **62**\*
- You reach age **55** and have at least **20** years of service credit
- You obtain at least 23 years of service credit regardless of your age

\* To retire at age 62 you must be:

- An active contributing member when you turn age 62;
- A terminated vested member with at least 5 years of COAERS service credit; or
- A proportionate member with 5 years of combined service credit

### **Group B**

#### **(Employees who became members on or after January 1, 2012)**

If your full-time, regular employment date is on or after January 1, 2012, you are eligible for normal retirement and can receive a monthly benefit payment for life when you meet one of these requirements:

- You reach age **65** and have at least **5** years of service credit
- You reach age **62** and have at least **30** years of service credit
- Early Reduced Retirement -age **55** and at least 10 years of service credit. Early retirement benefits are reduced.

### **Required Minimum Distributions**

Terminated COAERS members must begin to receive distributions by age 72. Contact COAERS to claim benefits if you are approaching age 72.



## **YOUR OPTIONS FOR ELIGIBLE ROLLOVER DISTRIBUTIONS**

You are receiving this notice because you are eligible to receive a payment from the City of Austin Employees Retirement System (the "Plan") that you can transfer (roll over) to an IRA or another employer plan. This notice is intended to help you decide whether to roll over the payment (or some portion of it).

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#### **FOR MORE INFORMATION**

## **GENERAL INFORMATION ABOUT ROLLOVERS**

This notice describes the rollover rules that apply to payments from the Plan that are not from a designated Roth account (a type of account in some employer plans that is subject to special tax rules). If you also receive a payment from a designated Roth account in the Plan, you will be provided a different notice for that payment, and the Plan administrator or the payor will tell you the amount that is being paid from each account.

Rules that apply to most payments from a plan are described in this “General Information About Rollovers” section. Special rules that only apply in certain circumstances are described in the “Special Rules and Options” section, including rules if your Plan is a governmental section 457(b) plan, you have after-tax contributions, or your benefit doesn’t exceed \$7,000.

### **What can I do with an amount that is eligible for rollover?**

When an amount payable (that is, an amount you are eligible to take as a payment from the Plan) is eligible for rollover, you generally may choose some combination of the following:

- Leave it in the Plan, that is, do not take the payment,
- Roll it over into another employer plan,
- Roll it over into an IRA, or
- Take it, don’t roll it over, and pay any required taxes.

Whether these options are available to you depends on your circumstances and the terms of the Plan. For example, you may be required to take a payment (and not roll it over) based on your age or if your benefit is below a certain threshold.

### **How can a payment affect my taxes?**

If you don’t do a rollover, you will be taxed on a payment from the Plan, and, if you are under age 59½, you will also have to pay a 10% additional tax (unless an exception applies).

### **How can a rollover affect my taxes?**

If you do a rollover, you won’t have to pay tax until you receive payments later.

### **What types of retirement accounts and plans may accept my rollover?**

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 (such as a section 401(k) plan), a section 403(b) plan, or a governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer

plan that receives the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, IRAs aren't subject to spousal consent rules, and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan. For additional information on IRAs, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

### **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, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA provider or the administrator of the employer plan for information on how to do a direct rollover.

If you do a 60-day rollover, you will receive a payment from the Plan and then make a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you don't do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). 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 amount withheld. If you don't roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional tax on early distributions if you are under age 59½ (unless an exception applies).

### **How much may I roll over?**

You may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions;
- Hardship distributions;
- Payments of employee stock ownership plan (ESOP) dividends;
- Corrective distributions of contributions that exceeded tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends);
- Cost of life insurance paid by the Plan;
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution;

- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP;
- Distributions used to pay certain premiums for health and accident insurance; and
- Amounts treated as distributed as a result of the purchase of a collectible.

The Plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

**If I don't do a rollover, will I have to pay the 10% additional tax on distributions before age 59½?**

If you are under age 59½, you will have to pay the 10% additional tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you don't roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional tax doesn't apply to the following payments from the Plan:

- Payments made after you separate from service if you are at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in substantially equal amounts over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);
- Payments from a governmental plan made after you separate from service as a qualified public safety employee and, in the year of separation, have reached age 50 or 25 years of service under the Plan;
- Payments from a private-sector plan made after you separate from service as a private-sector firefighter and, in the year of separation, have reached age 50 or 25 years of service under the Plan;
- Payments made due to disability;
- Payments made after your death;
- Payments of ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the Plan;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments from a defined contribution plan that are qualified birth or adoption distributions;
- Payments from a defined contribution plan for purposes of meeting unforeseeable or immediate financial needs relating to personal or family emergency expenses (emergency personal expense distributions);

- Payments to a victim of domestic abuse from a defined contribution plan that isn't subject to the qualified joint survivor annuity or qualified preretirement survivor annuity rules (domestic abuse victim distributions);
- Payments after you receive a certification from a physician that you have a terminal illness (terminal illness distributions);
- Payments that are qualified disaster recovery distributions;
- Payments made from a defined contribution plan that are qualified long-term care distributions;
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days;
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution;
- Phased retirement payments made to federal employees; and
- Payments from a pension-linked emergency savings account.

For more information about the 10% additional tax and the exceptions to the 10% additional tax, see IRS Publication 575, *Pension and Annuity Income*, under the heading *Tax on Early Distributions*. For information on how to claim an exception, see the Instructions for IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*.

**If I do a rollover to an IRA, will the 10% additional tax apply to a later distribution from the IRA before age 59½?**

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional tax on early distributions on the part of the payment that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional 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:

- The exception for payments from a plan made after you separate from service if you are at least age 55 in the year of the separation (or the earlier of age 50 or attainment of 25 years of service under the Plan for qualified public safety employees and private-sector firefighters) doesn't apply to payments from an IRA;
- The exception for payments made pursuant to a QDRO under a plan doesn't apply to an IRA (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); and
- The exception for substantially equal periodic payments from a plan also applies to payments from an IRA but without regard to whether you have had a separation from service.

Also, there are exceptions to the 10% additional tax that do not apply to payments from a plan but that do apply to payments from an IRA, including:

- Payments for qualified higher education expenses;
- Payments up to \$10,000 used in a qualified first-time home purchase; and
- 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).

For more general information about the 10% additional tax and the exceptions to the 10% additional tax on payments from an IRA, see the Instructions to IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*. See also, IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, under the heading *Early Distributions*.

### **Will I owe state income taxes?**

This notice doesn't address any state or local income tax rules (including withholding rules).

## **SPECIAL RULES AND OPTIONS**

### **If your payment includes after-tax contributions**

After-tax contributions included in a payment aren't taxed. If you receive a partial payment of your total benefit, an allocable portion of your after-tax contributions is included in the payment, so you can't take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in the payment. 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 the Plan and at the same time the rest is paid to you, the portion rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a payment 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 isn't a Roth IRA, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to

two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

Similarly, if you do a 60-day rollover to an IRA of only a portion of a payment made to you, the portion rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a payment of \$12,000, of which \$2,000 is after-tax contributions, and no part of the payment is directly rolled over. In this case, if you roll over \$10,000 to an IRA that isn't 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 isn't 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 can't be extended. However, the IRS has 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)*, under the heading *Rollovers*.

### **If your payment includes employer stock that you don't roll over**

If you don't do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock won't be taxed when distributed from the Plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the Plan. If you do a rollover to an IRA or an employer plan for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock won't apply to any later payments from the IRA or, generally, the plan. The Plan administrator can tell you the amount of any net unrealized appreciation.

### **If you have an outstanding loan that is being offset**

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the outstanding amount of the loan (offset amount), typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset, even though you will not receive the offset amount. Generally, you may roll over all or any portion of the offset amount using other funds. Any offset amount that isn't rolled over will be taxed (including the 10% additional tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you separate from service. If your plan loan offset occurs for any other reason (such as a failure to make level loan repayments that results in a deemed distribution), then you have 60 days from the date the offset occurs to complete your rollover.

### **If you receive a payment and you were born on or before January 1, 1936**

If you were born on or before January 1, 1936, and receive a lump sum payment that you don't 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 your payment is from a governmental section 457(b) plan**

If the Plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you don't do a rollover, you won't have to pay the 10% additional tax on early distributions from the Plan even if you are under age 59½ (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that isn't a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional tax on early distributions (unless an exception applies). Other differences include that you can't do a rollover if the payment is an "unforeseeable emergency" distribution, and that the special rules under the sections "If your payment includes employer stock that you don't roll over" and "If you were born on or before January 1, 1936" don't apply.

### **If you are an eligible retired public safety officer and your payment is used to pay for health coverage or qualified long-term care insurance**

If the Plan is a governmental plan, 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, not to exceed \$3,000, the amounts, (1) that were paid by the Plan directly to an insurer of health coverage or qualified long-term care insurance or (2) that were received by you from the Plan and used to pay for 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. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

### **If you roll over your payment to a SIMPLE IRA**

You can only roll over a payment from the Plan to a SIMPLE IRA plan after the end of the 2-year period beginning on the date you first participated in the SIMPLE IRA plan.

### **If you roll over your payment to a Roth IRA**

If you roll over a payment from the Plan to a Roth IRA (which, for purposes of this explanation, includes a Roth SIMPLE IRA), a special rule applies under which the amount of the payment rolled over, reduced by any after-tax amounts, will be taxed. In general, the 10% additional tax on early distributions won't apply. However, if you take the amount rolled over out of the Roth IRA within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional tax will apply on the amount includible in gross income (unless an exception applies).

If you roll over the payment to a Roth IRA, you won't have to take required minimum distributions from the Roth IRA during your lifetime. Later payments from the Roth IRA that are qualified distributions won't 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 aren't qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional tax on early distributions (unless an exception applies). 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)*.

## **If you roll over your payment to a designated Roth account in the Plan**

You can't roll over a payment to a designated Roth account in another employer's plan. However, you can roll the payment over into a designated Roth account in the distributing Plan. If you roll over a payment from the Plan to a designated Roth account in the Plan, the amount of the payment rolled over, reduced by any after-tax amounts directly rolled over, will be taxed. In general, the 10% additional tax on early distributions won't apply. However, if you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional tax will apply on the amount includible in gross income (unless an exception applies).

If you roll over the payment to a designated Roth account in the Plan, you won't have to take required minimum distributions from the designated Roth account during your lifetime. Later payments from the designated Roth account that are qualified distributions won't be taxed, including earnings after the rollover. A qualified distribution from a designated Roth account is a payment made both after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying this 5-year rule, you count from January 1 of the year of the first contribution to your designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account that aren't qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional tax on early distributions (unless an exception applies).

## **If you aren't a Plan participant**

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

**If you are a surviving spouse.** If you receive a payment from the Plan 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 either 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 tax on early distributions (unless an exception applies) and required minimum distributions from your IRA will be based on your age.

If you treat the IRA as an inherited IRA, payments from the IRA won't be subject to the 10% additional tax on early distributions. However, if the participant had started taking required minimum distributions from the Plan, required minimum distributions must continue to be made from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, distributions from the inherited IRA must begin when the participant would have been required to begin required minimum distributions.

**If you are a surviving beneficiary other than a spouse.** If you receive a payment from the Plan 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 won't be subject to the 10% additional tax on early distributions. You will have to take required minimum distributions from the inherited IRA.

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)*.

Payments under a qualified domestic relations order (QDRO). If you are the spouse or former spouse of the participant who receives a payment from the Plan under a QDRO, you generally have the same options and the same tax treatment that the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). However, payments under the QDRO won't be subject to the 10% additional tax on early distributions.

For more information, see IRS Publication 504, *Divorced or Separated Individuals*.

### **If you are a nonresident alien**

If you are a nonresident alien and you don't do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan 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 IRS Form 1040NR, *U.S. Nonresident Alien Income Tax Return*, and attaching your IRS Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. See IRS Form

W-8BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)*, for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

### **Other special rules**

If a payment is one in a series of payments for less than 10 years, your choice whether to do a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than \$200, not including payments from a designated Roth account in the Plan, the Plan isn't required to allow you to do a direct rollover and isn't required to withhold federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000, not including payments from a designated Roth account in the Plan, will be directly rolled over to an IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) without the participant's consent. Generally, a mandatory cashout is only allowed if the participant's benefit doesn't exceed \$7,000.

You may have the ability to repay certain distributions from your retirement plan. If you took a qualified reservist distribution, a qualified disaster recovery distribution, a qualified birth or adoption distribution, an emergency personal expense distribution, a domestic abuse victim distribution, or a terminal illness distribution, you generally may repay that distribution to an eligible retirement plan within a certain time period. For more information on repayments of qualified reservist distributions, see IRS Publication 3, *Armed Forces' Tax Guide*. For more information on other repayments, see IRS Publication 575, *Pension and Annuity Income*, or consult a professional tax advisor.

### **FOR MORE INFORMATION**

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. 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](http://www.irs.gov), or by calling 1-800-TAX-FORM.



CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM

City of Austin  
Employees' Retirement System  
**REFUND APPLICATION**

First Name	Middle Name	Last Name	Social Security Number-last 4	
Mailing Address		City	State	Zip Code
Date of Birth	Home Phone	Mobile Phone		
Email Address	If you are divorced, is there a Qualified Domestic Relations Order (QDRO) on file with COAERS or in progress? <input type="checkbox"/> YES <input type="checkbox"/> NO			

**MARK ONE OPTION NEXT TO YOUR CHOICE.**

<input type="checkbox"/>	Option A	Total Refund	Refund my deposits, payments, and interest directly to me via direct deposit at COAERS' first availability less taxes. I hereby authorize the City of Austin Employees' Retirement System to initiate credit entries (deposits) and to initiate, if necessary, debit entries and adjustments for any credit entries in error to my account indicated below, and I authorize the financial institution named below to credit and/or debit these entries to such account	
	Direct Deposit	Provide a voided check or letter from your bank	Type of Account	Checking <input type="checkbox"/> Savings <input type="checkbox"/>
			Routing Number (ABA Number)	
			Account Number	
			Name of Bank/Financial Institution	
<input type="checkbox"/>	Option B	Deferred Refund	Wait until after the annual interest allocation has been made to my account, then refund my deposits, payments, and interest directly to me next January. Complete the Direct Deposit above.	
<input type="checkbox"/>	Option C	Refund Rollover Combination	Split my refund and distribute a portion directly to me and roll over a portion as I have indicated below: Refund \$ _____ and Rollover \$ _____ to the financial institution identified below. The name of the financial institution is below but, I will need to provide more information.	
		Financial Institution		
<input type="checkbox"/>	Option D	Total Rollover	Rollover all untaxed contributions, payments, and interest to the financial institution identified below. The name of the financial institution is below but I will need to provide more information.	
		Financial Institution		

**Please provide to COAERS a copy of your Driver's License, Passport or Department of Public Safety Issued ID**

**My signature below acknowledges the following:**

- I am applying for a refund which means that COAERS will distribute my deposits, interest, and any amounts I paid to COAERS for a purchase of service credit, and I will lose my membership in COAERS and therefore I will not be entitled to any COAERS benefits.
- My employment with a COAERS employer has terminated and I do not have an agreement to be rehired with a COAERS employer.
- I do not have a Qualified Domestic Relations Order in progress at this time. My spouse is aware of my Refund Application and understands that I am forfeiting future benefits including potential survivor benefits.
- I have read the "Your Rollover Options" material and I waive my right to a 30-day waiting period as described in said notice.
- Federal income tax at a tax rate of 20% will be withheld on all untaxed contributions and interest paid directly to me. I acknowledge that I may also be subject to an additional 10% tax penalty. I know that COAERS will report distributions to me and the IRS after the end of the year in which a distribution is made.
- I acknowledge that false statements or fraudulently obtaining benefits will result in the forfeiture of my COAERS benefits and could subject me to criminal penalties.

**SIGN AND DATE IN THE PRESENCE OF A NOTARY. My signature below acknowledges the following:**

<b>NOTARY</b>	Signature	Date
	X	

State of \_\_\_\_\_ County of \_\_\_\_\_  
Before me, the above-named individual personally appeared, and he/she is known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me and executed the same for the purposes and consideration therein expressed. Given under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

(Personalized Seal) Notary Public's Signature: \_\_\_\_\_