

# APPLICATION FOR HARDSHIP DISTRIBUTION

## SACRAMENTO AREA ELECTRICAL WORKERS PENSION AND PROFIT SHARING PLAN

### I. GENERAL INFORMATION

1. The distribution will be treated as necessary to satisfy an immediate and heavy financial need of a Participant to the extent the amount of the distribution is not in excess of the amount required to relieve the financial need, or to the extent such need may not be satisfied from other sources that are reasonably available to the Participant. This determination by the Trustees is to be made on the basis of all relevant facts and circumstances.
  
2. The undersigned certifies that the above expense cannot be paid for from any of the following:
  - (a) through reimbursement or compensation by insurance or otherwise;
  - (b) by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need;
  - (c) by cessation of Elective Deferrals under the Plan [applies to Journeymen "B" or "C" categories];
  - (d) by other distributions or nontaxable (at the time of the loan) loans from plans maintained by the Employer or by any other employer; or
  - (e) by borrowing from commercial sources on reasonable commercial terms.
  
3. For purposes of this application and distribution, the Participant's resources shall be deemed to include those assets of his spouse and minor children that are reasonably available to the Participant. Property owned by the Participant and the Participant's spouse, whether as community property, joint tenants, tenants by the entirety, or tenants in common, will be deemed a resource of the Participant. However, property held for the Participant's child under an irrevocable trust or under the Uniform Gifts to Minors Act will not be treated as a resource of the Participant.
  
4. The amount of the distribution will take into account the following:
  - (a) The distribution does not exceed the amount of the need including any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution;
  - (b) The participant has obtained all distributions, other than hardship distributions, and all nontaxable loans currently available under all plans maintained by the Employer.

**United Administrative Services**

1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

## II. CERTIFICATION OF HARDSHIP

The undersigned participant hereby makes application for a Hardship Withdrawal [distribution] from the Sacramento Area Electrical Workers Pension Trust and I am aware that the hardship distribution must be paid directly to me. I have read the General Information section above and certify the request in compliance therewith. I understand that the withdrawal is a premature distribution of pension benefits if I am under age 59 ½. I acknowledge that at any age the distribution is subject to both state and federal income taxes. I further understand that if at the time of distribution I am under age 59 ½ the distribution is subject to Federal tax penalties of 10% and State tax penalties in California of 2.5%. I will also be responsible for ordinary income taxes noted above.

**I instruct the Plan Manager to place me in journeyman Category A if I am currently designated in any other category and agree that I will remain in Category A at least until the open enrollment period following 12 months after the date of this application.**

I certify under penalty of perjury that the distribution is on account of an immediate and heavy financial need.

Participant's name (please print): \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_ Phone #: \_\_\_\_\_

Participant's signature: \_\_\_\_\_ SSN: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Spouse's signature: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ at \_\_\_\_\_, California.

[Must be notarized or signed in the presence of a Plan Representative as to spouse's signature. **Spouse's signature is required.** Spousal waiver attached.]

## III. AMOUNT REQUESTED

Net amount requested for hardship \$ \_\_\_\_\_

Do you want additional amounts to cover penalties? Check ONE

[10% Federal] Yes  No

[2.5% State] Yes  No  No

- At least 20% will be withheld from the gross distribution for Federal income taxes. If you want more withheld please note what percentage of the gross distribution you want withheld for Federal income taxes. \_\_\_\_\_%.
- Check **ONE** of the following:
  - \_\_\_\_\_ withhold California income taxes at 10% of Federal taxes or,
  - \_\_\_\_\_ do not withhold anything for California income taxes or,
  - \_\_\_\_\_ withhold California income taxes from my hardship distribution as follows:
    - ◆ withhold the following % \_\_\_\_\_ or a flat amount of \$ \_\_\_\_\_

### United Administrative Services

1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

#### IV. TYPE OF HARDSHIP REQUESTED

Note: Supporting documentation as well as a detailed explanation of how the hardship arose, *must* be submitted to the Fund Office, if the request relates to an eviction or foreclosure (item number 4 below). The Documentation and explanation for the hardship request must be supplied with the application. Descriptions of the required supporting documentation are noted below.

Check category of Hardship:

(1) medical expenses previously incurred by the participant or the participant's spouse or dependents or necessary for those persons to obtain medical care;

*Documentation: Statements issued by the providers and verification that Sacramento Area Electrical Workers Health and Welfare Trust coverage is not available. This category, like all on this page, is for a hardship. The medical treatment must be of an extraordinary nature and the amount of the treatment unusually high. This provision does not cover medical bills incurred in the ordinary course of events that are not covered by the Health and Welfare Plan [e.g. deductibles, cosmetic, orthodontics].*

(2) the purchase down payment [excluding mortgage payments] of a principal residence of the participant (amount is limited to 20% of the purchase price);

*Documentation: An executed copy of the purchase and sale agreement as well as a statement of closing costs sufficient to support the amount requested.*

(3) tuition payments for the next 12 months of college or graduate school for the participant, the participant's spouse or dependents;

*Documentation: A statement from the college or university delineating the tuition charge. This does not cover living expenses but merely tuition and books.*

(4) the need to prevent the eviction of the participant from his/her principal residence or the foreclosure of the mortgage of the participant's principal residence.

*Documentation: A three-day notice to quit, containing the amount to avoid eviction, or an unlawful detainer complaint. A hardship distribution under this category limits the eviction payment to no more than three months in a 12 month period.*

(5) payment for burial or funeral expenses for the employee's parent, spouse, child or dependent.

*Documentation: Invoices from the funeral home.*

(6) expenses for the repair of damage to the participant's principal residence that would qualify for the casualty deduction under IRC section 165, whether or not the loss exceeds 10% of adjusted gross income.

*Documentation: Invoices from contractors or building supply companies.*

#### THIS SPACE FOR TRUST FUND USE ONLY

Amount available in Profit Sharing Account \$ \_\_\_\_\_

Previous Hardship?  Yes  No Type: \_\_\_\_\_ Date Paid \_\_\_\_\_

**United Administrative Services**

1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

**DECLARATION OF MARITAL STATUS**  
**SACRAMENTO AREA ELECTRICAL WORKERS PENSION TRUST**

Please complete each section in full. This will avoid delay in the processing of your pension benefit.

**I. PARTICIPANT DATA:**

NAME OF PARTICIPANT: \_\_\_\_\_

SOCIAL SECURITY NUMBER: \_\_\_\_\_ BIRTH DATE: \_\_\_\_\_

MARITAL STATUS:       Married                       Single (never married)  
                                  Divorced                       Widowed                       Other

**II. SPOUSAL INFORMATION:**

A. Name of present spouse: \_\_\_\_\_ Spouse's SS# \_\_\_\_\_

Spouse's Birth Date: \_\_\_\_\_ Date of Marriage \_\_\_\_\_

B. Name of prior spouse, (if none, indicate none): \_\_\_\_\_

Date of prior marriage: \_\_\_\_\_ Date prior marriage terminated: \_\_\_\_\_

Marriage terminated because of \_\_\_\_\_

(death, divorce/dissolution, other - please specify)

Prior Spouse's Present

Name and Address (if presently alive) \_\_\_\_\_

\_\_\_\_\_

ARE THERE ANY OTHER PRIOR MARRIAGES?     Yes     No

**PLEASE NOTE: If you have had more than one marriage please attach a separate sheet of paper providing the information requested in Part B above for each such marriage.**

**III. COURT ORDER**

Is there a court order in effect, or a court proceeding presently pending, which grants, seeks to grant, or reserves the right to grant your spouse or any former spouse, child or other dependent any right or rights to any of your accrued benefits?

NO     YES

If yes, please attach a copy of that court order, or, if a court proceeding is presently pending, indicate the name of the court and the case number.

\_\_\_\_\_  
\_\_\_\_\_

-Continue to Other Side-

I CERTIFY UNDER PENALTY OF PERJURY THAT ALL OF THE INFORMATION PROVIDED ON THIS FORM IS COMPLETE AND ACCURATE. I UNDERSTAND THAT A FALSE STATEMENT MAY DISQUALIFY ME FOR BENEFITS, AND THAT THE TRUSTEES SHALL HAVE THE RIGHT TO RECOVER ANY PAYMENTS MADE TO ME BECAUSE OF FALSE STATEMENT.

NAME: \_\_\_\_\_ SS# \_\_\_\_\_

SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

Your signature must be notarized (section IV) or witnessed by a Plan Representative (section V)

**IV. TO BE COMPLETED BY NOTARY PUBLIC**

State of \_\_\_\_\_, County of \_\_\_\_\_

On \_\_\_\_\_, 20\_\_\_\_, before me, a Notary Public of said State, duly commissioned and sworn, personally appeared \_\_\_\_\_, known to me (or proved to me on the basis of satisfactory evidence of \_\_\_\_\_) to be the person whose name is subscribed above and acknowledged that the person executed this consent.

\_\_\_\_\_  
Notary Public in and for said State

\_\_\_\_\_  
Commission Expiration Date

**V. TO BE COMPLETED BY PLAN REPRESENTATIVE**

The above signature of \_\_\_\_\_ was witnessed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ in the

presence of: \_\_\_\_\_  
Signature Plan Representative

Form of I.D. \_\_\_\_\_

\_\_\_\_\_  
Print Name

**United Administrative Services**

1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

**SACRAMENTO AREA ELECTRICAL WORKERS LOCAL 340 PENSION PLAN**

**SPOUSAL WAIVER FORM**

**A. FORM FOR SPOUSE TO CONSENT TO PARTICIPANT'S ELECTION TO RECEIVE PENSION IN A FORM OTHER THAN STANDARD JOINT AND 50% TO SPOUSE**

For a married participant, federal law (ERISA) requires that the Plan's standard form of retirement is a Joint and 50% Survivor Annuity. The Joint and Survivor 50% Annuity provides a reduced lifetime benefit for a married participant, and upon the participant's death, 50% of the monthly pension amount will continue being paid to the surviving spouse for the spouse's lifetime. Pension Benefits will be paid in this form unless the spouse signs this waiver form consenting to an alternate benefit option. Spouse's signature must be notarized.

I declare under penalty of perjury that \_\_\_\_\_ is my spouse.

(Participant's Name)

I hereby consent to my spouse's election to receive our pension benefit in a form other than the "Standard Joint and 50% to Spouse Benefit". I understand that this means that if my spouse predeceases me, I will not receive the standard survivor's annuity I would otherwise receive as required by law. I further understand that this waiver is irrevocable after 90 days of the date this form was signed below.

Date: \_\_\_\_\_

\_\_\_\_\_  
Participant's Name (Please Print)

\_\_\_\_\_  
Spouse's Name (Please Print)

\_\_\_\_\_  
Social Security No.

\_\_\_\_\_  
Social Security No.

**Spouse's Signature:** \_\_\_\_\_

**(Must be witnessed by a Notary Public or Plan Representative)**

**B. TO BE COMPLETED BY NOTARY PUBLIC**

State of \_\_\_\_\_, County of \_\_\_\_\_

On \_\_\_\_\_, 20\_\_\_, before me, a Notary Public of said State, duly commissioned and sworn,

personally appeared \_\_\_\_\_, known to me (or proved to me on the basis of satisfactory

evidence of \_\_\_\_\_) to be the person whose name is subscribed above and acknowledged that

the person executed this consent.

\_\_\_\_\_  
Notary Public in and for said State

\_\_\_\_\_  
Commission Expiration Date

**C. TO BE COMPLETED BY PLAN REPRESENTATIVE**

Signature of spouse witnessed this \_\_\_ day of \_\_\_\_\_, 20\_\_\_ in the presence of: \_\_\_\_\_

\_\_\_\_\_  
Plan Representative Signature

Form of I.D. \_\_\_\_\_

\_\_\_\_\_  
Print Name

**United Administrative Services**

1120 South Bascom Avenue

San Jose, CA 95128

(408) 288-4557

## **INSTRUCTIONS CONCERNING SUBMISSION OF PROOFS OF AGE**

The acceptable proofs of your age are listed below in two (2) groups. Submit a copy of one of the proofs listed in Group I, if you have it, or can possibly obtain it, since this class of proof of age is more convincing.

If you cannot submit a proof in the Group I classification, submit copies of two (2) of the proofs listed in Group II.

Additional proofs of age may be requested if the documents you submit do not constitute convincing proof of your age.

### **GROUP I**

1. A Birth Certificate.
2. A Baptismal Certificate or a statement as to the date of birth shown by a church record, certified by the custodian of such record.
3. Notification of registration of birth in a public registry of vital statistics.
4. Certification of record of age by the US Census Bureau.
5. Hospital birth record, certified by the custodian of such record.
6. A foreign government record.
7. A signed statement by the Physician or midwife who was in attendance at birth, as to the date of birth shown on their records.
8. Naturalization Record.
9. Immigration Papers.

### **GROUP II**

1. Military Record.
2. Passport.
3. School records, certified by the custodian of such record.
4. An insurance policy which shows the age or date of birth.
5. Marriage records showing date of birth or age (application for marriage license or church record, certified by the custodian of such record; or Marriage Certificate).
6. Other evidence such as signed statements from persons who have knowledge of the date of birth.
7. Letter from Social Security stating your date of birth as shown in their records.
8. Drivers' License.

### **United Administrative Services**

1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

## SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice explains how you can continue to defer federal income tax on your retirement benefits from the Sacramento Area Electrical Workers Pension Trust Fund which contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Plan's Board of Trustees, which is the "Plan Administrator" under federal law, because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or the Plan Administrator to a traditional IRA or another *plan*.

A rollover is a payment by you or the Plan Administrator of all or part of your benefit to an eligible employer plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Under the Internal Revenue Code, your payment(s) **cannot** be rolled over to certain types of IRA's, such as a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether a 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. If this is the case, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, that 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.**

This notice, which is patterned in many parts on an IRS model notice, is required by federal law. **The notice is not personal tax advice. You should consult with a personal tax advisor for tax advice upon which you want to reply.**

**If you have additional questions after reading this notice, you may contact the Plan Office at 408-288-4400.**

### General Rules on Taxation and Early Distributions

- (1) **Tax on Distributions.** As a general rule, when you receive a distribution directly from a qualified pension plan, such as this Plan, you will pay federal and state taxes on the distribution. (There may be an exception for certain types of payments on account of a disability.) This notice is intended simply to provide you with general information on the tax rules and some of your options.
- (2) **Potential 10% Additional Tax on Certain Distributions.** In the Tax Reform Act of 1986, Congress added section 72(t) to the Internal Revenue Code, which imposes an additional 10% tax on certain early distributions from a qualified plan, unless the distribution meets one of the exceptions listed below. The **primary exceptions of the 10% tax penalty** include:

1. **Eligible Rollover.** You roll over the distribution in the manner described below in the Summary.

### United Administrative Services

1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

2. **Early Retirement At age 55.** A distribution made to you on account of qualifying for early retirement under the Plan on or after age 55.
3. **Certain Disabilities.** A distribution due to your inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be, expected to result in death or to be of long-continued and indefinite duration. (Not all disabilities meet this standard.)
4. **Periodic Payments-Substantially Equal Payments.** Periodic payments which are made in a series of substantially equal periodic installments (at least annually or more often) made for your life or life expectancy or for the joint lives or a term equal to the joint life expectancies of you and a designated beneficiary.
5. **Medical Deduction.** A distribution to the extent such distribution does not exceed the amount allowable as a medical deduction under Internal Revenue Code Section 213.
6. **Death Benefits.** A distribution to your beneficiary or your estate on account of your death.
7. **Certain Domestic Relations Orders.** A distribution to an alternate payee (spouse, child, or other dependent) pursuant to a qualified domestic relations order.
  - . **Warning:** You may also be liable for state tax penalties. For example, California assesses a 2.5% penalty.
  - . **Reminder:** The information in this notice is not intended to be tax advice. Thus, it is suggested that you consult with a tax advisor before you file your application to receive your benefits from the Plan

### 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 that you establish or to an eligible employer plan that will accept it and hold it for your benefit (“DIRECT ROLLOVER”); or**
- (2) **The payment can be PAID TO YOU.**

If you choose a DIRECT ROLLOVER:

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

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

- You will receive *only 80%* of the taxable amount of the payment, because the *Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.*
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before the plan’s early retirement age of 55, you may have to pay an additional 10% tax.

- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

**Your Right to Waive the 30-Day Notice Period.**

Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to

consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

**MORE INFORMATION**

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER ..... 10

II. DIRECT ROLLOVER..... 11

III. PAYMENT PAID TO YOU ..... 12

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES ..... 14

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

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

The following types of payments cannot be rolled over:

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

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

**Required Minimum Payments.** Beginning when you reach age 70-1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a “required minimum payment” that must be paid to you. Special rules apply if you own more than 5% of your employer.

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

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

**Loans Treated as Distributions.** The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan-offset amount is eligible for rollover, as discussed in PART II below. The Plan Administrator should be able to tell you if your payment includes amounts that cannot be rolled over.

## **II. DIRECT ROLLOVER**

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

This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

### **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. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

### **DIRECT ROLLOVER to a Plan**

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

Check with the plan administrator of that plan before making your decision.

### **DIRECT ROLLOVER of a Series of Payments**

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

### **Change in Tax Treatment Resulting from a DIRECT ROLLOVER.**

The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or 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."

## **United Administrative Services**

1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

### III. PAYMENT PAID TO YOU

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

#### **Income Tax Withholding**

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

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

**Sixty-Day Rollover Option.** If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan

that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a *traditional* IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

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

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

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

**Possible 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

**United Administrative Services**  
1120 South Bascom Avenue  
San Jose, CA 95128  
(408) 288-4557

- (1) payments that are paid after you separate from service under your Plan 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, or
- (6) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

**Special Tax Treatment If You Were Born before January 1, 1936.** If you receive a payment from the Plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59-1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59-1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the Plan for at least five years before the year in which you received the distribution.

The special tax treatment for lump sum distributions that may be available to you is described below.

**Ten-Year Averaging.** In brief, if you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using a "10-year averaging" method which also uses 1986 tax rates. Ten-year averaging often reduces the tax you owe.

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

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

**Repayment of Plan Loans.** If at the time you apply for your pension benefits, you have an *outstanding loan* from the Plan, the Plan may reduce or offset your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the

amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset.

If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other cash payments from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash paid to you. The amount of a defaulted Plan loan that is a taxable deemed distribution cannot be rolled over.

#### **IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES**

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

Congress recently changed the rules to permit a non-spouse beneficiary to rollover benefits but only to an Inherited IRA. Any such rollover has to be a direct transfer to that Inherited IRA. Non-spouse beneficiaries cannot rollover benefits to another qualified pension plan or to a regular IRA. If, however, a nonspouse beneficiary chooses to take a distribution from the Plan, rather than having a rollover, the beneficiary is not subject to mandatory 20% withholding. Ordinary income tax would apply. You may want to consult with a tax advisor regarding your options.

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

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally **not** subject to the additional 10% tax described in Part III above, even if you are younger than age 59-1/2.

If you are a beneficiary other than a surviving spouse or an alternate payee, the Plan may permit you to choose to have a payment that can be rolled over, as described in Part 1 above, paid in a Direct Rollover to a Traditional IRA or have the benefit paid to you. You may not roll over the payment that is made directly to you, nor may you choose to roll over the payment to an eligible employer plan. The IRA accepting the transfer is treated like a non-spouse Inherited IRA, under which benefits must be distributed in accordance with the required minimum distribution rules. In general, distributions from the Inherited IRA must either be paid to you in full within 5 years of the employee's death or must commence within 12 months of the employee's death and be paid over your life expectancy. The benefits cannot be rolled over from the Inherited IRA to any other IRA.

As explained above, surviving spouses and alternate payees have the same choices as the employee. However, unlike surviving spouses and alternate payees, non-spouse beneficiaries do not have the same choices as the employee. Because of this difference, the mandatory withholding rules described in Number 4 above, that typically apply to payments that are not rolled over, do not apply to payments made to non-spouse designated beneficiaries. If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Number 4 above, even if you are younger than age 59½.

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

**State or Local Income Tax**

Please note that state or local income tax is withheld only for those states where such withholding is mandatory. If you reside in a state that has a state income tax, and the state does not have a mandatory withholding rule, you will be responsible for any state income taxes due on the taxable portion of your distribution. You should also be aware that some states have not yet changed their laws to take into account the expanded rollover rules that became effective January 1, 2002. In certain cases, a rollover now permitted under federal law may be subject to taxation under state law. However, once the rollover is taxed under state law, the state would not tax this amount again when later you receive it as a distribution.

**HOW TO OBTAIN ADDITIONAL INFORMATION**

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