



THE COMMONWEALTH OF MASSACHUSETTS
State Retirement Board
ONE WINTER STREET, 8TH FLOOR, BOSTON, MA 02108

**APPLICATION TO WITHDRAW ACCUMULATED RETIREMENT DEDUCTIONS
(REFUND/ROLLOVER REQUEST FORM)**

IMPORTANT:

- ▶ **THE BOARD DOES NOT ACCEPT FAXED OR EMAILED APPLICATIONS BECAUSE ORIGINAL SIGNATURES ARE REQUIRED.**
- ▶ A return of the member's accumulated deductions **terminates membership** in the Massachusetts State Employees' Retirement System and the rights associated with membership. For more information call (617) 367-7770 or 1-800-392-6014 (within MA).

I HEREBY CERTIFY THAT: *(please check every option)*



- ☐ I am not on a paid or unpaid leave of absence.
- ☐ I am not presently receiving worker's compensation benefits under General Laws, c. 152 or injured on duty payments c. 41, §111F.
- ☐ I do not have a claim for worker's compensation or an application for ordinary or accidental disability pending.
- ☐ I am not currently appealing my termination or planning to appeal my termination.
- ☐ I have not been charged with an offense or convicted of any crime relating to my position while in State Service.
- ☐ I understand that by withdrawing my accumulated deductions, I lose all the rights associated with membership in the Massachusetts State Employees' Retirement System ("MSERS").
- ☐ I understand that by withdrawing my accumulated deductions, if I have 10 years of creditable service, I am waiving my right to monthly pension benefits upon reaching the age of 55 if I became a member before 4/2/2012, or age 60 if I became a member on or after 4/2/2012.
- ☐ I understand that if I have 20 or more years of creditable service and I became a member before 4/2/2012, I am eligible for a monthly pension benefit and by withdrawing my accumulated deductions I am waiving my right to monthly pension benefits.
- ☐ I am not accepting a position which would make me eligible for membership in another General Laws, c. 32 Public Retirement System, such as for a County, City, or Town, political subdivision or similar retirement system.
- ☐ I do not have funds on account with any other General Laws, c. 32 Public Retirement System, such as for a County, City, or Town, political subdivision or similar retirement system.

- ▶ **IF DIVORCED:** Are you a party to a Domestic Relations order? ☐ Yes ☐ No
(If YES, please include a copy of your Domestic Relations Order with this application.)

THIS SECTION BOARD USE ONLY

Print Member Name

*Original Signature Required**

Member's Signature (Original Signature Required*)

Date

***A computer generated or other non-original signature is NOT acceptable.**

SECTION A - TO BE READ AND COMPLETED BY MEMBER:

I, the undersigned, having left the service of the Commonwealth of Massachusetts or one of the non-Commonwealth entities that participates in the MSERS, request payment to me of the accumulated total deductions now standing to my credit in the annuity savings fund of the MSERS. In consideration of such payment, all other rights and privileges to which I was entitled as a member of the Retirement System are surrendered and I understand that upon such payment, my membership in the MSERS will terminate. I understand that if I completed 20 or more years of creditable service and I became a member before 4/2/2012, in lieu of receiving my lump sum refund I could elect to receive a retirement pension. I understand a member in service subsequent to 1-01-78 and before 4/2/2012, who has completed 10 or more years of creditable service, who resigns or voluntarily terminates service and leaves accumulated total deductions in the annuity savings fund, shall have the right upon attaining age 55 to apply for a retirement allowance. I further understand that if I return to active service, I do so with the status of a new employee subject to plan rules in effect at that time and not entitled to credit for my previous service, unless, before the date any retirement allowance becomes effective for me, I pay into the annuity savings fund deductions withdrawn by me, together with regular interest.

MEMBER INFORMATION:

Print Member Name:	
Provide the Last Four Digits of Your Social Security Number, or MSRB ID, or HRCMS ID:	
Street Address:	
City, State, Zip:	
Personal Email:	Telephone:

MUST SELECT ONE OF THE FOLLOWING:



☐ **REFUND REQUEST:** (Note, paper check will be mailed to the address above. If no option is checked, the refund will default to a paper check.)

☐ **PAPER CHECK, OR**

☐ **DIRECT DEPOSIT (Please complete the form on pages 5 and 6.)**

☐ **ROLLOVER REQUEST:** Please complete SECTION B below.

IMPORTANT: Participants who do not select the direct rollover option will be subject to a 20% Federal Withholding Tax on the taxable portion of the distribution even if funds are deposited into an eligible plan within the 60-day grace period. Participants who choose the direct rollover option to the Commonwealth's Deferred Compensation SMART Plan must have an account open with the administrator of that Plan.

Complete the following statement:

I _____ from my position as _____
(Resigned/Was Dismissed) (Position/Title)

in _____
(Name of Agency)

*Original Signature Required**

(Signature - DO NOT PRINT YOUR NAME)

***A computer generated or other non-original signature is NOT acceptable.**

SECTION B - PLEASE COMPLETE IF REQUESTING A ROLLOVER:

YOU MUST HAVE AN ACCOUNT OPEN WITH A QUALIFIED RETIREMENT PLAN IN ORDER FOR US TO PROCESS YOUR ROLLOVER REQUEST. Please complete all of the information below. If you do not have an account already open with a qualified plan, you must open one BEFORE submitting this form to your payroll/personnel department. If your plan has its own standard form or letter containing the necessary information needed to process your rollover, please attach your plan's own original document to this form.

☐ **Check if company form attached.**

Type of Plan: ☐ Traditional IRA ☐ Section 401(a) ☐ Section 403(a) ☐ Section 403(b)
☐ Section 457(b) governmental plan ☐ Roth IRA ☐ Simple IRA

Company Name:	Contact Person:
Street Address:	
City, State, Zip:	Telephone:
Account No. (if available):	
Make Check Payable To:	

SECTION C - TO BE COMPLETED BY YOUR PAYROLL/PERSONNEL DEPARTMENT:

NOTE: Due to the increased volume of refund/rollover applications the total processing time for completed applications is currently 12+ weeks. A completed application includes SECTION C - TO BE COMPLETED BY YOUR LAST PAYROLL/PERSONNEL DEPARTMENT. If Section C is not received, your application is not considered complete and cannot be processed.

This is to notify you that:

PRINT Full Name (<i>maiden, if appl.</i>):	
Provide the Last Four Digits of Your Social Security Number, or MSRB ID, or HRCMS ID:	Employed by (<i>State Agency</i>):
Employee: <input type="checkbox"/> Resigned <input type="checkbox"/> Was Dismissed	Separation from Service was: <input type="checkbox"/> Voluntary <input type="checkbox"/> Involuntary
If Terminated, is employee appealing his/her termination? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Start Date:	Membership Date:
Last Date on Payroll:	Last Day Worked:
Has employee accepted any retirement or termination incentive payments as part of his/her separation from service? <input type="checkbox"/> Yes* <input type="checkbox"/> No	
*If yes, please provide documentation.	
Is Workman's Compensation being paid/pending on this employee? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please give date of injury: _____ (Month/Day/Year) Was there a Lump Sum settlement? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Has this employee been officially investigated for, or charged with, misappropriation of funds or property from his employer or convicted of any crime related to his/her office or position? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Does the employee owe any money to the employer under an employee benefit plan, including a cafeteria plan established pursuant to 26 U.S.C. section 125? <input type="checkbox"/> Yes <input type="checkbox"/> No	

IMPORTANT: If employee was less than full-time, please attach list with dates and ratio(s).

IMPORTANT: Attach list with all dates of **unpaid** leaves of absences.

List below monthly retirement deductions for the last 2 (two) months on which employee appeared:

_____ \$	_____ \$
(Month/Year)	(Month/Year)
(Amount)	(Amount)

_____	_____	_____
Payroll/Personnel Administrator (Please Print)	Email Address	Telephone Number

*Original Signature Required**

(Authorized Signature)

(Date)

***A computer generated or other non-original signature is NOT acceptable.**

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THE COMMONWEALTH OF MASSACHUSETTS
State Retirement Board
ONE WINTER STREET, 8TH FLOOR, BOSTON, MA 02108


**AUTHORIZATION FOR
DIRECT DEPOSIT
OF REFUND**

Please complete all sections and sign below. Incomplete forms will not be processed.

1. BENEFIT RECIPIENT (required)

Name:		
Street Address:		
City:	State:	Zip:
Telephone:	Email Address:	
(Last four digits of Social Security number ONLY) XXX-XX-	MSRB ID # (if known):	

2. ACCOUNT INFORMATION (required)

Name of Financial Institution:	
All Names on Account:	
Routing #:	
Depositor Account #:	
Indicate account type (check one)	ATTACH this required documentation
<input type="checkbox"/> Checking	An original VOIDED check that is imprinted with your name, address, bank name and routing number, and account number. Temporary or starter checks will not be accepted. If you do not have checks personalized with your name and address, you must attach your bank's signed, official account verification document. 
<input type="checkbox"/> Savings	Your bank's signed, official account verification document indicating your name, address, bank name and routing number, and account number. A deposit slip will not be accepted.
Indicate account ownership (check one)	
<input type="checkbox"/> Individual:	
<input type="checkbox"/> Joint: (ALL additional joint account holders (other than the Benefit Recipient) MUST complete and sign Part 4 on Page 6.)	
<input type="checkbox"/> I am the benefit recipient's Power of Attorney (POA), Guardian, or Conservator. (You MUST also complete Parts 3 and 5.)	
<input type="checkbox"/> Trust: ATTACH a Certification of Trust that names the benefit recipient as a trustee or a beneficiary of the trust, and check this box.	

3. PLEASE SIGN BELOW (required)

"I, _____ hereby authorize the State Treasurer to deposit my REFUND of ACCUMULATED RETIREMENT DEDUCTIONS into my account at the financial institution named above. The State Treasurer is also authorized to debit or credit my account, to adjust any over deposit which it has caused to be made to my account, and to obtain any nonpublic personal information related to me on record with above financial institution. This authorization will remain in effect until revoked by me with thirty (30) days written notice to the Treasurer and Receiver General, One Winter Street, 8th Floor, Boston, MA 02108, or by the State Treasurer.

I certify that I am the person entitled to receive the payment under this application. I also certify that the information herein provided is accurate to the best of my knowledge."

*Original Signature Required**

Signature - DO NOT PRINT YOUR NAME

Date

***A computer generated or other non-original signature is NOT acceptable.**



PLEASE COMPLETE PART 4 AND 5 BELOW (if applicable)

4. JOINT ACCOUNT HOLDERS' INFORMATION AND CERTIFICATION (if applicable)

If your payment is being deposited to a JOINT account, Part 4 must be completed and signed by ALL other account holders.

If there are more than two other account holders, attach additional copies of Part 4.

By signing below, and as a party to this account, I understand that I am personally liable, both individually and as a member of the group of parties to this account, to the Massachusetts State Employees' Retirement System (MSERS), which has the legal obligation to recover any overpayment, for the repayment of any monies deposited to this account to which the benefit recipient named on page 5 is not legally entitled. If I am entitled to any benefit from the MSERS as a beneficiary of the benefit recipient, the amount of my liability may be deducted from the amount payable to me. I agree that the financial institution shall have the right of offset for such a refund and I authorize the financial institution to provide the MSERS with my home address. I release the MSERS, the financial institution, and their respective employees, from any and all liability, costs, damages, or expenses arising from such disclosure and/or refund.

Joint account holder

Your signature: *Original Signature Required**

Date:

Name:

(Last four digits of Social Security number ONLY) XXX-XX-

Street Address:

Telephone:

City/State/Zip:

Email Address:

Joint account holder

Your signature: *Original Signature Required**

Date:

Name:

(Last four digits of Social Security number ONLY) XXX-XX-

Street Address:

Telephone:

City/State/Zip:

Email Address:

5. POWER OF ATTORNEY (POA), GUARDIAN OR CONSERVATOR INFORMATION (if applicable)

If you have Power of Attorney, or are Guardian or Conservator of the benefit recipient named in Part 1 on page 5 of this form, and have completed this form on his or her behalf, please complete Part 3 and this section.

My current Power of Attorney, Guardianship or Conservator documentation is (check one):

☐

On file with the MSERS

☐

Attached to this form

Name:

(Last four digits of Social Security number ONLY) XXX-XX-

Street Address:

Telephone:

City/State/Zip:

Email Address:

***If including a voided check, please attach. Do not staple.**

General Instructions (*continued*)

Nonperiodic payments—10% withholding. Your payer must withhold at a default 10% rate from the taxable amount of nonperiodic payments **unless** you enter a different rate on line 2. Distributions from an IRA that are payable on demand are treated as nonperiodic payments. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering “-0-” on line 2. See the specific instructions below for more information. Generally, you are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including “-0-”) on any payments to be delivered outside the United States and its territories.

Note: If you don’t give Form W-4R to your payer, you don’t provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer must withhold 10% of the payment for federal income tax and can’t honor requests to have a lower (or no) amount withheld. Generally, for payments that began before 2025, your current withholding election (or your default rate) remains in effect unless you submit a Form W-4R.

Eligible rollover distributions—20% withholding.

Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can’t choose withholding at a rate of less than 20% (including “-0-”). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% on line 2. Don’t give Form W-4R to your payer unless you want more than 20% withheld.

Note that the following payments are **not** eligible rollover distributions for purposes of these withholding rules:

- Qualifying “hardship” distributions;
- Distributions required by federal law, such as required minimum distributions;
- Distributions from a pension-linked emergency savings account;
- Eligible distributions to a domestic abuse victim;
- Qualified disaster recovery distributions;
- Qualified birth or adoption distributions; and
- Emergency personal expense distributions.

See Pub. 505 for details. See also *Nonperiodic payments—10% withholding* above.

Payments to nonresident aliens and foreign estates. Do not use Form W-4R. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter “-0-” on line 2. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

Specific Instructions

Line 1b

For an estate, enter the estate’s employer identification number (EIN) in the area reserved for “Social security number.”

Line 2

More withholding. If you want more than the default rate withheld from your payment, you may enter a higher rate on line 2.

Less withholding (nonperiodic payments only). If permitted, you may enter a lower rate on line 2 (including “-0-”) if you want less than the 10% default rate withheld from your payment. If you have already paid, or plan to pay, your tax on this payment through other withholding or estimated tax payments, you may want to enter “-0-”.

Suggestion for determining withholding. Consider using the Marginal Rate Tables on page 1 to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of tax on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the Marginal Rate Tables.

The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.

To determine the appropriate rate of withholding from the table, do the following. Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.

If these two rates are the same, enter that rate on line 2. (See *Example 1* below.)

If the two rates differ, multiply (a) the amount in the lower rate bracket by the rate for that bracket, and (b) the amount in the higher rate bracket by the rate for that bracket. Add these two numbers; this is the expected tax for this payment. To get the rate to have withheld, divide this amount by the taxable amount of the payment. Round up to the next whole number and enter that rate on line 2. (See *Example 2* below.)

If you prefer a simpler approach (but one that may lead to overwithholding), find the rate that corresponds to your total income including the payment and enter that rate on line 2.

Examples. Assume the following facts for *Examples 1* and *2*. Your filing status is single. You expect the taxable amount of your payment to be \$20,000. Appropriate amounts have been withheld for all other sources of income and any deductions or credits.

Example 1. You expect your total income to be \$65,000 without the payment. Step 1: Because your total income without the payment, \$65,000, is greater than \$63,475 but less than \$118,350, the corresponding rate is 22%. Step 2: Because your total income with the payment, \$85,000, is greater than \$63,475 but less than \$118,350, the corresponding rate is 22%. Because these two rates are the same, enter “22” on line 2.

Example 2. You expect your total income to be \$61,000 without the payment. Step 1: Because your total income without the payment, \$61,000, is greater than \$26,925 but less than \$63,475, the corresponding rate is 12%. Step 2: Because your total income with the payment, \$81,000, is

greater than \$63,475 but less than \$118,350, the corresponding rate is 22%. The two rates differ. \$2,475 of the \$20,000 payment is in the lower bracket (\$63,475 less your total income of \$61,000 without the payment), and \$17,525 is in the higher bracket (\$20,000 less the \$2,475 that is in the lower bracket). Multiply \$2,475 by 12% to get \$297. Multiply \$17,525 by 22% to get \$3,856. The sum of these two amounts is \$4,153. This is the estimated tax on your payment. This amount corresponds to 21% of the \$20,000 payment (\$4,153 divided by \$20,000). Enter "21" on line 2.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to provide this information only if you want to (a) request additional federal income tax withholding from your nonperiodic payment(s) or eligible rollover distribution(s); (b) choose not to have federal income tax withheld from your nonperiodic payment(s), when permitted; or (c) change a previous Form W-4R (or a previous Form W-4P that you completed with respect to your nonperiodic payments or eligible rollover distributions). To do any of the aforementioned, you are required by sections 3405(e) and 6109 and their regulations to provide the information requested on this form. Failure to provide this information may result in inaccurate withholding on your payment(s).

Failure to provide a properly completed form will result in your payment(s) being subject to the default rate; providing fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

REFUND REQUEST FORM EMPLOYEE INSTRUCTIONS:

PLEASE NOTE: THE BOARD CANNOT ACCEPT FAXED OR EMAILED APPLICATIONS BECAUSE ORIGINAL SIGNATURES ARE REQUIRED.

1. Please read **Important Notice Regarding Eligibility for Withdrawal of Accumulated Total Deductions (Refund) to Members** below and the **Special Tax Notice Regarding Lump Sum Distributions** on pages 8-9 prior to completing this form.
2. Complete page 1 and SECTION A of the Refund Request Form. *Print all information*, except your signature. IF REQUESTING A REFUND skip SECTION B and go to number 4 in these instructions.
3. If REQUESTING A ROLLOVER: **Complete SECTION B.** If your Plan Administrator has a preprinted form, please attach and check off the box advising us that the form is attached. You do not need to complete SECTION B if a form/letter from your Plan Administrator is attached. You *must have an account open* with a qualified plan in order for the rollover to be processed.
4. Send your Refund Request form to your Payroll/Personnel department where you were last employed to complete SECTION C. ***Your Payroll/Personnel department will forward your Refund Request Form directly to the State Retirement Board.***

Effective January 1, 1993 federal law requires the State Retirement Board to implement a withholding provision on the taxable portion of a member's contributions and interest. The withholding rate is 20% of the taxable portion of the refund.

The withholding provisions can be avoided by "rolling over" these taxable funds to a qualified plan. The name of the institution where the money will be transferred must be identified on page 2 of this application. The Commonwealth of Massachusetts' retirement system is "qualified" under Sections 401 and 405 of the Internal Revenue Code. Withdrawals not rolled over may also be subject to a 10% penalty under certain conditions. Please consult the IRS or a tax advisor for further information. Your check stub will show a breakdown of your refund/rollover. Next year you will receive an IRS Form 1099-R Form from this office.

IMPORTANT NOTICE REGARDING ELIGIBILITY FOR WITHDRAWAL OF ACCUMULATED TOTAL DEDUCTIONS (REFUND) TO MEMBERS:

- 1 If you leave the service of the Commonwealth of Massachusetts and do not intend to take a position in the Commonwealth of Massachusetts subject to the provisions of section I to 28 of Chapter 32 of the General Laws.
- 2 If your retirement allowance is less than \$360.00 a year you must receive a refund instead of the allowance.

IF YOU ENTERED SERVICE AFTER JANUARY 1, 1984, YOU ARE ELIGIBLE FOR A REFUND OF THE INTEREST CREDITED TO YOUR ACCOUNT ACCORDING TO THE FOLLOWING SCHEDULE:

1. If you have less than ten (10) years of creditable service and you VOLUNTARILY terminated service, you will be credited with 3% interest on your total deductions.
2. If you have more than ten (10) years of creditable service or you INVOLUNTARILY withdraw from state service your total deductions will be credited with regular interest. Also, if you have ten (10) or more years of creditable service, call the State Retirement Board – you may be vested and eligible for retirement at age 55.

No interest will accrue to your account after two years from the date of your separation from employment.

TWO-YEAR RULE:

If you are withdrawing your retirement deductions or rolling over your funds to another retirement plan, you may be required to satisfy certain service requirements in the future if you return to employment with the Commonwealth and before you can be eligible for particular retirement benefits. Should you return to public service and if the above applies to you, you would not be eligible to receive a retirement allowance until you have been in active membership services for at least two consecutive years following the start of your new employment with the Commonwealth unless you meet one of the applicable exceptions. We recommend you contact the Board to determine if this applies to you and to review the applicable exceptions.

IMPORTANT NOTICE TO REFUND APPLICANTS WHO ENTERED SERVICE BEFORE APRIL 2, 2012:

If you entered service prior to April 2, 2012 and you take a refund or a rollover of your contributions you are terminating your membership. If you later return to state service, your membership date will be the date you reenter service, even if you buy back any refunded contributions. You will also be subject to the retirement law changes which went into effect on April 2, 2012 (Chapter 176 of the Acts of 2011). These changes include, but are not limited to:

- ▶ New age factor table for your retirement benefit calculation
- ▶ An increase in the salary average period used to calculate most benefits from 3 years to 5 years

- An increase in the minimum retirement age

You have the option of leaving your funds in the system to retain your current level of benefits. The State Retirement Board recommends you consult with a Retirement Counselor prior to making your final refund decision. You can reach a counselor by calling 617-367-7770.

FEDERAL REQUIREMENTS:

Effective January 1, 1993, employers are required to offer plan participants trustee-to-trustee transfer. Participants who **DO NOT** choose the direct transfer are subject to a 20 percent federal withholding on the taxable portion of the distribution even if they deposit the rollover into another eligible plan within the existing 60-day grace period.

You may be entitled to income averaging. The State Retirement Board recommends you consult with a qualified tax preparer.

ADDITIONAL ROLLOVER INFORMATION:

For MSERS Participants Requesting Return of Accumulated Pension Deductions

Option to roll over Accumulated Deductions into the Commonwealth's Deferred Compensation SMART Plan

You have the option to roll over your accumulated pension deductions into your account with the Commonwealth's Deferred Compensation SMART Plan upon your separation from service. To qualify for this option, **you must have established an account with the Deferred Compensation SMART Plan prior to your separation from service.**

It is a simple **three-step process** to roll your pension deductions into your Plan account:

1. Complete SECTION A of this form, and have your Deferred Compensation representative fill out SECTION B of the attached Refund Request Form. Your representative will assist in completing the form and answer any questions you may have about making a rollover contribution into the Commonwealth's Deferred Compensation SMART Plan.
2. Forward this completed form to your payroll administrator for completion of SECTION C.
3. Your payroll/personnel department will return the form to the State Retirement Board for processing.

QUALIFIED PUBLIC SAFETY EMPLOYEES:

On and after August 18, 2006, if you are a "qualified public safety employee" who terminates employment in the calendar year in which you are age 50 or older, and receive an eligible distribution, you will not have to pay the additional 10% tax on the distribution PAID TO YOU. You are a "qualified public safety employee" if you are an employee of a State or political subdivision of a State (such as a county or city) whose principal duties include services requiring specialized training in the area of police protection, firefighting services, or emergency medical services for an area within the jurisdiction of the State or political subdivision.

SPECIAL TAX NOTICE REGARDING LUMP SUM DISTRIBUTIONS

For Distributions Made After January 1, 2002:

For Distributions made prior to January 1, 2002, refer to earlier notice which can be obtained from the Retirement System.

This notice contains important information needed before you decide how to receive your lump sum distribution payment. In accordance with the requirements of Internal Revenue Code Section 402 (f), this notice is being provided to you by the Retirement System because you may be eligible to roll over all or part of the payment that you will soon receive from the Retirement System.

The Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") has significantly changed the rules which apply to your ability to roll over all or part of the payment that you will soon receive from the Retirement System. These changes include an increase in the type of retirement plans to which you may roll over your lump sum distribution payment. This notice will explain the operation of these new rules and your options.

If you have additional questions after reading this notice, please contact the Retirement System.

SUMMARY:

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

1. Certain payments can be made directly to an ELIGIBLE RETIREMENT PLAN that will accept it (**Direct Rollover**), or
2. The payment can be **Paid To You**

The definition of an **ELIGIBLE RETIREMENT PLAN**, as used in this notice, depends on the payment date of the lump sum distribution payment.

An **ELIGIBLE RETIREMENT PLAN** is:

- ▶ **A TRADITIONAL IRA** - A traditional IRA does not include a Roth IRA, Simple IRA or education IRA.
- ▶ **ANOTHER QUALIFIED EMPLOYER PLAN** - Under Code Section 401 (a) or an annuity plan under Code Section 403 (a) that accepts your rollover.
- ▶ **AN ANNUITY CONTRACT** - As described in Code Section 403 (b) that accepts your rollover.
- ▶ **AN ELIGIBLE DEFERRED COMPENSATION PLAN** - Under Code Section 457 (b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or local governmental entity so long as it agrees to accept your rollover, separately accounting for amounts transferred in such plan from the Retirement System's plan.
- ▶ **A ROTH IRA** - Under Internal Revenue Code Section 408 (a).
- ▶ **A SIMPLE IRA** - Under Internal Revenue Code Section 408 (p) that has been established for at least two (2) years.

If you choose a **Direct Rollover**:

- ▶ Your payment will not be taxed in the current year and no income tax will be withheld.
- ▶ Your payment will be made directly to an ELIGIBLE RETIREMENT PLAN.
- ▶ The taxable portion of your payment will be taxed later when you take it out of the ELIGIBLE RETIREMENT PLAN.

If you choose to have a lump sum distribution payment that is eligible for rollover **Paid To You**:

- ▶ **You will receive only 80% of the taxable portion of the distribution.** The Retirement System is required to withhold the remaining 20% of the taxable portion of the payment to send it to the IRS as income tax withholding which will be credited against your taxes.
- ▶ Unless rolled over, the taxable portion of your payment will be taxed in the current year. Under limited circumstances, you may be able to use special tax rules that could reduce your tax liability. However, if you receive the payment before age 59-1/2, you may also have to pay an additional 10% tax penalty.
- ▶ You can roll over the payment by paying it to an ELIGIBLE RETIREMENT PLAN within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the ELIGIBLE RETIREMENT PLAN.

If after you receive the lump sum distribution by check, you want to roll over 100% of the taxable portion of the distribution to an ELIGIBLE RETIREMENT PLAN, you must add an amount equal to the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the remaining 20% that was withheld and that is not rolled over.

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER:

Payment from the Retirement System may be "eligible rollover distributions," meaning that they can be rolled over to an ELIGIBLE RETIREMENT PLAN. The Retirement System will be able to tell you what portion of your payment is an eligible rollover distribution. The definition of an eligible rollover distribution has been changed by EGTRRA ("Economic Growth and Tax Relief Reconciliation Act of 2001").

The following types of payments cannot be rolled over:

The non-taxable portion of a lump sum distribution payment which is paid on or after January 1, 2002 may be rolled over to (1) a traditional IRA, or (2) a qualified defined contribution plan, if it is made by a Direct Rollover and if the defined contribution plan agrees to separately account for amounts so transferred, including separately accounting for the non-taxable portion of the payment and the taxable portion of the payment if the after-tax contributions are paid to you first, you cannot roll them over later to a qualified defined contribution plan. However, they could be indirectly rolled over to a traditional IRA (see SECTION III, "PAYMENT PAID TO YOU").

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 your life expectancy);
- ▶ your lifetime and your beneficiary's lifetime (or life expectancies); or
- ▶ a period of ten years or more.

Required Minimum Payments

For those attaining age 70-1/2 after December 31, 2019, upon reaching age 72 or retirement, 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.

II. DIRECT ROLLOVER:

A **Direct Rollover** is a direct payment of the amount of your lump sum distribution payment to an ELIGIBLE RETIREMENT PLAN. You can choose a Direct Rollover of all or any portion of your payment that is an eligible rollover distribution as described in SECTION I. 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 ELIGIBLE RETIREMENT PLAN. In addition, no income tax withholding is required for any portion of your lump sum distribution payment 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 the institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA at a later date, without penalties or other limitations. See IRS Publications 590-A and 590-B, 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 RETIREMENT 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 RETIREMENT PLAN that is not a traditional IRA is not legally required to accept a rollover and may choose to accept only certain types of funds as rollovers. 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 restrict subsequent distributions of the rollover amount, or may require spousal consent to any subsequent distribution. You should check with the Plan Administrator before making your decision.

III. PAYMENT PAID TO YOU:

If your payment can be rolled over under SECTION I and the payment is made directly to you by check it is subject to 20% federal income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an ELIGIBLE RETIREMENT PLAN. If you do not roll it over, special tax rules may apply. For lump sum distribution payments made ON or AFTER January 1, 2002 the IRS may waive the 60-day requirement in certain circumstances, as explained below.

Income Tax Withholding

Mandatory Withholding

If any portion of your payment can be rolled over under SECTION I and you do not elect to make a Direct Rollover, the Retirement System is required by law to withhold 20% of that amount. The 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 Retirement System must withhold \$2,000 as income tax. However, when you prepare your income tax you must report the full \$10,000 as a payment from the Retirement System. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

Voluntary Withholding

If any portion of your payment is taxable but cannot be rolled over under SECTION I, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. To elect out of withholding, ask the Retirement System for the W-4P Federal Tax Withholding Form and related information.

Sixty-Day Rollover Option

If you receive a payment that can be rolled over under SECTION I, you can still decide to roll over all or part of it to an ELIGIBLE RETIREMENT PLAN. If you decide to roll over, you must contribute the amount of the payment you received to an ELIGIBLE RETIREMENT 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 ELIGIBLE RETIREMENT PLAN

You can roll over up to 100% of your payment that can be rolled over under SECTION I, 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 ELIGIBLE RETIREMENT PLAN, to replace the 20% that was withheld. On the other hand, if you roll over only 80% that you received, you will be taxed on the 20% that was withheld.

Example:

The portion of your payment that can be rolled over under SECTION I is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to an ELIGIBLE RETIREMENT PLAN. To do this, you roll over the \$8,000 you received from the Retirement System 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 ELIGIBLE RETIREMENT 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.)

The IRS is permitted to waive the 60-day requirement if the failure to do so would be against equity or good conscience. Examples of such waivers may include cases of casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement (examples include, but may not be limited to, death, disability, hospitalization, incarceration, restrictions imposed by a foreign country, or postal error). You must apply to the IRS for this waiver.

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:

- ▶ Payments that are paid after you separate from service with your employer during or after the year you reach age 55;
- ▶ Payments that are paid because you retire due to disability;
- ▶ 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);
- ▶ Payments that are paid directly to the government to satisfy a federal tax levy;
- ▶ Payments that are paid to an alternate payee under a qualified domestic relations order; or
- ▶ Payments that do not exceed the amount of your deductible medical expenses.

SEE IRS FORM 5329 FOR MORE INFORMATION ON THE ADDITIONAL 10% TAX PENALTY.

Special Tax Treatment If You Were Born Before January 1, 1936: If you receive a payment that can be rolled over under SECTION I and is not rolled over to an ELIGIBLE RETIREMENT PLAN, the payment will be taxed in the year you receive it. Special tax treatment for lump sum, distributions that may be available to you is described below.

Ten-Year Averaging

If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment

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

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If you have previously rolled over a distribution from the Retirement System (or certain other similar plans of the employer), you cannot use the special averaging treatment for later payments from the Retirement System. If you roll over your payment to a traditional IRA, you will not be able to use special tax treatment for later payments from the traditional IRA. Also, if you roll over only a portion of your payment to a traditional IRA, 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 to elect the special tax treatment.

Important notice for distributions ON or AFTER January 1, 2002: As explained in this notice, EGTRRA creates new rollover options. However, a distribution from a qualified plan, like your lump sum distribution payment, is not eligible for capital gains or averaging treatment if there was a rollover to the plan that would not have been permitted under the law in effect before January 1, 2002. Thus, in order to preserve capital gains and averaging treatment (if available) for a lump sum distribution payment that is rolled over, the rollover would have to be made to a "conduit IRA" (i.e. a traditional IRA which only includes the lump sum distribution payment), and then rolled back into a qualified plan.

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 Retirement System results from a domestic relations order, which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee’s beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned:

- ▶ If you are a surviving spouse, an alternate payee, or another beneficiary, you have the same choices as the employee described in Parts II and III. Thus, you may choose to have an eligible rollover distribution, as described in SECTION I, paid in a Direct Rollover to an ELIGIBLE RETIREMENT PLAN or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an ELIGIBLE RETIREMENT PLAN in the same manner as the employee. If you are an alternate payee, you continue to 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 penalty described in SECTION III, even if you are younger than age 59-1/2.
- ▶ 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 SECTION III. 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 Retirement System.

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 a professional tax advisor before you take a payment of your benefits from the Retirement System. 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 Publications 590-A and 590-B, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS’s Internet Web Site at www.irs.gov or by calling **1-800-TAX-FORM**.



THE COMMONWEALTH OF MASSACHUSETTS

State Retirement Board

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