

PLUMBERS LOCAL UNION NO. 68 PLAN  
OF DEFINED CONTRIBUTION BENEFITS  
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Houston, Texas 77249  
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**\*\*\*\*\* Pages 7, 8 & 9 must be completed & requires signatures\*\*\*\*\***

## **DISTRIBUTION OPTIONS**

You are receiving this notice because the total lump sum distribution or partial lump sum payment (added April 1, 2012) you are receiving from the Plumbers Local Union No. 68 Plan of Defined Contribution Benefits (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover. Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

## **GENERAL INFORMATION ABOUT ROLLOVERS**

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

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

### **Where may I roll over the payment?**

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

### **How do I do a rollover?**

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

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

employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, 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 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

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

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from 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 lives or joint life expectancy of you and your beneficiary)
- The criteria for a RMD, is as follows per the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) as of December 2019.
  - April 1 of the year following the calendar year in which you reach age 70 1/2, if you were born before July 1, 1949.
  - April 1 of the year following the calendar year in which you reach age 72, if you were born after June 30, 1949.
- Hardship distributions (NOT AVAIABLE IN THIS PLAN)
- Corrective distributions of contributions that exceed tax law limitations

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 income tax on early distributions?**

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

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)

**If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?**

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.

**Will I owe State income taxes?**

This notice does not describe any State or local income tax rules (including withholding rules).

**SPECIAL RULES AND OPTIONS**

**If you miss the 60-day rollover deadline**

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

## **If you were born on or before January 1, 1936**

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

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

You can roll over a payment from the Plan made before January 1, 2010 to a Roth IRA only if your modified adjusted gross income is not more than \$100,000 for the year the payment is made to you and, if married, you file a joint return. These limitations do not apply to payments made to you from the Plan after 2009. If you wish to roll over the payment to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into a Roth IRA.

If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

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

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

## **If you are not a plan participant**

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be

taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section “If you were born on or before January 1, 1936” applies only if the participant was born on or before January 1, 1936.

**If you are a surviving spouse.**

If you 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 as your own or as an inherited IRA.

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

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

**If you are a surviving beneficiary other than a spouse.**

If you receive a payment from 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 will not be subject to the 10% additional income tax on early distributions.

You will have to receive required minimum distributions from the inherited IRA.

**Payments under a qualified domestic relations order.**

If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options 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). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

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

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, 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 Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

## **Other special rules**

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

You may have special rollover rights if you recently served in the U.S. Armed Forces.

For more information, see IRS Publication 3, Armed Forces' Tax Guide.

## **FOR MORE INFORMATION**

You may wish to consult with 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, 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.

ELECTION OR REJECTION OF DIRECT ROLLOVER TO AN IRA OR RETIREMENT PLAN

ATTENTION: BEFORE COMPLETING THIS FORM YOU SHOULD READ THE NOTICE ON YOUR ROLLOVER OPTIONS CAREFULLY. YOU MAY ALSO WISH TO CONSULT WITH YOUR TAX ADVISOR BEFORE MAKING THIS ELECTION.

\_\_\_\_\_  
Participant's Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Spouse/Beneficiary Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip Code

If you will receive part or all of your benefits in a lump sum, that payment will be an "eligible rollover distribution." You may elect to have part or all of that distribution transferred directly to a traditional Individual Retirement Account or Annuity (IRA) or Roth Individual Retirement Account or Annuity (Roth IRA) or to another eligible employer retirement plan (if it accepts rollovers). If you choose not to have an eligible rollover distribution transferred directly to an IRA, Roth IRA or eligible employer retirement plan, the Plan is required to withhold 20% of the payment for federal income taxes. This withholding does not increase your taxes, but will be credited against any federal income tax you owe. For further information on direct rollovers and withholding, please read the notice on Your Rollover Options that the Plan has given you.

If your benefit is more than \$500, you may choose to have only part of the payment directly rolled over, and to have the rest paid to you. Withholding will be taken out of any part that is not directly rolled over. If you want to have only part of your payment directly rolled over, please tell us the amount (of at least \$500) that you would like to roll over.

\_\_\_\_\_  
Participant's Signature

\_\_\_\_\_  
Spouse/Beneficiary Signature

\*\*\*\*\* This form must be filled out whether you choose a rollover or not\*\*\*\*\*

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
PRINTED: Participant's Name

\_\_\_\_\_  
Social Security Number

Indicate form of payment below by checking the appropriate line:

\_\_\_\_\_ I waive IRS withholding from my non rollover distribution (Fill out IRS form W-4R if applicable).

\_\_\_\_\_ I do not want to rollover my benefits to an IRA, Roth IRA or eligible employer retirement plan. Pay me the full amount of my benefits, after withholding federal taxes as required by law.

\_\_\_\_\_ I would like to have \$ \_\_\_\_\_, of my benefits paid directly to me, after withholding federal taxes as required by law. (Enter amount to be distributed to you **after** withholding is deducted.

\_\_\_\_\_ I would like to roll over my benefits directly to an IRA, Roth IRA or eligible employer retirement plan that accepts rollovers. The IRA, Roth IRA or eligible employer retirement plan is named below.

\_\_\_\_\_ I would like to have \$ \_\_\_\_\_ of my benefits directly rolled over to an IRA, Roth IRA or eligible retirement plan named below and disburse the remaining balance of my benefit to me, after withholding federal taxes as required by law.

\_\_\_\_\_ Disburse only the minimum 70 Plus required amount after withholding federal taxes as required by law.

**\*\*\*If you elected a direct rollover, you must provide all of the following information.\*\*\***

Please make payment of my benefits on my behalf to:

\_\_\_\_\_  
Name of IRA or Roth IRA Trustee or Qualified Retirement Plan

\_\_\_\_\_  
Account Number

Contact name and phone number @IRA or Roth IRA Facility:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Phone Number

Mailing Address:

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

\_\_\_\_\_  
**Participant's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Spouse/Beneficiary Signature**

\_\_\_\_\_  
**Date**



CERTIFICATION

If you have elected a direct rollover of all or part of your benefit, please read and sign the following statement:

I certify that the recipient of a direct rollover that I have named above is a traditional Individual Retirement Account, traditional Individual Retirement Annuity, Roth Individual Retirement Account, Roth Individual Retirement Annuity, or an eligible employer retirement plan that accepts rollovers. I understand that payment of my benefits to the trustee of the IRA, Roth IRA or eligible employer retirement plan will release the Trustees of the Plumbers Local Union No. 68 Plan from any further obligations or responsibilities to the benefits so paid. NOTE: THERE MAY BE FEES ASSOCIATED WITH IRA OR ROTH IRA PLANS THAT ARE NOT ASSOCIATED WITH DEFINED CONTRIBUTION PLANS.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date