

Termination of Employment Refund Request Instructions

To be eligible to request a Termination of Employment Refund, you must have contributed employee contributions to the System and you must have terminated all covered employment. You can't be employed under APERS again until after you receive your refund of employee contributions or you will forfeit the right to receive the refund.

The following forms must be completed and returned to APERS in order for your request for a refund to be processed.

- Termination of Employment Refund Request** -The Refund form must be completed by you and your most recent employer and your signature must be notarized.

- Election Form For Refund Contributions** - The Election form must be completed by you and if you choose Option 2 – rollover, by your banking institution.

Special Notes

The processing of the Refund form will result in you losing any service credit in APERS represented by the refunded contributions.

Your refund will not be processed until the last month in which you had contributions withheld is posted to your APERS record. The processing of your refund could take up to three (3) months from the submission of the refund request.

All or part of your employee contributions and applicable interest may be taxable to you when the refund is issued. Therefore, carefully **read the information included in the Special Tax Notice**.

If you have any questions, please contact APERS (501-682-7800) or toll free (800-682-7377) and ask to speak to someone in Member Records.

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
(STATE, COUNTY, MUNICIPAL, SCHOOL AND OTHER NON-STATE DIVISIONS)

Termination of Employment Refund Request

I, _____, Social Security Number _____
(Print Name)

Have terminated employment with _____ / _____
(Agency Name) (Agency Number)

And will be last reported on the payroll of said Agency on _____, 200____,
and request that all employee contributions in my account with the Arkansas Public Employees Retirement System (APERS) be returned to me. I understand in withdrawing my contributions that I will lose any service credit in APERS represented by these contributions. I understand that I cannot be employed under this System again until after I receive my refund or else I forfeit the right to receive my refund at this time. I understand that my refund will not be processed until the last month in which I had contributions withheld is posted to my APERS history. I further understand that all or part of my employee contributions and applicable interest will be taxable to me when the refund is issued to me.

Signature of Member Date of Birth

Address

City State Zipcode

State of Arkansas
County of _____

*Subscribed and sworn to before me a Notary Public in and for the County and State aforesaid,
this the _____ day of _____, 20 ____.*

Seal _____
Notary Public Signature

Date Commission Expires

To Be Completed By Employer

I, _____, am the Employer Representative for
(Print Name)

(Agency Name) (Agency Number)

do hereby certify that the above named employee has terminated his/her employment with our Agency and will last earn pay for the day of _____, 200____, and will last be reported with contributions to APERS on the retirement report for the month of _____, 20____.

Employer Representative Signature

Employer Representative Title

Telephone Number

Special Tax Notice Regarding Certain Plan Payments

This notice contains important information you will need before you decide how to receive your payments from the Plan.

SUMMARY

A payment from the Plan that is eligible for “rollover” can be taken in two ways. You may have all or any portion of your payment either (1) Paid In A “Direct Rollover” or (2) Paid to You. A rollover is a payment of your Plan benefits to your individual retirement arrangement (IRA) or to another employer plan. This choice will affect the tax you owe.

If you choose a DIRECT ROLLOVER:

- Your payment will be made directly to your IRA or, if you choose, to another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the IRA or the new employer plan.

If you choose to have your plan benefits PAID TO YOU:

- You will receive only 80% of the payment because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you

receive the payment before age 59½, you also may have to pay an additional 10% tax.

- You can roll over the payment to your IRA or to another employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to roll over 100% of the payment to an IRA or an employer plan, you must find other money to replace the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and not rolled over.

PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be “eligible rollover distributions”. This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. You will be told what portion of your payment is an eligible rollover distribution. The following types of payments cannot be rolled over:

Non-taxable Payments. In general, only the “taxable portion” of your payment is an eligible rollover distribution. If you have made “after-tax” employee contributions to the Plan, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over. (After-tax employee contributions

generally are contributions you made from

your own pay that were already taxed.)

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), or
- Your lifetime and your beneficiary's lifetime (or life expectancies), or
- A period of ten years or more.

DIRECT ROLLOVER

You can choose a direct rollover of your payment that is an "eligible rollover distribution", as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

Direct Rollover to an IRA. You can open an IRA to receive the direct rollover. (The term "IRA", as used in this notice, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See IRS

Publication 590, *Individual Retirement Arrangements*, for more information on 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 a plan, and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. If your new employer's plan does not accept a rollover, you can choose a direct rollover to an IRA.

Direct Rollover of a Series of Payments. If you receive eligible rollover distributions that are paid in a series for less than ten 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.

PAYMENT PAID TO YOU

If you have the payment made to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another 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 the payment to you is an eligible rollover distribution, the Plan is required by law to withhold 20% of the total eligible distribution. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is \$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 for the year, you will report the full \$10,000 as a payment from the Plan. You will report the \$2,000 as tax withheld, and it will be credited against income tax you owe for the year.

Sixty-Day Rollover Option. If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll the distribution over, *you must make the rollover 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 IRA or the employer plan.

You can roll over up to 100% of the eligible rollover distribution, 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 IRA or the employer plan to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Example: Your eligible rollover distribution 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 IRA or 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 IRA or employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund 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).

Additional 10% Tax If You Are Under Age 59½. If you receive a payment before you reach age 59½ 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 does not apply to your payment if it is (1) Paid to you because you separate from service with your employer during or after the year you reach age 55, or (2) Paid because you retire due to disability, or (3) Paid to you as equal (or almost equal) payments over your life or life expectancy (or you and your beneficiary's lives or life expectancies), or (4) Used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment. If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it 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 because you have reached age 59½ or have separated from service with your employer (or, in the case of a self-employed individual, because you have reached age 59½ or have become disabled). For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least 5 years. The special tax treatment for lump sum distributions is described below.

Five-Year Averaging. If you receive a lump sum distribution after you are age 59½, you may be able to make a one-time election to figure the tax on the payment by using “5-year averaging”. Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over 5 years.

Ten-Year Averaging If You Were Born Before January 1, 1936. 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) instead of 5-year averaging (using current tax rates). Like the 5-year averaging rules, 10-year averaging often reduces the tax you owe.

Capital Gain Treatment If You Were Born Before January 1, 1936. In addition, if you receive a lump sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan (if any) 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 payment from the Plan (or certain other similar plans of the employer), you cannot use this special tax treatment for later payments to the Plan. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in IRS

Form 4972, which has more information on lump sum distributions and how you elect the special tax treatment.

SURVIVING SPOUSES, ALTERNATIVE PAYEES AND OTHER BENEFICIARIES

In general, the rules summarized above that apply 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 “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, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10% tax described in Section III 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 Section 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.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not the 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 from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office or by calling 1-800-TAX-FORM.