

# IBEW LOCAL UNIONS SAVINGS & SECURITY PLAN RETIREMENT, TERMINATION OF EMPLOYMENT, DISABILITY DISTRIBUTION ELECTION FORM

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## INSTRUCTIONS AND EXPLANATION OF DISTRIBUTION OPTIONS

Use the attached Distribution Election Form to make your selection concerning which way you want your account in the IBEW Local Unions Savings and Security Plan to be paid. Please read and follow these instructions in completing the necessary forms. The following also provides a brief explanation of the optional forms of distribution available to you. A description of the Federal income tax consequences of your distribution is enclosed.

### **INSTRUCTIONS:**

Complete the Distribution Election Form and any related forms that apply. Once you have completed the forms, return them to the Plan Administrator:

#### **Scarborough Alliance Corporation**

One Bridge Street, Suite 70  
Irvington, New York 10533

If you need assistance or have any questions, please call Scarborough Alliance Corporation at (800) 223-7608 or (914) 591-9200, Monday - Friday, 9:00 AM – 5 PM, Eastern Time. Our fax number is (914) 591-8801.

### **WHEN BENEFITS WILL BE PAID**

Distributions are processed every Friday. If the Plan Administrator receives your completed distribution form by 12:00 noon Eastern Time the Friday of one week, your check will be mailed the Friday of the following week. Please be aware that you may defer your distribution for as long as you wish, but certain minimum distributions must be made by law once you attain age 70½.

### **EXPLANATION OF OPTIONAL FORMS OF DISTRIBUTIONS**

**1. Lump Sum Payment.** A lump sum payment is the current payment to you of your entire Plan benefit. The Plan will issue a check to you and you can choose what to do with that money when you receive it. 20% of your account will be withheld for Federal income tax purposes.

**2. Direct Rollover.** You may elect a “direct rollover” of the taxable portion of your Plan benefit to an Individual Retirement Account or other tax-qualified plan. The non-taxable portion of your Plan benefit which consists of any after-tax contributions you made will be paid to you. No taxes are withheld in connection with a direct rollover.

**3. Installments.** You may elect to have your benefits distributed in substantially equal annual installments over a period of years not exceeding your life expectancy. If you die before all installments have been made, the remaining installments will continue to be paid to your designated beneficiary, unless the beneficiary elects to receive the balance in a lump sum.

**4. Life Annuity.** A Life Annuity is a monthly annuity payable during your life only. All payments stop on your death. If you elect this form of payment, your account will be applied toward the purchase of an annuity contract from an insurance carrier.

**5. Joint and Survivor Annuity.** A Joint and Survivor Annuity is a monthly annuity payable during your life with either 50%, 75% or 100% of your monthly benefit payable to your designated beneficiary for life after your death (if such beneficiary survives you). The monthly amount of a Joint and Survivor Annuity is smaller than the monthly benefit payable in the form of a Life Annuity because the latter is based solely on your life expectancy. If you elect this form of payment, your account will be applied towards the purchase of an annuity contract from an insurance carrier. If you elect this form, we will need birth certificates for you and your beneficiary.

**6. Qualified Joint and Survivor Annuity.** A Qualified Joint and Survivor Annuity is a Joint and 50% Survivor Annuity with respect to which your spouse is the contingent annuitant.

**7. Period Certain Annuity.** A Period Certain Annuity is the same as a Life Annuity, but payments continue to your designated beneficiary if you die before the term certain expires. You may choose a term certain of up to 10 years.

**8. Automatic Monthly Distributions.** The Automatic Monthly Distribution form of payment allows you to elect the monthly amount that you wish to receive from your account and have that amount deposited directly into your checking or savings account. Your monthly distribution must be at least \$200. Once you reach age 70½, Federal law requires that you receive certain minimum amounts of your benefits under the Plan. If your Automatic Monthly Distributions for a year are less than your required age 70½ minimum distribution, you may need to receive an additional payment from your account. Please make sure that you maintain on file with the Plan Administrator a current beneficiary designation form in the event of your death before your entire account is distributed.

If you would like your payment in the form of an annuity, please call the Plan Administrator for the proper forms.

#### **TAX CONSEQUENCES OF YOUR DISTRIBUTION**

If you elect a lump sum payment, Federal income tax will be withheld from the taxable portion of your distribution at a rate of 20%. If you receive a lump sum distribution, and you are under age 55, the taxable portion of your distribution may also be subject to a 10% Federal penalty tax. The taxable portion of the distribution does not include any after-tax contributions that you made to the Plan. Enclosed is a notice describing in further detail the tax consequences of a distribution or rollover from the Plan. We urge you to consult your own tax advisor regarding your particular tax situation.

# IBEW LOCAL UNIONS SAVINGS & SECURITY PLAN RETIREMENT, TERMINATION OF EMPLOYMENT, DISABILITY DISTRIBUTION ELECTION FORM

**SECTION A - REGISTRATION (PLEASE PRINT)**

Name: \_\_\_\_\_ Social Security Number: \_\_\_\_\_

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

City, State, ZIP \_\_\_\_\_

Daytime Telephone Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Marital Status:  unmarried/divorced  married  widowed

**SECTION B - REASON FOR DISTRIBUTION**

Retirement (Age at retirement: \_\_\_\_\_)  Termination of Employment  Disability

**SECTION C - DISTRIBUTION ELECTION**

I hereby elect to receive a SINGLE SUM PAYMENT as follows:

- I elect to make a PARTIAL withdrawal in the amount of \$ \_\_\_\_\_
- I elect to make a COMPLETE withdrawal.

**SECTION D - FEDERAL WITHHOLDING**

If your withdrawal includes taxable funds of more than \$200, we are required by law to withhold 20% for Federal income tax purposes.

**SECTION E - STATE WITHHOLDING**

If Federal income tax is withheld, State income tax is required for: AR, DE, IA, KS, MA, MD, ME, NC, NE, OK, VA, VT

There is no state income tax for: AK, FL, HI, NH, NV, SD, TN, TX, WA, WY

State income tax is elective for: AL, AZ, CA, CO, CT, GA, ID, IL, IN, KY, LA, MI, MN, MO, MT, ND, NJ, NM, NY, OH, OR, PA, RI, SC, UT, WI, WV and the District of Columbia

Not subject to state income tax if: 59<sup>1/2</sup> years old, Death, Disability, QDRO or Terminated employee at least 55 years old: MS

If withholding is elective for you, please complete the following and sign below:

- WITHHOLD State Income Tax  DO NOT WITHHOLD State Income Tax

If you elect not to have State income taxes withheld, or if you do not have enough income tax withheld, you are still responsible for payment of any State income tax which may be due as a result of the amount distributed, and may incur penalties under the estimated tax rules if your total withholding and estimate tax payments are not sufficient.

**SECTION G - EXECUTION**

I hereby acknowledge and declare that I have completed this form after receiving and reading an explanation of alternate forms of distributions under the Plan and the "Special Tax Notice Regarding Plan Payments," and that I completely understand all of the information that I have been provided. I have been provided with all other information I have requested about my benefits and am returning this form after having what I consider to be sufficient opportunity to consult with my financial and tax advisors. I further understand that the benefit election contained herein is irrevocable.

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

## TAX INFORMATION RELATING TO LUMP-SUM DISTRIBUTIONS AND AMOUNTS ELIGIBLE FOR ROLLOVER

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### SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice contains information you will need before you decide how to receive your benefits from the IBEW Local Unions Savings and Security Plan (the "Plan").

#### SUMMARY

A payment from the Plan that is eligible for "rollover" can be taken in two ways. You can 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 not be taxed in the current year and no income tax will be withheld.
- 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 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 by paying to your IRA or to another employer plan that accepts your rollover within sixty 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 THE 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.

#### ADDITIONAL INFORMATION

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

##### II. DIRECT ROLLOVER

##### III. PAYMENT PAID TO YOU

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

##### 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 an IRA or to another employer plan that accepts rollovers. 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:

**NONTAXABLE 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 nontaxable 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 made 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 your life expectancy), or
- A period of ten years or more.

**REQUIRED MINIMUM PAYMENTS.** Beginning the year you reach 70½, 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

You can choose a direct rollover of all or any portion 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. An employer plan is not legally required to accept a 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.

##### III. 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 sixty 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 that amount. 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 return 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 any income tax you owe for the year.

**VOLUNTARY WITHHOLDING.** If any portion of your payment is not an eligible rollover distribution but is taxable, 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 Plan Administrator for the election form and related information.

**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 over, **YOU MUST MAKE THE ROLLOVER WITHIN SIXTY 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 sixty-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 sixty 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 59<sup>1</sup>/<sub>2</sub>.** If you receive a payment before you reach age 59<sup>1</sup>/<sub>2</sub> 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, (2) paid because you retire due to disability, (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or your 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 59<sup>1</sup>/<sub>2</sub> or have separated from service with your employer (or, in the case of a self-employed individual, because you have reached age 59<sup>1</sup>/<sub>2</sub> 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 five years. The special tax treatment for lump-sum distributions is described below.

**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 "ten-year averaging" (using 1986 tax rates) instead of five-year averaging rules (using current tax rates). Like the five-year averaging rules, ten-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 from 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 payment.

**EMPLOYER STOCK OR SECURITIES.** There is a special rule for a payment from the Plan that includes employer stock (or other employer securities). To use this special rule, (1) the payments must qualify as a lump-sum distribution, as described above (or would qualify except that you do not yet have five years of participation in the Plan), or (2) the employer stock included in the payment must be attributable to "after-tax" employee contributions, if any. Under this special rule, you may have the option of not paying tax on the "net unrealized appreciation" of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the employer stock while it was held by the Plan. For example, if employer stock was contributed to the Plan account when the stock was worth \$1,000 but the stock was worth \$1,200 when you received it, you would not have to pay tax on the \$200 increase in value until you later sold the stock.

You may instead elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock (including any net unrealized appreciation) can be rolled over to an IRA or another employer plan either in a direct rollover or a rollover that you make yourself.

If you receive employer stock in a payment that qualifies as a lump-sum distribution, the special tax treatment for lump-sum distributions described above (such as five-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

#### **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 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. 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 beneficiary other than the surviving spouse, you CANNOT choose a direct rollover, you CANNOT roll over the payment yourself.

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 59<sup>1</sup>/<sub>2</sub>.

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 and the special rule for payments that include employer stock, 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 five years of participation in the Plan.

#### **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 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-FORMS.