# Chapter Five

# **Distributions**

# **Chapter Five Highlights**

From time to time your employees will want to make distributions from their retirement plan account. Since there may be significant tax consequences associated with a distribution, you are required by law to provide Participants with a notification of the probable tax consequences for certain types of distributions. To help you manage this responsibility, Transamerica has prepared an IRS Special Tax Notice for your use.

Contents Page 5.1 IRS Special Tax Notice 2-25 5.2 26-33 Plan Loans 5.3 Hardship Withdrawal Requests 34-36 5.4 Distribution Requests 37-39 5.5 Online Distributions 40 5.6 **Forced Distributions** 41-49 5.7 Rolling Over Funds to a Transamerica IRA 50 5.8 Minimum Required Distributions 51-52 5.9 **Death Benefit Claims** 53

Distributions may be referred to as withdrawals, loans or disbursements.

# 5.1 IRS SPECIAL TAX NOTICE

# **Required Distribution and Withdrawal Notices**

You are required by the IRS to provide a written "Explanation of Special Tax Rules on Distributions" (except for loans and corrective distributions resulting from testing) for each Participant or Beneficiary requesting a distribution or withdrawal of funds from your company's plan. You can find this document on pages 4–12 of this chapter. Additionally, you may be required to supply the "Explanation of Automatic Annuity upon Distribution" and "Explanation of Qualified Pre-Retirement Survivor Annuity," depending on which distribution options are contained in your Plan Document.

Please do the following:

1. Inform Participants that they have a 30-day Decision Period—You are legally required by the IRS to give Participants 30-days to consider whether or not to elect a Direct Rollover. This waiting period begins upon the Participant's receipt of the IRS Special Tax Notice. Participants may receive distributions prior to the 30-day period as long as they make an affirmative election to do so and they are fully aware that they are entitled to the 30-day period to make their decision.

## 2. Withholding Tax for Certain Distributions

- Distributions greater than \$200 which are received in cash are subject to a mandatory 20% federal income tax withholding. Transamerica Retirement Services withholds this percentage and sends it to the IRS.
- Distributions that are rolled over directly into an IRA or another qualified plan are not subject to the mandatory withholding tax.
- o Participants, surviving spouses and spousal alternate payees (payees entitled to benefits pursuant to a Qualified Domestic Relations Order), receiving such distributions must receive timely notification of these requirements to enable them to make an informed election prior to the actual distribution.
- o Failure to provide proper and timely notification could result in disqualification of the plan.

The IRS Special Tax Notice must accompany all distribution request forms given to Participants or beneficiaries. If you have any questions on any of the enclosed material, please contact your Account Executive.

# 5.1 DISTRIBUTION INFORMATION PACKAGE

# **Using the IRS Model Language**

The IRS has provided model language for the notice to plan Participants and other recipients eligible for a rollover distribution. We have prepared the enclosed IRS Special Tax Notice from the IRS model.

Failure to provide Participants with proper and timely notifications for plan distributions could result in plan disqualification.

# SPECIAL TAX NOTICE REGARDING PAYMENTS FROM QUALIFIED PLANS Excerpted from IRS Notice 2002-3 & WRITTEN EXPLANATION OF QUALIFIED JOINT SURVIVOR ANNUITIES AND QUALIFIED PRE-RETIREMENT SURVIVOR ANNUITIES

This notice explains how you can continue to defer federal income tax on your retirement savings in your Employer's Plan (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by your Plan Administrator because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact your Plan Administrator.

# Summary

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

- Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- 2. The payment can be **PAID TO YOU**.
  - A. If you choose a DIRECT ROLLOVER:

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

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

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- o The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 1/2, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- o If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

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

Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

## MORE INFORMATION

- I. Payments that can and cannot be rolled over
- 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 a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

**After-tax Contributions.** If the Plan allowed and you made after-tax contributions, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

a. Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your Plan Administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

b. Rollover into an Employer Plan. You can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or a section 403(a) annuity plan to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can also roll over after-tax contributions from a section 403(b) tax-sheltered annuity to another section 403(b) tax-sheltered annuity using a direct rollover if the other tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

The following types of payments, if applicable to your Plan, cannot be rolled over:

- Payments Spread over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:
  - 1. your lifetime (or a period measured by your life expectancy), or
  - 2. your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
  - 3. a period of 10 years or more.
- o **Required Minimum Payments**. Beginning when you reach age 70 1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own 5% or more of your employer.
- o **Hardship Distributions**. A hardship distribution cannot be rolled over.
- o **ESOP Dividends**. Cash dividends paid to you on employer stock held in an employee stock ownership plan cannot be rolled over.
- Corrective Distributions. A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.
- Loans Treated as Distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III below. Ask the Plan Administrator of this Plan if distribution of your loan qualifies for rollover treatment.

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

## II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

o **DIRECT ROLLOVER to a Traditional IRA**. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to

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

- o **DIRECT ROLLOVER to a Plan**. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the Plan Administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the Plan Administrator of that plan before making your decision.
- o **DIRECT ROLLOVER of a Series of Payments**. If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.
- Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59 1/2" and "Special Tax Treatment if You Were Born before January 1, 1936."

## III. PAYMENT PAID TO YOU

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

- o Income Tax Withholding:
- Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax.

However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

- Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.
- O Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

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

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

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

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 (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an

employee stock ownership plan (ESOP) as described in Code section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59 1/2, unless one of the exceptions applies.

- o Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. (See also "Employer Stock or Securities", below.) A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59 1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59 1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a Participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.
- o **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 you were a Participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

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

- 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.
- 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 payment must qualify as a lump sum distribution, as described above, except that you do not need five years of plan participation, 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 your 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 can be rolled over to a traditional IRA or another eligible employer plan, either in a direct rollover or a rollover that you make yourself. Generally, you will no longer be able to use the special rule for net unrealized appreciation if you roll the stock over to a traditional IRA or another eligible employer plan.

If you receive only employer stock in a payment that can be rolled over, no amount will be withheld from the payment. If you receive cash or property other than employer stock, as well as employer stock, in a payment that can be rolled over, the 20% withholding amount will be based on the entire taxable amount paid to you (including the value of the employer stock determined by excluding the net unrealized appreciation). However, the amount withheld will be limited to the cash or property (excluding employer stock) paid to you.

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 10-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

Repayment of Plan Loans. If your employment ends and you have an outstanding loan from your Plan, your employer may reduce (or "offset") your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash or property paid to you (other than any employer securities). The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

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

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

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

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

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

If you are a 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 Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

## HOW TO OBTAIN ADDITIONAL INFORMATION

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

The section below applies only if your plan provides for joint and survivor annuities. (Please ask your Plan Administrator or refer to your Summary Plan Description to determine whether your plan provides for joint and survivor annuities.)

## SPOUSAL CONSENT REQUIREMENT

The law dictates that any plan Participant who is married must receive a joint and survivor benefit unless his/her spouse consents to an alternate form of payment as permitted by the plan document prior to any distribution from the retirement plan when the benefit exceeds \$5,000.

The spouse's consent must be in writing and must be witnessed by a plan representative or notary. The consent must acknowledge understanding the effect of the election if the form chosen is a single-sum cash-out. The spouse must understand that this election will cause forfeiture of any rights to a pre-retirement survivor's benefit that might have been payable under the plan in the event of the Participant's death prior to retirement, and will cause forfeiture of any survivor benefit provided by a deferred survivor annuity.

If the Participant's vested balance exceeds \$5,000, the Participant may direct the Trustee to purchase a Qualified Joint and Survivor Annuity ("QJSA"), if offered by this plan. An Annuity can give the Participant a monthly or quarterly retirement payment for the rest of his/her life. Under the QJSA, after the Participant dies, the spouse will receive a specified percentage of the retirement benefit that was paid to the Participant. The benefit paid to the spouse after the Participant dies is called the "survivor annuity." The spouse will continue to receive this survivor benefit for the rest of his/her life. The Participant MUST elect this form of benefit UNLESS his/her spouse VOLUNTARILY agrees, in writing, to give up the QJSA method of payment. The spouse must also agree to any alternate form of benefit payment. The plan Participant's election of an alternate form of benefit payment may give him/her larger retirement benefits while he/she is alive, but these options might not pay or leave the spouse any benefits after the Participant dies. If the QJSA is selected, the Participant and spouse will receive additional information regarding the options available under the QJSA.

## CHANGING YOUR BENEFIT CHOICE

Your distribution choice may be revoked provided written notice is received within a reasonable period prior to the distribution being made. To expedite this procedure your Employer should contact Transamerica Retirement Services regarding the revocation of your choice by telephone or fax.

SPECIAL TAX NOTICE REGARDING PAYMENTS FROM QUALIFIED PLANS EXCERPTED FROM IRS NOTICE 2002-3 & WRITTEN EXPLANATION OF QUALIFIED JOINT SURVIVOR ANNUITIES AND QUALIFIED PRE-RETIREMENT SURVIVOR ANNUITIES CONT.

# Written Explanation of Qualified Joint and 50% Contingent Survivor Annuity Form of Benefit

This information only applies to retirement plans subject to the joint and survivor annuity requirements. To confirm if your plan is subject to these requirements, please refer to your Summary Plan Description or contact your Plan Administrator.

If, after receiving this Explanation, you elect an optional form of distribution and your spouse, if any, consents to that form, your distribution may be made less than 30 days from the date this Explanation was given to you. However, your distribution may not be made before the end of the seventh (7th) day after the date this Explanation was provided to you.

## TERMS AND CONDITIONS OF THE FORM OF DISTRIBUTION

If your total vested benefit is:	Your general payment options are (referred to as "otional forms of benefit"):	Timing of your requested distribution:
\$5,000 or less	o Single Lump Sum	As soon as administratively possible
More than \$5,000	o Single Lump Sum	As soon as administratively possible
	o Monthly Annuity	o Deferred to a later date (only
	o Installment Payments	if you are requesting a distribution due to termination of employment)

A monthly annuity will be purchased from Transamerica Life Insurance Company or another insurance company with payments to commence on a date determined by you and the insurance company. Your benefit distribution, your age, your spouse's age (if you are married), the survivor portion (from 50% to 100%) you elect for your spouse (if you are married) and the date distributions are to commence will determine the amount of your monthly annuity.

Following is a description of the optional forms of benefit generally available under the Plan:

Form of benefit:	Available to Unmarried Participants	Available to Married Participants
Single Lump Sum – a single cash payment	Yes	Yes (requires spousal consent)
Single Life Annuity – a life annuity, with monthly payments payable during your lifetime. Payments will stop at your death.	Yes	Yes (requires spousal consent)
Life Annuity with payments for 60 months certain – a life annuity, with monthly payments payable during your lifetime but in no event payable for less than 60 months.	(automatic form of benefit)	Yes (requires spousal consent)
Life Annuity with payments for 120 months certain – a life annuity, with monthly payments payable during your lifetime but in no event payable for less than 120 months.	Yes	Yes (requires spousal consent)
Life Annuity with payments for 180 months certain – a life annuity, with monthly payments payable during your lifetime but in no event payable for less than 180 months.	Yes	Yes (requires spousal consent)
Installment Payments – monthly payments for a period not exceeding the shorter of 15 years or your life expectancy.	Yes	Yes (requires spousal consent)
Qualified Joint & 50% Contingent Survivor Annuity – monthly payments for your lifetime plus, after your death, if your spouse is still living, monthly payments to your spouse for his/her lifetime equal to 50% of the amount that you received while you both were living. If your spouse pre-deceases you, your monthly payments will not change. All payments will stop when both you and your spouse die.	No	Yes (requires spousal consent)
Qualified Joint & 100% Contingent Survivor Annuity – monthly payments for your lifetime plus, after your death, if your spouse is still living, the same amount of monthly payments to your spouse for his/her lifetime. If your spouse pre-deceases you, your monthly payments will not change. All payments will stop when both you and your spouse die.	No	Yes

In order to estimate the amount of the monthly annuity or installments that can be purchased by your requested distribution amount, please refer to the following attachments titled "How to Estimate Your Immediate Monthly Annuity or Installment Payment Worksheet" and "How to Estimate Your Deferred Monthly Annuity or Installment Payment Worksheet." The monthly payments and installments calculated on the worksheets are only estimates. If you are considering a monthly annuity or installments and you want to know what the actual payment is under any optional form of benefit available to you, please contact your Plan Administrator.

## Waiver of the Joint & 50% Contingent Survivor Annuity Form of Distribution

During the 90-day period ending on your annuity starting date (the first day of the first period for which an amount is payable as an annuity or, in the case of benefits not payable as an annuity, the first day on which all events have occurred which entitle you to benefits), you (with your spouse's consent) may elect to waive (and therefore elect another form of payment) the Qualified Joint and 50% Contingent Survivor Annuity an unlimited number of times.

During the same 90-day period, you are permitted to revoke a previous waiver of the Qualified Joint and 50% Contingent Survivor Annuity an unlimited number of times.

Your election to waive the Qualified Joint and 50% Contingent Survivor Annuity will not be effective unless your spouse consents in writing to the waiver. The written consent must be made at the time of your waiver election and must acknowledge the effect of the election. In addition, your spouse's written consent must be witnessed by a Plan Representative (who cannot be you) or a notary public. See Section I of the Distribution Request Form.

# HOW TO ESTIMATE YOUR IMMEDIATE MONTHLY ANNUITY OR INSTALLMENT PAYMENT WORKSHEET

current vested account balance by the applicable interest vested account balance by the APRs from Steps 2 and 3. FOR ANNUITY PAYMENTS: Divide your current FOR INSTALLMENT PAYMENTS: Multiply your rate factor from Step 4 and divide by the number of monthly installments. Step 5: and find the installment factor under the 10-Year Go to the Annuity Purchase Rate ("APR") Table Installment column (there is only one number in Step 4 for installment payments: this column). Survivor Annuity and (ii) the Survivor Amuity columns for Step 3 for Joint & Survivor Find the APRs under (i) the Joint & 100% Contingent Joint & 50% Contingent your current age. Annuity: Single Life Annuity column for Find the APR factor under the Step 2 for Single Life Annuity: your current age. Purchase Rate ("APR") Table and find your Go to the Annuity current age. Step 1:

A bo suppose your current vested account balance is \$35,000. (Please contact your Plan Administrator if you need help determining your vested account balance.) Suppose you are married and you and your spouse are both age 45 now. EXAMPLE:

(a)	<b>(</b> e)	<u>ඉ</u>	(p)
	Applicable APR factor from Step 2 Applicable installment factor	Applicable installment factor	
Optional Form of Benefit	or Step 3	from Step 4	Amount of Immediate Distribution Equivalent to Vested Account Balance
Single Lump Surr	N/A	N/A	current vested account balance = \$35,000
Single Life Annuity	263.25 (from Step 2)	N/A	\$35,000 divided by col. (b) = \$133
Joint & 100% Contingent			
Survivor Annuity	291.10 (from Step 3 (i))	N/A	\$35,000  divided by col. (b) = \$120
Joint & 50% Contingent			
Survivor Annuity	277.17 (from Step 3 (ii))	N/A	335,000 divided by col. (b) = $126$
140 monthly in stallments	A77/A	50 50	
120 montaily mistainneaus	N/A	104:02	\$22000 aivided by col. (c) = $$23$ 0
YOUR WORKSHEET (fill in the blanks):	n the blanks):	Your current age:	
	Your cu	Your current vested account balance: \$	

able A
(b)         (c)           Applicable APR factor from Step 3         Applicable installment factor from Step 4           N/A         N/A           (from Step 2)         N/A           (from Step 3(j))         N/A           N/A         N/A           N/A         104.02

The actual amount of monthly annuity purchased from an insurance company and your installment payments may be higher or lower. Please contact your Plan Administrator before you make your benefit election if you are interested in the annuity or installment option. Your Plan Administrator will provide you with the actual amount of your monthly installment or annuity as obtained from an insurance The APR and interest factors used in the above example and worksheet are only for estinating the monthly annuity that might be purchased from an insurance company and the installment payments. company. Also, please contact your Plan Administrator if you would like information applicable to your individual situation, e.g. if you would like APR factors based on your spouse's actual age.

# HOW TO ESTIMATE YOUR DEFERRED MONTHLY ANNUITY OR INSTALLMENT PAYMENT WORKSHEET

Step 4 for Joint & Survivor

č	č				
Step I:	Step 2:	Step 3 for Single Life Annuity:	Annuny:	Step 5 for installment payments:	Step 6:
Estimate your vested					
account balance at your					
deferred age by					
multiplying your current					
vested account balance by	Go to the		Find the APRs under (i) the		
the Deferred Interest	Annuity		Joint & 100% Contingent		FOR ANNUITY PAYMENTS: Divide your deferred
Factor from the Interest Purchase Rate	Purchase Rate		Survivor Annuity and (ii) the	Go to the Annuity Purchase Rate ("APR")	Survivor Annuity and (ii) the Go to the Annuity Purchase Rate ("APR") rested account balance by the APRs from Steps 3 and
Factor Table for the	("APR") Table	Find the APR factor under the	Joint & 50% Contingent	("APR") Table Factor Table for the ("APR") Table Find the APR factor under the Joint & 50% Contingent   Table and find the installment factor under the	4. FOR
number of years you want	and find your	Single Life Annuity column for	Survivor Annuity columns	10-Year Installment column (there is only one	number of years you want and find your Single Life Annuity column for Survivor Annuity columns 10-Year Installment column (there is only one INSTALLMENT PAYMENTS: Divide your deferred
to defer your payment. deferred age.	deferred age.	your deferred age.	for your deferred age.	number in this column).	vested account balance by the APR from Step 5.

Suppose you are married, you and your spouse are both age 45 now and you are deferring receipt of your distribution until age 65 (number of years you want to defer payment = 20). Also suppose your current vested account balance is \$35,000. (Please contact your Plan Administrator if you need help determining your current vested account balance.) EXAMPLE:

(a)	(ψ)	(0)	(p)	(e)
Optional Form of Benefit	Applicable interest factor from Step 1	Applicable APR factor from Step 3 or Step 4	Applicable installment factor from Step 5	Amount of Deferred Distribution Equivalent to Current Vested Account Balance
Single Lump Sum	3.2071	V/N	N/A	\$35,000 multiplied by cal. (b) = \$112,249
Single Life Annuity	3.2071	169.82 (from Step 3)	N/A	\$35,000 multiplied by col. (b) then divided by col. (c) = $$661$
Joint & 100% Contingent Survivor Annuity	3.2071	205.07 (from Step 4(i))	N/A	\$35,000 multiplied by col. (b) then divided by col. (c) = $$547$
Joint & 50% Contingent Survivor Annuity	3.2071	187.45 (from Step 4(ii))	N/A	\$35,000 multip lied by col. (b) then divided by col. (c) = $\$5599$
120 monthly installments	3.2071	N/A	104.02	\$35,000 multip lied by col. (b) then divided by col. (d) = $1,0.79$
YOUR WORKSHEET (fill in the blanks):	Il in the blanks): Your	ks): Your current vested account balance:	6	Your deferred age (the age at which you want to start taking your distributions):

(a)	(b) Applicable interest factor	ble Applicable APR factor from	Applic	(e)
Optional Form of Benefit	from Step 1	Step 3 or Step 4	from Step 5	Amount of Deferred Distribution Equivalent to Current Vested Account Balance
Single Lump Sum		N/A	N/A	current vested account balance multiplied by col. (b) = $\$$
Single Life Annuity		(from Step 3)	N/A	current vested account balance multiplied by col. (b) then divided by col. (c) = $\$$
Joint & 100% Contingent Survivor Annuity		(from Step 4(i))	N/A	current vested account balance multiplied by col. (b) then divided by col. (c) = $\$$
Joint & 50% Contingent Survivor Annuity		(from Step 4(ii))	N/A	current vested account balance multiplied by col. (b) then divided by col. (c) = §
120 monthly installments		N/A	104.02	current vested account balance multiplied by col. (b) then divided by col. (d) = $\$$

The actual amount of monthly annuity purchased from an insurance company and your installment payments may be higher or lower. Please contact your Plan Administrator you make your benefit election if you are interested in the annuity or installment option. Your Plan Administrator will provide you with the actual amount of your monthly installment or annuity as obtained from an insurance The APR and interest factors used in the above example and worksheet are only for estimating the monthly annuity that might be purchased from an insurance company and the installment payments. company. Also, please contact your Plan Administrator if you would like information applicable to your individual situation, e.g. if you would like APR factors based on your spouse's actual age.

J

## **QJSA Additional Information**

With the attached worksheets and enclosed tables, you and your spouse, if applicable, should be able to compare the financial effect of electing different optional forms of benefit generally available under the Plan.

The APR and interest factors used in these examples and worksheets are only for estimating the monthly annuity that might be purchased from an insurance company and the installment payments. The actual amount of monthly annuity purchased from an insurance company and your installment payments may be higher or lower. If you are interested in the annuity or installment payment option, or if you would like information specific to you and your spouse's situation, please contact your Plan Administrator before you make your benefit election.

Your Plan Administrator will provide you with the actual amount of your monthly installment or annuity as obtained from an insurance company.

If you have any questions regarding your specific situation or if you need help in completing these worksheets, please contact your Plan Administrator. Please note that these worksheets are based on certain interest and mortality assumptions which may not apply to you.

# **Explanation of Pre-Retirement Survivor Annuity**

If you are married, the law provides (unless you elect otherwise) that the death benefits be paid to your spouse in the form of a Pre-Retirement Survivor Annuity. Under this Pre-Retirement Survivor Annuity, payments will be made each month for your spouse's lifetime. Your spouse may have the option of electing a different form of payment prior to the date that benefits are scheduled to begin. A description of the amount and the eligibility requirements for this benefit is contained in the Summary Plan Description. If you do not have a copy of this informative booklet, you should request a copy from your Employer.

If you are not married, you can designate whomever you wish to be the beneficiary of this death benefit. If you get married, however, this designation will become invalid and your spouse will become the beneficiary unless you file a new beneficiary designation form approved by your spouse as described below.

You and your spouse can elect, at any time, not to be covered by the Pre-Retirement Survivor Annuity. That is, you can designate a person other than your spouse to be the beneficiary of your death benefit. This election will not be valid, however, without your spouse's written consent. Your spouse's written consent must either be witnessed by a Plan Representative or a Notary Public. In addition, if your election is made before you are age 35, the election becomes invalid on the first day of the Plan Year in which you reach age 35. If you and your spouse do not make a new election after you have attained age 35, your spouse will automatically become your beneficiary.

If you elect to waive the Pre-Retirement Survivor Annuity, such waiver will only apply to your spouse who consented to that waiver. If you later remarry (following a divorce or the death of your current spouse), your election will become invalid and your new spouse will be your beneficiary unless you make a new election consented by your new spouse.

If you elect not to be covered by the Pre-Retirement Survivor Annuity, you may later revoke the election. You do not need your spouse's consent to do this. If you revoke your election, you will once again be covered by the Pre-Retirement Survivor Annuity and your spouse will be your beneficiary.

The examples below compare benefits under the qualified Pre-Retirement Survivor Annuity and other forms of distribution. The examples are based on specific assumptions and certain interest rates and mortality rates. The amounts shown are used to illustrate the differences between the various options. The values may be different in your case. Assume a participant dies at age 45 with a vested account balance of \$35,000 and has a spouse of the same age.

Type of Immediate Distribution	After Participant Dies
Single Lump Sum	\$35,000
O' 1 1'' A ''	<b>0.400</b>

Single Life Annuity \$133 per month 120 Monthly Installments \$336 per month

A monthly annuity will be purchased from Transamerica Life Insurance Company or another insurance company with payments to commence on a date determined by you and the insurance company. The amount of the monthly annuity depends upon the value of your vested account balance, your spouse's age and the date distributions commence.

In order to estimate the amount of monthly annuity or installments that can be purchased by your vested account balance on your spouse's behalf, please refer to the attachment titled "Qualified Pre-Retirement Survivor Annuity or Installment Payment Worksheet". The monthly annuity and installments calculated on the worksheet are only estimates. If you are considering retaining the Pre-Retirement Survivor Annuity or if your spouse is considering electing installment payments in place of the Pre-Retirement Survivor Annuity, and you want to know what the actual payment would be, please contact your Plan Administrator.

It is important that you and your spouse understand your rights and obligations concerning your death benefit. Please contact your Plan Administrator if you have any questions. Also, because a spouse has certain rights to the death benefit, you should immediately inform your Plan Administrator of any change in your marital status.

# QUALIFIED PRE-RETIREMENT SURVIVOR ANNUITY OR INSTALLMENT PAYMENT WORK SHEET

Step 3 for installment payments:

Step 2 for Single Life Annuity:

Step 1:

Step 4:

	1	0		
	Go to the Amuity Purchase Rate ("APR") Table and find your spouse's current age.	Find the APR factor under the Single Life Amuity column for your spouse's current age.	Go to the Amuity Purchase Rate ("APR") Table and find the installment factor under the 10-Year Installment column (there is only one number in this column).	FOR ANNUITY PAYMENTS: Divide your current vested account balance by the APR from Step 2.  INSTALLMENT PAYMENTS: Multiply your current vested account balance by the applicable interest rate factor from Step 3 and divide by the number of monthly installments.
u .	EXAMPLE: S A	Suppose you are married and you and your spouse are both age 45 now. A lso suppose your current vested account balance is \$35,000. (Please contact your Plan Administrator if you need help determining y	Suppose you are married and you and your spouse are both age 45 now. A lso suppose your current vested account balance is \$35,000. (Please contact your Plan Administrator if you need help determining your vested account balance.)	
	(a)	(φ)	(2)	(p)
	Optional Form of Benefit	Applicable APR factor from Step 2	Applicable installment factor from Step 3	Amount of Immediate Distribution Equivalent to Vested Account Balance
	Single Lump Sum	N/A	N/A	current vested account balance = \$35,000
- 1	Single Life Annuity	263.25	N/A	\$35,000 divided by cal. (b) = \$133
	120 monthly installments	N/A	104.02	\$35,000 divided by cal. (c) = \$336
.11				
	YOUR WORKSHEET (fill in the blanks):	.e blanks):	Y our spouse's current age: $_{-}$ Y our current vested account balance: §	
_	(a)	(ψ)	(3)	(p)
	Optional Form of Benefit	Applicable APR factor from Step 2	Applicable installment factor from Step 3	Amount of Immediate Distribution Equivalent to Vested Account Balance
	Single Lump Sum	N/A	N/A	current vested account balance = \$
	Single Life Annuity	(from Step 2)	N/A	current vested account balance divided by col. (b) = $\$$
	120 monthly installments	N/A	104.02	current vested account balance divided by col. (c) = $\$$
1				

The actual amount of monthly annuity purchased from an insurance company and installment payments may be higher or lower. Please contact your Plan Administrator for the actual amount that may be paid to your spouse in annuity or installment forms of benefit. Also, please contact Plan Adminstrator if you need information applicable to your individual situation, e.g. if your spouse's current The APR and interest factors used in the above example and worksheet are only for estinating the monthly annuity that might be purchased from an insurance company and the installment payments. age is not shown on the attached Annuity Purchase Rate Table.

## **QJSA Additional Information**

With the attached worksheet and the enclosed tables, you and your spouse should be able to compare the financial effect of electing different optional forms of benefit generally available under the Plan.

The APR and interest factors used in this example and worksheet are only for estimating the monthly annuity that might be purchased from an insurance company and the installment payments. The actual amount of monthly annuity purchased from an insurance company and your spouse's installment payments may be higher or lower. Please contact your Plan Administrator for the actual amount that may be paid to your spouse in the annuity or installment forms of benefit.

In addition, if the current age of your spouse is not shown on the enclosed annuity factor table, please contact your Plan Administrator and the appropriate annuity factors will be provided for your individual situation.

If you and your spouse have any questions regarding your specific situation or if you need help in completing this worksheet, please contact your Plan Administrator. Please note that this worksheet is based on certain interest and mortality assumptions which may not apply to your specific situation.

	O BE USED TO ESTIMATE YOUR MONTHLY ANNUITY
	Z
Ë	E
AT	NO
E	Ž
ANNUITY PURCHASE RATES	UR
Ħ	V.O
ĕ	H
E	A
E	Ē
Ē	ES
Z	0
4	DI
	SE
	EU
	B
	ပ္

YOUR INSTALLMENT PAYMENTS

ANNUITY PURCHASE RATE TO BE USED TO ESTIMATE

(The following	g rates are base	d on an assumed inter 1 year setbac	(The following rates are based on an assumed interest rate of 3% per year and the 1983 GAM Male Mortality Table, projected to 2004 with Scale H 1 year setback for Participant, 1 year setback for Participant, 1 year setback for Contingent Annuitant)	and the 1983 G/	MM Male Morts ntingent Annui	ulity Table, projected tant)	to 2004 with Scale H.	(The following rate is based on an assumed interest rate of 3% per year)	te is based on an de of 3% per year)
	Single	Joint & 100%	Joint & 50%		Single	Joint & 100%	Joint & 50%		10-Year
Your	Life	Contingent	Contingent	Your	Life	Contingent	Contingent	Your	Monthly
Age	Annuity	Survivor Annuity	Survivor Annuity	Age	Annuity	Survivor Annuity	Survivor Annuity	Age	Installment
25	324.42	342.18	333.30	53	229.55	261.43	245.49	Any age	104.02
26	322.10	340.27	331.18	54	225.00	257.29	241.14		
27	319.72	338.30	329.01	55	220.37	253.05	236.71		
28	317.27	336.27	326.77	56	215.67	248.72	232.19		
29	314.75	334.18	324.47	57	210.89	244.28	227.58		
30	312.16	332.03	322.10	58	206.03	239.74	222.88		
31	309.50	329.82	319.66	59	201.09	235.09	218.09		
32	306.76	327.54	317.15	09	196.06	230.34	213.20		
33	303.94	325.20	314.57	61	190.95	225.48	208.21		
34	301.05	322.78	311.91	62	185.75	220.52	203.14		
35	298.06	320.30	309.18	63	180.49	215.46	197.98		
36	294.99	317.74	306.37	64	175.18	210.31	192.75		
37	291.83	315.11	303.47	65	169.82	205.07	187.45		
38	288.58	312.39	300.49	99	164.44	199.76	182.10		
39	285.22	309.60	297.41	29	159.04	194.38	176.71		
40	281.78	306.73	294.25	89	153.66	188.94	171.30		
41	278.25	303.77	291.01	69	148.29	183.45	165.87		
42	274.63	300.73	287.68	70	142.97	177.93	160.45		
43	270.92	297.61	284.26	71	137.71	172.39	155.05		
44	267.12	294.40	280.76	72	132.50	166.83	149.67		
45	263.25	291.10	277.17	73	127.34	161.26	144.30		
46	259.29	287.71	273.50	74	122.24	155.68	138.96		
47	255.26	284.23	269.75	7.5	117.17	150.08	133.62		
48	251.16	280.66	265.91	76	112.14	144.47	128.30		
49	246.99	277.01	262.00	77	107.16	138.88	123.02		
50	242.74	273.25	258.00	78	102.27	133.31	117.79		
51	238.42	269.41	253.91	79	97.47	127.80	112.63		
52	234.02	265.47	249.74	80	92.78	122.34	107.56		
Actuarial Assumptions	mptions								

Annuity Purchase Rate Table

NOTE: The above Assumed Interest Rate and Mortality Table are representative of the interest rate and mortality table used to purchase an annuity from Transamerica Life Insurance and Annuity Company for calendar year 200.

Mortality Table: 1983 GAM-Male projected to 2004 using Scale H, (-1,-1)

Assumed Interest Rate: 3% per year

Spouse assumed to be the same age as the participant

ASSUMED 6% ANNUAL INTEREST RATE FACTOR TABLE
TO BE USED TO ESTIMATE YOUR DEFERRED MONTHLY ANNUITY AND/OR DEFERRED INSTALLMENT PAYMENTS
ASSUMING A 6% ANNUAL INTEREST RATE

		Deferred	Interest Factor	(assuming a	6% annual	interest rate)	4.5494	4.8223	5.1117	5.4184	5.7435	6.0881	6.4534	6.8406	7.2510	7.6861	8.1473	8.6361	9.1543	9.7035	10.2857	10.9029	11.5570	12.2505	12.9855	13.7646	14.5905	15.4659	16.3939	17.3775	18.4202
Period of	Deferment	(number of years	from today to the	date you want	to begin receiving	payments)	26	72	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	4	45	46	47	48	49	50
		pa	octor	3 a		()																									
		Deferred	Interest Factor	(assuming a	6% annual	interest rate)	1.0600	1.1236	1.1910	1.2625	1.3382	1.4185	1.5036	1.5938	1.6895	1.7908	1.8983	2.0122	2.1329	2.2609	2.3966	2.5404	2.6928	2.8543	3.0256	3.2071	3.3996	3.6035	3.8197	4.0489	4.2919

# 5.2 PLAN LOANS

If your plan offers loans, a Participant may borrow against the eligible vested balance in their account. The operational issues that affect how the Participant loan program is administered are contained in your loan policy that is consistent with your plan. Some of the most important aspects include:

## Plan Administrator Loan Process Steps

- 1. Complete the loan instructions with the plan Participant.
- 2. Submit form to Transamerica.
- 3. Loan Department checks for completeness and eligibility.
- 4. The promissory note, amortization schedule and check is mailed to you for acceptance of the loan term. You may release the loan check to the Participant upon receipt of the signed promissory note from the Participant.

## **Paperless Loans**

Paperless loans are designed to allow eligible employees the opportunity to model a <u>general purpose loan</u> through an automated Voice Response System (VRS) <u>or</u> the Web site. The Participant can request the loan through a Customer Service Representative via the Voice Response System.

Paperless loans are NOT available for Residential Loans or Hardship Loans, or where spousal consent is required. The Plan must be REA exempt, therefore, plans where the normal form of payment is a Joint and Survivor (J&S) Annuity will not have access to paperless loans unless they amend their plan to remove the J&S Annuity requirement. This eliminates all Defined Benefit and Money Purchase Pension Plans, or any Profit Sharing plan with transferred assets from a Defined Benefit or Money Purchase plan.

## **How It Works**

The Participant will model a loan with the desired amount and length of loan repayments via the VRS or the Web site. Once the Participant selects "Request a Loan" a disclosure will appear and once the Participant agrees, the loan will go into processing.

Transamerica processes the loan request on the next business day, if requested prior to 4:00 p.m. ET, or, on the second business day, if after 4:00 p.m. ET. A check will be generated within two days after the loan is processed. The loan paperwork (Loan Note and Security Agreement, Amortization Schedule and Withdrawal confirm) and loan check is mailed to the Plan Sponsor.

The Plan Sponsor presents the loan paperwork to the Participant upon receipt and must keep a copy of the signed Loan Note and Security Agreement. The Plan Sponsor is responsible for processing the loan repayments in a timely manner.

The Participant is responsible for communicating any errors or discrepancies in a timely manner by calling TransDirect to speak with a service professional. By endorsing/cashing the check, the Participant agrees to the fact that they have received, read, and understood the terms and provisions of the Loan Note and Security Agreement and the Amortization Schedule.

To cancel a loan, the Participant must notify Transamerica in writing. Written notification must include name, Social Security Number, plan name and contract number. Any loan that is not cancelled within 5 days will forfeit the loan service fee. If the check has been endorsed/cashed, the loan cannot be cancelled.

IMPORTANT NOTE: Once the Participant endorsed/cashed the check, the loan cannot be canceled.

Please note that a copy of the amortization schedule is always mailed to the Plan Sponsor.

If the check has been deposited/cashed, the loan cannot be canceled.

# **Loan Policy Terms and Use**

As Plan Administrator, you are required to have your loan policy documented and available to Participants. The following definitions will help you understand the guidelines and terms used in processing Participant loans.

- Minimum Loan Amount—Under DOL regulations, the minimum loan amount cannot be greater than \$1,000. Refer to your plan document for the actual minimum loan amount allowed under your company's plan.
- o Maximum Loan Amount—\$50,000 or 50% of the vested individual account balance, whichever is less. The \$50,000 maximum loan amount is reduced by the total of the Participant's highest outstanding loan balance during the 12 month period ending on the day prior to the date the loan is made, minus the loan balance on the date the loan is made.
- o Application/Processing Fee—A loan origination fee and/or an annual maintenance fee per loan will be charged for application/processing costs. To verify the fees, review your Service Agreement. This amount will be deducted from the loan amount paid to the Participant.
- Duration—The employee can elect to pay back the loan in 1-5 years for general-purpose loans, or longer for a loan used in purchasing or building a principal residence. (Transamerica requires documentation)
- Source/Application of Funds—Loan distributions will be made pro-rata from the Participant's accounts unless requested otherwise.
- Re-payment—Loan payments are due each pay period via payroll deduction. The payments must be remitted to Transamerica Retirement Services in the same frequency as elective contributions, if applicable, but not less frequent than quarterly, and the employer must authorize the use of payroll repayment. The payroll frequency may be weekly, biweekly, monthly, or semi-monthly. For loan repayments made by payroll deduction, an amortization schedule is sent to you. The amortization schedule will contain the date and the amount for the first payment. Payroll deduction repayment avoids loan defaults. If your plan allows for loan repayments from terminated Participants, the preferred method of repayment for the terminated Participant is for him/her to write a check to the employer for each repayment. The employer can then remit the loan repayment to Transamerica Retirement Services with regular payroll/loan repayment contributions. A terminated Participant should not remit loan repayments directly to Transamerica Retirement Services. Personal checks from Participants will be returned.

Repayments of loans are not considered pretax contributions, and, therefore, must be made on an after-tax basis. Loan payments will not provide a cost basis so the Participant will be taxed again when the money is withdrawn.

A terminated Participant should <u>not</u> remit repayments directly to Transamerica Retirement Services.

- Interest Rate—The interest rate is fixed for the life of the loan and the interest amount is credited only to the account of the Participant taking the loan. The interest rate must be a reasonable rate of interest charged by persons in the business of making loans under similar circumstances; for example, this could be based on the Prime Rate published in *The Wall Street Journal*, plus 1% on the first business day of the month in which the loan is originated. The interest rate determined by the Trustee(s) is required on each loan application form. The method for determining the interest rate should be applied consistently to all Participants.
- o Loan Balance—Explanation of loan balance versus total balance: The loan balance is the outstanding principal amount owed on a Participant's loan. This amount is included in the Participant's total balance. If a Participant leaves and takes a distribution from the plan with an outstanding loan balance, the outstanding balance is deducted from the amount to be distributed, as the Participant already has this money.
- Default—Loan default (deemed distribution) is defined as:
  - (a) The Participant or beneficiary fails to make a payment by the due date and is in excess of 90 days past due.
  - (b) The Participant's or Beneficiary's (if applicable) leave of absence extends beyond twelve (12) months and the Participant or Beneficiary fails to make the loan payment by the
    - earlier of (i) the due date following the suspension period or (ii) the due date of the last installment.
  - (c) If Transamerica does not receive a loan repayment within 90 days on an outstanding loan, a letter will be sent to the Plan Sponsor indicating the loan is in default. If loan repayments are still not received and no response is received from the

Plan Sponsor, the loan will be defaulted.

Once a loan is deemed distributed, the interest that accrues thereafter on that loan is not included in income. Repayments received after default will be returned to sender. For purposes of calculating the

Beginning January 1, 2002, owneremployees who were previously restricted from taking personal loans from qualified retirement plans will be permitted to do so. This restriction was lifted as part of the new legislation passed in June 2001.

- Outstanding Loan Upon Termination—If a Participant with an outstanding loan ends employment, retires, or incurs a disability, and elects to take a distribution of their entire account balance from the plan, the employee must either repay the loan or the employee may reduce ("offset") their account balance in the plan by the amount of the loan not repaid. The amount of the loan offset is treated as a distribution to the Participant at the time of the offset and will be taxed unless the Participant rolls over an amount equal to the amount of the loan offset to another qualified employer's plan or an IRA within 60 days of the date of the offset. The 20% mandatory income tax withholding will be based on the total vested account balance including the amount of the loan offset.
- Leave of Absence—Loan repayments may be suspended by the Participant during a period of unpaid authorized leave of absence up to a maximum of 12 months, provided that the leave of absence commences at least 12 months before the final installment is due.

The term of the loan will not be extended due to a leave of absence. At the end of the 12 month suspension period, or, if earlier, the date repayment again commences, the amount of the installment will be recalculated so that repayment is completed by the original loan term. The Plan Administrator must notify Transamerica Retirement Services in writing of any such Participant status.

Loan repayments can be made in full at any time, but partial pre-payments are not allowed.

 Additional Loans—Your plan may limit the number

of loans a Participant may have outstanding at any given time. If your plan allows only for one outstanding loan, the first loan must be paid off before another loan can be issued.

- Deductibility—Interest paid on loans is generally not deductible.
- o **Truth-in-Lending**—Plan loans may be subject to federal Truth-in-Lending requirements promulgated by the Federal Reserve Board. Regulation Z applies to individuals who extended credit more than 25 times a year if the credit is subject to a finance charge or payable by written agreement in more than four installments.

Pursuant to this regulation, a loan disclosure statement must be issued disclosing:

- 1. Creditor Identity
- Amount Financed—with a brief description of the amount of credit provided to the Participant on the Participant's behalf
- Itemization Financed Amount—including the amount distributed to the Participant directly and the amount distributed to a third party
- 4. Finance Charge—including a brief description of the dollar amount the credit will cost the Participant
- Annual Percentage Rate—including a brief description of the cost of the credit on a yearly basis
- 6. Explanation of the operation of a variable rate, if applicable
- 7. Payment Schedule—indicating the amounts and timing of payments
- 8. Total Repayment Amount Disclosure—including a brief explanation of the amount the Participant will have paid when all scheduled payments are made
- 9. Payment Penalty Description, if any
- 10. Statement Late Payment Consequences
- 11. Security Interest Identification

All loan repayments must be sent in the same frequency as elective contributions.

No personal checks will be accepted at Transamerica for Participants.

12. Other Requirements, which would generally not apply to a plan loan. The finance charge and annual percentage rate must be more conspicuous than any other disclosure.

## **The Loan Process**

Prior to assisting a Participant in completion of the loan application form, be sure loans are allowed under your plan. If loans are available, you may provide the Participant with the Loan Application form and your plan's loan policy, if you have one.

Items **required** for loan processing:

- o Completed loan application form.
- There may be a loan withdrawal fee.
   Please refer to your Service Agreement.

Make sure that loans are allowed under your plan before you begin assisting a Participant with application forms. Contact Transamerica to verify that the loan amount is permissible.

# **Important Plan Trustee Responsibility**

It is your responsibility to verify the information provided by the Participant, then sign and date the form authorizing the loan.

When the loan application has been received at Transamerica, the Loan Department will check for completeness and eligibility. Once Transamerica has reviewed the loan, a promissory note and check will be mailed to the Plan Sponsor for acceptance of the loan terms.

The Plan Sponsor may release the loan check to the Participant upon receipt of the signed promissory note from the Participant. This signed promissory note should be kept in your files.

Once the loan check is issued, endorsement of the check signifies agreement to the terms and conditions of the promissory note.

Promissory notes for the loan are not issued until the loan department has verified documents for completeness, eligibility, and you have authorized the loan terms with your signature.

# 5.3 HARDSHIP WITHDRAWAL REQUESTS

# **Criteria for Hardship Withdrawals**

There are six statutory Safe Harbor circumstances for a hardship withdrawal:

- Costs directly related to the purchase of a Participant's principal residence
- To pay post-secondary tuition and educational expenses of Participant, spouse, or dependents, for the next 12 months
- o To pay unreimbursed medical and/or hospital expenses for a Participant, spouse, or dependents
- To prevent eviction from, or foreclosure on the mortgage of, a Participant's principal residence.
- To pay funeral or burial expenses for the participant's deceased parent, spouse, child or dependent
- To pay for expenses to repair damage to the participant's principal residence that would qualify for a casualty loss deduction under Code Section 165

(A casualty loss is defined as any loss resulting in damage to the employee's principal residence due to fire, storm (flood, hurricane, etc.), shipwreck, other casualty, or theft. The hardship withdrawal for a casualty loss must be used to repair such damage.)

A Participant must prove qualification under one of these circumstances and exhaust all other means of obtaining assets before applying for a hardship withdrawal. This includes taking a loan out from the plan, if loans are available. Once a hardship withdrawal is taken, a Participant is prohibited from making elective deferrals to the plan for a period of time.

The suspension period for all hardship withdrawals taken out after 1/1/02 will be 6 months.

The Internal Revenue Code allows early distribution (prior to age 59 1/2) of Participant deferrals for extreme financial hardship. A hardship distribution of deferrals may be made "on account of an immediate and heavy financial need of the employee in an amount necessary to satisfy such financial need." Your plan document determines the circumstances under which a hardship distribution will be allowed under your plan. If your plan allows for hardship distributions, the administration of that benefit is based on rules similar to the IRC "Safe Harbor" rule. You will need to inform the Participant about the rules which apply under your plan.

If a hardship distribution is made, the Participant's elective deferrals must be suspended for a period of time.

Effective January 1, 2002, this suspension has been reduced to only six months as part of the new legislation passed in June 2001.

# 5.3 HARDSHIP WITHDRAWAL REQUESTS Cont.

## **Hardship Withdrawal Limitations**

Under the Safe Harbor rules, the Participant will be deemed to meet the requirement that the distribution is necessary to satisfy a financial need if:

- o The amount of the withdrawal does not exceed the amount of the Participant's stated need for the withdrawal, including monies necessary to pay federal, state, and local income tax, and penalties resulting from distribution.
- o The amount available for hardship withdrawals is limited to deferrals and, if your document allows, employer matching contributions, and and other money sources that are 100% vested. Earnings accrued on the deferrals after 12/31/88 are not available for hardship withdrawal.

# **Taxation of Hardship Withdrawals**

As of January 1, 2002, hardship distributions from all contribution types including Employer Contribution Accounts will not be eligible for rollover distributions. As such, they will not be subject to the mandatory 20% federal withholding rules. However, since it will still be treated as income to the Participant, they will have to pay taxes on this money when they file their personal returns. This will require advance planning by the Participant to ensure he/she will have the funds when he/she files his/her return.

Unless the individual elects otherwise, 10% federal withholding will apply to these payments. The hardship distribution will be reported on Form 1099-R.

Transamerica Life Insurance Company and its affiliates, employees, agents, and directors (a) are not responsible for determining whether the request satisfies applicable tax or other legal requirements, and (b) have no liability to the Participant or any other person for any adverse consequences resulting form payment of the hardship withdrawal as requested.

# 5.3 HARDSHIP WITHDRAWAL REQUESTS Cont.

# **Important Plan Trustee Responsibility**

It is your responsibility to verify the information provided by the Participant, then sign and date the form authorizing the hardship benefit.

It is also important for you to maintain written evidence of Participant financial hardship in the event of a plan audit. Examples of proof include:

- Medical, tuition, funeral and repair bills
- o Sale agreements for a principal residence
- o Eviction notices

Please provide Transamerica a copy of the written evidence of financial hardship.

Hardship withdrawals may be subject to a 10% pre-retirement tax penalty if the distribution is made prior to attainment of age 59 1/2.

Prior to assisting a Participant with the completion of the Hardship Withdrawal Request, verify that hardships are allowed under your plan. Also verify that the Participant has first utilized the loan feature through your plan, if applicable.

You should keep written proof of the Participant's financial hardship in the event of a plan audit.

## 5.4 DISTRIBUTION REQUESTS

#### The Withdrawal Process

Following is a list of the types of distributions that may be made and the attachments required for each type. All types of distributions may not be available under your plan. Prior to assisting a Participant with the completion of a Payment Option form, verify that your plan allows for the type of distribution the Participant is requesting.

#### **™** Termination of Employment

Completed Payment Authorization form

#### **™** Disability Benefit

- o Completed Payment Authorization form.
- Letter from the Social Security Administration stating that the Participant has qualified for a permanent disability. This is very important because it is the basis for determining if disability exists and for tax reporting as disability instead of premature distribution if Participant is under the age of 59 1/2.

#### ™ Retirement

Completed Payment Authorization form

#### ™ In-Service Distribution (age 59 1/2 but less that 70 1/2)

- Completed Distribution Request form.
- o Amount of outstanding loan balance, if applicable.
- Amount of non-taxable employee contributions, if applicable.

#### **™** Spousal Beneficiary Account

- Completed Payment Authorization form.
- Original copy of the **certified** death certificate with raised seal.
- Beneficiary Designation Form or, if applicable, written instructions from the Trustee as to the identification of the beneficiary in accordance with the Plan document.

As stated in your service agreement, the Participant will be charged a processing fee for each type of Participant withdrawal, unless this fee is paid for by the Plan Sponsor.

It is important that these attachments accompany the Distribution Request Form. Transamerica requires this data to process distributions in a timely manner.

All distribution forms can be found at the back of this guide.

Distribution checks will be mailed to Participants after you have authorized payment and Transamerica has verified the forms for eligibility and completeness.

### 5.4 DISTRIBUTION REQUESTS Cont.

#### Payment of Benefits due to a Qualified Domestic Relations Order (QDRO)

- Completed Distribution Request form. Section 2 (payee information) must be completed by alternate payee (spouse receiving benefits) and must indicate his/her Social Security Number and date of birth.
- Copy of the Qualified Domestic Relations Order (QDRO) certified by a court.
- o If the Participant has an outstanding loan balance and the benefits to be paid represent the entire vested balance of the Participant, the amount of loan outstanding must be provided.
- If the amount to be paid includes voluntary employee after-tax dollars, the pro-rated amount representing the non-taxable employee contribution must be provided.

#### ™ Withdrawal of Rollover Account or Voluntary Employee Contribution Account

- o Completed Distribution Request form.
- o If benefits to be paid are from a Voluntary Employee Contribution account, the amount of the non-taxable employee contribution must be provided.

Refer to your service agreement regarding the hourly administrative charge for QDRO processing.

## 5.4 DISTRIBUTION REQUESTS Cont.

#### Important Plan Trustee Responsibility

The Plan Administrator must verify the information provided by the Participant, then sign and date the form authorizing the distribution. Once the fully completed form is received and processed, a check will then be mailed as the Participant has directed on the form.

#### Withdrawal Processing Fee

A processing charge will be assessed for each type of withdrawal. Some fees cannot be deducted from the Participant's account, and must be paid by the Plan Sponsor.

This Distribution Request form can be used in the following circumstances:

- o Termination of employment
- o Disability Benefit
- Retirement
- o In-Service Distribution (age 59 1/2 but less than 70 1/2)—Please refer to your plan document to determine if this type of distribution is available. If allowed by your plan, a Participant may withdraw all, or a portion of, his/her vested account balance without penalty tax after age 59 1/2.
- Payment of benefits due to a Qualified Domestic Relations Order (QDRO)
- Withdrawal of Rollover Account or Voluntary Employee Contribution Account
- o Loans
- o Hardships

## 5.5 ONLINE DISTRIBUTIONS

If your plan allows for online distributions, participants will be able to complete the distribution form online and you will be able to review the request electronically before it is processed. Once the participant completes the request, Trustees and Authorized Signers in the plan will be automatically notified of the request via email. You then approve or deny the request in TransAccess and can view any distributions that have been processed during the past 12 months. The only paperwork you need to keep for your files are, if applicable, a copy of the spousal consent and any supporting documentation.

Distributions that can be submitted online are termination of employment, retirement, age 59 1/2, in-service, or hardship. If approved, the check will be processed within 5 business days. If denied, please notify the participant and provide them with the reason of denial.

If a participant does not elect to waive the 30 day Decision Period, the distribution will pend for 30 days before you will be able to review and approve or deny the request.

#### To review and approve/deny any pending distributions:

Step 1: Using your browser, go to www.TA-Retirement.com

Step 2: Enter your **user name and password** – If you do not know your user name and password, you can contact a SponsorConnect Plan Specialist at 866-498-4557 to be set up.

Step 3: Select Plan Administration

Step 4: Select Distributions

Step 5: Select the distribution to be reviewed. Only one distribution may be selected at a time.

Step 6: Click on the Submit button

Step 7: Review the distribution information. Verify the date of last contribution, employment and marital status, and the vesting percentage. Update vesting if this information is not current.

Step 8: If required, gather copies of the spousal consent and supporting documentation from the participant for your files. Some examples include spousal and witness signatures, death certificate, evidence of hardship, etc.

Step 9: Click on **Approve Request** to have the distribution processed; **Deny Request** to cancel the distribution; or **Cancel** to exit the transaction.

Step 10: Click on Confirm to complete the request.

**Note**: Online distributions may only be viewed by Trustees and Authorized Signers of the plan.

## 5.6 FORCED DISTRIBUTIONS

If an employee leaves the company but chooses to leave their retirement savings in the plan, you may be able to "force the distribution". Generally, this is allowed for vested account balances of under \$5,000 or less.

#### What is a forced distribution?

A forced distribution is when the Plan Sponsor instructs Transamerica Retirement Services to distribute the vested balance of a former employee's account. This type of distribution typically occurs when a former employee does not complete a Distribution Request Form upon separation from service indicating what they would like to do with their account balance (i.e. rollover, single sum cash out, etc.). An account continues to be maintained for the former employee until the employee returns the Distribution Request Form or Transamerica Retirement Services receives written request from the Plan Sponsor to "force the distribution".

#### Are forced distributions allowed in your plan?

Your plan may make distributions to terminated participants without their consent if the value of their vested account balance does not exceed \$5,000. However, on September 28, 2004, the Department of Labor issued new regulations that require mandatory cash outs paid on or after March 27, 2005 of more than \$1,000 be automatically rolled over to an IRA.

If the value of the former employee's vested interest exceeds \$5,000, you are required to maintain the account for the former employee until they elect to take a distribution. There is no maximum amount of time that a former employee can leave money in the plan if their vested interest exceeds \$5,000, however, at age 70 1/2 a minimum distribution would be required.

#### What if the distribution is less than \$1,000?

For distributions of \$1,000 or less, the distribution will be made payable to the participant.

#### Am I subject to the automatic rollover IRA rules?

Yes, unless your plan is amended to lower the cash out threshold from \$5,000 to \$1,000 or less to avoid the automatic rollover rules.

## 5.6 FORCED DISTRIBUTIONS Cont.

## If my plan is subject to the automatic rollover IRA rules, how do I select an IRA provider?

Transamerica Retirement Services has established an alliance with E\*TRADE to accept automatic rollover IRAs. E\*TRADE's safe harbor IRA complies with the DOL automatic rollover regulations and a separate service agreement must be signed with E\*TRADE before a distribution can be rolled over.

Alternatively, you may also choose another IRA provider, or multiple providers, as long as each provider meets the following requirements:

- The IRA provider must be a federally regulated financial institution
- The plan fiduciary and IRA provider must enter into a written agreement providing that funds will be invested in a product intended to preserve principal and provide a reasonable rate of return
- The expenses charged by the IRA provider for maintaining the IRA cannot exceed the expenses charged for comparable IRAs

Please contact Sponsor *Connect* at (866) 498-4557 if you have any questions about E\*TRADE or the automatic IRA rollover rules.

## How to determine if the value of the former employee's vested interest exceeds \$5,000?

Prior to 1/1/02, the determination of the value of the vested interest in the former employee's account for purposes of forced distributions includes any rollover contribution amount. Effective 1/1/02, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) allowed the option to exclude rollover contribution amounts from the calculation. Please refer to your plan document to determine whether the plan currently includes or excludes rollover contributions when determining the value of the vested interest of the former employee's account balance.

**Example:** A former employee has a vested account balance of \$10,000. Of the \$10,000, \$4,000 represents contributions plus earnings accumulated under your Plan. The remaining \$6,000 represents a contribution rollover plus earnings that the former employee contributed to your plan. Prior to 1/1/02, you could not automatically force the

## 5.6 FORCED DISTRIBUTIONS Cont.

distribution, because he/she is deemed to have a total vested account balance of \$10,000 for purposes of the force out rules. If however, you amended your plan to exclude rollover amounts, the employee's account balance is deemed to be \$4,000 and you should request a forced distribution of the employee's benefit. Of course, in either situation, the employee would receive all \$10,000.

## STEPS TO INITIATE AN AUTOMATIC ROLLOVER TO E\*TRADE:

The following steps apply to those Plan Sponsors utilizing E\*TRADE as their automatic rollover IRA provider. The instructions for Plan Sponsors using a different IRA provider may vary slightly. Contact the IRA provider for more details.

#### STEP 1

The following three conditions must be met before initiating an automatic rollover:

- Your Plan must provide for automatic rollover provisions.
   This means you have already executed an amendment to add automatic rollover provisions initially provided to Plan Sponsors beginning in 2005.
- 2) You have a signed agreement in place with E\*TRADE to provide automatic rollover IRAs for your plan.
- 3) Your plan has a participant(s) that has terminated employment and has a vested account balance of more than \$1,000 but not exceeding \$5,000.

#### STEP 2

Send the following required documents to each terminated participant at least 30 days before initiating automatic rollovers to the E\*TRADE IRA:

- Automatic Rollover Notification Letter to Terminated Participant
- Distribution package (distribution form & special tax notice)

## 5.6 FORCED DISTRIBUTIONS Cont.

#### STEP 3

If, after 30 days, you have not received a response with specific distribution instructions from the terminated participants, then send an <u>Automatic Rollover Request</u> letter requesting the automatic rollover.

## AFTER COMPLETION OF STEPS 1-3, THE FOLLOWING WILL OCCUR:

- On a monthly basis, Transamerica will collect, review, batch process, and then send the Automatic Rollover Requests to E\*TRADE.
- Upon receipt of the requests, E\*TRADE will establish each terminated participant's IRA and Transamerica will transfer funds from your plan to E\*TRADE.
- Once the automatic rollover IRA account is established and all proceeds are transferred to E\*TRADE, the participant's Plan account will be closed and cease to be a part of your Plan

### Notice of Cash-Out Distribution (Balances of \$1,000 and under)

[Date]
[Former Employee] [Home Address] [State, City, Zip]
Dear [Mr./Mrs.][Last Name]
As a former employee and current participant in our retirement plan, you are eligible to receive a full distribution of the vested account balance in your retirement savings account.
<u>Please read the enclosed notice regarding distributions</u> . This notice includes important information about income tax withholding and tax-free rollover rules. You will then need to complete the enclosed Distribution Form making your election regarding payment directions and tax withholding and return it to my attention, as soon as possible. A trustee signature is necessary to release your funds. We must receive your completed Distribution Form no later than 30-days from the date of this letter.
If we do not receive your completed distribution form within 30-days of the date of this letter, we will make a distribution of the value of your vested account balance payable directly to you. You will receive only 80% of the payment, as we are required to withhold 20% as income tax withholding for the IRS. In addition, your payment will be taxed in the current year unless you roll it over to an IRA or another qualified plan. You can expect to receive your distribution check five to ten business days after Transamerica Retirement Services obtains the notice from our office.
If you have any questions about distributions, please contact us at [phone number].
Sincerely,
[Plan Trustee]
Enclosures

### Notice of Automatic Rollover (Balances of \$1,001 - \$5,000)

[Date]
[Former Employee] [Home Address] [State, City, Zip]
Dear [Mr./Mrs.][Last Name]
As a former employee and current participant in our retirement Plan, you are eligible to receive a full distribution of the vested account balance in your retirement savings account.
<u>Please read the enclosed notice regarding distributions</u> . This notice includes important information about income tax withholding and tax-free rollover rules. You will then need to complete the enclosed Distribution Form making your election regarding payment directions and tax withholding and return it to my attention, as soon as possible. A trustee signature is necessary to release your funds. We must receive your completed Distribution Form no later than 30 days from the date of this letter.
If we do not receive your completed distribution form within 30 days of the date of this letter, the value of your vested account balance will be distributed and rolled over directly to an E*TRADE IRA for your benefit.
The amount directly rolled over to E*TRADE is not subject to tax withholding. Once invested with E*TRADE, you will have the opportunity to move your money into multiple investment options, or you can withdraw your funds at any time in accordance with IRA regulations.
If you have any questions about distributions, please contact us at [phone number].
Sincerely,
[Plan Trustee]
Enclosures

## **Mandatory Distribution Request -- \$1,000 and Under**

[Date]						
8488 Shepl	ica Retiremen herd Farm Di ter, OH 4506	rive				
[Pl	andatory distr an Name] ontract Numb		le to the participant	t (amounts \$1,	000 and under)	
Dear Trans	america:					
Please distr	ribute the ves	sted account b	alance directly to th	e following te	erminated partic	ipant(s):
<u>Name</u>		<u>Social</u>	Address (if different from	n Transameric	Vesting% ea's records)	
Information responded	n Package" to with a specif	these termin	nt, via certified mail ated participants. S he distribution, I an pant.	ince these terr	minated particip	ants have not
If you have	any question	ns about the d	istributions, please	contact me at	[phone number]	].
Sincerely,						
Plan Truste	ee (Print Nan	ne)	Plan Trus	stee Signature		

#### **Automatic Rollover Request**

	Autor	manic Kunuvei Ke	quest		
[Date]					
8488 Shep	ica Retirement Services herd Farms ter, OH 45069				
[P]	Mandatory Distribution to Automatic Rollover IRA (amounts between \$1,001-\$5,000 only) Plan Name] Contract Number]				
Dear Trans	samerica Retirement Services:				
	ribute the account balances of tA account:	the following former em	ployee(s)* to a saf	fe harbor autom	
			\$	%	
Name		S.S. #	Balance	Vested %	
Address		Date of Termination	Date on Birth	of .	
*Additiona	al employees may be entered or	n page 2 of this letter.			
with the "I specific op	at least 30 days since I sent, vi Distribution Information Packa- tion for the distribution, I am of n of their vested account balance	ge." Since these former lirecting Transamerica R	employees have n Retirement Services	ot responded wis to rollover the	
Our plan's	automatic rollover IRA provid	ler is (check one):			
آ E*1	E*TRADE (I acknowled FRADE to accept automatic roll)	-	_	ement with	
() this	Another IRA provider (I	acknowledge that I have	entered into a wri	itten agreement	

Address

If you have any questions about the distributions, please contact me at [phone number].

**Institution Name** 

Sincerely,

48 Transamerica Signature Service 0306

Phone

## [Plan Trustee] ADDITIONAL AUTOMATIC ROLLOVER REQUESTS

Date:			
Plan Name:			
Contract Number:			
		\$	%
Name	S.S. #	Balance	Vested %
Date of Termination			
Address	Phone Number	Date of Birth	Marital Status
Complete shaded area above if differen	nt from Transamerica		e' records
		<u> </u>	
Name	S.S. #	\$ Balance	Vested %
Date of Termination			
Date of Termination			
Date of Termination  Address	Phone Number	Date of	Marital Status
		Birth	
Address		Birth	
Address		Birth Retirement Services	s' records
Address		Birth	
Address Complete shaded area above if different	nt from Transamerica	Birth Retirement Services	s' records
Address Complete shaded area above if differen	nt from Transamerica	Birth Retirement Services	s' records
Address Complete shaded area above if different	nt from Transamerica	Birth Retirement Services	s' records

-- Complete shaded area above if different from Transamerica Retirement Services' records --

# 5.7 ROLLING OVER FUNDS TO A TRANSAMERICA IRA

To roll over balances to a Transamerica IRA, follow these instructions:

**Step 1.** Visit www.TA-Retirement.com or call Transamerica Premier Funds at 1-800-892-7587 to request a Direct Rollover IRA kit. (The kit will be mailed by the next business day.)

#### Step 2: Your Distribution Request Form

- If you have already completed a Payment Option form, proceed directly to Step 3.
- If you have not yet completed a Payment Option form, you must obtain a copy of the form from your employer and complete the form.
- Each IRA Rollover Application must be accompanied by a Payment Option form or it cannot be processed.

#### **Step 3: Your IRA Rollover Application**

- o Complete the IRA Rollover Application. Be sure to follow the instructions preceding each step of the application.
- o If you have questions on completing the application, please call 1-800-892-7587.

#### Step 4: Submission of Your IRA Rollover Application

- Submit your IRA Rollover Application together with your completed Distribution Request form to your employer for your employer's signature.
- Your employer will forward your completed and signed IRA Application and Distribution Request form to the recordkeeper. Once your forms are received and processed, a check to the Transamerica Premier Funds will be issued and your total balance will be transferred to your IRA Rollover account.
- Note: Your IRA Rollover Application and Distribution Request form will not be processed without proper signatures.

#### Step 5: What's Next

Once your completed IRA Rollover Application and Distribution Request form have been received and processed, your Rollover IRA account will be established. At that time, you will receive a confirmation statement detailing your account.

## 5.8 MINIMUM REQUIRED DISTRIBUTIONS

IRS regulations require that minimum distributions for Participants' qualified retirement plans begin by a prescribed date.

#### **How We Calculate Minimum Distributions**

The minimum distribution is calculated by Transamerica according to a specific formula and must commence no later than April 1 of the year following the later of: (a) the calendar year in which the Participant attains age 70 1/2, or (b) the calendar year in which the Participant retires. However, if the Participant is a 5% owner, the minimum distribution must commence by April 1 following the calendar year in which a Participant attains age 70 1/2, regardless of employment status. Participants who are non-5% owners may be entitled to defer payment until retirement if they are still employed at age 70 1/2. Please refer to your Plan Document for more details including transitional rules for 1996 through 1998, including prior rules that permit Participants (including 5% owners) to defer distributions to a date later than stated above.

#### **Failure to Meet Minimum Distribution Requirements**

A plan that fails to operationally meet the minimum distribution requirements is technically subject to disqualification, unless a correction is made through the Employee Plans Compliance Resolution System (EPCRS).

If a Participant requests an amount in excess of their minimum required distribution, they must be provided with the **IRS Special Tax Notice**. This notice will explain options available to them, since such amounts may be eligible for rollover.

If a Participant requests an amount in excess of their Minimum Required Distribution, they must be provided with the <u>IRS Special Tax Notice</u>. This notice will explain options available to them, since such amounts may be eligible for rollover.

## 5.8 MINIMUM REQUIRED DISTRIBUTIONS CONT.

#### **Annual MRD Communication**

During the last quarter of the year, Transamerica will send an annual mailing to the Plan Sponsor indicating which Participants, according to the information in Transamerica's recordkeeping system, are required to receive minimum distributions for that calendar year.

#### **Important Plan Trustee Responsibility**

It is your responsibility to provide those Participants with the Minimum Required Distribution forms for completion. Instructions will be provided in the mailing. Upon timely receipt of completed forms signed by the Trustee, Participant, and spouse, if applicable (may require notarization), Transamerica will process the Minimum Required Distribution by the end of the calendar year.

Minimum Required Distributions will not be processed for Participants for who completed, signed, and notarized (if applicable) forms are not returned to Transamerica.

It is your responsibility to verify the information provided by the Participant, then sign and date the form authorizing the distribution request. Minimum Required Distributions will not be processed for Participants for whom completed, signed, and notarized forms are not returned to Transamerica.

A sample Minimum Required Distribution Form can be found at the end of this guide.

## 5.9 DEATH BENEFIT CLAIMS

Following is a list of the attachments required for a Death Benefit Claim. Prior to assisting a Beneficiary with the completion of the Death Benefit Claim form, please make sure that you have reviewed the Guidelines listed on page 1 of the Death Benefit Claim form.

- Complete Payment Authorization Form. The identification of the beneficiary should match that on the Beneficiary Designation Form.
- Original copy of the certified death certificate.
- Beneficiary Designation Form, or if applicable, written instructions from the Trustee as to the identification of the beneficiary in accordance with the Plan document.
- Tax consent form (if required by the state where the Participant resided). This requirement can be secured from the State Inheritance Division of that state.

Please note that distribution checks will be mailed to the Beneficiary after you have authorized payment and Transamerica has verified the forms for eligibility and completeness.

If your plan has life insurance policies, the Trustee is the owner and Beneficiary under the policies. Upon the death of the Participant, the Trustee will direct the Insurance Company to pay the proceeds, in accordance with the terms of the policies, to the Beneficiary determined under the Plan.

Here are some helpful reminders:

- The Beneficiary must provide an original copy of the certified death certificate with the Death Benefit Claim form.
- 2. The Spouse has the option to leave the funds in the plan (Spousal Beneficiary account).
- The Spouse has the option of rolling over the funds to an IRA. (If you'd like information on a Transamerica IRA, call 1-800-892-7587 to request a Direct Rollover IRA kit.)

The Beneficiary must provide an original copy of the certified death certificate with the Death Benefit Claim form.