

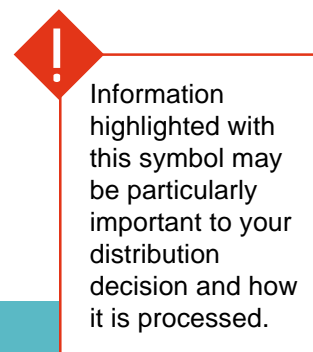
# Defined Contribution Plan Distribution Kit

## for CSU Safe Harbor Participants

University of California Retirement System (UCRS)

Use the form in the back of this kit if you have left CSU employment and want to take a distribution from the Defined Contribution Plan (DC Plan):

- Read the *Special Tax Notice* on pages 1 through 7.
- After you have completed the form, **be sure to have your Benefits Officer sign the form in Section 5, verifying that you have left CSU employment.** Forms without this required signature will be returned to you.
- Send the completed form to UC Human Resources and Benefits in Oakland.



## Special Tax Notice for Plan Distributions

This notice contains important tax information you will need before you decide how to receive your DC Plan distribution. It will help you to determine:

- whether your distribution is subject to the withholding rules (see chart on page 3), and, if so,
- what your choices are, and
- how your taxes and tax withholding are affected by the choices you make.

You must make your decision within 90 days of reading this notice.

### Highlights

You may have payment made in either of two ways. You can have all or a portion of the distribution either (1) paid in a DIRECT ROLLOVER to your IRA or to an employer plan that will accept your rollover, or (2) PAID TO YOU. Your choice will affect the tax withheld, if any, and the tax you owe.

#### If you choose a DIRECT ROLLOVER:

- No federal taxes will be withheld from the distribution.
- The distribution will not be taxed until you withdraw the money from the IRA or employer plan.
- The distribution check is payable to your IRA or to the recipient employer plan.

#### If you choose to have your distribution PAID TO YOU:

- 20% federal tax will be withheld, as required by law. No exceptions.
- You will receive 80% of the amount you request as a distribution.

- Any portion of the distribution that you do not roll over within 60 days will be taxable income in the year it is paid. See “60-Day Rollover Option” on page 4.
- Special rules may allow you to reduce the tax you owe on a distribution. See “Additional Tax Information” on page 6.
- Tax penalties may apply if you are not yet age 59½. See “Additional Tax Information” on page 6.



#### Distribution Processing Dates

The cutoff date for processing distribution requests is the 25th of each month (if the 25th falls on a weekend or holiday, the cutoff date is the preceding business day). Plan accumulations will be valued at the end of the month prior to the date the distribution is paid.

Distribution checks are generally mailed within 60–90 days after UC receives a properly completed distribution request form. Incomplete or improperly completed forms will be returned, and processing delayed.

Once a check has been issued, UC will not accept returned checks, nor reissue a check to another IRA trustee or employer plan.

#### Cancellation of Distribution Request

Distribution requests may be cancelled in writing, subject to the monthly processing dates (25th of each month). When writing to cancel a distribution request, include your name, Social Security number, and a statement that you want to cancel a previously submitted distribution request. You must sign and date your cancellation request.

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*A direct rollover is a tax-free transfer of your money from one retirement or investment vehicle to another.*

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*Whether you directly roll over your distribution or have it paid to you, you must report it on your income tax return for the year in which the money is distributed. Use Form 1040A or 1040; you **cannot** use Form 1040EZ to report distributions from retirement plans.*

# UCRS Distributions Eligible/Ineligible for Direct Rollover

For more information on distributions to surviving spouses, other beneficiaries, and QDRO payees, see page 5.

## Eligible Distributions

Your distribution is eligible for direct rollover if it is one of the following:

### Nonperiodic Distributions

If you withdraw all your money from a plan in a lump sum, it is generally eligible for direct rollover—with exceptions as noted (see “Ineligible Distributions”). Partial distributions from the DC Plan are also generally eligible.

### Group Insurance Contract Annuities

If you buy a commercial annuity through UC’s group insurance contract that is not based on life expectancy and is paid in installments over a period of less than 10 years, the payments are eligible for direct rollover.

## Ineligible Distributions

### Required Minimum Distributions

Beginning April 1 of the year following the year you reach age 70½ (or leave CSU employment, if later), you are required to receive distributions from the Plan in a certain minimum amount. These distributions may not be rolled over. Required minimum distributions are taxable income in the year you receive them. (Any amount paid to you that exceeds the required minimum amount is eligible for direct rollover and will be subject to the 20% federal withholding unless directly rolled over.)



Note: If you are subject to the minimum distribution requirements and request a direct rollover of your total Plan balance, UC must issue a check for your required minimum distribution (payable to you), before processing the direct rollover of your remaining Plan balance.

	ELIGIBLE	INELIGIBLE
Full distribution	◆	
Partial distribution	◆	
Required minimum distribution		◆
Lump sum death payments:		
to surviving spouse (to an IRA only)	◆	
to non-spouse beneficiary		◆
QDRO distribution:		
to spouse/former spouse	◆	
to non-spouse		◆

## Making a Direct Rollover

### Direct Rollover to an IRA

You will need to establish an IRA (individual retirement account or annuity) or Simplified Employee Pension (SEP) IRA to receive the direct rollover. Before you request payment,

## Distributions Paid to You

### Mandatory Withholding

If you have your distribution paid to you, 20% federal income tax must be withheld. (You may also ask to have an additional flat-dollar amount withheld.) For example, if you want \$10,000 paid to you, you must request a distribution of 125% of that amount, or \$12,500.

#### Example

Distribution PAID TO YOU. You keep the money (no rollover).

Total distribution from Plan:	\$12,500
Direct rollover:	00
20% tax withheld (on \$12,500):	2,500
Paid to you:	10,000
Taxable in current year:	\$12,500

### Voluntary Withholding

The 20% mandatory withholding rule does not apply to distributions that are ineligible for rollover, even though they are taxable. For example, federal income tax will be withheld from minimum distributions and distributions paid to non-spouse beneficiaries as follows:

- nonperiodic distributions: 10%, unless you elect no or more withholding (flat-dollar amounts).
- periodic distributions: An amount based on the tax table for a married individual claiming three allowances, unless you elect different (or no) withholding.

(Note: You may not elect to have no withholding if your distribution is being mailed outside the United States or if you are a nonresident alien.)

### 60-Day Rollover Option

If you have your distribution paid to you, you can still decide to roll over all or any part of the money yourself within 60 days.

If you want to roll over the entire amount of the distribution you requested, you must replace, from your personal savings or other sources, an amount equal to the 20% that was withheld.

#### Example

Distribution PAID TO YOU. You roll over the entire distribution (\$10,000) within 60 days.

Total distribution from Plan:	\$10,000
Direct rollover:	00
20% tax withheld (on \$10,000):	2,000
Paid to you:	8,000
You use from your savings:	2,000
You roll over:	10,000
Taxable in current year:	00

If you roll over only the 80% that you received, you must pay taxes on the remaining 20%.

#### Example

Distribution PAID TO YOU. You roll over the amount you receive within 60 days.

Total distribution from Plan:	\$10,000
Direct rollover:	00
20% tax withheld (on \$10,000):	2,000
Paid to you:	8,000
You roll over:	8,000
Taxable in current year:	\$ 2,000

Note that tax penalties or special tax rules

## Distributions Paid to Surviving Spouses, Other Beneficiaries, and QDRO Payees

Generally, the rules in this notice apply to distributions not only to Plan participants but also to their surviving spouses and to spouses or former spouses receiving a community property settlement under a qualified domestic relations order (QDRO). Some of the rules in this notice also apply to distributions made to non-spouse beneficiaries.

### Distribution to a Surviving Spouse

You may choose to have an eligible distribution:

- paid in a DIRECT ROLLOVER to an IRA, or
- PAID TO YOU.

If paid to you, the distribution is subject to 20% withholding. You can roll over the money yourself (within 60 days) to an IRA—but not to an employer plan.

There is no penalty tax on early distributions.

You may be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements—5 years of Plan participation is not required. See “Additional Tax Information” on page 6.

### Distributions to Other Beneficiaries

A distribution to a beneficiary other than a spouse, surviving spouse, or former spouse, is not eligible for rollover. You may, however, be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements—5 years of Plan participation is not required. See “Additional Tax Information” on page 6.

For information on federal tax withholding, see “Voluntary Withholding” on page 4.

There is no penalty tax on early distributions.

### QDRO Distributions

If you are a spouse or former spouse, you may choose to have an eligible distribution:

- paid in a DIRECT ROLLOVER to an IRA or to an employer plan that will accept your rollover, or
- PAID TO YOU.

If the distribution is paid to you, it is subject to 20% withholding. You can roll over the money yourself (within 60 days) to an IRA or to an employer plan that will accept your rollover.

There is no penalty tax on early distributions.

If you receive a total distribution, you may be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements and had 5 years of Plan participation. See “Additional Tax Information” on page 6.

If you are a non-spouse alternate payee, any distribution you receive is not eligible for rollover. Further, you may not use the special tax treatment for lump sum distributions.



## Penalty Tax on Early Distributions

If you receive a taxable distribution before you reach age 59½ and you do not roll it over, you must pay a 10% federal penalty tax (plus a 2½% California state penalty tax, if applicable), in addition to regular income tax, unless:

- you leave CSU employment during or after the year you reach 55,
- you are permanently disabled,
- you receive a series of substantially equal distributions over your life/life expectancy (or your and your beneficiary's lives/life expectancies),

## Additional Tax Information, continued

### California State Tax

In this notice, only federal tax considerations are described in detail (not state or local). Generally, California state tax is withheld at 10% of the federal rate (i.e., if 20% federal tax is withheld, 2% California state tax is withheld; if 10% federal tax, then 1% California tax.) However, even when federal withholding is mandatory, you may elect to have no withholding for California tax.

If your distribution is mailed to an address outside California, no California state tax will be withheld unless you request the withholding. (However, you will generally still owe California taxes if you are a resident of California. See your tax advisor or contact your local state tax agency about your state tax liability.)

### For More Information

The rules described here are complex, and conditions and exceptions may apply that are not included in this notice. Therefore, we recommend that you consult a professional tax advisor before you request a distribution from the Plan. Also, for more specific information on the tax treatment of distributions from qualified retirement plans, contact your local IRS office or call **800-TAX-FORM** and ask for:

IRS Publication 575,  
*Pension and Annuity Income*

IRS Publication 590,  
*Individual Retirement Arrangements*

IRS Form 4972,  
*Tax on Lump Sum Distributions*



## Instructions for Requesting a Distribution

An Address Change Notice form is included in this kit. If you stop contributing to the Plan and move, please return this form to notify UC of your change of address so that you will continue to receive account statements and other notices and announcements about Plan participation.

If you have less than \$2,000 in the DC Plan when you leave CSU employment, you must request a distribution of your Plan balance.



### Before Completing the Form

1. Read the **Special Tax Notice in the front of this booklet before electing a distribution.** You may also want to consult a tax advisor before making a final decision.
2. If you are a former CSU employee, but are currently working for UC, you may not commingle (roll over, transfer, etc.) DC Plan money you accumulated through your CSU employment with any DC Plan account you have through UC employment.
3. If you decide to make a direct rollover to another employer plan, be sure to have the recipient plan administrator complete the *Qualified Plan Certification* section of the form. Direct rollovers to another plan cannot be processed without that plan's consent.

If you are making a direct rollover to an IRA, the consent of the IRA trustee is not required, but you must be sure to establish an account.

When requesting a direct rollover to an IRA or to an employer plan, do **not** include the rollover forms for the recipient IRA or plan with your distribution request. UC will make the check payable to the IRA or plan and mail it to you. **It is your responsibility to deposit the check with the recipient IRA or plan.**

4. If a distribution paid to you will be sent outside the state of California, California state taxes will not be withheld unless you specify otherwise.
5. If you elect to have the distribution paid to you and you are a nonresident alien living in the United States, it will be subject to 20% federal tax withholding and you may not elect to have no federal taxes withheld. Distributions being mailed to nonresident aliens living outside of the United

States will be subject to 30% federal tax withholding unless they elect to have taxes withheld in accordance with their country's tax treaty rate.

6. If you want to have additional federal and/or state income taxes withheld, please attach a note to your distribution request indicating the additional flat-dollar amount(s).





**4b. Qualified Plan Certification (To be completed by the recipient plan administrator.)**

NAME OF EMPLOYER	MAKE ROLLOVER CHECK PAYABLE TO TRUSTEE OF (29 fields available)
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I declare that I am authorized to act on behalf of the employer plan identified above and that the plan is, or is intended to be, a qualified defined contribution plan under IRC §401(a) or 401(k). I declare that the plan will accept a direct rollover from the University of California Defined Contribution Plan, a defined contribution plan under IRC §401(a).

SIGNATURE OF RECIPIENT PLAN ADMINISTRATOR (must be an original)	PHONE (        )        , ext.
PRINT NAME AND TITLE	DATE

**5. REQUIRED SIGNATURES**

Note: Because retirement plan assets may be attributable to community property, your spouse should participate in decisions concerning distributions from your retirement plan(s).

- I certify under penalty of perjury that:
  - the information I have provided on this request is complete and true to the best of my knowledge,
  - I have not concealed any relevant facts, and
  - there are no claims against my UCRS assets arising from a marriage during my CSU employment.
- I further certify that I have received and read the *Special Tax Notice* and understand the tax consequences of my distribution request.

PARTICIPANT'S SIGNATURE (must be an original)	DATE
BENEFITS OFFICER VERIFICATION OF SEPARATION	DATE

RETN: Pending

## PRIVACY NOTIFICATIONS

### STATE

The State of California Information Practices Act of 1977 (effective July 1, 1978) requires the University to provide the following information to individuals who are asked to supply information about themselves.

The principal purpose for requesting the information on this form is for payment of earnings and for miscellaneous payroll and personnel matters such as, but not limited to, withholding taxes, benefits administration, and changes in title and pay status. University policy and state and federal statutes authorize the maintenance of this information.

Furnishing all information requested on this form is mandatory—failure to provide such information will delay or may even prevent completion of the action for which the form is being filled out. Information furnished on this form may be used by various University departments for payroll and personnel administration, and will be transmitted to the federal and state governments as required by law. (B)

Individuals have the right to review their own records in accordance with University personnel policy and collective bargaining agreements. Information on applicable policies and agreements can be obtained from campus or Office of the President Staff and Academic Personnel Offices.

The official responsible for maintaining the information contained on this form is the Associate Vice President—University of California Human Resources and Benefits, 1111 Franklin Street, Oakland, CA 94607-5200.

### FEDERAL

Pursuant to the Federal Privacy Act of 1974, you are hereby notified that disclosure of your Social Security number is mandatory. Disclosure of the Social Security number is required pursuant to sections 6011 and 6051 of Subtitle F of the Internal Revenue Code and with Regulation 4, Section 404.1256, Code of Federal Regulations under Section 218, Title II of the Social Security Act, as amended. The Social Security number is used to verify your identity. The principal uses of the number shall be to report (1) state and federal income taxes withheld, (2) Social Security contributions, (3) state unemployment and Workers' Compensation earnings, (BB)