

Special Tax Notice Regarding Distributions*

YOUR OPTIONS

You are receiving this notice because all or a portion of a Plan distribution you are considering taking from a Wespath Benefits and Investments (Wespath)-administered plan is eligible to be rolled over to an IRA or an employer plan. Generally, you are not required to take a distribution unless you are age 70½ (if you attained age 70½ by December 31, 2019) or age 72 (if you attain age 70½ after December 31, 2019) and subject to required minimum distribution (RMD) rules. If you decide to take a distribution, this notice is intended to help you determine if the distribution is rollover eligible and to help you decide whether to rollover your distribution. You have the right to consider the decision of whether or not to elect a direct rollover for at least 30 day after this notice is provided.

This notice describes the rollover rules that apply to Plan distributions from a qualified retirement plan.

This notice contains the following sections:

- **General Information About Rollovers** (page 1)—contains information about rules that apply to most plan distributions, including distributions of Roth contributions.
- **Special Rules and Options** (page 4)—provides information on rules that apply in certain circumstances, such as rules relating to: loans, beneficiaries, after-tax contributions, etc.

GENERAL INFORMATION ABOUT ROLLOVERS

Am I required to take a distribution or elect a rollover?

You are not required to begin taking distributions from your retirement plan until IRS rules mandate them. Unless you received your account as a beneficiary or alternate payee, you are required to begin distributions by April 1 following the later of retirement or termination of the year you turn 70½, if you attain age 70½ by December 31, 2019 or age 72 if you attain age 70½ after December 31, 2019.

If you elect an eligible rollover distribution before then, you can decide whether or not to rollover the distribution.

How Can a Rollover Affect My Taxes?

Not a Designated Roth Account

You will be taxed on a distribution from the Plan if you do not roll it over. If you are younger than age 59½ and do not elect a rollover, you will have to pay a 10% additional income tax on early distributions (unless an exception applies as described below). However, if you elect a rollover, you will not have to pay tax until you receive distributions—and the 10% additional income tax will not apply if those distributions are made once you are age 59½ or older (or if an exception applies).

If you are a clergyperson who is eligible for and wishes to take advantage of the housing allowance exclusion to reduce your taxable income, strongly consider keeping your retirement savings in a Wespath-administered account. The IRS has confirmed the availability of this exclusion when taking distributions, but only from certain church plans. If you roll over your funds to an IRA or a retirement plan not administered by Wespath, the IRS may not allow the exclusion. Please consult with your tax adviser for more detailed information on this exclusion from taxable income.

Designated Roth Account

After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the Plan is not a qualified distribution and you do not elect a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10%

* If you are a participant in the Puerto Rico Clergy Retirement Security Program or the Puerto Rico Personal Investment Plan, this *Special Tax Notice Regarding Distributions* does not apply to you. Please refer to the *Tax Notice Regarding Distributions—Puerto Rico* located at wespath.org.

additional income tax on early distributions will also apply to the earnings (unless an exception applies). However, if you elect a rollover, you will not have to pay taxes currently on any earnings and you will not have to pay taxes later on payments that are qualified distributions. If the payment from the Plan is a qualified distribution, you will not be taxed on any part of the payment, even if you do not elect a rollover. If you elect a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution from a designated Roth account in the Plan is a payment made after you are age 59½ (or after your death or permanent disability) and after you have had a designated Roth account in the Plan for at least five years. In applying the five-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you completed a direct rollover to a designated Roth account in the Plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the other employer plan.

What Type of Retirement Accounts and Plans May Accept My Rollover?

Not a Designated Roth Account

You may roll over the Plan distribution to an IRA (an individual retirement account or individual retirement annuity) or an employer plan [a section 401(a) or (k) tax-qualified plan, section 403(b) plan or governmental section 457(b) plan] that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs, and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

Designated Roth Account

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan, section 403(b) plan, or government section 457 plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spousal consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you elect a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the five-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- If you elect a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

How Do I Complete a Rollover?

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

If You Elect a Direct Rollover

If your direct rollover is not from a Designated Roth Account, the Plan will make the rollover distribution directly to your designated IRA or employer plan. If your direct rollover is from a Designated Roth Account, the Plan will make the rollover distribution to your Roth IRA or Designated Roth Account in an employer plan. You should contact the IRA sponsor or the administrator of the employer plan to confirm that they will accept a direct rollover. That information and contact information for the IRA sponsor or employer plan administrator should be forwarded to Wespath with your direct rollover application.

If You Do Not Elect a Direct Rollover

You may still complete a rollover by making a deposit into an IRA or eligible employer plan that will accept it.

Not a Designated Roth Account

You will have 60 days after you receive the Plan distribution from Wespath to make the deposit in the other plan or IRA of all or a portion of the rollover-eligible distribution. If you do not elect a direct rollover, the Plan is required to withhold 20% of the Plan distribution for federal income taxes (up to the amount of cash and property received other than employer stock). This means that in order to roll over the entire Plan distribution in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the Plan distribution, the portion not rolled over will be taxed as ordinary income and will be subject to the 10% additional income tax on early distributions if you are younger than age 59½ (unless an exception applies).

Designated Roth Account

If you do not elect a direct rollover, you may still complete a rollover by making a deposit within 60 days into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can complete a rollover by making a deposit

within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot complete a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

If you elect a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you at the same time, the portion directly rolled over consists first of earnings. If you do not elect a direct rollover and the payment is not a qualified distribution, the Plan is required to withhold 20% of the earnings for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

How Much May I Roll Over?

If you wish to complete a rollover, you may roll over all or part of the amount eligible for rollover. Any distribution from the Plan is eligible for rollover, except:

- certain distributions spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary or spouse),
- required minimum distributions after age 70½ (if you were born before July 1, 1949), after age 72 (if you were born after June 30, 1949) or after death,
- hardship distributions,
- corrective distributions of contributions that exceed tax law limitations, and
- loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends).

Wespath can tell you what portion of a Plan distribution is eligible for rollover.

If I Don't Elect a Rollover, Will I Have to Pay the 10% Additional Income Tax on Early Distributions?

This tax applies if you are under age 59½ and is in addition to any regular income tax you owe on the distribution not rolled over.

The 10% income tax, in addition to the regular income tax on the payment not rolled over, does not apply to the following distributions from the Plan:

- distributions made after you separate from service if you are or will be at least age 55 in the year of the separation,

- distributions that start after you separate from service if they are paid at least annually in equal or almost equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your spouse or beneficiary),
- distributions made due to your severe disability that meets the definition in Internal Revenue Code section 72(m)(7),
- payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year),
- distributions after your death,
- corrective distributions of contributions that exceed tax law limitations,
- payments for certain distributions relating to certain federally declared disasters,
- distributions made directly to the government to satisfy a federal tax levy,
- distributions made under a Qualified Domestic Relations Order (QDRO),
- distributions excepted from the additional income tax by federal legislation relating to certain emergencies and disasters,
- distributions of up to \$5,000 made to you from a defined contribution plan if the payment is a qualified birth or adoption distribution and,
- certain distributions made while you are on active duty in the military if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days.

Not a Designated Roth Account

If you are younger than age 59½, you will have to pay the 10% additional income tax on early distributions for any distribution from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed above applies.

Designated Roth Account

If a payment is not a qualified distribution and you are under age 59½, you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over (including amounts withheld for income tax), unless one of the exceptions listed above applies.

If I Elect a Rollover to an IRA or Roth IRA, Will the 10% Additional Income Tax Apply to Early Distributions from the IRA?

If you receive a distribution from an IRA when you are younger than age 59½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless

an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a retirement plan. However, there are a few differences for payments from an IRA, including:

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

- There are additional exceptions for: 1) payments for qualified higher education expenses, 2) payments up to \$10,000 used in a qualified first-time home purchase, and 3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I Owe State Income Taxes?

This notice does not describe any state or local income tax rules (including withholding rules). Please contact Wespath for information on state tax withholding and your own tax adviser regarding what state or local taxation might be due.

SPECIAL RULES AND OPTIONS

If Your Plan Distribution Includes After-Tax Contributions (Not a Designated Roth Account)

After-tax contributions included in a Plan distribution are not taxed. If a Plan distribution is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the Plan distribution. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a Plan distribution. After-tax amounts that have been separately accounted for may also be distributed first. Contact Wespath to determine what portion of your Plan distribution is after-tax. In addition, special rules apply when you complete a rollover as described below.

You may roll over to an IRA a Plan distribution that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later distributions from the IRAs). If you elect a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you at the same time, you can elect to have any after-tax contributions paid in cash to you. In addition, if you elect a direct rollover of the entire amount to two or more destinations at the same time, you can choose which destination receives the after-tax contributions. If you elect a 60-day rollover to an IRA of only a portion of the distribution made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit, which totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer retirement plan all of a distribution that includes after-tax contributions, but only through a direct rollover [and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan]. You can elect a 60-day rollover to an employer plan for the part of a distribution that includes after-tax contributions, but only up to the amount of the distribution that would be taxable if not rolled over.

If You Miss the 60-Day Rollover Deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under Revenue Procedure 2016 – 47, you may claim eligibility for a waiver and self-certify that you were unable to meet the 60-day rollover deadline due to a reason that is listed in Revenue Procedure 2016 – 47. To self-certify, you must submit a Certification for Late Rollover Contribution to Wespath. The Certification for Late Rollover Contribution can be located within Revenue Procedure 2016 – 47 at irs.gov.

If You Have an Outstanding Loan That Is Being Offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the remaining unpaid balance of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset. If you are not able to complete an indirect rollover of the plan loan offset distribution within 60 days, you have until the date of your federal income tax return filing deadline for the year in which the plan loan offset is treated as occurring to roll over your plan loan offset distribution.

Not a Designated Roth Account

The outstanding loan will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you elect a 60-day rollover of the amount of the loan offset to an IRA or employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

Designated Roth Account

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and the earnings in the loan offset will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you elect a 60-day rollover in the amount of the earnings in the loan offset to a Roth IRA or designated Roth account in an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

If You Were Born on or Before January 1, 1936

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

If You Roll Over Your Plan Distribution to a Roth IRA (Not a Designated Roth Account)

If you roll over the Plan distribution to a Roth IRA, a special rule applies under which the amount of the Plan distribution rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover).

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

If You Are Not a Plan Participant

Plan Distributions After Death of the Plan Participant

If you receive a Plan distribution after the participant's death that you do not roll over, the Plan distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If You Were Born on or Before January 1, 1936" applies only if the participant was born on or before January 1, 1936. If the payment is from a Designated Roth Account, whether the payment is a qualified distribution generally depends on when the participant first made a contribution to the Designated Roth Account in the Plan.

- **If you are a surviving spouse.** If you receive a distribution from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice.

If you elect not to roll over the participant's account balance from the Plan, then you must begin to take required minimum distributions by December 31 of the later of the year following the year of the participant's death, or the year in which the participant would have attained age 70½ (if the participant was born before July 1, 1949) or age 72 (if the participant was born after June 30, 1949).

Not a Designated Roth Account

If you choose to complete a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies), and required minimum distributions from your IRA do not have to start until after you are age 70½ (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949).

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½ (if the participant was born before July 1, 1949) or age 72 (if the participant was born after June 30, 1949).

Designated Roth Account

If you choose to complete a rollover to a Roth IRA, you may treat the Roth IRA as your own or as an inherited Roth IRA.

A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies).

If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 70½ (if the participant was born before July 1, 1949) or age 72 (if the participant was born after June 30, 1949).

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

If you receive a distribution from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to elect a direct rollover to an inherited IRA or if the distribution is from a Designated Roth Account, you have the option to elect a direct rollover to an inherited Roth IRA. Payments from the inherited IRA or inherited Roth IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA/inherited Roth IRA.

If you elect not to roll over the participant's account balance from the Plan, then: 1) you must take a distribution of the participant's entire account balance in one or more distributions by December 31 of the fifth year following the year of the participant's death if the participant died prior to 2020 and by December 31 or the 10th year following the year of the participant's death if the participant dies after 2019, or if you are in an Eligible designated Beneficiary as defined by the SECURE Act. 2) if you begin to take required minimum distributions by December 31 of the year following the year of the participant's death, then you may receive distributions from the participant's account at least annually over your life or life expectancy.

Plan Distributions Under a QDRO

If you are the spouse or former spouse of the participant and you receive a distribution from the Plan under a Qualified Domestic Relations Order (QDRO), you generally have the same options the participant would have had (for example, you may roll over the plan distribution to your own IRA or an eligible employer plan that will accept it). Plan distributions under the QDRO will not be subject to the 10% additional income tax on early distributions.

If You Are a Nonresident Alien

If you are a nonresident alien and you do not elect a direct rollover to a U.S. IRA or U.S. employer retirement plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the distribution for federal income taxes.

If the amount withheld exceeds the amount of tax you owe (as may happen if you elect a 60-day rollover), you may request an income tax refund by filing *Form 1040NR* and attaching your *Form 1042-S*. See *Form W-8BEN* for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, also see *IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities*.

Other Special Rules

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

If your Plan distributions for the year are less than \$200, the Plan is not required to allow you to elect a direct rollover and is not required to withhold for federal income taxes. However, you may elect a 60-day rollover.

The Automatic Rollover regulations, effective March 28, 2005, require that Plan account balances greater than \$1,000 and less than or equal to \$5,000 belonging to a terminated or retired participant (or otherwise due to be distributed) be rolled over directly to an IRA (or Roth IRA if the balance is from a Designated Roth Account) with an IRA provider chosen by Wespath, unless the participant directs otherwise. You may always avoid an automatic rollover by directing Wespath to pay a distribution to you or to directly roll the distribution to an IRA, Roth IRA or eligible employer retirement plan that you specify. Wespath will comply with the Automatic Rollover regulations, as well as with specific Plan provisions regarding automatic rollovers.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see *IRS Publication 3, Armed Forces' Tax Guide*. You may also have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information, see IRS website at [irs.gov](https://www.irs.gov).

FOR MORE INFORMATION

You may wish to consult with Wespath or a professional tax adviser before taking a distribution from the Plan. You also can find more detailed information on the federal tax treatment of distributions from employer plans in *IRS Publication 575, Pension and Annuity Income*; *IRS Publication 590-A Contributions to Individual Retirement*.

Arrangements (IRAs); *IRS Publication 590-B Distributions from Individual Retirement Arrangements (IRAs)*; and *IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, on the internet at [irs.gov](https://www.irs.gov) or by calling **1-800-TAX-FORM**.