



## 402(F) ELECTION REQUEST



|  |                       |   |   |               |            |
|--|-----------------------|---|---|---------------|------------|
|  | Phone: (757) 664-4738 | Email: <a href="mailto:retirement@norfolk.gov">retirement@norfolk.gov</a> | Website: <a href="http://www.norfolk.gov/retirement">www.norfolk.gov/retirement</a> | Form No: 3150 | Active No: |
|--|-----------------------|---|---|---------------|------------|

### PART A. REQUESTOR

|  |                            |   |
|--|----------------------------|---|
| 1. Name (First, Middle Initial, Last)  | 2. Last 4 of SSN<br>____ _ |   |
| 3. Mailing Address (Street, City, State, Zip+4)  |                            |   |
| 4. Refund Type (Choose one)<br><input type="checkbox"/> Nonvested Mandatory Contributions<br><input type="checkbox"/> Voluntary Contributions<br><input type="checkbox"/> DROP Account Balance<br><input type="checkbox"/> Surviving Spouse Lump-Sum Death Benefit   | 5. Phone Number            |   |
| 7. Election Type (Choose one)<br><input type="checkbox"/> Option 1 Full Refund by Check payable to me.<br><input type="checkbox"/> Option 2 Full Rollover to Eligible Retirement Plan (complete Part B).<br><input type="checkbox"/> Option 3 Part Refund/Part Rollover. Refund me \$_____ and Rollover any remainder to Eligible Retirement Plan (complete Part B). |                            | 6. Virginia Resident?<br><input type="checkbox"/> Yes <input type="checkbox"/> No |
| 8. Read Carefully<br>I hereby agree to the <b>NERS 402(f) Terms</b> (see page 2) and instruct NERS to disburse the funds as set forth herein.  |                            |   |
| 9. Signature   | 10. Date (m/d/yyyy)        |   |

### PART B. ELIGIBLE RETIREMENT PLAN

(Skip If You Elected Full Refund by Check.)

|   |   |
|---|---|
| 1. IRA Custodian/Employer Plan Trustee          | 2. Phone Number   |
| 3. Mailing Address (Street, City, State, Zip+4) |   |
| 4. Account Number                               | 5. Plan Type (Choose one)<br><input type="checkbox"/> IRA <input type="checkbox"/> 403(b) <input type="checkbox"/> 457 <input type="checkbox"/> 401(a)/401(k) |

### PART C. NOTARY (or Court Official authorized to take acknowledgements)

|   |                                |
|---|--------------------------------|
| The person identified in Part A appeared before me, acknowledged being the signatory, and having been duly sworn by me, made an oath that the statements herein are true. |                                |
| 1. Commonwealth/State   | 2. Copier-Friendly Notary Seal |
| 3. City/County  |                                |
| 4. Today's Date (m/d/yyyy)  |                                |
| 5. Commission Expiration Date (m/d/yyyy)  |                                |
| 6. Notary Signature   |                                |



Read

## NERS 402(F) TERMS

### A. General Terms

1. **Duty to Elect.** I must elect one of the following refund options:

Option 1 Full Refund by Check payable to me.

Option 2 Full Rollover to Eligible Retirement Plan (*i.e.*, IRS-permitted employer plan or IRA).

Option 3 Part Refund by Check payable to me in the amount I specify and Rollover any remainder to Eligible Retirement Plan.

Note: Direct Deposit is **PROHIBITED**.

2. **Tax Consequences of Refund by Check.** A lump sum payment directly to me will be subject to the following taxes:
  - a) Income Tax Withholding. NERS will withhold State and Federal taxes from the taxable portion of my refund. Federal taxes are 20%. State taxes are 4% (Virginia residents only).
  - b) IRS Early Withdrawal Penalty. The IRS may impose an additional 10% federal tax penalty.
3. **Ineligible for Future Retirement Benefits.** I am not eligible for future retirement benefits for this time period. However, if I return to service I may be eligible to have my creditable service restored.

### B. Time-Sensitive Terms

1. **Election Deadline.** After Separation Date, I am entitled to **30-days** to make an election and submit this completed form to NERS.
2. **Processing Time.** NERS will process my request within **60-days** from Separation Date or receiving a completed form, whichever occurs later.
3. **Failure to Elect Option by Deadline.** If I fail to make an election within **90-days** after Separation Date, NERS will do the following:
  - a) Funds Under \$1,000. If the funds are \$1,000 or less, NERS will disburse funds directly to me by check.
  - b) Funds Over \$1,000. If the funds are greater than \$1,000, NERS will setup an Eligible Retirement Plan for me and disburse the funds to the account.

### C. Refund Type Specific Terms

1. **Nonvested Mandatory Contributions.** My refund is payable to me after Separation Date. Vesting requires five creditable service years.
2. **DROP Account Balance.** My DROP Account Balance is payable to me after Separation Date, unless I retire on an accidental disability.
3. **Surviving Spouse Lump-Sum Death Benefit.** My lump-sum death benefit is payable to me upon obtaining Board-approval.

## I. IRS 402(F) SPECIAL TAX NOTICE

Revised March 2016

### A. Your Rollover Options

1. You are receiving this notice because all or a portion of a payment you are receiving from the Norfolk Employees' Retirement System (NERS) is eligible to be rolled over to an Individual Retirement Arrangement (IRA) or an employer plan. This notice is intended to help you decide whether to do such a rollover.
2. Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

### B. General Information About Rollovers

1. **How can a rollover affect my taxes?**
  - a) Overview. You will be taxed on a payment from NERS if you do not roll it over, except in unusual circumstances. If you are under age 59-1/2 and do not elect a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you elect a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59-1/2 (or if an exception applies).
  - b) Federal Withholding Taxes. NERS is required to hold back 20% of the taxable amount that you can roll over for federal income tax withholding to be credited towards your taxes if you do not elect a rollover.
  - c) State Withholding Taxes. If you are a Virginia resident, NERS withholds 4% of the taxable amount and forwards it to the Virginia Department of Taxation as state income tax withholding to be credited against your taxes, unless you indicate that you are not subject to Virginia taxes for one of the following reasons: (1) you are not a resident of Virginia; (2) you incurred no income tax liability for last year and do not expect to incur a liability for this year; (3) you expect your Virginia adjusted gross income to be less than \$11,950 if single; \$23,900 if married and filing a joint return; or \$11,950 if married and filing a separate return. **This notice does not describe income tax rules for states other than Virginia.**
2. **Where may I roll over the payment?**

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a 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.

### 3. **How do I do a rollover?**

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

- a) **Direct Rollover.** If you do a direct rollover, the Retirement System will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.
- b) **60-day Rollover.** If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Retirement System is required to withhold 20% of the payment for federal income taxes and if you are a Virginia resident, 4% of the payment for Virginia income taxes. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 24% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59-1/2 (unless an exception applies).

### 4. **How much may I roll over?**

- a) If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Generally, any payment from NERS that is a one-time return of your pre-tax contributions is eligible for rollover. (See below for special rules on after-tax contributions.)
- b) Required minimum distributions after age 70-1/2 (or after death) are not eligible for rollover, however. The Norfolk Employee's Retirement Office can tell you if any portion of a payment is ineligible for rollover.

### 5. **If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?**

- a) If you are under age 59-1/2, you will have to pay the 10% additional income tax on early distributions for any payment from NERS that is a return of your pre-tax contributions (including amounts withheld for income tax) and that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.
- b) The 10% additional income tax does not apply to the following payments from NERS:
  - (1) Payments made after you separate from service if you will be at least age 55 in the year of the separation
  - (2) Payments made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation
  - (3) Payments made due to total disability as defined in federal income tax

rules

- (4) Payments after your death
- (5) Payments made directly to government to satisfy a federal tax levy
- (6) Payments made under a qualified domestic relations order (QDRO)
- (7) Payments up to the amount of your deductible medical expenses
- (8) Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days
- (9) Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary).

6. **If I roll over to an IRA, will the 10% additional income tax apply to early distributions from the IRA?**

If you receive a payment from an IRA when you are under age 59-1/2, you will have to pay the 10% additional income tax on early distributions from the IRA, 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 plan. However, there are a few differences for payments from an IRA, including:

- (1) There is no exception for payments after separation from service that are made after age 55 (or age 50).
- (2) The exception for qualified domestic relations orders (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).
- (3) 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).
- (4) The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.

**C. Special Rules and Options**

1. **If your payment includes after-tax contributions (member contributions to NERS before October 5, 2010)**

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the payment, so you cannot take a payment of only after-tax contributions. In addition, special rules apply when you do a rollover, as described below.

- a) For Rollovers to an IRA: You may roll over to an IRA a payment 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 payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from NERS and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from NERS to two more destinations at the same time, you can choose which destination receives the after-tax contributions.  
If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth 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.
  - b) For Rollovers to a Qualified Employer Plan: You may roll over to an employer plan all of a payment 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 do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.
2. **If you miss the 60-day rollover deadline**
    - a) 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. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require payment of a nonrefundable user fee.
    - b) For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs), or, when issued by the IRS, IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).
  3. **If you were born on or before January 1, 1936**
    - a) 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 payment might apply to you.

- b) For more information, see IRS Publication 575, Pension and Annuity Income.
4. **If you are an eligible retired public safety officer and your pension payment is used to pay for health coverage or qualified long-term care insurance**

If you retired as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of \$3,000 annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

5. **If you roll over your payment to a Roth IRA**
- a) If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment 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 5 years, counting from January 1 of the year of the rollover).
- b) If you roll over the payment 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 after you are age 59-1/2 (or after your death or 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 5 years. In applying this 5-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.
- c) For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs), or, when issued by the IRS, IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs) and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs.)
6. **If you derived your benefit from someone else**
- Payments after death of a participant. If you receive a distribution after the participant's death that you do not roll over, the 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 health insurance premiums of 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.

**7. If you are a surviving spouse.**

- a) If you receive a payment from NERS 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.
- b) If you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.
  - (1) Your Own 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 59-1/2 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 70-1/2.
  - (2) Inherited IRA. 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 deceased 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 70-1/2.

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

- a) If you receive a payment from NERS because of the participant's death and you are an individual designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited 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.
- b) Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from NERS under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may rollover the payment to your own IRA or to an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

**9. If you are a non-resident alien**

- a) If you are a non-resident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, NERS is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may

happen if you do 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.

- b) For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

10. **Other special rules**

- a) If your payments for the year are less than \$200, NERS is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.
- b) Unless you elect otherwise, a mandatory return of your contributions before you are age 62, without your consent, of more than \$1,000 will be directly rolled over to an IRA chosen by NERS.
- c) 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.

**D. For More Information**

1. **Professional Tax Advisor.** You may wish to consult a professional tax advisor before taking a payment from NERS.
2. **Regular IRS Publications.** You can find more detailed information on the federal tax treatment of payments from employer plans in:
  - a) IRS Publication 575, Pension and Annuity Income
  - b) IRS Publication 590, Individual Retirement Arrangements (IRAs)
3. **Periodic IRS Publications.** When issued by the IRS, you can find additional information in:
  - a) IRS Publication 590-A, Individual Retirement Arrangements (IRAs)
  - b) IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs)
  - c) IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans)
4. **Obtain Copy of Publication.** These publications are available here:



**Phone:** 1-800-TAX-FORM



**Website:** [www.irs.gov](http://www.irs.gov)



**Local Office:** Find a local IRS office near you by calling the IRS or navigating to its website.



## INSTRUCTIONS

### A. Read IRS Special Tax Notice

1. Instruction. Carefully read IRS 402(f) Special Tax Notice on pages 3 to 9.
2. Purpose. Discusses tax consequences you should consider before deciding whether to request a refund or rollover funds to an Eligible Retirement Plan.
3. Questions. For assistance, contact the IRS (see page 9), your financial advisor, or other qualified tax specialist.

#### IMPORTANT



NERS is not affiliated with the Internal Revenue Service (IRS).  
We are required by law to provide you with the Special Tax Notice.

### B. Read NERS 402(F) Terms

1. Instruction. Carefully read NERS 402(F) Terms on page 2.
2. Purpose. Memorializes the terms applicable to your Refund Request.
3. Questions. For general questions, contact NERS by phone or email.

#### IMPORTANT



NERS lacks the expertise necessary to provide reliable tax-related advice. If you want tax advice, contact a qualified tax specialist.

### C. Return Form to NERS

1. Instruction.
  - a) After your Separation Date and before the applicable deadline, decide whether to request a refund or rollover. Then, complete page 1.
  - b) Submit pages 1 and 2 to NERS either in-person or by postal mail.
  - c) Keep pages 3 to 10 for your records.
2. Purpose. NERS must receive a completed Refund Request by the applicable deadline. Otherwise, NERS will disburse the funds in accordance with Norfolk City Code § 37-74.
3. Contact Information.



**Phone:** (757) 664-4738



**Email:** retirement@norfolk.gov



**Mailing Address:** Norfolk Employees' Retirement System  
810 Union Street, Suite 309  
Norfolk, VA 23510