

January 12, 2010

MEMORANDUM

TO: PEIRAF / RSA-1 DISTRIBUTION RECIPIENTS

FROM: PEIRAF / RSA-1 DEFERRED COMPENSATION DIVISION

RE: 2009 TAX REPORTING

The following information will assist you in the tax reporting of distributions paid to you in tax year 2009 from an RSA-1 Deferred Compensation Account or a PEIRAF DEC Plan. Please retain this memorandum until you receive your IRS Form 1099-R from the Retirement Systems providing you with the information you need to file your 2009 tax return. Distributions from the RSA-1 and PEIRAF Plans are **taxable for Federal Income Tax purposes**.

All funds paid from the PEIRAF plan and most payments from the RSA-1 Plan are also subject to **State of Alabama Income Tax**. *The only portion of "Regular" RSA-1 distributions not subject to State of Alabama Tax is the distribution of deferrals contributed prior to 1997.* Deferrals paid into RSA-1 from 1986 to 1996 were taxed by the State of Alabama at the time you earned the compensation. Beginning January 1, 1997, amounts contributed to the RSA-1 Section 457 Deferred Compensation Plan were tax deferred for both Federal and Alabama income tax.

If you received distributions from both an RSA-1 Account and a PEIRAF Account, you will receive two separate 1099-R forms: one for RSA-1 and one for PEIRAF. Distributions paid directly to you from all RSA-1 account types (Regular, DROP Rollover, and Transfer) are reported collectively on **one** 1099-R. Rollovers to another plan are reported on a separate 1099-R.

You should receive your IRS Form 1099-R during the last week of January 2010. If you have not received your form 1099-R by February 09, 2010, please contact our office at 334-517-7000 or toll-free at 1-877-517-0020 to request a duplicate 1099-R. **We will not accept requests for duplicate forms prior to that date.**

Please see the back of this notice for a detailed explanation of the information that will be provided on your 1099-R.

Box 1 **Gross Distribution:** This will reflect the total amount disbursed from the RSA-1 or PEIRAF Account during the 2009 calendar year. (This amount **will include** any funds rolled over to another type of plan.)

Box 2a **Taxable Amount:** This is the taxable portion of the gross distribution which should be reported on your Federal Income Tax return. (This amount **will not include** any funds rolled over to another plan.)

Box 2b **Total Distribution:** Box will be marked with an X ***only if*** the entire account balance was paid out in one or more distributions during this tax year.

Box 4 **Federal Income Tax Withheld:** This is the amount of Federal Income Tax withheld from your distribution(s) during the 2009 calendar year.

Box 7 **Distribution Code:** This code identifies the type of payment you received from the RSA-1 or PEIRAF Account.

<u>Distribution Code</u>	<u>Payment Type</u>
1	Early Distribution, no known exception. Taxpayer has not reached age 59-1/2. This applies to PEIRAF accounts only.
2	Early Distribution, exception applies. Taxpayer has not reached age 59-1/2. (Please note that RSA-1 is a Section 457 plan and such plans are not subject to the 59 ½ rule.)
4	Death benefits paid to a beneficiary of a deceased member.
7	Normal Distribution to a member.
G	Rollover to another plan.

Box 9a **Your Percentage of Total Distribution:** A percentage will only be noted if multiple beneficiaries received a total distribution of the account.

Box 12 **State Distribution:** Shows the part of the distribution subject to state tax.
Note: On RSA-1 Accounts, this amount may be different from the amount noted in box 2a.

Again, please retain this memorandum until you receive your IRS Form 1099-R from the Retirement Systems providing you with the information you need to file your 2009 tax return. If you do not prepare your tax return, you should provide both this memorandum and your 1099-R(s) to your tax preparer. If you have any questions relating to your tax liability or tax filing please contact a qualified tax professional.