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THE RETIREMENT SYSTEMS OF ALABAMA

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MEMORANDUM

TO: PEIRAF/RSA-1 Distribution Recipients

FROM: RSA Administration

RE: 2013 Tax Reporting

DATE: January 2014

The following information will assist you in the tax reporting of distributions paid to you in tax year 2013 from an RSA-1 Deferred Compensation account or a PEIRAF DEC plan. Distributions from the RSA-1 and PEIRAF plans are taxable for Federal Income Tax purposes.

All funds distributed 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. Your Deferrals 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. Additionally, distributions made from funds rolled over to an RSA-1 account from DROP are not subject to state of Alabama income tax. However, any interest earned on a DROP Rollover account will be subject to state of Alabama income tax in the year those amounts are distributed to you.

If you received distributions from both an RSA-1 account and a PEIRAF account, you will receive two separate **IRS Form 1099-R**s; 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 on one Form 1099-R. Rollovers to another plan are reported on a separate Form 1099-R.

You should receive your IRS Form 1099-R prior to January 31, 2014. If you have not received your form by February 6, 2014, please call our office toll-free at 877.517.0020 to request a duplicate. **We will not accept requests for duplicate forms prior to that date.**

The following information refers to specific boxes on the Form 1099-R:

Box 1 **Gross Distribution:** This will be the total amount distributed from the RSA-1 or PEIRAF account during the 2013 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.

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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 2013 calendar year.

Box 5 **Employee Contributions/Designated Roth contributions or insurance premiums:** Zero or blank

Box 6 **Net unrealized appreciation in employer's securities:** Zero or blank

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

Distribution Code	Payment Type
1	Early Distribution, no known exception. Taxpayer has not reached age 59½. This applies to the PEIRAF account only.
2	Early Distribution, exception applies. Taxpayer has not reached age 59½. **Please note** that RSA-1 is a Section 457 plan and such plans are not subject to the 59½ rule.
4	Death benefits paid to a beneficiary of a deceased member
7	Normal Distribution to a member
G	Rollover to another plan. This code may be used together with code 4, if applicable

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

Box 14 **State Distribution:** Shows the part of the distribution subject to state tax. On RSA-1 accounts, this amount may be different from the amount noted in Box 2a.

You may wish to provide this memorandum along with the IRS Form 1099-R to the person who prepares your 2013 tax returns. If you prepare your own taxes, this memorandum should help answer any questions related to that process. If you have questions related to your tax liability or tax filing, contact a qualified tax professional.