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09/08
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DEFERRED RETIREMENT OPTION PLAN (DROP)
REQUEST FOR EARLY TERMINATION OF DROP

Employees' Retirement System of Alabama
P. O. Box 302150 ♦ Montgomery, AL 36130-2150
334-517-7000 or 877-517-0020
www.rsa-al.gov

Name: _____ **Social Security No.:** _____-_____-_____
First Middle Last

Address: _____
Street or P. O. Box City State Zip Code

Telephone Number: (Work) (_____) _____ (Home) (_____) _____

Employing Agency: _____

Requested Effective Date of DROP Termination: _____ **Date of Birth:** ____/____/____
(Must be last day of month)

I. Reason for Early Termination of DROP Request:

☐ Voluntary termination of DROP participation
- ☐ Employment will continue (go to Section IV, sign, have signature notarized and submit the form)
- ☐ Employment will terminate (complete the remainder of this form and have your employer complete the Employer Certification section and submit the form)

☐ Involuntary termination (attach supporting documentation from employer)

☐ Disability (attach ERS's REPORT OF DISABILITY PACKET completed by examining physician)

☐ Involuntary transfer of spouse (attach supporting documentation from spouse's employer)

II. Withholding Certificate for Pension or Annuity Payments
Complete the following applicable lines:

1. I elect **not** to have income tax withheld from my pension or annuity. (Do not complete lines 2 or 3.)……➢ ☐
2. I want my withholding from each **periodic** pension or annuity payment to be figured using the number of allowances and marital status shown. (You may also designate an amount on line 3.)……. ➢ _____ (Enter number of allowances)

   Marital Status: ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate
3. I want the following additional amount withheld from each pension or annuity payment.
   Note: For periodic payments, you cannot enter an amount here without entering the number (including zero) of allowances on line 2……➢ $_____

III. Conversion of Sick Leave to Service Credit:
Complete only if employing agency allows conversion of sick leave days to retirement credit.

- ☐ I wish to have accrued unused sick leave days converted to retirement service credit.
- ☐ I wish to receive a lump-sum payment for my unused sick leave in lieu of retirement service credit.

IV. Signature of Applicant: _____

Notarization: STATE OF ALABAMA, COUNTY OF _____. On this _____day of _____, 20_____, personally appeared before me, the above-named _____ and made oath that the statements made are true.

Signature of Notary Public _____

My Commission Expires _____

V. Employer Certification

1. Date on which service of applicant will terminate _____
2. Closing date of last payroll of applicant _____
3. Accrued Sick Leave Certification: *Sick leave may only be certified if the employee will **not** be paid for any sick leave.*

   Total accrued unused sick leave days at the end of DROP participation period _____
4. Signature of Authorized Official _____ Date _____

   Employing Institution _____

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REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION

Retirement Systems of Alabama
P. O. Box 302150 ♦ Montgomery, AL 36130-2150
334-517-7000 or 877-517-0020
www.rsa-al.gov

Check One:
☐ ERS
☐ TRS

Please type or print using black ink.

PART I MEMBER INFORMATION

Name: _____ **Social Security No.:** _____-_____-_____
First Middle Last

Address: _____ **Home Phone Number:** (_____)_____
Street Address or P. O. Box

_____
City State Country Zip

PART II DISTRIBUTION OPTION (Please read the enclosed special tax notice before completing the remainder of this form.)

Select only one of the following:

☐ **Lump Sum Payment:** I elect to receive (at the above address) full distribution of my DROP account, less the 20% Federal Income Tax withholding required. Sign and have your signature notarized. Submit the form to the RSA at the address above. **Do not complete Part III.**

☐ I elect to have the **entire DROP account balance rolled over** into an eligible retirement account listed under Part III.

☐ I elect to have _____% of the taxable funds rolled over to an eligible retirement account listed under Part III. The remaining taxable funds will be paid to me less the required 20% Federal Income Tax Withholding. Any non-taxable funds will be paid directly to me with no federal withholding.

List the eligible retirement plan you have elected to have your funds rolled into:

☐ **RSA-1** or ☐ **Other:** _____

Note: If you have all or a portion of your DROP account rolled over into an eligible retirement account, you must sign and have your signature notarized before sending this form to your Trustee to complete Part III.

I certify that I have received the printed explanation entitled Special Tax Notice Regarding Your Rollover Options prior to signing this certification.

Signature _____ Date _____

STATE OF_____, COUNTY OF _____

On this _____ day of _____, 20_____ before me, the undersigned authority, a Notary Public in and for said County and State, personally appeared before me, the above named individual, known to me to be the person who subscribed to the foregoing instrument.

Signature of Notary Public _____

Seal My Commission Expires _____

PART III TRUSTEE INFORMATION is on the reverse side of this form.

PART III TRUSTEE INFORMATION (To be completed by Trustee receiving the rollover)

Member Name: _____ Social Security No.: _____-_____-_____
First Middle Last

Trustee Name: _____ Account Number: _____

Contact Person: _____ Phone No.: (_____)_____

Address: _____
Street Address or P. O. Box City State Zip

☐ Plan accepts non-taxable funds.
☐ Plan does not accept non-taxable funds.

Type of account into which money will be rolled over:

☐ 401 Qualified Retirement Plan
☐ 408(a) Individual Retirement Account
☐ Roth IRA
☐ 403(a) Annuity Contracts
☐ 408(b) Individual Retirement Annuity
☐ 403(b) Tax Sheltered Annuity
☐ Governmental Deferred Compensation Compensation Plans (IRC 457)

An Education IRA is not an eligible plan.

Signature of Trustee Official_____ Date: _____

Please submit the completed form to the RSA at the address on the front of this form.

RSA DDR (06/13)

Direct Deposit Authorization
Retirement Systems of Alabama

P.O. Box 302150
Montgomery, Alabama 36130-2150
334-517-7000 or 877-517-0020
www.rsa-al.gov

The retiree or beneficiary of a deceased retiree must complete Sections A, B, and C of this form. Then take or mail the form to your financial institution to verify the information in Sections A, B and C, **complete Sections D and E**, and agree to the Master Agreement.

Section A: Benefit Recipient Information

Social Security Number _____

Benefit Recipient (Please check one):
- ☐ **Retiree**
- ☐ **Beneficiary of Deceased Retiree/Member**

Name _____

Address _____

_____

_____

Daytime Phone No. _____

Email Address _____

Indicate the system(s) from which you would like your benefit(s) direct deposited.

☐ Teachers' Retirement System ☐ Employees' Retirement System ☐ PEIRAF ☐ Judicial Retirement Fund

☐ RSA-1 *(Annual or Monthly Distribution Only)*

Section B: Joint Financial Institution Account Holder's Certification

I agree to notify the Retirement Systems of Alabama (RSA) immediately of the death of the recipient of the retirement benefits being deposited to this joint financial institution account, and to return all payments to the RSA that are deposited to this account after said death. The RSA will determine and pay any survivor benefits. The RSA is authorized to make necessary debit entries to this joint account for any credits that were made in error.

Name(s) of Joint Financial Institution Account Holder(s)	Signature(s) of Joint Financial Institution Account Holder(s)
_____	_____
_____	_____
_____	_____

Date _____

Section C: Benefit Recipient Certification

Each benefit payment is to be credited to my account at the financial institution specified on the reverse side of this form and such payment will be in full payment, satisfaction, and discharge of the amount then falling due and payable to me on account of such payments.

If my death occurs prior to the due date of any payment made by the RSA in compliance with this request or if adjustments are required for any credit entries to my account, I authorize the RSA to make the necessary debit entries to my account. I hereby reserve the right to revoke or cancel this request, such revocation or cancellation to take effect within 30 days of receipt of written notice by the RSA.

I authorize my payment to be sent to the financial institution named on the reverse side of this form to be deposited to the designated account.

Signature of Benefit Recipient _____ Date _____

Section D: Financial Institution Information (To be completed by a representative of the financial institution)

Name of Benefit Recipient _____ Soc. Sec. No. _____

Depositor Account No. _____ Bank Routing No. _____

Name of Financial Institution _____ Type of Account: ☐ Checking ☐ Savings

Mailing Address _____

_____

Name(s) of Person(s) on this Account: _____

_____

_____

Section E: Financial Institution Certification and MASTER AGREEMENT

In accordance with the provisions of Section 3.6.4 of the 2012 National Automated Clearing House Association (NACHA) Operating Rules and Guidelines, both the Retirement Systems of Alabama (RSA), as the Originator, and the above named Financial Institution consider the following to be the Master Agreement, as defined by the NACHA Operating Rules and Guidelines, and agree that it is to be applicable to all payments sent by the RSA to the Financial Institution for the benefit of all benefit recipients having accounts with the Financial Institution.

In consideration of the RSA making benefit payments in accordance with this Direct Deposit Authorization without requiring proof that the retiree/beneficiary identified on this form is alive on the date on which such benefits are paid and are credited to his or her account, the Financial Institution agrees to repay and refund to the RSA, on demand, the full amount of any payments made to and received by the Financial Institution after the date of death of the benefit recipient, regardless of whether the account listed on this Direct Deposit Authorization contains sufficient funds for the refund. The Financial Institution further agrees to accept the certification of the RSA as to the date of death of such payee as sufficient evidence in accordance with Section 2.10 of the 2012 NACHA Operating Rules and Guidelines.

I, the undersigned, confirm that the identity of the above named retiree/beneficiary, account number, and type are true and accurate. As the representative of the above named Financial Institution, I certify that the Financial Institution agrees to receive and deposit the identified payments in accordance with the Master Agreement and pursuant to Section 3.6.4 of the 2012 NACHA Operating Rules and Guidelines, and that the Master Agreement is applicable to all payments sent by the RSA to the Financial Institution for the benefit of the retiree/beneficiary.

Name of Representative _____

Signature of Representative _____ Date _____

Telephone Number _____

Note: Direct Deposit Authorization forms that are processed after the 14th of each month will become effective the following month.

Please return completed form to:

The Retirement Systems of Alabama
P.O. Box 302150
Montgomery, Alabama 36130-2150

SPECIAL TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the Retirement Systems of Alabama (the Plan) is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

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.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59 ½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do 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 ½ (or if an exception applies).

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) plans, 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. Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

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.

If you do a direct rollover, the Plan 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.

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 Plan is required to withhold 20% of the payment for federal 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 20% 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 ½ (unless an exception applies).

How much may I roll over?

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

- Certain payments 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)
- Required minimum distributions after age 70 ½ (or after death)
- Hardship distributions
- Corrective distributions of contributions that exceed tax law limitations

The Plan administrator can tell you what portion of a payment is eligible for rollover.

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

If you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) 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.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- 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)
- Payments from a governmental defined benefit pension plan 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
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Payments made directly to the government to satisfy a federal tax levy
- Payments up to the amount of your deductible medical expenses
- 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

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from the 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 few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that is made after age 55.
- The exception for qualified domestic relations orders (QDRQs) 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 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.
- 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 after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions

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. 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 payment.

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 IRA's (in order to determine your taxable income for later payments from the IRA's). If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the payment 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 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.

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. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a non refundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

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 payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If your payment is from a governmental section 457 (b) plan (RSA-1)

If the Plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the Plan even if you are under age 59 ½ (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59 ½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences are that you cannot do a rollover if the payment is due to an "unforeseeable emergency", and "if you were born on or before January 1, 1936" do **not** apply.

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 the Plan is a governmental plan, 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 qualified long-term 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 or ambulance crew.

If you roll over your payment to a Roth IRA

You can roll over a payment from the Plan to a Roth IRA. If you rollover 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). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

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 ½ (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. For more information, see IRS Publication 590, Individual Retirement Agreements (IRAs).

You cannot roll over a payment from the Plan to a designated Roth account in an employer plan.

If you are not a plan participant

Payments after death of the 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 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 you are a surviving spouse. If you receive a payment 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. In addition, if you choose to do 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 59 ½ 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 ½.

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 70 ½.

If you are a surviving beneficiary other than a spouse. If you receive a payment 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 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.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan 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. 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.

Other special Rules

If your payments for the year are less than $200, the Plan 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.

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

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.

NOTICE PERIOD

Generally, payment cannot be made from the Plan until at least 30 days after you receive this notice. Thus, you have at least 30 days to consider whether or not to have your payment rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice by making an affirmative election indicating whether or not you wish to make a direct rollover. Your payment will then be processed in accordance with your election as soon as practical after it is received by the Plan.

FOR MORE INFORMATION

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590, 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 web at www.irs.gov, or by calling 1-800-TAX-FORM.

(Updated July 2011)