APPLICATION FOR LUMP SUM PAYMENT

City of Jacksonville Retirement System Pension Office
117 West Duval Street, Suite 330, Jacksonville, FL 32202
PHONE (904) 255-7280 FAX (904) 588-0524

NOTE: All applicable blanks must be complete and appropriate signature affixed in order for your payment to be processed in a proper and timely manner. Payments will be mailed to address of record or address listed below for rollover payments.
<u>If you have at least (5) years of pensionable service and are interested in vesting your benefit until you reach retirement eligibility, please contact our office in writing of your intent to do so.</u>

______________________________ ______/______/__________
Name Date of Birth

____
Mailing Address City, State, Zip Code

(______)__________________
Best Contact Number

TYPE OF PAYMENT: REFUND: ________ PLOP: ________ BACKDROP: ________ DROP (COPP ONLY): ________

MY COMPLETION OF THIS FORM AND SIGNATURE BELOW CERTIFIES THAT I HAVE READ THE ENCLOSED PACKAGE, AND AUTHORIZE YOU TO PROCESS A LUMP SUM PAYMENT. I FURTHER CERTIFY THAT I HAVE BEEN DULY ADVISED OF MY RETIREMENT RIGHTS, INCLUDING VESTING, SURVIVOR BENEFITS AND DISABILITY, AS APPLICABLE. I UNDERSTAND THAT FOR CONTRIBUTION REFUNDS I ELECT TO WAIVE SUCH RIGHTS NOW AND IN THE FUTURE IN ORDER TO RECEIVE THIS REFUND OF MY CONTRIBUTIONS.

___________ **I WANT TO ROLL OVER ALL OR PART OF MY ELIGIBLE PENSION DISTRIBUTION.**

ROLLOVER TYPE: _______IRA OR OTHER QUALIFIED PLAN OR ANNUITY _______

AMOUNT TO BE ROLLED OVER: $__________________ OR __________%.

____
Name of Account **AND** Account Number Name of Trustee / Custodian / Financial Institution

____
Mailing Address, City and Zip Code of Trustee / Custodian / Financial Institution

____
Name of Contact **AND** Telephone Number at Trustee / Custodian / Financial Institution Office

---

____ **I WANT MY LUMP SUM (LESS ANY AMOUNT ROLLED OVER) PAID DIRECTLY TO ME WITH THE REQUIRED 20% WITHHOLDING ON THE PRE-TAX CONTRIBUTIONS AMOUNTS. OR SPECIFY PRE-TAX AMOUNT: $________________.**

_____ **BY CHECKING HERE, I WANT AN <u>ADDITIONAL</u> AMOUNT WITHHELD AS INDICATED BELOW.**

Additional _________ % OR Additional $_____________ (Flat Dollar Amount)

______________________________ ______________________________
SIGNATURE **DATE**

(REV 06-03-2020)

SPECIAL TAX NOTICE REGARDING PENSION PLAN REFUND PAYMENTS

This notice contains important information you will need before you decide how to receive your Pension Plan Lump Sum Payment.

This notice is provided to you by the **Plan Administrator** because all or part of the payment that you will soon receive from the **City of Jacksonville's General Employees Pension Plan** (the "Plan") may be eligible for rollover by you or your Plan Administrator to a traditional IRA or another qualified employer plan. A traditional IRA **does not include** a Roth IRA, SIMPLE IRA, or an education IRA.

If you have additional questions after reading this notice, you can contact your Plan Administrator at 904-255-7280. Remember, staff will only provide specific information in regards to your refund and cannot provide you with any tax advice.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

1) **A Direct Rollover** where certain payments can be made directly to a traditional IRA or, if you choose, another qualified employer's plan that will accept it, or

2) **Paid To You** where the payments are not rolled over.

If you choose a **Direct Rollover**:

- Your payment will not be taxed in the current year and no income tax will be withheld.

- Your payment will be made directly to your traditional IRA or, if you choose, to another qualified employer plan that accepts your rollover. Your payment cannot be rolled over into a Roth IRA, SIMPLE IRA, or an education IRA because these are not traditional IRAs.

- Your refund will be taxed at a later date when you take it out of the traditional IRA or the qualified employer plan.

If you choose to have a Plan payment that is eligible for rollover **Paid To You**:

- You will receive 80% of the payment, because the Plan Administrator is required to withhold 20% of the payment and send to the IRS as income tax withholding to be credited against your taxes.

- Your payment **will be taxed** in the current year that you receive it. Under limited circumstances, you may be able to use special tax rules that could reduce the amount of tax you owe. However, if you receive the payment **before age 59 ½**, you may have to pay an additional 10% tax.

- You can roll over the payment by paying it to your traditional IRA or to another qualified employer plan that accepts your rollover **within 60 days after you receive the payment**. The amount rolled over will not be taxed until you take it out of the traditional IRA or the qualified employer plan.

- If you want to **roll over 100%** of the payment to a traditional IRA or another qualified employer plan, **you must find other money to replace the 20% that was withheld**. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

PAYMENT PAID TO YOU

If your payment can be rolled over under Part I above and the payment is made payable to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or another qualified employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if you can rollover a payment of $10,000 only $8,000 will be paid to you because the Plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full $10,000 as a payment from the Plan. You must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year.
Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. Unless you elect otherwise, withholding will not apply to that portion.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA or another qualified employer plan that accepts rollovers. If you decide to rollover, you must contribute the amount of the payment you received to a traditional ITA or another qualified employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the qualified employer plan.

You can roll over up to 100% of the eligible distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the qualified employer plan to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Example: The portion of your payment that can be rolled over under Part I above is $10,000 and you choose to have it paid to you. You will receive $8,000 and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to a traditional IRA or a qualified employer plan. To do this, you roll over the $8,000 you received from the Plan and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the traditional IRA or qualified employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may receive a refund of part of the $2,000 that was withheld. (However, any refund is likely to be larger if you roll over the entire $10,000.)

<u>Additional 10% Tax If You Are Under Age 59-1/2</u>. If you receive an eligible rollover distribution before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to:

(1) payments that are paid after you separated from service with your employer during or after the year you reach age 55 or,
(2) payments that are paid because you retired due to disability or,
(3) payments that do not exceed he amount of your deductible medical expenses or,
(4) payments that are paid directly to the government to satisfy a federal tax levy or,
(5) payments that are paid to an alternate payee under a qualified domestic relations order.

See IRS Form 5329 for more information on the additional 10% penalty.
<u>Special Tax Treatment If You Were Born Before January 1, 1936.</u> If you receive a payment that can be rolled over under Part I above and you do not roll it over to a traditional IRA or other qualified employer plan that will accept it, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution", it may be eligible for special tax treatment. A **lump sum distribution B** is a payment, within one year, of your entire balance under the Plan <u>after</u> you have reached age 59½ or because you have separated from service with your employer. For a payment to be treated as a "lump sum distribution", you must have been a participant in the Plan for at least five years before the year in which you received the distribution. The special tax treatment for "lump sum distribution" that may be available to you is described below.

<u>Ten-Year Averaging</u>. If you receive a lump sum distribution and were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year-averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

<u>Capital Gain Treatment</u>. If you receive a lump sum distribution and you were born before January 1, 1936 and if you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If you have previously rolled over a distribution from the Plan, you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, you will not be able to use the special tax treatment for later payments from the traditional IRA. Also, if you roll over only a portion of your payment to a traditional IRA, this special tax treatment is not available for the rest of your payment. See **IRS For 4972** for additional information on lump sum distributions and how you elect the special tax treatment.

DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan contributions to a traditional IRA or another qualified employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any portion of your payment until you later take it out of the traditional IRA or the qualified employer plan. In addition, no income tax withholding is required for any portion of your Plan contributions for which you choose a DIRECT ROLLOVER.

DIRECT ROLLOVER To A Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to consider whether the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

DIRECT ROLLOVER To A Plan. If you are employed by a new employer that has a qualified employer plan, and you want a direct rollover to that plan, ask the Plan Administrator of that plan whether it will accept your rollover. A qualified employer plan is not legally required to accept a rollover. If your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA.

DIRECT ROLLOVER Delivered To You. Rather than a DIRECT ROLLOVER sent directly to your traditional IRA or qualified employer plan, you may direct the Pension Office that you want the DIRECT ROLLOVER check be made payable to the rollover institution but placed in your hands for delivery to the rollover institution.

ADDITIONAL DETAILED INFORMATION

PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan which the employee made after January 1, 1988 are "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to another employer plan that accepts rollovers. Payments from the Plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or an education IRA. The Pension Administrator can tell you what portion of your payment is an eligible rollover distribution.

The following type of payment **cannot** be rolled over:

Non-taxable Payments. Payments which were made prior to January 1, 1988 and any amounts paid for time service purchases are "after-tax" contributions to the Plan. These payments will be non-taxable when they are paid to you and cannot be rolled over.

SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees". You are an **alternate payee** if your interest in the Plan results from a qualified domestic relations order (QDRO), which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have a payment that can be rolled over as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRS but you cannot roll it over to a qualified employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to a traditional IRA or to another qualified employer plan that accepts rollovers.

If you are a beneficiary other than the surviving spouse, you cannot choose a direct rollover and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Section III above, even if you are younger than age 59½.

If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor **before** you take a payment of your benefits from the Plan. You can find more specific information on the tax treatment of payments from qualified retirement plans in **IRS Publication 575, Pension and Annuity Income** and **IRS Publication 590, Individual Retirement Arrangements.** These publications are available from your local IRS office, on the IRS's Internet Web Site at **www.irs.gov**, or by calling **1-800-TAX FORMS.**

Finally, do not hesitate to call the Pension Office at (904) 255-7280 should you have questions regarding the pension lump sum payment process.