



**For Investment Plan Members:**

**WHEN YOUR FLORIDA  
RETIREMENT SYSTEM  
EMPLOYMENT ENDS**

**Your FRS Investment Plan  
Distribution Options and  
Special Tax Notice**

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## **Este Folleto Está Disponible en Español**

Visite [MyFRS.com](http://MyFRS.com), haga clic en Publicaciones y busque el enlace debajo de Retirees.

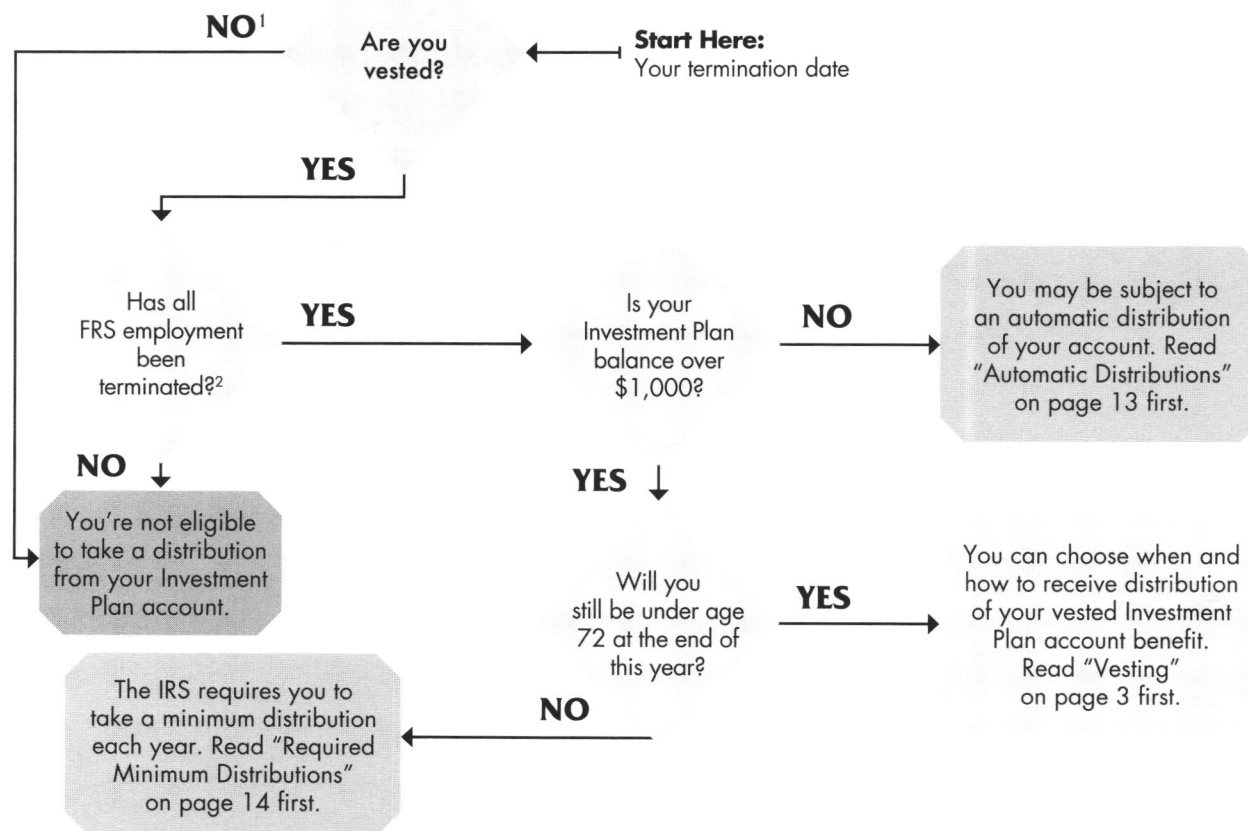
# What's Your Next Step?

Below is a high-level overview of the decisions you have to make regarding taking distributions from your Investment Plan account. This booklet is here to help you along the way by defining terms you need to know, explaining your options, and walking you through your choices.

If you have any questions or would like further guidance about what to do next, call the MyFRS Financial Guidance Line to speak with an experienced EY financial planner free of charge.

**1-866-446-9377, Option 2 (TRS 711)**

8:00 a.m. to 6:00 p.m. ET, Monday through Friday, except holidays.



<sup>1</sup> If you are not vested, you are eligible to receive your own contributions and any earnings.

<sup>2</sup> See definition of "FRS employment" on page 2.

# When Your FRS Employment Ends

You can't plan for your retirement without first understanding when your FRS employment really ends.

Below are definitions to terms used in this booklet to describe when you can withdraw your retirement savings from the Investment Plan and what would happen to distributions you've requested if you are reemployed at a later date.

<b>FRS-participating employer or FRS employer:</b>	Any agency that participates in the Florida Retirement System.
<b>FRS employment:</b>	<ul style="list-style-type: none"><li>• Being actively employed by <b>any</b> FRS-participating employer in <b>any</b> capacity; and/or</li><li>• Providing any service to <b>any</b> FRS-participating employer through any arrangement (paid or unpaid), including OPS, adjunct, election poll work, temporary employment, or working through a third party that provides service to an FRS-participating employer, etc.</li></ul>
<b>FRS-covered employment:</b>	A position that is eligible to be reported for FRS contributions.



# Vesting

Vesting refers to gaining ownership of your Investment Plan benefit. You can only request a distribution of the vested portion of your Investment Plan account.

**Do you have *at least one year of FRS-covered service in the Investment Plan?***

You are vested in all contributions (yours and your employer's) to your Investment Plan account and any earnings on those contributions.

**Do you have *less than one year of FRS-covered service in the Investment Plan?***

You are vested only in *your* contributions to your Investment Plan account and any earnings on your contributions.

**Did you *transfer a benefit from the Pension Plan into the Investment Plan?***

You must have eight or more years of total FRS-covered service (six or more years if hired prior to July 1, 2011) to be vested in the transferred Pension Plan benefit and any earnings on that transferred benefit.

## What Happens to Your Unvested Balance After Termination

If you do not have enough FRS-covered service to be fully vested in your Investment Plan account when your FRS employment ends – and you do not take a distribution from your vested balance – your unvested balance will be moved to a suspense account.

If you return to FRS-covered employment (see page 2) within five years from your date of termination, your unvested balance, plus earnings, will be reinstated from the suspense account.

**Warning!** You will permanently forfeit the unvested portion of your balance, and its associated service credit, if you:

1. Do not return to FRS-covered employment within five years of your termination date or the date you were no longer in an FRS-covered position; or
2. Choose to take a distribution of your vested balance (whether from the Investment Plan or Pension Plan) while you have an unvested balance in a suspense account.

# Other Things to Think About Before Choosing a Distribution

In addition to being sure your FRS employment has ended (see page 2) and that you are vested (see page 3), here are some other things to consider.

**1. You can request a distribution only under these two circumstances:**

1. All FRS employment (see page 2) has been terminated for at least three full calendar months. Here's an example:

Month terminated	1 <sup>st</sup> full month	2 <sup>nd</sup> full month	3 <sup>rd</sup> full month	Eligible for distribution
JANUARY	FEBRUARY	MARCH	APRIL	MAY

2. You have reached normal retirement. See “Normal Retirement” on page 5.

**2. If you choose to take a distribution, the FRS will consider you to be “retired” and reemployment restrictions would apply.**

See “When You Are Officially Retired” on page 5.

**3. Your distribution will be subject to taxes and possibly to penalties.**

See “Taxes and Penalties” on page 7.

**4. A distribution could affect your eligibility to continue your current health insurance coverage with your employer.**

Before taking a distribution from your Investment Plan account, be sure to contact your employer’s personnel office to verify your eligibility to continue your coverage.

**5. Will you have enough money in retirement?**

The Investment Plan was designed to help you save money for your retirement. Before taking any distributions, consider how much money you have in your account and how long that money has to last.

**6. You will lose future potential earnings on the money you withdraw.**

The money you withdraw from the Investment Plan will lose its potential to gain investment earnings, unless you roll it over into another investment account.

# Normal Retirement

You qualify for normal retirement upon reaching a certain combination of age and years of service. Once you've achieved normal retirement and been terminated for one full calendar month, you can take a one-time distribution of up to 10% of your Investment Plan account balance. If you haven't achieved normal retirement, you have to wait until you have been terminated for three full calendar months before you can take a distribution.

The table below explains when you reach normal retirement, according to the Investment Plan's rules.

	<b>Special Risk Class</b>	<b>All Other Membership Classes</b>
<b>Hired after July 1, 2011</b>	Age 60 or older and one or more years of FRS-covered service Age 57 or older and 30 or more years of Special Risk and military service Any age and 30 or more years of Special Risk service	Age 65 or older and one or more years of FRS-covered service Any age and 33 or more years of FRS-covered service
<b>Hired prior to July 1, 2011</b>	Age 55 or older and one or more years of FRS-covered service Age 52 or older and 25 or more years of Special Risk and military service Any age and 25 or more years of Special Risk service	Age 62 or older and one or more years of FRS-covered service Any age and 30 or more years of FRS-covered service

## When You Are Officially Retired

Once you take any distribution from the Investment Plan, including a withdrawal of only your employee contributions or a rollover to another plan, the FRS will consider you to be retired. Once you are considered retired:

- You will lose any non-vested Investment Plan or prior Pension Plan service.
- You can eventually be reemployed by any FRS-participating employer but, as the timeline on page 6 shows, you might not be eligible to receive additional distributions from your Investment Plan account.

Receiving a required minimum distribution (RMD) or an automatic distribution (de minimis distribution) will not cause you to be considered retired.

## Reemployment After Retirement

Returning to FRS employment after retirement includes providing any service to any FRS-participating employer through any arrangement, whether paid or unpaid. See page 2 for the complete definition of FRS employment.

<b>Calendar Months Following Your First Distribution</b>	<b>0</b>	<b>Month of First Distribution</b>
	<b>1</b>	<b>Reemployment Blackout Period</b>
	<b>2</b>	If you return to any employment with an FRS-participating employer during this period, you (and possibly your employer) will be required to repay any benefits you received. You must notify the Investment Plan Administrator of employment during this period by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4 (TRS 711).
	<b>3</b>	
	<b>4</b>	
	<b>5</b>	
	<b>6</b>	
	<b>7</b>	<b>Suspension of Distributions</b>
	<b>8</b>	If you return to any employment with an FRS-participating employer during this period, any distributions you requested from the Investment Plan will be canceled and any distributions you are receiving (including the Health Insurance Subsidy) will stop until either you terminate FRS employment or until 12 calendar months pass from your retirement date. You are exempt from this suspension of distributions if you are a retired law enforcement officer who is reemployed during this period as a school resource officer with an FRS-participating employer.
	<b>9</b>	
	<b>10</b>	
	<b>11</b>	You must notify the Investment Plan Administrator of employment during this period by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4 (TRS 711).
	<b>12</b>	
<b>After 12 months</b>	<b>No Reemployment Restrictions</b>	
	You can keep any distributions you've received and receive further Investment Plan distributions even if you are reemployed by an FRS-participating employer.	

## This Benefit Can Help Pay Your Health Insurance Premiums

If the FRS considers you to be retired, you may be eligible for the Health Insurance Subsidy (HIS). The HIS is a monthly supplemental payment that offsets the cost of your health insurance premiums. This is an extra benefit; it does not come from your Investment Plan account balance. To be eligible to receive the HIS, you must meet the Pension Plan's normal retirement age and service requirements for your class of membership and provide proper documentation certifying that you have health insurance coverage.

For more information about the HIS and how to take advantage of this benefit, read "The Health Insurance Subsidy" on page 16.

# Taxes and Penalties

The money in your Investment Plan account is pretax money, meaning it has never been taxed. When you take a distribution, you will be responsible for paying the taxes you owe on that money. Your age and personal financial situation will determine the amount of tax you'll be required to pay.

A mandatory 20% will be withheld from the taxable amount of your distribution, unless you roll over the entire distribution into another tax-deferred account. The withheld amount will be credited against any income tax you owe for that year. If the tax amount you owe is higher than the 20% withheld, you will be responsible for any additional taxes when you file your income tax return. If you receive payment before you reach age 59½, the IRS may impose an additional 10% penalty tax for early withdrawal.

Before you take money out of your account, contact the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711), to discuss the impact that taxes will have on your benefit. For additional information, see the Special Tax Notice on page 18.

## Taxes and Penalties: An Example

\$30,000	distribution
- \$6,000	20% withholding
- \$3,000	10% early withdrawal penalty if under age 59½
\$21,000	net payment to you

A mandatory 20% will be withheld from the taxable amount of your distribution, unless you roll over the entire distribution into another tax-deferred account.

## Annuity Income Tax Considerations

Annuity income payments made over time allow you to spread out your tax obligations. The purchase of an annuity is not a taxable event. When you receive your monthly benefit payments, they are taxed as ordinary income in the year they are received. Every year you will receive a Form 1099-R for the payments received in the prior year.

## If You're Living Outside the United States

If your address is outside the United States when you receive your distribution, you may be subject to a higher 30% withholding rate, unless you qualify for a lower rate.

*If you're a U.S. citizen living outside the U.S. and want the U.S. withholding rate of 20% applied to your payment, you must complete a Form W-9.*

*If you're not a U.S. citizen and your country of residence qualifies for a tax withholding rate of less than 30%, you may request the lower rate by completing a Form W-8BEN. Your form must be submitted and approved prior to your payment request.*

Withholding rates and forms can be found on [www.irs.gov](http://www.irs.gov). For more information, refer to IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*. If you have questions, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4 (TRS 711).

# Distribution Options

Once you are eligible to take a distribution, you have a variety of options, including leaving your money in the plan.

## One-Time Distribution for Normal Retirement

If you meet the Investment Plan's normal retirement requirements (see page 5), you may receive a one-time distribution of up to 10% of your account balance.

## Leave Your Money in the Plan

As long as you have an account balance of more than \$1,000, you can keep your money in the Investment Plan. You will not receive any employer contributions, but you will still enjoy all the benefits of FRS membership, including:

- Continued potential for investment growth and earnings.
- Access to MyFRS Financial Guidance Line services (online and telephone).
- The ability to monitor and change your investment elections.
- Deferring taxes and avoiding penalties associated with withdrawals.
- Low investment management fees.
- The option to roll over into your Investment Plan account any other qualified plans you may have, such as a 401(k) from another employer or an individual retirement account (IRA).

After contributions to your Investment Plan account have stopped for three consecutive months, you will be charged a low account maintenance fee of \$6 per quarter.

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Balances below \$1,000 are subject to automatic distribution. See page 13 for more information.

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While it may be tempting to tap your retirement savings for today's expenses, the Investment Plan is intended to provide you with income you'll need in your retirement. Plus, taxes and early distribution penalties could cost you 30% to 40% or more of your account value.



## Fixed Guaranteed Retirement Income

A fixed income annuity provides you with a guaranteed monthly paycheck (offered by MetLife, the FRS's approved lifetime income provider). These payments are not subject to market fluctuations; they are the same month to month. You can choose to receive these payments for your lifetime, for the lifetime of a spouse/loved one, or for a specified period.

### Some payment features and options include:

**Single Life Annuity.** This option guarantees that you will receive fixed payments for as long as you live. Payments will cease upon your death.

**Joint and Survivor.** This option pays you guaranteed monthly payments during your lifetime. After you die, a continuing benefit of either 100% or a reduced percentage of the original benefit will continue to be paid to your survivor, depending on the election you select on your annuity election form.

**Return of Premium Guarantee.** This feature ensures that your beneficiary gets back the amount you used to purchase this option, minus any payments you received.

### There are two types of annuity products available to FRS Investment Plan members, which include:

**Immediate Guaranteed Retirement Income.** This option provides a guaranteed monthly payment that can start right away.

**Deferred Guaranteed Retirement Income.** This option lets you delay guaranteed monthly payments until as late as age 85, which means higher monthly income payments due to starting later in life. Purchasing this option can reduce the amount of your Investment Plan balance that may be subject to required minimum distribution (RMD) rules. You may only use up to 25% of your Investment Plan balance or \$135,000, whichever is less, to purchase this option.

## Flexible Payment Schedule

A flexible payment schedule lets you decide how much money to withdraw and how often. You can set up monthly, quarterly, semiannual, or annual payments. Unlike the guaranteed retirement income options, these payments are not guaranteed to last for your lifetime, but a flexible payment schedule allows you to change payment amounts and frequency at any time.

## Rollover

Rolling over your vested account balance into another qualified retirement plan, such as an IRA, 401(k), 403(b), or 457, is a great way to keep your retirement savings invested and to defer taxes and penalties. However, other plans may charge higher investment management and administrative fees, and they may not offer the same distribution options as the Investment Plan. Some plans may even pressure you to buy other products or services.

If you intend to open another qualified retirement plan so you can continue saving for retirement, and you would like to keep all your retirement savings in one place, you do have the option of leaving your balance in the Investment Plan and rolling over funds from your other account into the Investment Plan at a later date.



## Lump-Sum Payment

You can choose to have a full or partial lump-sum distribution of your Investment Plan account balance paid directly to you.

You should think twice about taking a lump-sum payment. While it may be tempting to tap your retirement savings for today's expenses, the Investment Plan is intended to provide you with income you'll need in your retirement. Plus, taxes and early distribution penalties could cost you 30% to 40% or more of your account value. For more information, please see the Special Tax Notice on page 18.

Before you choose a lump-sum payment, call the MyFRS Financial Guidance Line to speak with an unbiased financial planner at no cost, or contact another tax advisor of your choosing at your own expense.

## Combination

You can choose any combination of distribution options allowed under the Investment Plan: fixed guaranteed retirement income, flexible payment schedule, rollover, and/or lump-sum distribution. Let a financial planner help you determine what may be best for you. For assistance, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).

# How to Request a Distribution

The Investment Plan is designed to provide you income in your retirement. You cannot receive a distribution during your FRS employment (see page 2) and you should not request a distribution if you intend to return to FRS employment (see page 6).

Be sure to review the Special Tax Notice on page 18. You will have to acknowledge you've read it before your distribution will be processed.

**By Phone:** 1-866-446-9377, Option 4 (TRS 711)

You will need to provide your PIN.

**Online:** MyFRS.com > Investment Plan  
(user ID and password required)

Once you've made your request, you can make changes to it up until 4:00 p.m. ET on the distribution date.

You should not request a distribution if you have any intention of returning to work for an FRS-participating employer.

## Forgot Your PIN?

Request a PIN reminder on MyFRS.com or call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

# When You Can Request a Distribution

You can submit a request by phone or online for a distribution from your Investment Plan account up to one and a half months prior to the date you are eligible to take the distribution. Known as a "pending" distribution, this option can help you avoid long wait times that sometimes occur on the first date you are eligible to take your distribution (first business day of the month). Here's an example:

If your termination date is:	You're eligible for distribution on the first business day of:	You would be eligible to make a pending request on:
May 20	September	July 15 <sup>1</sup>

<sup>1</sup> Requests can be made no earlier than the 15th calendar day of the month. You can make changes to your pending distribution up until 4:00 p.m. ET on the pending distribution date.



**To make your request online**, log in to MyFRS.com. Select Investment Plan, FRS Investment Plan > Withdrawals and Rollovers > Withdraw or Roll Over Money, and then select a payment type.



**To make your request by phone**, call 1-866-446-9377, Option 4 (TRS 711). You will need your PIN.

# When You Will Receive Your Distribution

## Monthly Payments

Monthly checks and direct deposits are issued on the last business day of each month. Allow three business days for a direct deposit to appear in your bank account, or five to seven days for a check to arrive by mail.

## Lump-Sum Payments

For direct deposit, allow three business days from the day your request is received.

For a check, allow five to seven days from the time your request is received for the check to arrive by mail. Expedited delivery of checks is available by request.

## How You Can Receive Your Distribution

Installment payments or lump-sum distributions from your Investment Plan account can be deposited directly into your personal banking account. ACH deposit information can be set up at any time at MyFRS.com by logging in and going to Investment Plan > Personal Information > Financial Institutions.

If you want to receive your distribution as a check, the check will be mailed to your address on file with the Investment Plan Administrator. If you fail to cash or deposit a check within 180 days, it will be voided; a replacement check must be requested for the same amount as the voided check.

## How Your Distribution Amount Is Calculated

Distributions will be based on your total account balance at the close of business on the day that the distribution is processed, provided the request is completed by 4:00 p.m. ET. If the distribution is processed after 4:00 p.m. ET or on a non-business day, the distribution amount will be based on the account balance at the close of business on the next business day the financial markets are open. Pending distributions are processed on the first business day of the month.

Once a distribution is taken from your Investment Plan account, no additional interest earnings are earned on those funds.

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### Do You Have a Self-Directed Brokerage Account?

If you have funds in the self-directed brokerage account (SDBA), you must have sufficient funds in your Investment Plan primary account to satisfy your distribution request. If there are insufficient funds in your primary account to process the distribution request, you will need to liquidate funds from your SDBA and transfer the funds to your primary account prior to processing a distribution. For additional information, review the SDBA Access Guide on MyFRS.com.

## If You Return to FRS-Participating Employment

If you request a distribution and then return to FRS employment (see page 2) with any FRS-participating employer before receiving it, you must notify the Investment Plan Administrator to cancel your request. Also, if your employment status on the FRS database changes from "Terminated" to "Active" during this period, the Investment Plan Administrator will cancel any pending distribution.

# How to Earn Credit Toward Another Retirement

If you return to FRS-covered employment (see page 2) after taking a distribution (effective for reemployed service on or after July 1, 2017), you are considered a “reemployed retiree” or “renewed member.” As a reemployed Investment Plan retiree, you are required to participate in the Investment Plan, unless you are reemployed in a position eligible to participate in the State University System Optional Retirement Program (SUSORP) or State Community College System Optional Retirement Program (SCCSORP). However, you are not eligible for the following:

- A 2<sup>nd</sup> Election to switch to the Pension Plan;
- Pension Plan or DROP membership; or
- Disability benefits.

## Automatic Distributions

If your vested account balance is \$1,000 or less when your FRS employment ends, it will be subject to an automatic distribution. This is known as a “de minimis distribution.” However, this distribution won’t be made until your FRS employment has been terminated for at least six calendar months.

If your balance is subject to an automatic distribution, you can choose to receive it as a lump-sum payment or roll it over to another qualified retirement plan, such as an individual retirement account or another employer’s 401(k) plan.

## Receiving an Automatic Distribution Does Not Mean You’re “Retired”

The FRS will not consider you to be retired if you receive an automatic de minimis distribution of your Investment Plan balance. This means you will not be subject to the same reemployment limitations as a retiree. If you are rehired by an FRS-participating employer in an FRS-covered position after receiving an automatic distribution, you will be placed back in the Investment Plan and earn additional service credit.

If you request a distribution prior to the automatic distribution being paid, you will be considered retired and will forfeit any unvested account balance and associated service credit. If you return to FRS-covered employment in the future (effective for reemployed service on or after July 1, 2017), you will be enrolled in the Investment Plan as a reemployed retiree, unless you are reemployed in a position eligible to participate in the SUSORP or SCCSORP. (See “How to Earn Credit Toward Another Retirement” for more information and exceptions.)

## An Automatic Distribution Does Not Make You Eligible for the Health Insurance Subsidy

Because you will not be considered “retired” after receiving an automatic distribution, you will not be eligible for the Health Insurance Subsidy (HIS). To be eligible for the HIS, you must be retired and must meet the Pension Plan’s normal retirement age and service requirements for your class of membership.

For more information about the HIS and how to take advantage of this benefit, read “The Health Insurance Subsidy” on page 16.

# Required Minimum Distributions

The Internal Revenue Service (IRS) requires that you begin taking distributions from your Investment Plan account in the calendar year you reach age 72 or terminate employment, whichever is later. These are known as required minimum distributions (RMDs).

The Investment Plan Administrator will notify you if you are required to take an RMD. You will continue to receive a notice by mail in January of each year an RMD is required.

## You Can Delay Your First RMD

You can defer your first RMD payment until April 1 of the following year. To request a deferral, you must call the Investment Plan Administrator by November 30.

## How Much Is an RMD?

The amount of an RMD changes from year to year. It is based on your age and your account balance at the end of the previous year. Any distributions you receive during the year will be applied to your RMD amount. If by December you have not satisfied your RMD requirement for that year, the balance needed to satisfy the requirement will be sent to you as an additional benefit payment.

## Receiving an RMD Does Not Mean You're "Retired"

The FRS will not consider you to be retired if you receive an RMD. This means you will not lose any unvested service credit nor will you be subject to the same reemployment limitations as a retiree. If you are rehired by an FRS-participating employer in an FRS-covered position after receiving an RMD, you will be placed back in the Investment Plan and earn additional service credit.

However, if you receive benefit payments that exceed the required RMD, you will be considered retired and will forfeit any unvested account balance and associated service credit. If you return to FRS-covered employment in the future (effective for reemployed service on or after July 1, 2017), you will be enrolled in the Investment Plan as a reemployed retiree, unless you are reemployed in a position eligible to participate in the SUSORP or SCCSORP. (See "How to Earn Credit Toward Another Retirement" for more information and exceptions.)

## If You Return to FRS Employment

If you return to FRS employment after receiving notice that an RMD is required, you will be paid the RMD for the year. Future RMDs will not be calculated and paid until you again terminate employment.

If it is later determined that you received an ineligible RMD payment, the Investment Plan may request that the RMD be returned to your Investment Plan account.

## An RMD Does Not Make You Eligible for the Health Insurance Subsidy

Receiving an RMD does not make you eligible for the Health Insurance Subsidy (HIS). To be eligible for the HIS, you would have to request a distribution above any required RMD amount.

For more information about the HIS and how to take advantage of this benefit, read "The Health Insurance Subsidy" on page 16.

## Annuity Distributions

A lifetime annuity distribution will satisfy the RMD requirements for the amount of your purchase.

## How You Can Reduce Your RMD

Purchasing the Deferred Guaranteed Retirement Income option can reduce the amount of your Investment Plan balance that may be subject to RMD rules.

Please contact EY for further guidance at 1-866-446-9377, Option 2 (TRS 711), Monday through Friday between 8:00 a.m. and 6:00 p.m. ET.





## Keeping Your Contact Information Up to Date

Your checks, member quarterly statements, year-end tax forms, and any other Investment Plan communications will be sent to you via electronic delivery or mailed to your address on file with the Investment Plan Administrator, so be sure to keep your information up to date. While you're an active employee, you can make these changes through your employer.

**For name changes,** request a Name Change Form from the Investment Plan Administrator by calling 1-866-446-9377, Option 4 (TRS 711). Or send a letter, including your old name, your new name, the last four digits of your Social Security number, and a copy of the court order, marriage certificate, or driver's license, to the Investment Plan Administrator by mail (Investment Plan, P.O. Box 785027, Orlando, FL 32878-5027) or by fax (1-888-310-5559).

**For address changes,** log in to MyFRS.com or call the Investment Plan Administrator at 1-866-446-9377, Option 4 (TRS 711). A confirmation statement will be mailed within two business days to both your current address on file and the new address.

If you are receiving the Health Insurance Subsidy, complete and submit Form ADDCH 1, Address Change Request, available on the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

## How to Access Your Check Advice and 1099-R Form

You can access your Check Advice (distribution verification) and 1099-R tax forms online. Log in to MyFRS.com and click "Investment Plan." Click on the tile labeled "1099-R Reprints/Check Advice."

# The Health Insurance Subsidy

Once you are considered retired and have reached the Pension Plan's normal retirement requirements, you may be eligible for a supplemental payment of \$30 to \$150 per month toward your health insurance premiums. This payment is known as the Health Insurance Subsidy (HIS). To receive this benefit, you must meet certain eligibility requirements and you must take action to apply.

## How Much Your HIS Is Worth

If you qualify, your HIS benefit will equal \$5 for each year of creditable FRS-covered service you completed, with a minimum benefit of \$30 per month and a maximum benefit of \$150 per month.

## HIS Eligibility Requirements

To be eligible to receive monthly HIS payments, you must meet the following requirements:<sup>1</sup>

- The FRS must consider you to be retired. See “When You Are Officially Retired” on page 5.
- You must have eight or more years of FRS-covered service (six or more years if hired prior to July 1, 2011) or be eligible for an FRS disability benefit.
- You must have met the Pension Plan's normal retirement age and service requirements for your class of membership – even if you've already taken a distribution from the Investment Plan. See “Normal Retirement” on page 5. NOTE: If you currently do not meet the Pension Plan's normal retirement requirements, it is your responsibility to apply for the HIS once you meet these requirements.
- You must have current health insurance. Cover Florida Health Care Access Program, Medicare, and TRICARE coverage are accepted.
- You must have successfully applied for the HIS.

<sup>1</sup> If you elected the Investment Plan Hybrid Option, you must apply to receive the HIS. Your HIS payments will begin when you begin receiving your Pension Plan benefit.

## When the HIS Will Begin

It is your (or your surviving spouse's) responsibility to obtain certification of health insurance coverage and to apply for the HIS. HIS payments will begin the month in which you attain normal retirement under the Pension Plan, provided you are retired and the Division of Retirement has received Forms HIS-IP and HIS-IP-2 and birth certification.

HIS payments are retroactive up to a maximum of six months. This allows you up to six months from the date you attain normal retirement to submit your completed forms without missing any payments.

## When the HIS Will End

Your HIS payments will continue until you are no longer eligible. When you die, your surviving spouse will be entitled to your HIS. Only a spouse is eligible to be a beneficiary under the HIS.

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### Important Note

The HIS is subject to available funding and continued approval by the Florida Legislature. HIS payments shall not be subject to assignment, execution, or attachment, or to any legal process whatsoever.

# How to Apply for the HIS

It is your or your surviving spouse's responsibility to obtain certification of health insurance coverage and to apply for the HIS by submitting the following documentation to the Division of Retirement.

- Application for Health Insurance Subsidy for Investment Plan Members (HIS-IP)  
*This form must be completed after your distribution date.*
- Health Insurance Subsidy Certification for Investment Plan Members (HIS-IP-2)  
*This form must be completed after your distribution date.*
- One of the following forms of proof of birth date.
  - Birth certificate
  - Delayed birth certificate
  - Valid, unexpired U.S. passport
  - Census report more than 30 years old
  - Life insurance policy more than 30 years old
  - Letter from the Social Security Administration stating the date of birth it has established for the payment of benefits
  - Certificate of naturalization
  - Florida driver license issued after January 1, 2010 that indicates compliance with the federal REAL ID Act.

*Photocopies of the above are accepted.*

If you cannot provide one of the forms of proof listed above, you may provide **two** of the following forms of proof.

- Birth certificate of a child, showing your age (limit one)
- Baptismal certificate more than 30 years old
- Hospital record of birth
- School record at time you entered grammar school
- A copy of the retiree's death certificate if the spouse is applying for the subsidy

*Original documents are not required. Legible copies are accepted. Be sure to write your Social Security number and current name on your submitted documentation. If providing verification for your beneficiary or joint annuitant, please include your information and the individual's relationship to you. For example, for your spouse, write: Spouse of [your name and Social Security number].*

## Questions?

If you have any questions about the HIS, call the Division at 1-844-377-1888, or write to the Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000.

# Special Tax Notice – Governmental Plan Payments (other than 457 Plans)

This notice explains how you can continue to defer federal income tax on your retirement savings in your Plan and contains important information you will need before you decide how to receive your Plan benefits. This notice does not address any applicable state or local tax rules that may apply.

This notice is provided to you because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to an IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you, or in the case of a Roth conversion, to obtain tax-free investment returns. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA). An “eligible employer plan” includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse’s consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Before making the rollover, check with the administrator of the plan that is to receive your rollover.

If you have additional questions after reading this notice, you should contact your Plan Administrator at 1-866-446-9377, Option 4.

## Summary

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

- A certain type of payment — called a “DIRECT ROLLOVER” — can be made directly to a traditional or Roth IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit; or
- The payment can be PAID TO YOU.

If you choose a **DIRECT ROLLOVER**:

- You choose whether your payment will be made directly to your IRA (traditional or Roth) or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional or Roth IRAs. A distribution of non-Roth amounts can be rolled over to an eligible employer plan, to a traditional IRA or, by paying taxes on the non-Roth amounts and converting them to Roth amounts, to a Roth IRA.

- You can roll the payment to a traditional IRA or an eligible employer plan and the taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.
- You may elect to pay income taxes now, and then roll the payment to a Roth IRA. Later distributions from the Roth IRA (including a distribution of earnings) will not be taxed, provided that the distribution is a “qualified distribution” from the Roth IRA.

If you choose to have a Plan payment that is eligible for rollover **PAID TO YOU**:

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year or in accordance with Plan guidelines unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% early withdrawal tax. The additional tax would be assessed when you file your 1040 tax return.
- You can possibly roll over all or part of the payment by paying it to your traditional IRA or to an eligible 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 eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, **you must find other money to replace the 20% of the taxable portion that was withheld.** If you roll over only the 80% that you received, you will be taxed and possibly subject to an additional 10% penalty on the 20% that was withheld and that is not rolled over.

Special options are available to eligible retired public safety employees and are described below under “Payment Paid to You.”

## Your Right to Waive the 30-Day Notice Period

Generally, neither a direct rollover nor a payment paid to you can be made from the Plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you can waive the notice period by making an affirmative verbal election over the Plan Administrator’s recorded telephone line indicating whether or not you wish to continue with the transaction and waive the waiting period. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

## More Information

- I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER
- II. DIRECT ROLLOVER
- III. PAYMENT PAID TO YOU
- IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

## I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to an IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. The portion of a payment (if any) that is drawn from an after-tax contributions account can be rolled over to a Roth IRA or to an eligible employer plan that accepts after-tax rollover contributions. The portion of a payment (if any) that is drawn from other types of accounts can be rolled over to an eligible employer plan, to a traditional IRA, or, if you make a Roth conversion, to a Roth IRA. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

**After-Tax Contributions.** If you made after-tax contributions to the Plan, these contributions can be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

**Roll Over Into a Traditional IRA.** You can roll over your after-tax contributions to an IRA either directly or indirectly. Your Plan Administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion. 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 included in the payment, so you cannot take a payment of only after-tax contributions. However, 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. In addition, special rules apply when you do a rollover, as described below. If you roll over after-tax contributions to an IRA, it is your responsibility to keep track of, and report to the Internal Revenue Service on the applicable forms, the amount of these after-tax contributions. This will enable the non-taxable amount of any future distributions from the IRA to be determined. Once you roll over your after-tax contributions to an IRA, those amounts CANNOT later be rolled over to an employer plan. 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 the Plan, 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 the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

Similarly, if you do a 60-day rollover to an IRA of only a portion of a payment made to you, the portion 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, 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.

**Roll Over Into an Employer Plan.** You can roll over your after-tax contributions to an eligible employer plan using a DIRECT ROLLOVER if the other plan agrees to accept the rollover

and provide separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can roll over after-tax contributions to either a qualified defined contribution or defined benefit plan under Code section 401(a) or a tax-sheltered annuity under Code section 403(b). You cannot roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions PAID TO YOU first. You must instruct the Plan Administrator of this Plan to make a DIRECT ROLLOVER on your behalf. Also, you cannot first roll over after-tax contributions to an IRA and then roll over that amount into an employer 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.

### Conversion of Non-Roth Amounts by Means of a Rollover Into a Roth IRA.

If you roll over a 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. In general, 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). 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 have had a Roth IRA for at least 5 years and (1) you are age 59½ or (2) after your death or disability or (3) you qualify for another IRS-approved exception. 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. You cannot roll over a payment from the Plan to a designated Roth account in another employer plan. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

**Payments That Cannot Be Rolled Over.** The following types of payments cannot be rolled over:

**Payments Spread Over Long Periods.** You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for (1) your lifetime (or a period measured by your life expectancy), or (2) your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or (3) a period of 10 years or more.

**Required Minimum Payments.** Beginning when you reach your Required Beginning Date (typically attainment of age 72 or after separation from service, whichever is later), a certain portion of your payment cannot be rolled over, because it is a “required minimum payment” that must be paid to you.

**Inherited Accounts.** You generally cannot roll over payments made from tax-advantaged accounts that have been inherited from another individual.

The Investment Plan Administrator should be able to tell you if your payment includes amounts that cannot be rolled over.

## II. DIRECT ROLLOVER

A **Direct Rollover** is a direct payment of the amount of your Plan benefits to an IRA or an eligible 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 of this notice. If your DIRECT ROLLOVER is into a traditional



IRA or an eligible employer plan, you are not taxed on any taxable portion of your payment until you later take it out of the traditional IRA or eligible employer plan. If your DIRECT ROLLOVER is into a Roth IRA, you are taxed on the taxable portion of your payment in the conversion to Roth treatment, and if the later distribution from the Roth IRA is a "qualified distribution," you are not taxed when you take it out of the Roth IRA (including earnings after the rollover). In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER — to avoid unwanted tax consequences when filing, you may want to consider establishing withholding independently. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200. However, you can do a 60-day rollover. Any eligible rollover distribution that you receive from the Plan that is otherwise non-taxable, and that you wish to roll over to an eligible employer plan, can be rolled over only in a DIRECT ROLLOVER.

**Direct Rollover to a Traditional IRA.** You can open an IRA to receive the DIRECT ROLLOVER. If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a DIRECT ROLLOVER to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. (See IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, for more information on 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 an eligible employer plan, and you want a DIRECT ROLLOVER to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

**Direct Rollover of a Series of Payments.** If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to do or not do a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

**Change in Tax Treatment Resulting From a DIRECT ROLLOVER.** The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 2, 1936, you might be entitled to 10-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections on the following page titled "Additional 10% Tax if You Are Under Age 59½" and "Special Tax Treatment if You Were Born Before January 2, 1936."

**Physical Payment of the Direct Rollover.** The Investment Plan Administrator does not currently process electronic direct rollovers to other retirement plan providers. A direct rollover is accomplished by making the distribution check payable to the new retirement plan provider for the benefit of the member. This type of distribution still qualifies for the direct rollover provisions outlined above.

### III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I of this notice) and the payment is PAID TO YOU in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or an eligible employer plan that accepts rollovers (or unless you are an eligible retired public safety employee who makes the election to pay health care or long-term care premiums, described in this section below). 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 of this notice and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable 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, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable 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. There will be no income tax withholding if your payments for the year are less than \$200.

**Voluntary Withholding.** If any portion of your payment is taxable but cannot be rolled over under Part I of this notice, the mandatory withholding rules described above do not apply. In this case, you can elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

**Sixty-Day Rollover Option.** If you receive a payment that can be rolled over under Part I of this notice, you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment (assuming you have not completed a similar 60-day rollover within the last 12 months). The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. This 60-day rollover option is also available for converting to a Roth IRA.

You can roll over up to 100% of your payment that can be rolled over under Part I of this notice, including an amount equal to the 20% of the taxable portion 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 eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld, including potentially being subject to a 10% tax penalty if younger than age 59½.

*Example:* The taxable portion of your payment that can be rolled over under Part I of this notice 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 can roll over the entire \$10,000 to an IRA or an eligible 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 an eligible 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 (and potentially subject to penalty) in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. However, any refund is likely to be larger if you roll over the entire \$10,000.

**Additional 10% Tax if You Are Under Age 59½.** If you receive a payment before you reach age 59½ 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 separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments made to the extent you have deductible medical expenses that are greater than 7.5% of your adjusted gross income, (7) payments from a defined benefit, defined contribution, or other governmental plan to a qualified public safety employee following separation from service in the year in which they attain age 50 or greater (see IRS Form 5329 for more information on the additional 10% tax), (8) payments of up to \$5,000 made to you from a defined contribution plan if the payment is a qualified birth or adoption distribution, or (9) payments excepted from the additional income tax by federal legislation relating to certain emergencies and disasters.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to an IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

**Special Tax Treatment if You Were Born Before January 2, 1936.** If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, 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 is a payment, within 1 year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump-sum distribution, you must have been a participant in the plan for at least 5 years before the year in which you received the distribution. The special tax treatment for lump-sum distributions that may be available to you is described below.

**Ten-Year Averaging.** If you receive a lump-sum distribution and you were born before January 2, 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.

**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. You cannot elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, from a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this

special averaging treatment for later payments from the Plan. If you roll over your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump-sum distributions and how you elect the special tax treatment.

**Special Election by Eligible Retired Public Safety Employees.** If you are an "eligible retired public safety employee," you can make an election to exclude up to \$3,000 of your otherwise taxable payment from your gross income, and not be taxed on the amount you exclude, by instead having your payment directly made to the provider of an accident or health insurance plan or a qualified long-term care insurance contract covering you, your spouse, or your dependents. All distributions are combined from all of your eligible retirement plans — section 401(a), 457(b), 403(a) and 403(b) plans — for purposes of the \$3,000 limit. You are an "eligible retired public safety employee" if you separated from service as a public safety employee of the employer maintaining the plan, and your separation from service was due to your disability or attainment of normal retirement age. Contact the Plan Administrator for more information about this special election.

## IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized in this notice that apply to payments 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," which is an order issued by a court, usually in connection with a divorce or legal separation.

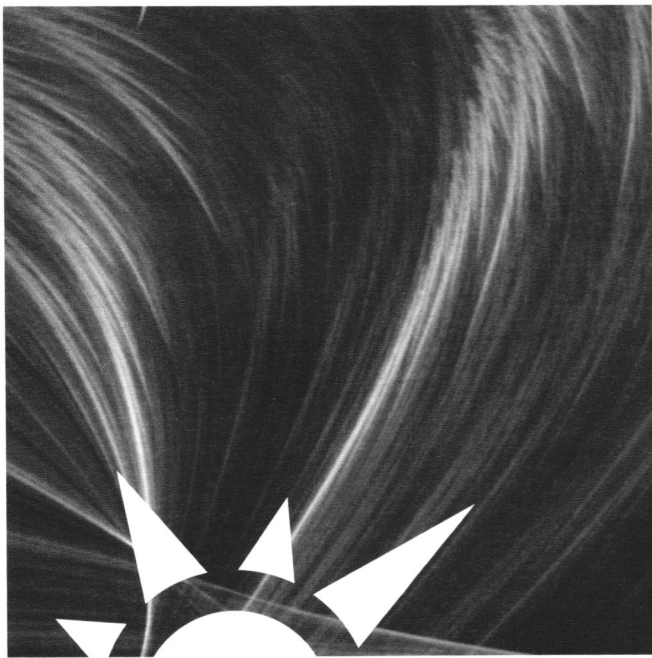
If you are a surviving spouse or an alternate payee, you can choose to have a payment that can be rolled over, as described in Part I of this notice, paid in a DIRECT ROLLOVER to a traditional or Roth IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

The Plan allows non-spouse beneficiaries to make a DIRECT ROLLOVER of their share of an employee's account. If the account owner passed away prior to January 1, 2020, there are several flexible payment options for non-spouse beneficiaries. If the account holder passed away after December 31, 2019, and the non-spouse is not an eligible designated beneficiary, the total account balance must be distributed within 10 years.

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 Part III of this notice, even if you are younger than age 59½.

## How to Obtain Additional Information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described in this notice are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator, an EY financial planner, or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publications 590-A and 590-B, *Contributions to and Distributions from Individual Retirement Arrangements (IRAs)*, respectively. These publications are available from your local IRS office, on [irs.gov](http://irs.gov), or by calling 1-800-TAX-FORMS.



This guide is a summary of the Investment Plan termination options available to FRS-covered employees and is written in non-technical terms. It is not intended to include every program detail. Complete details can be found in Chapter 121, Florida Statutes, the rules of the State Board of Administration of Florida in Title 19, Florida Administrative Code, and in the Investment Plan Summary Plan Description. In case of a conflict between the information in this guide and the statutes and rules, the provisions of the statutes and rules will control.

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• July 2021 •