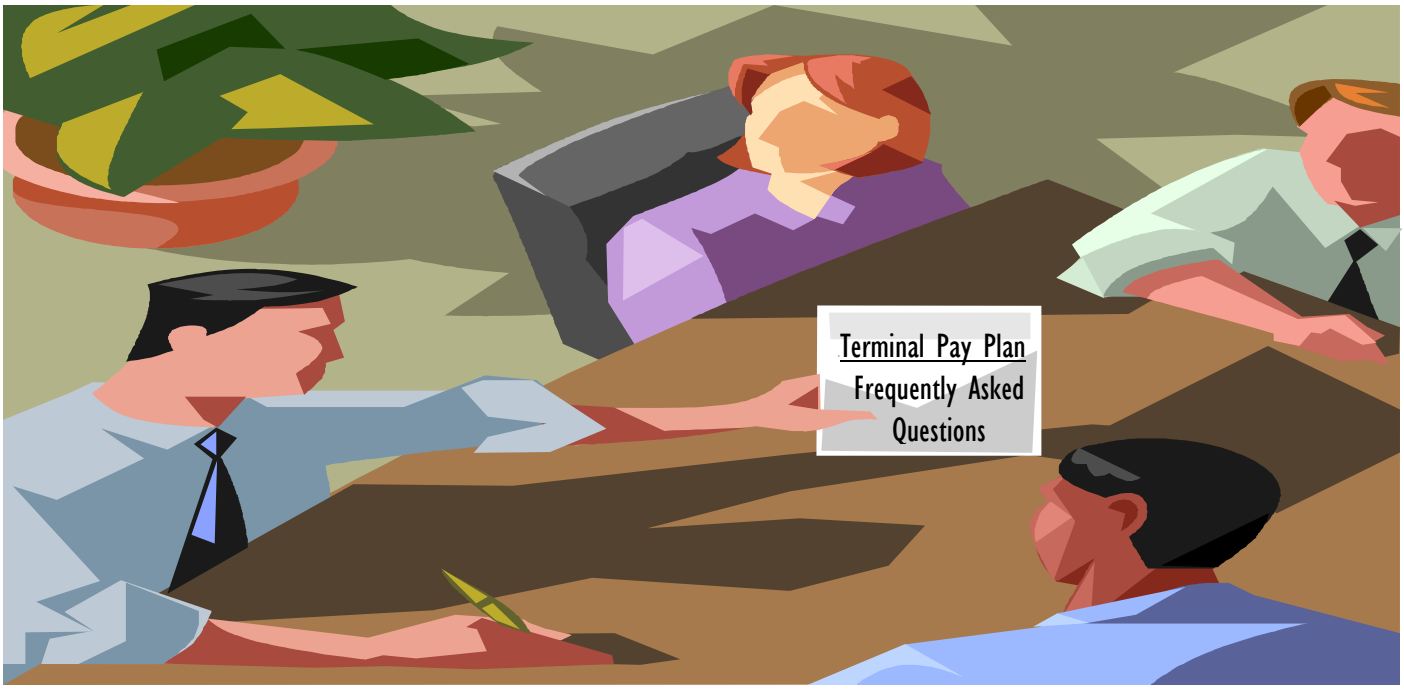

***If you are 50 years or older, are Sheriff/Sheriff Management,* and are retiring or separating from the County of San Diego, your accrued sick and vacation leave will be paid out through the Terminal Pay Plan.**

What is the Terminal Pay Plan?

The Terminal Pay Plan was created so that if you are 50 years or older & are Sheriff/Sheriff Management, your final payout will be tax protected (up to IRS limits)

What are my payout options?

You have four options:

a. Lump sum cash payment.

b. Elect to rollover the <u>entire</u> amount into Deferred Compensation (401a and/or 457), an IRA or other qualified plan (up to IRS limits).

c. Elect a <u>partial</u> rollover into Deferred Compensation, an IRA or other qualified plan with the remainder as a lump sum cash payment.

d. Receive installment payments over 60 months (without interest).

Is direct deposit available if I choose the lump sum cash payment payout option?

Yes it is. Simply fill out the Direct Deposit Authorization form in this packet. If you do not, a check will be mailed to the address stated in Part A. Participant Information of the application.

How long will it take to get my money or for the rollover to process?

It can take between <u>6-8 weeks</u> from the date you retired or separated from the county.

For more information please refer to this packet or call Deferred Compensation at (619) 531-5454.

The County of San Diego
Terminal Pay Plan Request Form

A. Participant Information

Name (Last, First, M.I.): _____

Date of Birth: _____ Social Security #:_____ Employee I.D #:_____

Mailing Address:_____ City: _____ State:_____ Zip:_____

Contact Phone #:_____ E-mail Address:_____

Department:_____ Age at Date of Retirement: _____ Date of Retirement:_____

B. Attach (SDCERA) Documents

Please attach a copy of the following SDCERA Documents to your application:

1. Service Retirement-Calculation Summary Election Estimate
2. The 1st page of your completed application for Service Retirement showing your benefit selection (Section 2: Retirement Benefit Options)

If you do not have these documents in your personal files please contact the San Diego County Employees Retirement Association (SDCERA) at (619) 515-6800 to request a copy.

C. Beneficiary Designation

Participant Marital Status: ❑ Single ❑ Married*

Note: If you are married and designate someone other than your spouse as a primary beneficiary, your spouse's consent is required and it must be notarized.

Primary Beneficiary(ies):

1. Name: _____ SSN:_____ D.O.B: _____

Relationship: _____ Percentage: _____%

2. Name: _____ SSN:_____ D.O.B: _____

Relationship: _____ Percentage: _____%

(Please attach a separate sheet if you have more than 2 primary beneficiaries)

Secondary Beneficiary(ies):

If you are not survived by any of your primary beneficiary(ies) to receive benefits.

1. Name: _____ SSN:_____ D.O.B: _____

Relationship: _____ Percentage: _____%

2. Name: _____ SSN:_____ D.O.B: _____

Relationship: _____ Percentage: _____%

(Please attach a separate sheet if you have more than 2 secondary beneficiaries)

D. Payment Methods

1) ❑ Lump Sum Cash Payment

2) ❑ Direct rollover of the entire amount

3) ❑ Partial rollover of _____% with the remainder balance as a lump sum cash payment

4) ❑ Sixty (60) equal monthly payments without interest

Note: Cash distributions from this plan are subject to mandatory 20% federal tax withholding and a California state tax withholding equivalent to 10% of the amount of federal withholding computed. However, you may elect not to have a state income tax withheld or an amount other than the standard withholding by completing a DE-4P form.

Complete the following information if Option 2) or 3) above is selected

❑ County of San Diego 457 Plan ❑ County of San Diego 401(a) Plan ❑ _____ IRA

_____% Hartford (Plan# 150013) _____% Hartford (Plan# 150013)

_____% T. Rowe Price (Plan# 250931) _____% T. Rowe Price (Plan# 250931)

Complete the following below if you elected an IRA or another qualified employer plan

Make Check Payable to: _____

Account Number: _____

Financial Institution or Plan Name: _____

Address: _____

Note: In the case where you elect to rollover your payment into your County of San Diego Deferred Compensation 457 or 401(a) account the check will be sent directly to your plan provider. If you elect to rollover your payment into an IRA account or another qualified employer plan that will accept it, your check will be mailed directly to you. You will then need to mail the check directly to the institution or plan that may also require you to fill out additional forms. Regarding your County of San Diego Deferred Compensation Account, the rollover amount will be credited according to your current investment election. If you want to change your investment election, please call your plan provider.

E. Participant Authorization

I hereby authorize that payment be made to me as indicated in Section D. I have received the Special Tax Notice Regarding Plan Payments. I understand that if I do not elect a direct rollover of my benefits, there will be a mandatory 20% federal income tax withholding. There will also be a California state tax withholding of 10% of the amount of federal withholding computed pursuant to Section 3405 of the Internal Revenue Code unless I complete and sign Form DE-4P attached to this form. I may indicate on Form DE-4P that I want an amount other than the standard withholding calculated, or that I do now want any amount withheld for California taxes.

I also authorize the exchange of my retirement data with the San Diego County Employees Retirement Association (SDCERA) if necessary.

_____ _____

Participant Signature **Date**

Return To:

County of San Diego Treasurer-Tax Collector
Deferred Compensation Division
1600 Pacific Highway
San Diego, CA 92101

Telephone: (619) 531-5454
Fax: (619) 531-4937
Mailstop: A-49

Authorization For Direct Deposit

To Be Completed By Terminated Employee/Retiree/Beneficiary:

S.S.N._____
(Please print)

I,_____, authorize and request that the retirement benefits, that I am entitled to receive as a terminated employee, retiree or beneficiary of _____be deposited directly into the account at the depository bank designated below. (Company Name)

I hereby authorize and direct depository bank to debit my account if any payments are made subsequent to my death, and to refund said payments to Wells Fargo as disbursing agent. I further authorize the disbursing agent to initiate adjustment debits to my account for deposits made after my death and for deposits made in error.

I understand I have the right to revoke and cancel this authorization. Such revocation or cancellation will take effect when I notify the disbursing agent in writing.

Signature of Terminated
Employee/Retiree/Beneficiary _____ Date _____

Address of Terminated
Employee/Retiree/Beneficiary _____
(Street / P.O. Box Number)

_____
(City, State, Zip Code)

Telephone Number (_____)_____

To Be Completed By Depository Bank (Please Print):

This authorization and direction is acceptable to the depository bank and the depository bank agrees to accept the funds for deposit. In consideration of such deposits by the Wells Fargo as disbursing agent, the depository bank further agrees to refund any payment amounts received, in accordance with this authorization, that were paid subsequent to the death of the retiree/beneficiary or which were paid in error. The liability of the depository bank is limited to the funds available in the retiree/beneficiary's account at the time the disbursing agent request's a refund.

Name of Depository Bank: _____

Address of Depository Bank: _____
(Street / P.O. Box Number)

_____
(City, State, Zip Code)

Account Number: _____ Account Type: _____

Account Title: _____

Depository Bank ABA Routing No. and Check Digit: _____

ACH Affiliated: Yes ____ No ____

Telephone Number (_____)_____

Authorized Signature of Depository Bank Representative: _____

Title: _____ Date: _____

Return with completed forms to:

County of San Diego Treasurer-Tax Collector, Deferred Compensation, 1600 Pacific Hwy, Room 102
San Diego, CA 92101 Phone: (619) 531-5454 Fax: (619) 531-4937

County of San Diego Terminal Pay Retirement Program
Irrevocable Consent to Distribution to Non-Spouse Beneficiary

I, _____, am the spouse of, _____,

Spouse's Name *Participant's Name*

a participant in the County of San Diego Terminal Pay Retirement Program (comprised of the County of San Diego Defined Benefit Pension Plan and the County of San Diego Defined Contribution Savings Plan) (collectively and individually referred to as "Plan"). I hereby irrevocably waive my rights as a beneficiary of the benefits due to _____ under

Participant's Name

the terms of the Plan. I understand the beneficiary is _____.

Beneficiary's Name

If another beneficiary is named, this waiver shall become ineffective and another waiver naming such other beneficiary shall be required for me to waive my rights as beneficiary under the Plan.

_____
Signature of Spouse

_____
Printed Name

_____
Date

NOTARY PUBLIC CERTIFICATION IS REQUIRED

_____ _____
Notary Signature Date

COUNTY OF SAN DIEGO
TERMINAL PAY PLAN (SHERIFF/SHERIFF MANAGEMENT – DS/SM)

ARE YOU RETIRING OR LEAVING THE COUNTY?
DO YOU HAVE ACCRUED VACATION OR SICK TIME?

THE TERMINAL PAY PLAN CAN HELP REDUCE TAXES ON YOUR FINAL PAYOUT.

If you are at least 50 years of age, and are Sheriff/Sheriff Management (DS/SM) the Terminal Pay Plan ("TPP") makes a very favorable change in the way your final payments for accrued vacation and sick time are taxed.

In the past, the value of your accrued vacation and sick leave would have been paid in cash.You then had to pay taxes on the full amount. For some, these taxes included FICA taxes (Social Security and Medicare) up to 7.65%, as well as state and federal income taxes at the rates applicable to your income level.

With the TPP you will **not** pay any FICA taxes on the final payment for your accrued vacation and sick time. You also have the option of deferring income tax on some or all of your payment by electing a direct rollover into your established County of San Diego Deferred Compensation 457 or 401(a) account, or to an IRA or qualified employer plan that will accept it.

HERE'S HOW THE TERMINAL PAY PLAN WORKS:

- First, you must be at least 50 years old and are Sheriff/Sheriff Management (DS/SM) to be eligible.
- Next, the value of your accrued sick and vacation time is determined by Payroll.
- Now, you must elect what you want to do with your distribution. You will do this on the TPP Request Form provided by your payroll clerk. Your choices are:

Election❶ Elect all cash (cash distributions are subject to mandatory 20% federal tax withholding and a California state tax withholding of 10% of the amount of federal withholding computed). You may elect to have no state withholding or an amount other than the standard calculation by completing Form DE-4P. The State of California will assess a 2.5% penalty fee if you elect cash and are under 55 years old. This penalty will be collected when you do your taxes for the year.

Election❷ Elect to rollover the entire amount to a Deferred Compensation Plan or IRA. You can choose:

a) The San Diego 457 Deferred Compensation Plan if you are already participating
b) The San Diego County 401(a) Incentive Retirement Deferred Compensation Plan if you are already participating
c) A traditional IRA (or another qualified employer plan that will accept it)

Election ❸ Elect a partial rollover as described above, with the remainder as a lump sum cash payment.

Election ❹ Elect to receive installment payments over 60 months (without interest).

- Finally, sign and date the forms, and return them to the San Diego County Treasurer-Tax Collector, TPP Administrator, 1600 Pacific Highway, Room 102, San Diego, CA 92101. Payments made to you or on your behalf will come from the Plan Trustee, Wells Fargo.

CONTACT DEFERRED COMPENSATION AT (619) 531-5454 FOR MORE INFORMATION.

INSTRUCTIONS FOR THE COUNTY OF SAN DIEGO TERMINAL PAY PLAN REQUEST FORM

IMPORTANT: YOU MUST COMPLETE AND SUBMIT THE TERMINAL PAY PLAN REQUEST FORM AND OTHER APPLICABLE FORMS PROMPTLY IN ORDER FOR YOUR FINAL PAYMENT TO BE DISTRIBUTED. THE PROCESS TAKES 6~8 WEEKS FROM THE DATE YOU HAVE RETIRED OR SEPERATED FROM COUNTY SERVICE TO COMPLETE.

A. Participant Information

Please include all information. The mailing address should be the address where you will receive correspondence after your retirement.

B. Attach SDCERA Documents

Please submit copies of:

(1) Your San Diego County Employees Retirement Association (SDCERA) Service Retirement-Calculation Summary Election Estimate; and

(2) The page from your completed Application for Service Retirement that shows your benefit selection.

C. Beneficiary/Beneficiaries

Please designate your beneficiary /beneficiaries under the Program. If you are married and want to designate a beneficiary other than your spouse, your spouse must complete the *Irrevocable Consent to Distribution to Non-Spouse Beneficiary* form and have it notarized.

Unless you elect otherwise, your spouse will be your beneficiary. If you are not survived by a spouse but are survived by your child(ren), your surviving child(ren) will receive your benefits under the Program. If you are not survived by a spouse or child(ren), your benefits will be distributed to your probate estate.

D. Payment Methods

You may direct that your payment be (1) a lump sum cash payment; (2) a direct rollover of the entire amount; (3) a partial rollover with the remainder balance as a lump sum cash payment; or (4) installment payments over 60 months (without interest). Please specify in whole percentages how you want your payment to be distributed.

Cash distributions from this plan are subject to mandatory 20% federal tax withholding and a state withholding of 10% of the amount of federal withholding unless you elect to have no state withholding or an amount other than the standard withholding calculated by completing form DE-4P (See Part D).
The State of California will assess a 2.5% penalty fee if you elect cash and are under 55 years old. This penalty will be collected when you do your taxes for the year.

In the case where you elect to roll your payment into your established County of San Diego Deferred Compensation Account (457 or 401(a) Plan) an IRA account or to another qualified employer plan that will accept it, the check will be sent directly to your plan provider.

If you want your payment to be direct deposited to your bank or credit union, please complete the *Authorization for Direct Deposit of Retirement Benefits* form, and submit the completed form with the Terminal Pay Plan Request Form.

E. Participant Authorization

Please sign and date the forms, attach the *Authorization for Direct Deposit of Retirement Benefits* and/or *Irrevocable Consent to Distribution to Non-Spouse Beneficiary* if applicable, and return the originals to:

San Diego County Treasurer-Tax Collector
Deferred Compensation Division
TPP Administrator
1600 Pacific Highway, Room 102
San Diego, CA. 92101

Tel.: (619) 531- 5454
Fax: (619) 531- 4937

Note: The Treasurer-Tax Collector will process your request and any payments made to you or on your behalf will come from the Plan Trustee, Wells Fargo.

If you have any questions, or need assistance, please contact Deferred Compensation at (619) 531-5454.

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

The accompanying notice is for informational purposes only. This notice is not intended to be tax advice and should not be relied upon in preparation of a tax return. Participants should consult with a competent tax advisor or the IRS to determine how their own circumstances are affected. This notice is provided to you by the TPP Administrator because all or part of the payment that you will soon receive from the Terminal Pay Plan ("Plan") may be eligible for rollover by you or your TPP Administrator to a traditional IRA or another qualified employer plan that will accept it. A "traditional IRA" does not include a Roth IRA, SIMPLE IRA, or education IRA.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover:
(1) Certain payments can be made directly to a traditional IRA or, if you choose, another qualified employer plan that will accept it **("DIRECT ROLLOVER")**, or
(2) The payment can be **PAID TO YOU**.

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 to your traditional IRA or, if you choose, to another qualified employer plan that accepts your rollover. The check will be mailed to you (except in the case of a rollover to an existing County of San Diego Deferred Compensation 457 or 401(a) account) and you will then send the check directly to the financial institution or qualified employer plan. Your Plan payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or an education IRA because these are not traditional IRAs.
- Your payment will be taxed later 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 only 80% of the payment (or less if California State withholding is taken), as the TPP Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes. In addition, the TPP Administrator is required to withhold 10% of the amount of federal withholding computed pursuant to Section 3405 of the Internal Revenue Code and send it to the State of California as withholding UNLESS YOU SIGN A FORM (ATTACHED FORM DE 4P) INDICATING YOU DO NOT WANT STATE WITHHOLDING TAKEN FROM THE PAYMENT OR THAT YOU WANT SOME AMOUNT OTHER THAN STANDARD STATE WITHHOLDING TO BE CALCULATED. IT IS NOT POSSIBLE TO REDUCE OR ELIMINATE THE 20% FEDERAL WITHHOLDING. If you choose not to pay California withholding you will receive 80% of the payment. The State of California will assess a 2.5% penalty fee if you elect cash and are under 55 years old. This penalty will be collected when you do your taxes for the year.
- Your payment will be taxed in the current year unless you roll it over.
- You can rollover the payment by paying it to your traditional IRA or to another qualified employer plan that accepts your rollover if you do so 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 choose to have the payment sent to you, and then decide to rollover the payment to a traditional IRA or another qualified employer plan, you must find other money to replace the 20% federal income tax withheld, or amount withheld by the state if you also choose to have California State tax withheld from the payment. If you rollover only the 80% that you received (or a lesser amount if California State tax is also withheld), you will be taxed on the amount that was withheld and that is not rolled over.

If you have additional questions regarding this information, please contact:

The County of San Diego Treasurer-Tax Collector
Deferred Compensation Division
TPP Administrator
1600 Pacific Highway
San Diego, CA. 92101
Phone: (619) 531-5454
Fax: (619) 531-4937

MORE INFORMATION

PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER, DIRECT ROLLOVER, PAYMENT PAID TO YOU, 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 another employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or an education IRA. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

The following types of payments cannot be rolled over:

Non-taxable Payments. In general, only the "taxable portion" of your payment can be rolled over. If you have made "after- tax" employee contributions to the Plan, these contributions will be non- taxable when they are paid to you, and they cannot be rolled over.

Payments Spread over Long Periods. You cannot rollover 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

- your lifetime (or your life expectancy), or
- your lifetime and your beneficiary's lifetime (or life expectancies), or
- a period of ten years or more.

Required Minimum Payments. Beginning when you reach age 70½ or retire, 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. Special rules apply if you own 5% or more of your employer.

II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a payment of the amount of your Plan benefits 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 for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or qualified employer plan. In addition, no income tax withholding is required for any portion of your Plan benefits for which you choose a DIRECT ROLLOVER. Your Plan payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or an education IRA because these are not traditional IRAs.

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 rollover between IRAs).

DIRECT ROLLOVER to a Plan. If you belong to a qualified employer plan, a 403(b), or a governmental 457 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 other plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA.

DIRECT ROLLOVER of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA or another qualified employer plan that will accept it, and it is paid in a series for less than ten years, your choice to make or not make 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.

III. PAYMENT PAID TO YOU

If your payment can be rolled over under Part I above and the payment is made to you in cash, it is subject to 20%federal income tax withholding. It is also subject to California state tax withholding equivalent to 10% of the amount of federal withholding computed pursuant to Section 3405 of the Internal Revenue Code. However, you may elect not to have the California withholding taken out from your payments, or to have some amount other than the standard withholding calculated by completing Form DE-4P. The State of California will assess a 2.5% penalty fee if you elect cash and are under 55 years old. This penalty will be collected when you do your taxes for the year. The federal tax is mandatory and may not be waived. 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

Federal and State Tax Withholding

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of that amount for federal tax withholding. This amount is sent to the IRS as income tax withholding. In addition, the Plan is required to withhold 10% of the amount of federal withholding computed for California tax withholding pursuant to Section 3405 of the Internal Revenue Code. However, you may elect not to have the California withholding taken out from your payments, or to have some amount other than the standard withholding calculated by completing Form DE-4P that will be supplied to you by the Plan Administrator.

For example, if you can rollover a payment of $10,000, only $7,800 will be paid to you because the Plan must withhold $2,000 as income tax for federal withholding and $200 for state withholding. However, when you prepare your income tax return for the year, you must report the full $10,000 as a payment from the Plan. You must report the $2,000 as federal tax withheld, and it will be credited against any income tax you owe for the year and you must report $200 as California state income tax and it will be credited against any income tax you owe for the year. If you elect not to have any state tax withheld you will receive $8,000, **the federal tax withholding may not be waived**.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to rollover 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 IRA or another qualified 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 rollover up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% that was withheld, or a further lesser amount assuming you decide to have the California state withholding apply. If you choose to rollover 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% (or a lesser amount) that was withheld. On the other hand, if you elect not to pay California state withholding and if you rollover 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 elect not to have California withholding taken out. 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 rollover the entire $10,000 to a traditional IRA or a qualified employer plan. To do this, you rollover 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 the qualified employer plan. If you rollover 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 rollover only $8,000, the $2,000 you did not rollover is taxed 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.

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) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax. The state of California will assess a 2.5% penalty fee if you elect cash and are under 55 years old. This penalty will be collected when you do your taxes for the year.

In general, the rules summarized above 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. 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 to a traditional IRA 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 rollover 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.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice is not intended to be tax advice and should not be relied upon in preparation of a tax return. Participants should consult with a competent tax advisor or the IRS to determine how their own circumstances are affected. This notice is for general information purposes and summarizes only the federal and state 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.** Also, you can find more specific information on 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 or by calling 1-800-TAX-FORMS.