

## **DISTRIBUTION NOTICE FOR PENSION REFUNDS**

This notice contains important information you will need before you decide how to receive your distribution (pension refund) from the City of Atlanta Firefighters', Police Officers' or General Employees' Pension Fund.

A distribution from the plan that is eligible for rollover can be taken in two ways. You can have all or a portion of your payment either **(1) paid in a direct rollover** or **(2) paid to you**. A rollover is a payment of your plan benefits to your individual retirement arrangement (IRA) or to another plan. This choice will affect the tax you owe.

### **If you choose a Direct Rollover:**

- Your distribution will not be taxed in the current year and no income tax will be withheld.
- Your distribution will be made directly to your IRA or, if you choose another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the (IRA) or to another employer plan. This choice will affect the tax you owe.

### **If you choose to have the Distribution paid to you:**

- You will receive only 80% of the distribution because the plan administrator is required by federal law to withhold 20% of the distribution and send it to the IRS as income tax withholding to be credited against your taxes.
- Your distribution will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, If you receive the payment before you are age 55, you also may have to pay an additional 10% tax.
- You can roll over the distribution by paying it to your IRA or another employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to rollover 100% of the payment to an IRA of an employer plan, you must find other money to replace the 20% that was withheld and that is not rolled over.

## **PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER**

Payments from the plan may be “eligible” for rollover distributions. This means that they can be rolled over to an IRA or another employer plan that accepts rollovers. In general only the taxable portion of your distribution is an eligible rollover. Some employee contributions to the City of Atlanta pension plans may have been made on an “after-tax” basis. Since tax has already been paid on these contributions, they will be non-taxable when they are paid to you and they cannot be rolled over. Interest paid to you on your pension contributions as well as any contributions which you have made to the pension fund which have not been previously taxed are eligible for rollover.

### **DIRECT ROLLOVER**

You can choose a direct rollover of the taxable amount due you when you received a pension refund provided the taxable amount is at least \$200. Further, you can elect to have a portion of the taxable amount paid to you and the remainder rolled over into an IRA or another employer plan that accepts rollovers, provided that the amount rolled over is at least \$500. If you choose a direct rollover, you are not taxed on the amount rolled over until you later take it out of the IRA or the employer plan.

Direct Rollover to an IRA. You can open an IRA to receive a direct rollover. (The term “IRA,” as used in this notice, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payments made directly to an IRA, contact the IRA sponsor to find out how to have your payments made in 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 payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or part of your payment to another IRA at a later date, without penalties or other limitations.