



# Withdrawing Your Retirement Service Credit and Contributions



Please print or type in black ink.  
Please do not staple pages.

No erasures, strikeovers, or white-outs permitted in Sections C through F.

## Section A. Tell us about yourself.

FIRST NAME	MI	LAST NAME		SUFFIX
MAILING ADDRESS				SSN
CITY	STATE	ZIP CODE	TELEPHONE NO.	MEMBER ID
E-MAIL ADDRESS				DATE OF BIRTH

If you withdraw your contributions (receive a refund), you will forfeit all rights to your retirement service credit and any pending or accrued benefits, including any state-paid health coverage, if applicable, provided by the Retirement System and/or the Disability Income Plan of North Carolina. If you have 5 or more years of retirement service credit, you *may* be forfeiting a vested right to apply for monthly retirement benefits as soon as your age qualifies you. See Guide B for more information about the benefits you will forfeit if you receive a refund.

You are not eligible to receive a refund if you are currently:

- A contributing member of the retirement system selected in Section B of this form.
- Receiving Worker's Compensation benefits and have not resigned (left) employment.
- Receiving benefits through the Disability Income Plan of North Carolina.

What is or was your effective resignation or termination date?

**This form can be submitted immediately after your last day. As required by law, sixty days after your effective resignation or termination date, if your paperwork has been submitted, approved and processed, your contributions will be refunded to you.**

## Section B. Please check the retirement system from which to withdraw contributions and service.

If more than one, you must fill out a separate form for each retirement system account.

Teachers' and State Employees' Retirement System

Consolidated Judicial Retirement System

Local Governmental Employees' Retirement System

Legislative Retirement System

## Section C. Please review and choose the tax withholdings on any refunded contributions.

1a I want the entire amount paid to me.

- I understand that federal laws require the Retirement System to withhold 20% of the taxable portion of withdrawn contributions for federal income taxes. I understand that additional federal taxes may also apply to this refund of contributions.
- If I am a resident of North Carolina, I understand that North Carolina income tax laws generally require the Retirement System to withhold 4% of the remaining taxable portion. However, per the Bailey Class Action Settlement, no North Carolina income tax will be withheld if the member maintained five (5) or more years of creditable service in the Retirement System as of August 12, 1989. The Retirement System is unable to withhold income tax for other states.
- If I am not a resident of North Carolina, I understand I have a choice to have North Carolina income taxes withheld by the applicable formula, described above, by checking the YES box below.

If you are not a resident of North Carolina, do you want **North Carolina income tax** withheld?  YES  No

**If you checked number 1a above, skip to Section E.**

1b I want all or part of my distribution directly rolled over to my eligible IRA or other eligible employer plan. I will complete my rollover information in Section D.

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**Section D. If you chose a rollover, please complete the information below.**

(If you are having the entire amount paid to you, skip to Section E.)

**2 How do you choose to treat your rollover?**

You may roll over eligible contributions to an eligible IRA or other eligible employer plan(s).

**2a I want the entire taxable portion directly rolled over.**

I will name my rollover plan in number 3 below and submit a rollover acceptance letter with this application (see Guide D). I understand that if there is a previously taxed portion, it will be paid to me unless I elect to roll over the previously taxed amount in number 4 below.

**2b I want only part of the taxable portion of my payment directly rolled over, and the remainder of the taxable portion paid to me.**

I will name my rollover plan in number 3 below and submit a rollover acceptance letter with this application (see Guide D). I understand that if there is a previously taxed portion, it will be paid to me unless I elect to roll over the previously taxed amount in number 4 below. Please see Guide E for special rules regarding the tax consequence of not rolling over the entire taxable portion of your distribution.

If you only want part of the taxable portion rolled over, what is the dollar amount of the taxable portion you want to roll over?

\$

I understand that the Retirement System must withhold taxes according to federal and state laws described above and in the Guides on the portion paid directly to me. If you are not a resident of North Carolina, do you want North Carolina income tax withheld?

Yes  No

**3 If you choose to roll over any part of the taxable portion of your payment, what is the name of your rollover plan for the taxable portion of your payment?**

What type of plan did you list above? (check one)

Roth IRA  Traditional IRA  Eligible Employer Plan

If you choose to roll over any taxable portion of your payment to a Roth IRA, please see Guide G for information on federal taxes you may owe.

**4 If there are previously taxed contributions, I want to roll over the previously taxed portion of my payment to my rollover plan listed below.**

I will name my rollover plan below and submit a rollover acceptance letter with this application (see Guide A).

What is the name of your rollover plan for the previously taxed portion of your payment?

What type of plan did you list above? (check one)

Roth IRA  Traditional IRA  Eligible Employer Plan

**Please continue to the next page.**

MEMBER LAST NAME	MEMBER SSN
<input type="text"/>	<input type="text"/>

**Section E. Please authorize with your signature.**

I certify the following:

- ✓ I have read, or had read to me, the information contained in this application, including the Special Federal **Tax Notice (Guide E)**;
- ✓ I am not now employed in a job requiring me to make contributions to the Retirement System, and **if I should become reemployed** in such a job before I receive my refund, I will notify the Retirement System to **cancel this application**;
- ✓ I am not currently receiving any Workers' Compensation benefits;
- ✓ I am not currently receiving any disability benefits from the Disability Income Plan of North Carolina;
- ✓ I understand that my refund cannot be paid until this application has been completed, and all necessary **information has been received**;
- ✓ I understand that it is my responsibility to notify the Retirement System of any address changes, and failing **to do so might cancel or delay my refund**;
- ✓ I certify by my signature that I have completed the applicable sections on pages 1, 2, and 3 of this form; and
- ✓ **I understand that upon receiving my refund, I forfeit all rights to my retirement service credit and any pending or accrued benefits, including any state-paid health coverage, if applicable, provided by the Retirement System and/or Disability Income Plan of North Carolina.**

Signature \_\_\_\_\_ Date \_\_\_\_\_

**By law, NO refund checks can be issued until 60 days after your effective date of termination**

**Section F. Please have this form notarized. Improperly notarized forms will not be accepted.**

**Notary Public Certification**

State of \_\_\_\_\_ County of \_\_\_\_\_

I, \_\_\_\_\_, a notary public for said State and County,

do hereby certify that \_\_\_\_\_ personally appeared

INK SEAL  
HERE

before me this date and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

My commission expires \_\_\_\_\_

**Signature of Notary** \_\_\_\_\_

**Section G. Have your employer complete this section if the circumstance below is applicable.**

Employer, please complete this section if the employee terminated employment within three months prior to the application date.

- What was the effective date of the employee's termination?

**Employer Certification:** I hereby certify that the information provided about the employee named in Section A is true and correct to the best of my knowledge, and that this employee is now not employed, nor is under contract for employment in a job that requires membership in the Retirement System.

**Employer Contact's Signature** \_\_\_\_\_ Date \_\_\_\_\_

CONTACT FIRST NAME	CONTACT LAST NAME	POSITION TITLE	
EMPLOYER/AGENCY			UNIT NO.
E-MAIL ADDRESS		TELEPHONE NO.	FAX NO.

**Section H. Please submit this form by mail or fax.**

You may mail this form to the address below, or you may fax this form to (919) 855-5800.

**Thank you.**

**N.C. Department of State Treasurer, Retirement Systems Division**  
3200 Atlantic Avenue, Raleigh, North Carolina 27604  
1-877-NCSECURE (1-877-627-3287) toll-free  
www.myncretirement.com

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MEMBER LAST NAME	MEMBER SSN
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*Information on this form is subject to and governed by federal law and by the General Statutes of the State of North Carolina.*

## Guide A. When is a refund available to me? What is the process?

As a member of a Retirement System, 6% of your pay has been withheld as contributions to the Retirement System. A refund of these contributions is available to you **60 days** after your effective date of resignation or termination.

**The sixty-day waiting period is required by the General Statutes of North Carolina.**

If you are receiving Workers' Compensation benefits and have not terminated employment, or you are receiving benefits through the Disability Income Plan of North Carolina, then you are not eligible to withdraw your contributions (receive a refund).

Your refund may be delayed if:

- You change addresses and do not inform us
- Your last employer in the Retirement System does not report your final earnings
- You do not complete this form properly
- You do not provide additional documents which may be

necessary if you wish to rollover your contributions.

When we have received your Form 5, we will send you a letter that gives you notification that we are processing your refund. The stub of the check you receive will disclose the amount of the refund reported for federal and North Carolina income tax purposes. By January 31 of the following year, the Retirement Systems Division will mail you a 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, which will also show the following:

- the gross distribution
- the taxable amount
- the federal income tax withheld
- the non-taxable amount, and
- the State of North Carolina income tax withheld,

If you change your address after you have received your refund, but do not notify the Retirement Systems Division, this vital tax document may be delayed when sent to you.

## Guide B. What benefits will I forfeit if I withdraw my contributions?

**You will forfeit all rights to your retirement service credit and any pending or accrued benefits, including any state-paid health coverage, if applicable, provided by the Retirement System and/or the Disability Income Plan of North Carolina, upon receiving your refund.**

If you choose to proceed with your refund, you are forfeiting any future benefits.

• If you have 5 or more years of retirement service credit, you **may** be eligible to apply for monthly retirement benefits as soon as your age qualifies you, provided you do not withdraw your contributions. Please contact our office for assistance in determining your eligibility for monthly benefits.

- You are forfeiting any benefit for any beneficiaries.
- If your Retirement System offers individual paid health coverage to retirees receiving monthly benefits, you are forfeiting that benefit as well.
- Under current law, your contributions will be credited with 4% interest compounded annually, regardless of your number of years of eligible retirement service credit, provided you do not withdraw your contributions.

• If you currently have less than 5 years of eligible retirement service credit, provided you do not withdraw your contributions, you will:

- o Maintain your retirement contributions and service,
- o Continue to receive interest on your contributions at the rate

of 4% compounded annually, and

o If you later return to eligible retirement system membership employment, you will continue to add to your retirement service credit.

• If you are specifically forfeiting extended short-term or long-term disability benefits, you will be asked to sign a waiver letter to confirm that you understand that you are forfeiting those benefits as well (if you are receiving short-term disability benefits, you are not eligible for a refund).

If you again become employed with an employer who participates in one of North Carolina's retirement systems, you may be interested in purchasing your service and contributions that you are withdrawing when you receive this refund. However, you will not be eligible to purchase withdrawn service until you return to service and contribute to a retirement system for another 5 years. Even if you are eligible to purchase the service, you may find the cost of the purchase to be prohibitive and dramatically higher than the refund you are about to receive. The cost of such purchases is determined by statutes enacted by the North Carolina General Assembly.

If you proceed with this refund, you will be withdrawing your retirement service credit, as well as your retirement contributions. You will no longer be eligible for a monthly retirement benefit (or health insurance, if applicable) from this system.

## Guide C. How is the amount of my refund calculated?

**Gross refund.** The amount of your refund is the amount of contributions and interest you have in the Retirement System. Interest on your contributions, which is calculated at the rate of 4% compounded annually on your prior year ending balance,

is included in your refund.

**Previously taxed contributions.** Any previously taxed contributions will not be taxed if they are paid to you. Any

**Please continue to the next page.**

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## Guide C. (Continued)

contributions made to the Retirement System prior to the following dates were previously taxed:

- Teachers' and State Employees' Retirement System: July 1, 1982
- Local Governmental Employees' Retirement System: varies, depending upon your employer. See your employer for details.
- Consolidated Judicial Retirement System: August 1, 1983
- Legislative Retirement System: November 1, 1986

**Federal tax.** The Retirement Systems Division will withhold 20% of the taxable amount for federal income tax if your refund is paid directly to you.

**North Carolina tax for residents.** If you had five or more years of maintained creditable service in the Retirement System as of August 12, 1989, your refund is completely exempt from North Carolina income tax. Otherwise, if you are a resident of North Carolina, or if you chose to have North Carolina taxes withheld, the Retirement System will withhold

4% of the taxable amount. Be aware that properly estimated tax withholdings do not ensure that the withholdings were sufficient to avoid penalty. For further information regarding penalties for failure to properly pay your income tax, please contact the North Carolina Department of Revenue.

**Rollover.** However, you can avoid paying income taxes by rolling over your refund to a traditional IRA (individual retirement account) or other eligible employer plan. See Guide D. The Retirement System will withhold no income taxes on the part of your refund that you roll over. By rolling over your refund, you may also avoid an additional penalty assessed by the Internal Revenue Service for withdrawing your retirement contributions at too young an age. Please see Guides E, F, and G, or contact the Internal Revenue Service and the Department of Revenue, or seek advice from a tax consultant on possible penalties.

## Guide D. How do I roll over my refund?

You may roll over your refund to an eligible individual retirement account (IRA) or other eligible employer plan. See Guides E through G for more information on eligible accounts. The NC 401k plan and the NC Public Employee Deferred Compensation Plan (457(b) plan) offered to public employees in North Carolina are eligible plans.

If you choose to proceed with a rollover, please advise your plan administrator that our plan is a 401(a) defined benefit plan under the Internal Revenue Code.

You must also provide the Retirement Systems Division with a letter from your financial institution that manages your eligible plan. This letter should accompany this form. The purpose of

this letter is to ensure the Division that the institution will accept the rollover of your refund (financial institutions are not legally required to accept roll-overs of refunds). This letter must meet the following requirements:

- Be from the financial institution (on its letterhead)
- Give your name and your account number of the eligible IRA or employer plan
- Give the type of retirement plan, such as IRA or other qualified employer plan
- Clearly state that the institution will accept a rollover
- Clearly state how to make the check payable
- Have an authorized signature of an agent of the institution.

## Guide E. Special Federal Tax Notice Regarding Refunded Retirement Contributions

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

### Summary of Federal Tax Rules

A payment from the Retirement System that is eligible for rollover can be taken in two ways. You can have *all or any portion* of the payment either (1) paid in a **direct rollover** or (2) paid **to you** in a lump sum distribution. This choice will affect the tax you owe. A *rollover* is a payment of the accumulated employee contributions either to an eligible IRA or to an eligible employer plan.

**Eligible IRA or Other Employer Retirement Plan:** An "eligible IRA" includes a traditional IRA and a Roth IRA; it does **NOT** include a SIMPLE IRA, Education IRA, or Coverdell

Education Savings Account (formerly known as an education IRA). Eligible distributions from the Retirement System may be rolled over to a traditional IRA or a Roth IRA. See Guide G, Special Rules Applicable for Rollovers to a Roth 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 or money purchase plan; a Section 403(a) annuity; a Section 403(b) tax sheltered annuity; and an eligible Section 457(b) deferred compensation plan maintained by a governmental employer.

**If you choose a direct rollover to a traditional IRA or eligible employer retirement plan:**

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly payable to an eligible IRA or eligible employer plan that accepts your rollover.

Please continue to the next page.

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## Guide E. (Continued)

- Your payment will be taxed later when you take it out of the eligible IRA or 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 had received a taxable distribution from the Retirement System.

### If you choose to have the accumulated contributions paid to you:

- The Retirement Systems Division is required to withhold 20% of the taxable portion and send it to the IRS as income tax withholding.
- If you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions on the taxable portion of accumulated contributions from the Retirement System (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over. The 10% additional income tax does not apply to the following payments from the Plan:
  - payments made after you separate from service if you will be at least age 55 in the year of the separation (or if you

are a public safety employee and you are at least age 50 in the year of the separation),

- payments made due to disability (as defined in Internal Revenue Code), or
  - payments after your death.
  - Your payment 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.
  - You can roll over the payment to an eligible IRA or an eligible 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 eligible IRA or eligible employer plan.
    - Within this 60-day period, if you want to roll over 100% of the payment to an eligible IRA or eligible employer plan, *you must find other money to replace the amount that was withheld.*
- If you roll over only the portion that you receive, you will be taxed on the amount that was withheld and not rolled over.

**If you choose to have your distribution rolled over to a Roth IRA, see Guide G below for special rules.**

## Guide F. Special Federal Tax Notice - Rollovers and Payments to You

### I. General Information about Rollovers

Payments from the Retirement System may be “eligible rollover distributions”. This means you may roll over the payment to an eligible IRA (an individual retirement account or individual retirement annuity) or to an eligible employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the eligible IRA or eligible employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs). Further, the amount rolled over will become subject to the tax rules that apply to that IRA or employer plan.

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

*Direct Rollovers*  
*General.* You can choose a direct rollover of all or any portion of your payment that is an eligible rollover distribution, as described above. In a direct rollover, the eligible distribution from the Retirement System is made directly payable to an eligible IRA or eligible employer plan that accepts rollovers. If you choose a direct rollover to a traditional IRA or eligible employer plan, you are not taxed on a payment until you later take it out of the eligible IRA or eligible employer plan.

See Guide G below for special rules applicable to rollovers to a Roth IRA.

*Direct Rollover to an eligible IRA.* You can open an eligible IRA to receive the direct rollover. If you choose to have your payment made directly to an eligible IRA, contact an eligible IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an eligible IRA at that institution.

See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional eligible IRAs (including limits on how often you can roll over between IRAs).

*Direct Rollover to a Plan.* If you are employed by an 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 employer plan does not accept a rollover, you can choose a Direct Rollover to an eligible 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.

*Sixty-Day Rollover Option.*

If you have your payment paid to you, you can still decide to roll over all of the taxable portion or part of it to an eligible IRA or eligible employer plan that accepts rollovers. If you decide

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## Guide F. (Continued)

to roll over, you must make the rollover within 60 days after you receive that payment. The portion of your payment that is rolled over will not be taxed until you take it out of the eligible IRA or eligible employer plan. You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 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 eligible IRA or eligible employer plan to replace the amount that was withheld. On the other hand, if you roll over only the portion that you receive, you must report as income for the distribution year the amount that was withheld.

If you miss the 60-day rollover deadline:

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, 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:

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

**Required Minimum Payments.** Beginning in the year you reach age 70 1/2, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you under Internal Revenue Service regulations.

## II. Special Rules and Options

**After-tax Contributions.** Any after-tax contributions (previously taxed amounts) made to the Retirement System included in your lump sum payment may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

(a) **Rollover into an eligible IRA.** You can roll over after-tax contributions to an eligible IRA either directly or indirectly within 60 days after you receive payment. If you roll over after-

tax contributions to an eligible IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable 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.

**NOTE:** If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the previously taxed portion is treated as rolled over last. For example, assume you are receiving a distribution which totals \$12,000, of which \$2,000 is non-taxable. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being the non-taxable portion.

(b) **Rollover into an Employer Plan.** You can roll over after-tax contributions included in your lump sum payment from the Retirement System to another employer plan that is qualified under Code section 401(a) or to a section 403(b) annuity plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental 457(b) plan. If you want to roll over 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 a traditional IRA and then roll over that amount into an employer plan.

## III. Federal Taxation on a Payment Paid To You

If you have your payment paid to you, it is subject to 20% income tax withholding on the taxable portion. The payment is taxed in the year you receive it unless within 60 days, you roll it over to an eligible IRA or eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply. See below. Note the following scenarios that may apply to your federal income tax withholding:

**Mandatory Withholding.** If any portion of the payment to you is an eligible distribution, the Retirement Systems Division is required by law to withhold 20% of that amount. This amount is sent to the Internal Revenue Service as federal income tax withholding. For example, if your eligible distribution is \$10,000.00, the Retirement Systems Division must withhold \$2,000.00 as federal income tax. When you prepare your federal income tax return for the year, you will report the full \$10,000.00 as a payment from the Retirement System. You

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## Guide F. (Continued)

will report the \$2,000.00 as tax withheld, and it will be credited against any federal income tax you owe for the year.

**Voluntary Income Tax Withholding.** If any portion of your payment is taxable and is not eligible to be rolled over, the mandatory withholding rules described above do not apply. In this case, you may 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.

If you receive a lump sum that you do not roll over and you were born on or before January 1, 1936, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

## Guide G. Supplement to the Special Federal Tax Notice - Roth IRA Rollovers

### Special Rules Applicable for Rollovers to a Roth IRA

Eligible distributions paid from the Retirement System may be rolled over to a Roth individual retirement account ("Roth IRA") either directly from the Retirement System or within 60 days after you receive the distribution. Please note, an eligible distribution that you wish to roll over to a Roth IRA may only be rolled over directly from the Retirement System to a Roth IRA.

### Inclusion of Distribution in Income

If you elect to roll your distribution over to a Roth IRA, the taxable portion of your distribution will be included in your gross income. However, the distribution will not be subject to the additional 10% tax which may apply on distributions to an active member who terminates employment and voluntarily requests a refund of retirement contributions before age 59 1/2.

### Tax Withholding

If the rollover is made directly from the Retirement System, it will not be subject to the mandatory 20% federal income tax withholding described in the Special Federal Tax Notice. If you elect a direct rollover to a Roth IRA, income tax will not be withheld on your distribution, even though the taxable amount of the distribution will be includable in your gross income as described above. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are insufficient. To avoid owing these penalties, you may wish to consider either paying estimated taxes for the year in which your Roth IRA rollover will be included in income, or increasing the

tax withholding on other income that you receive during that year.

### Eligible Distributions

Your distribution may be rolled over to a Roth IRA only if it would otherwise be eligible to be rolled over to a traditional IRA or another eligible retirement plan. Please refer to Guide F for an explanation of the kinds of distributions that cannot be rolled over.

### Payments from a Roth IRA

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

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

## Guide H. How To Obtain Additional Federal Tax Information

The Special Federal Tax Notice (Guides E, F and G) summarizes only the federal (not State or local) tax rules that might apply to your payment. The rules described above are complex and may be subject to 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 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 publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORMS.

## Thank you.

**N.C. Department of State Treasurer, Retirement Systems Division**  
3200 Atlantic Avenue, Raleigh, North Carolina 27604  
1-877-NCSECURE (1-877-627-3287) toll-free  
[www.myncretirement.com](http://www.myncretirement.com)

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