SPECIAL TAX NOTICE REGARDING PENSION PLAN LUMP SUM PAYMENTS
FROM THE BENEFITS PLAN OF THE PRESBYTERIAN CHURCH (U.S.A.)

This notice explains how you can continue to defer federal income tax or how you can receive favorable federal tax treatment on your lump sum pension benefit payable from the Benefits Plan of the Presbyterian Church (U.S.A.) (the “Pension Plan”) and contains important information you will need before you decide how to receive your Pension Plan benefits. This notice only applies to retirement and survivor’s pension benefits paid under the mandatory cash-out, voluntary cash-out and small pension settlement provisions of the Pension Plan.

This notice is provided to you because all or part of the payment that you will soon receive from the Pension Plan may be eligible for rollover by you to a traditional IRA, Roth IRA or an eligible employer plan. A rollover is a payment by you or the Board of Pensions of all or part of your benefit to another plan or traditional IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment may also be rolled over to a Roth IRA; however, such payment will be fully taxable when distributed from the Pension Plan. 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) plan; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457(b) plan). The Retirement Savings Plan of the Presbyterian Church (U.S.A.) administered by the Board of Pensions is an eligible employer plan.

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer’s 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. A rollover from the Pension Plan will not include after-tax amounts unless you had service as a foreign missionary. If this is the case, and your distribution includes after-tax amounts, you may wish to roll your distribution over to a traditional or Roth IRA or split your rollover amount between the employer plan in which you will participate and a traditional or Roth 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. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you are an ordained minister and roll over your Pension Plan distribution to a plan that is not a church plan sponsored by a denominational church board, your distributions from the other plan will not be eligible for a housing allowance designation.

If you have additional questions after reading this notice, you can contact The Board of Pensions of the Presbyterian Church (U.S.A.), 2000 Market Street, Philadelphia, PA 19103-3298; telephone: 800-PRESPLAN.

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

(1) Certain payments 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 ("DIRECT ROLLOVER"); or
The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the current year (unless it is rolled over to a Roth IRA) and no income tax will be withheld. If your payment is rolled over to a Roth IRA, it is taxable in the year in which it is contributed to the Roth IRA. You may choose to have the Pension Plan withhold income taxes on a payment to a Roth IRA by completing the Board’s “Tax Withholding Election” form, which is available on its Web Site (www.pensions.org).

- You choose whether your payment will be made directly to your traditional or Roth IRA 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.

- If you roll over your payment to a traditional IRA or an eligible employer plan, the taxable portion of your payment will be taxed 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 the Pension Plan.

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

- Any amounts paid to you will be subject to mandatory withholding (as described below).

- The taxable amount of your payment will be taxed in the current year unless you roll it over to a traditional IRA or an eligible employer plan. 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% tax.

- If you are an ordained minister, lay employee, surviving spouse or alternate payee, you can roll over all or part of the payment by paying it to your traditional or Roth IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over to the traditional IRA or eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan. The amount rolled over to a Roth IRA will be taxable in the year in which it is contributed to the Roth IRA.

- If you are a non-spouse beneficiary, you cannot receive a Pension Plan payment and then roll it over. Your only rollover option is a direct rollover to a traditional or Roth IRA.

- If you are an ordained minister, lay employee, spouse or alternate payee and 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 on the 20% that was withheld and that was not rolled over (unless you are an ordained minister and the distribution is used for eligible housing expenses). If you roll over the amount to a Roth IRA, the withheld amount will be used to satisfy the tax due on the total rollover amount for the current year.

Your Right to Waive the 30-Day Notice Period. Generally, neither a DIRECT ROLLOVER nor a payment can be made from the Pension 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 payment directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not
you wish to make a DIRECT ROLLOVER. Your payment will then be processed in accordance with your election as soon as practical after it is received by the Board of Pensions.

More Information

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I. PARTICIPANTS

A. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Only lump sum distributions from the Pension Plan may be “eligible rollover distributions.” Monthly retirement or survivor’s pension benefits are not eligible rollover distributions. This means that only a lump sum distribution can be rolled over to a traditional or Roth IRA or to an eligible employer plan that accepts rollovers. Payments from the Pension Plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. The Board of Pensions can tell you whether your benefits payment is an eligible rollover distribution.

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

1. Rollover into a Traditional or Roth IRA. You can roll over your after-tax contributions to a traditional or Roth IRA either directly or indirectly. You should consult with your tax advisor to determine how much of your payment is the taxable portion and how much is the after-tax portion.

   If you roll over after-tax contributions to a traditional or Roth 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.

   Once you roll over your after-tax contributions to a traditional or Roth IRA, an employer plan may not allow you to roll over such contributions to its plan.

   Typically, payment rollovers from the Pension Plan do not include after-tax amounts. The only possible exception would be credits accrued by foreign missionaries.

2. Rollover into an Employer Plan. You can roll over after-tax contributions from the Pension Plan to another qualified plan (under section 401(a) of the Code) or a section 403(b) tax-sheltered 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 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 Board of Pensions to make a direct rollover on your behalf.
The following types of payments cannot be rolled over:

**Payments Spread Over Long Periods.**

You cannot roll over your monthly retirement or survivor’s pension payments or any other 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 a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

**Required Minimum Distributions.**

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 distribution” that must be paid to you.

**B. DIRECT ROLLOVER**

A DIRECT ROLLOVER is a direct payment of the amount of your Pension Plan benefits to a traditional IRA, Roth 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 A above.

You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER to a traditional IRA or an eligible employer plan until you later take it out of the traditional IRA or eligible employer plan. You are taxed on the taxable portion of your payment that is directly rolled over to a Roth IRA. In addition, no income tax withholding is required for any taxable portion of your Pension Plan benefits for which you choose a DIRECT ROLLOVER, although you may enter into voluntary tax withholding for a DIRECT ROLLOVER to a Roth IRA. To download a copy of the Board’s “Tax Withholding Election” form, go to www.pensions.org and click on “Forms & Publications” on the left hand side.

You must indicate on the appropriate rollover or distribution form provided to you by the Board of Pensions whether your payment will be rolled over to a traditional IRA, a Roth IRA or an eligible employer plan.

1. **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 confirm that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).
2. DIRECT ROLLOVER to a Plan.

If you are employed by a new employer that has an eligible employer plan, and you want to direct your 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 a traditional or Roth 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. If you establish an account in the Retirement Savings Plan of the Presbyterian Church (U.S.A.) prior to retirement, you can roll over your lump sum distribution to the Retirement Savings Plan. If you are an ordained member, the Retirement Savings Plan will designate your retirement distributions as eligible for a housing allowance exclusive from federal income tax.

3. DIRECT ROLLOVER to a Roth IRA.

You can open a Roth IRA to receive the DIRECT ROLLOVER. If you choose to have your payment made directly to a Roth IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a DIRECT ROLLOVER to a Roth IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a Roth IRA to receive the payment. However, in choosing a Roth IRA, you may wish to confirm that the Roth IRA you choose will allow you to move all or a part of your payment to another Roth IRA at a later date, without penalties or other limitations. Keep in mind that if you roll over an amount to a Roth IRA, the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, 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 your 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.

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

See IRS Publication 590, Individual Retirement Arrangements, for more information on Roth IRAs (including limits on how often you can roll over between IRAs, compensation limitation on contributions to Roth IRAs, and the tax treatment of contributions to and distributions from Roth IRAs).

Change in Tax Treatment Resulting from a DIRECT ROLLOVER to a Traditional IRA or Eligible Employer Plan.

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 Pension Plan. For example, if you were born before January 1, 1936, you might be entitled to ten 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(b) plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. You
also should consult with your tax advisor to determine the implications of a DIRECT ROLLOVER on your ability to claim a housing allowance exclusion for such amounts.

C. PAYMENT PAID TO ORDAINED MINISTERS

If your payment is not rolled over, the portion of payment that does not qualify for the housing allowance exclusion is taxed in the year you receive it unless, within 60 days after you receive it, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. You also may elect to roll over your payment to a Roth IRA. 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 and you do not elect to make a DIRECT ROLLOVER, the Pension Plan will 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 $1,000, only $800 will be paid to you because the Pension Plan must withhold $200 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) or the distribution is used for eligible housing expenses, you must report the full $1,000 as a taxable payment from the Pension Plan. You must report the $200 as tax withheld, and it will be credited against any income tax you owe for the year.

**Voluntary Withholding.**

If any portion of your payment is taxable but cannot be rolled over, you may elect not to have withholding apply to that portion. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Board of Pensions for the election form and related information.

**Sixty-Day Rollover Option.**

If you receive a payment that can be rolled over under Part A above, you can still decide to roll over all or part of it to a traditional IRA, to a Roth IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over the payment, you must contribute the amount of the payment you received to a traditional IRA, Roth IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over to a traditional IRA or an eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan. The portion of your payment that is rolled over to a Roth IRA will be taxed in the year in which it is contributed to the Roth IRA.

You can roll over up to 100% of your payment that can be rolled over under Part A above, 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 80% of the taxable portion that you received to a traditional IRA or an eligible employer plan, you will be taxed on the 20% that was withheld unless such amount is used for eligible housing expenses.

See examples under Part D below.

Generally, the 60-day deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under extraordinary circumstances, such as when external events prevent you from
completing 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).

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 or use it for eligible housing or living expenses, 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 eligible for housing allowance, (2) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (3) payments that are paid because you retire due to disability, (4) 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), (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.

Special Tax Treatment For Lump Sum Distributions If You Were Born Before January 1, 1936.

If you receive a payment from the Pension Plan that can be rolled over under Part A and you do not roll it over to a traditional IRA or an eligible employer plan or use it for eligible housing or living expenses, 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 one year, of your entire balance under the Pension 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 five years before the year in which you received the distribution.

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

D. PAYMENT PAID TO LAY EMPLOYEES

If your payment can be rolled over and the payment is made 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 after you receive it, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. You also may elect to roll over your payment to a Roth IRA. If you do not roll it over, special tax rules apply.

Income Tax Withholding:

Mandatory Withholding.

If any portion of your payment can be rolled over and you do not elect to make a DIRECT ROLLOVER, the Pension 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 $1,000, only $800 will be paid to you because the Pension Plan must withhold $200 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 $1,000 as a taxable payment from the
Pension Plan. You must report the $200 as tax withheld, and it will be credited against any income tax you owe for the year.

Voluntary Withholding.

If any portion of your payment is taxable but cannot be rolled over, 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, 10% will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Board of Pensions for the election form and related information.

Sixty-Day Rollover Option.

If you receive a payment that can be rolled over under Part A above, you can still decide to roll over all or part of it to a traditional IRA, to a Roth 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 a traditional IRA, Roth IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over to a traditional IRA or an eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan. The portion of your payment that is rolled over to a Roth IRA will be taxed in the year in which it is contributed to the Roth IRA. If you roll over your payment within the 60-day period, your payment will not be subject to the additional 10% tax described below.

You can roll over up to 100% of your payment that can be rolled over under Part A above, 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 80% of the taxable portion that you received to a traditional IRA or an eligible employer plan, you will be taxed on the 20% that was withheld.

Generally, the 60-day deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under extraordinary circumstances, such as when external events prevent you from completing 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).

Example:

The taxable portion of your payment that can be rolled over under Part A above is $1,000, and you choose to have it paid to you. You will receive $800, and $200 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $800, you may roll over the entire $1,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the $800 you received from the Pension Plan, and you will have to find $200 from other sources (your savings, a loan, etc.). In this case, the entire $1,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire $1,000, you may get a refund of part or all of the $200 withheld when you file your income tax return.

If, on the other hand, you roll over only $800, the $200 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $200 withheld. (However, any refund is likely to be larger if you roll over the entire $1,000.)
If you choose to roll over the payment to a Roth IRA, you may roll over any amount up to the entire $1,000. The entire $1,000, however, will be taxable regardless of whether it is rolled into the Roth IRA or kept by you. Any distribution from the Roth IRA will be subject to the rules for favorable tax treatment for distributions from Roth IRAs.

**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, or (6) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

**Special Tax Treatment For Lump Sum Distributions If You Were Born Before January 1, 1936.**

If you receive a payment from the Pension Plan that can be rolled over under Part A 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 one year, of your entire balance under the Pension 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 five years before the year in which you received the distribution.

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

**II. SURVIVING SPOUSES AND ALTERNATE PAYEES**

If your payment can be rolled over (see Part A), the entire amount of the payment will be taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. The mandatory withholding and sixty-day rollover option rules below 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 Pension 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.

**Mandatory Withholding.**

If any portion of your payment can be rolled over under Part A above, and you are a surviving spouse or a former spouse who is an alternate payee, and you do not elect to make a DIRECT ROLLOVER, the Pension 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 $1,000, only $800 will be paid to you because the Pension Plan must withhold $200 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 $1,000 as a taxable payment from the Pension Plan.
Plan. You must report the $200 as tax withheld, and it will be credited against any income tax you owe for the year.

Sixty-Day Rollover Option.

If you receive a payment that can be rolled over under Part A above, and you are a surviving spouse or a former spouse who is an alternate payee, you can still decide to roll over all or part of it to a traditional IRA, to a Roth IRA or to an eligible employer plan that accepts rollovers. If you elect a rollover, you must contribute the amount of the payment you received to a traditional IRA, Roth IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over to a traditional IRA or an eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan. The portion of your payment that is rolled over to a Roth IRA will be taxed in the year in which it is contributed to the Roth IRA.

You can roll over up to 100% of your payment that can be rolled over under Part A above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find the 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.

Generally, the 60-day deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under extraordinary circumstances, such as when external events prevent you from completing 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).

Example:

The taxable portion of your payment that can be rolled over under Part A above is $1,000, and you choose to have it paid to you. You will receive $800, and $200 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $800, you may roll over the entire $1,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the $800 you received from the Pension Plan, and you will have to find $200 from other sources (your savings, a loan, etc.). In this case, the entire $1,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire $1,000, you may get a refund of part or all of the $200 withheld when you file your income tax return.

If, on the other hand, you roll over only $800, the $200 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $200 withheld. (However, any refund is likely to be larger if you roll over the entire $1,000.)

If you instead choose to roll over the amount to a Roth IRA, you may roll over an amount up to the full $1,000, however, the full $1,000 will be taxable regardless of whether it is rolled into the Roth IRA or kept by you. Any distribution from the Roth IRA will be subject to the rules for favorable tax treatment for distributions from Roth IRAs.

Direct Rollover Option.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part A above, paid in a DIRECT ROLLOVER to a traditional IRA, 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, Roth IRA or to an eligible employer plan. Thus, you have the same choices as the employee.
If you are a surviving spouse or an alternate payee, you may be able to use the special tax treatment for lump sum distributions, as described in Parts C and D above.

**Rollovers to IRAs.**

If you are a surviving spouse and you roll over a payment from the Pension Plan to a traditional IRA, you may treat the IRA as your own or as an inherited IRA. An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Pension Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½.

If you are an alternate payee and you wish to roll over your payment from the Pension Plan to an IRA, you must establish your own IRA with a financial institution or use an existing IRA in your name.

**III. OTHER BENEFICIARIES**

If you are a beneficiary other than a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part A above, paid in a DIRECT ROLLOVER to a traditional or Roth IRA or paid to you. You will have to receive required minimum distributions from an inherited traditional IRA. If you have the payment paid to you, it will be subject to the same mandatory withholding described in Section II above and you cannot roll it over to a traditional IRA, Roth IRA or other employer plan under the 60-day option described above.

If you are a beneficiary other than a surviving spouse or former spouse who is an alternate payee, you may be able to use the special tax treatment for lump sum distributions, as described in Parts C and D above.

**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 above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Board of Pensions or a professional tax advisor before you take a payment of your benefits from the Pension 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, or by calling 1-800-TAX-FORMS.