

RETIREMENT SYSTEM OF THE CITY OF CINCINNATI

APPLICATION OF MEMBER FOR RETURN OF ACCUMULATED CONTRIBUTIONS

Date _____

Active Service No. _____

To the Board of Trustees of the Retirement System of the City of Cincinnati:

I, _____ mailing address _____

PLEASE PRINT

do hereby make application for my accumulated

City _____ State _____ Zip Code _____
contributions to the Retirement System by reason of my (___ resignation ___ dismissal) from my position as:

_____ in the _____ on _____
Job Title _____ Department/Division _____ Date of Separation _____

and I am not now employed by the City of Cincinnati.

CASH DISTRIBUTION

_____ (please check) I want to receive my distribution in a lump sum payment. I understand that the distribution is subject to a mandatory 20% federal withholding tax, which will be deducted.

DIRECT ROLLOVER

If you wish to transfer your qualifying (picked-up) contribution to an IRA or other qualified plan, you must complete this section.

Trustee Name _____

Trustee Address _____
City _____ State _____ Zip Code _____

Account Number _____

DO NOT WRITE IN THIS SPACE FOR
RETIREMENT OFFICE USE ONLY

I understand that the return of my accumulated contributions voids all service credit and my eligibility for benefits from the Retirement System.

Signature _____

DOB _____ Phone Number _____

Social Security # _____

****The Retirement Office is required to notify the Child Support Enforcement Agency of lump sum payments in cases where there is a history of support payments through payroll deduction. If there are any arrearages there may be a court order to forward all or part of the lump sum payment to the appropriate agency.**

TAX NOTICE REGARDING CINCINNATI RETIREMENT SYSTEM (C.R.S.) REFUNDS

This notice, which is required by the Internal Revenue Service, contains important tax information you will need before you decide how to receive your Return of Contributions. Your refund may consist of "picked-up" and "non-picked-up" contributions. "Picked-up" contributions were not subject to income tax at the time of contributions but are subject to federal income tax and withholding at the time of refund. "Non-picked-up" contributions already have been taxed. A payment from CRS that is eligible for "rollover" can be taken in two ways. You can have all of your picked-up contributions either: (1) paid in a "direct rollover," or (2) paid to you. A rollover is a payment of "picked-up" contributions to your individual retirement arrangement (IRA) or to another employer plan. This choice will affect the tax you owe.

Payments That Can And Cannot Be Rolled Over

Retirement System refunds may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. We can tell you what portion of your payment is an eligible rollover distribution. Non-taxable payments cannot be rolled over. In general, only the "taxable portion" (or picked-up contributions) of your refund is an eligible rollover distribution. If you have "non-picked-up" contributions, these contributions are non-taxable when paid to you and they cannot be rolled over. "Non-picked-up" contributions are contributions you made from your own pay that were already taxed.

Direct Rollover

You can choose a direct rollover of all of your refund that is an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is issued directly from CRS to an IRA or another employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on the amount until you later take it out of the IRA or the employer plan. The term "IRA," as used in this notice includes individual retirement accounts and individual retirement annuities.

Direct Rollover to an IRA. You can open an IRA to receive the direct rollover. If you choose to have your picked-up contributions issued directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your picked-up contributions made in a direct rollover to an IRA at that institution. See IRS Publication 590, Individual Retirement Arrangements, for more information on IRA's (including limits on how often you can rollover between IRAs).

Direct Rollover to a Plan. If you are employed by a new employer that has a plan and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. If your new employer's plan does not accept a rollover, you can choose a direct rollover to an IRA.

Payment Paid To You.

If you have the refund made to you and it is more than \$200, it is subject to 20 percent income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules apply.

Mandatory Withholding. If any portion of your refund is an eligible rollover distribution (picked-up contributions), CRS is required by law to withhold 20 percent of that amount. This amount is sent to the IRS as income tax withholding. You can report the withholding as tax withheld and it will be credited against any income tax you owe for the year.

Sixty-Day Rollover Option. If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over your picked-up contributions, you must make the rollover within 60 days after you receive the picked-up contributions. The portion of your picked-up contributions that is rolled over will not be taxed until you take it out of the IRA or the employer plan.

You can roll over up to 100 percent of the eligible rollover distribution, including an amount equal to the 20 percent that was withheld. If you choose to roll over 100 percent, you must find other money within the 60-day period to contribute to the IRA or the employer plan to replace the 20 percent that was withheld. On the other hand, if you roll over only the 80 percent that you received, you will be taxed on the 20 percent that was withheld.

Additional 10 Percent Tax If You Are Under Age 55. If you receive a refund before you reach age 55 and you did not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10 percent of the taxable portion of the refund. The additional 10 percent tax does not apply to your picked-up contributions if it is paid to you because you separate from service with your employer during or after the year you reach age 55. See IRS Form 5329 for more information on the additional 10 percent tax.

Special Tax Treatment. If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it 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 CRS that is payable to you because you have separated from service with your employer. For a refund to qualify as a lump sum distribution you must have been a participant in CRS for at least five years. The special tax treatment for lump sum distributions is described below.

Five-Year Averaging. If you receive a lump sum distribution after you are age 59 1/2, you may be able to make a one-time election to figure the tax on the refund by using "5-year averaging." This averaging often reduces the tax you owe because it treats the payment much as if it were paid over five years.

Ten-Year Averaging If You Were Born Before Jan. 1, 1936. If you receive a lump sum distribution and you were born before Jan. 1, 1936, you can make a one-time election to figure the tax on the refund by using "10-year averaging" (using 1986 tax rates) instead of 5-year averaging (using current tax rates). Like the 5-year averaging rules, 10 year averaging often reduces the tax you owe.

There are other limits on the special tax treatment for lump sum distributions. Additional restrictions are described in IRS Form 4972 which has more information on lump sum distributions and how you elect the special tax treatment.

SUMMARY

If you choose a direct rollover:

1. Your picked-up contributions will not be taxed in the current year and no income tax will be withheld.
2. Your picked-up contributions will be issued directly to your IRA or, if you choose, to another employer plan that accepts your rollover.
3. Your picked-up contributions will be taxed later when you take it out of the IRA or the employer plan.

If you choose to have your refund paid to you:

1. If the taxable portion of your payment is \$200 or more, you will receive only 80 percent of the picked-up contributions because CRS is required to withhold 20 percent of the picked-up contributions and send it to the IRS as income tax withholding to be credited against your taxes.
2. Your picked-up contributions will be taxed in the current year unless you roll them over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive a refund before age 55 you also may have to pay an additional 10 percent tax.
3. You can roll over the picked-up contributions by paying them to your IRA or to another employer plan that accepts your rollover within 60 days of receiving the picked-up contributions. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
4. If you want to roll over 100 percent of the picked-up contributions to an IRA or an employer plan, you must find other money to replace the 20 percent that was withheld. If you roll over only the 80 percent that you received, you will be taxed on the 20 percent that was withheld and that is not rolled over.

This notice summarizes only federal (not state or local) tax rules that might apply to your refund. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. You can find more specific information on the 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.

CONTACT THE IRS OR A TAX ADVISOR FOR ADDITIONAL INFORMATION
CINCINNATI RETIREMENT SYSTEM
801 PLUM ST RM 240
CINCINNATI OH 45202-5705