North Carolina
Retirement Systems

Form 5
Withdrawing Your Retirement Service Credit and Contributions

Print or type in black ink. No erasures, strikeovers or whiteouts permitted. Do not staple pages.

Section A. Tell us about yourself.

☐ **I need to update my address, name and/or Social Security number.**
- If you checked the box, complete section E, F, G and/or H on this form.

First Name	M.I.	Last Name	Suffix

Mailing Address	Date of Birth	SSN

City	State	Zip Code	Phone (At least one phone required)	Mobile (At least one phone required)

Personal Email Address	Member ID

Section B. Indicate the Retirement System from which to withdraw contributions and service.

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 (ex. Short-Term Disability, Extended Short-Term Disability, and Long-Term Disability).

If you are vested with more than 5 years of retirement service credit and withdraw your contributions (receive a refund), you will be forfeiting your potential monthly retirement benefit for yourself, once your age qualifies you, as well as any survivor and/or beneficiary benefits. See Guide B for more information about the benefits you will forfeit if you receive a refund.

If you have any overpayment amount due to the North Carolina Department of State Treasurer, your return of accumulated contributions will be applied to your overpayment before we pay the remaining balance (if any) to you. See Guide C for more information about repayment of an overpayment.

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

- A contributing member of the retirement system selected in this form.
- Receiving Worker's Compensation benefits and have not resigned (left) employment.
- Receiving benefits through the Disability Income Plan of North Carolina.
- Employed with an agency, enrolled in the agency's ORP.

What is or was your effective resignation or termination date?

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 (TSERS)	☐	Consolidated Judicial Retirement System (CJRS)
☐	Local Governmental Employees' Retirement System (LGERS)	☐	Legislative Retirement System (LRS)

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.

Continue to the next page.

Section C. Review and choose the tax withholdings on any refunded contributions.

1. 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 box 1A above, skip to Section I.

☐ **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.**

Section D. If you choose a rollover, complete the information below.

If you are having the entire amount paid to you, skip to Section I.

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 E). 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 E). 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 F 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?

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)

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

☐ Roth IRA ☐ Traditional IRA ☐ Eligible Employer Plan

Continue to the next page.

Section D. If you choose a rollover, complete the information below. (Continued)

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 E).*
	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

Section E. Provide your new address, and/or name.

If you need to update your personal information, please provide your new address below. Send copies of supporting document(s) with this form. At least one phone number is required.

REQUIRED: Effective Date of Change		
Month	Day	Year

First Name	M.I.	Last Name		Suffix
Mailing Address			Date of Birth	SSN
City	State	Zip Code	Phone (At least one phone required)	Mobile (At least one phone required)
Personal Email Address				Member ID

Section F. Address change and verification documents.

We require one of the following verification documents in your name at your new address. This is where payments to you and any rollover institution will be sent. We will also use this address when sending year-end tax documents.

☐	Driver's License (preferred)	☐	Tax Document(s)
☐	Vehicle Registration	☐	Utility Bill (such as gas, electric, water, telephone)
☐	Government-Issued ID	☐	Mortgage Statement

Section G. Name change verification documents.

If you change your legal name from what we have on file for you, you will be required to provide a copy of government-issued proof of legal name. Acceptable forms of identification are:

☐	Driver's License	☐	State-Issued ID
☐	Passport	☐	Social Security Card
☐	Military ID	☐	Not Applicable

Section H. SSN verification documents.

If you need to update your SSN, we require the following:

☐	A copy of your current Social Security card

Continue to the next page.

Section I. You must sign and authorize this form in front of a notary.

I certify the following:

- I understand that if I willfully make false statements on this form I may be punished by fine or imprisonment.
- I have read, or had read to me, the information contained in this application, including the Special Federal Tax Notice (Guide F) and 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;
- 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 (ex. Short-Term Disability, Extended Short-Term Disability, and Long-Term Disability);
- 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 understand that if I have any overpayment amount due to the North Carolina Department of State Treasurer, my refund will be applied to my overpayment before any remaining balance (if any) is paid to me;
- I certify by my signature that I have completed the applicable sections on pages 1 and 2 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 (ex. Short-Term Disability, Extended Short-Term Disability, and Long-Term Disability).

Signature _____ Date _____

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

Member Last Name	Member ID

Section J. Have this form notarized. Improperly notarized forms will not be accepted.

State of _____ County of _____

I, _____, a notary public for said State and County, do hereby certify

that _____ personally appeared before me this date and acknowledge

the due execution of this form. Witness my hand and official seal this the _____ day of

_____, 20 ____. My Commission Expires _____

Signature of Notary _____

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Continue to the next page.

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

Employer, complete this section if the employee terminated employment within two 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.

Signature _____ Date _____

Contact First Name	Contact Last Name	
Employer / Agency	Contact Position Title	
Email Address	Unit Number	Telephone

Member Last Name	Member ID

Submit the completed form by mail or email.

N.C. Department of State Treasurer, Retirement Systems Division
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North Carolina
Retirement Systems

Form 5 Guides
Withdrawing Your Retirement Service Credit and Contributions

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 (ex. Short-Term Disability, Extended Short-Term Disability, and Long-Term Disability), 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 (ex. Short-Term Disability, Extended Short-Term Disability, and Long-Term Disability), 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:
  - Maintain your retirement contributions and service,
  - Continue to receive interest on your contributions at the rate of 4% compounded annually, and
  - 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.

NOTE: The total amount of withdrawn service that a member can purchase may be limited.

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.

These guides are subject to and governed by the General Statutes of the State of North Carolina.

Guide C. Repayment of an overpayment.

If you have any overpayment amount due to the North Carolina Department of State Treasurer, your return of accumulated contributions will be applied to your overpayment before we pay the remaining balance (if any) to you.

The Retirement Systems Division is required by statute to pursue repayment of the full amount of overpayments issued to you. G.S. 143-64.80(b) states: “No State department, agency, or institution, or other State-funded entity may forgive repayment of an overpayment of State funds, but shall have a duty to pursue the repayment of State funds by all lawful means available, including the filing of a civil action in the General Court of Justice.”

One lawful method the Retirement Systems Division may use in recovering an overpayment is to apply all of the return of accumulated contributions toward satisfaction of the overpayment. G.S. 135-9(b) provides: “Notwithstanding any provisions to the contrary, any overpayment of benefits or erroneous payments to a member in a State-administered retirement system or the former Disability Salary Continuation Plan or the Disability Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums or claims paid on behalf of, any member or beneficiary who is later determined to have been ineligible for those benefits or unentitled to those amounts, may be offset against any retirement allowance, return of contributions or any other right accruing under this Chapter to the same person, the person’s estate, or designated beneficiary.”

G.S. 128-31(c) provides: "Notwithstanding any provisions to the contrary, if the member or beneficiary is an employee of an employing unit of the State or any political subdivision of the State, then any overpayment of benefits or erroneous payments to, or on behalf of, the member or beneficiary shall be offset against the net wages of the employee. If a member or beneficiary owes an amount to the Retirement System, has been notified of this amount in writing, and has not entered into a payment plan acceptable to the Retirement System, then the Retirement System shall notify the member or beneficiary's employer of the amount owed.

Upon receipt of this notice from the Retirement System, the employer shall offset the amount owed against not less than ten percent (10%) of the net wages of the member or beneficiary until the Retirement System notifies the employer that the amount owed has been paid in full. The Retirement System's notice shall be prima facie evidence that the amount owed is valid and, notwithstanding any other provision of law to the contrary, the employer has no obligation to verify the amount owed. The employer shall provide no more than 30 days' but not less than 14 days' written notice to the member or beneficiary prior to beginning the offset. The employer shall remit all amounts offset under this subsection to the Retirement System in intervals corresponding with its regular pay periods.

If an employer fails to adhere to the provisions of this section, then the Retirement System shall, after notice to the employer of its failure to cooperate, be entitled to seek recovery of any amounts due directly from the employer."

G.S. 120-4.29 provides: "Except for the applications of the provisions of G. S. 110-136, and in connection with a court-ordered equitable distribution under G.S. 50-20, the right of a person to a pension, annuity, or retirement allowance, to the return of contributions, or to the receipt of the pension, annuity or retirement allowance itself, any optional benefit or any other right accrued or accruing to any person under the provisions of this Article, and the moneys in the various funds created by this Article, are exempt from levy and sale, garnishment, attachment, or any other process whatsoever, and shall be unassignable except as this Article specifically provides.

Notwithstanding any provisions to the contrary, any overpayment of benefits or erroneous payments to a member in a State-administered retirement system, the Disability Salary Continuation Plan, or the Disability Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums or claims paid on behalf of, any member who is later determined to have been ineligible for those benefits or unentitled to those amounts, may be offset against any retirement allowance, return of contributions, or any other right accruing under this Article to the same person, the person's estate, or designated beneficiary. (1983, c. 761, s. 238; 1985, c. 402; c. 649, s. 5; 1989, c. 792, s. 2.2; 1991, c. 636, s. 13; 2017-135, s. 9(c).)"

Guide D. 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 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 E. 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 and F, or contact the Internal Revenue Service and the Department of Revenue or seek advice from a tax consultant on possible penalties.

Guide E. 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 Guide F 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 F. Special Federal Tax Notice regarding refunded retirement contributions.

YOUR ROLLOVER OPTIONS

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 IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to payments from the Retirement System.

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?
You will be taxed on a payment from the Retirement System if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (generally, distributions made before age 59½), unless an exception applies. However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception to the 10% additional income tax applies).

What types of retirement accounts and plans may accept my rollover?
You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an 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 IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, IRAs are not subject to spousal consent rules, and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

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

If you do a direct rollover, the Retirement System will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

These guides are subject to and governed by the General Statutes of the State of North Carolina.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Retirement System is required to withhold 20% of the payment for federal income taxes (or a higher amount you elect). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld (or the higher amount you elected). If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

How much may I roll over?
If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Retirement System is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions after age 70½ (if you were born before July 1, 1949), after age 72 (if you were born on or after July 1, 1949, and before January 1, 1951), after age 73 (if you were born after December 31, 1950), or after death; and
- Corrective distributions of contributions that exceed tax law limitations.
- The Retirement Systems Division or the payer can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?
If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment 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 applies to the part of the distribution that you must include in income and 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 Retirement System:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you (1) will be at least age 50 in the year of the separation, or (2) have at least 25 years of service under the Retirement System;
- Payments made due to disability;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days; and
- Payments of up to $22,000 made in connection with federally declared disasters.

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?
If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 or following 25 years of service for qualified public safety employees) does not apply;
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse); and
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- Additional exceptions apply for payments from an IRA, including:
- Payments for qualified higher education expenses;
- Payments up to $10,000 used in a qualified first-time home purchase;
- Payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status); and
- Payments of net income attributable to certain excess IRA contributions.

Will I owe State income taxes?
This notice does not address any State or local income tax rules (including withholding rules). Please see Guide C for further information.

N.C. Department of State Treasurer, Retirement Systems Division
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SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions
After-tax contributions included in a payment are not taxed. If you receive a partial payment of your total benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in the payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs).

If you do a direct rollover of only a portion of the amount paid from the Retirement System and at the same time the rest is paid to you, the portion rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of

$12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Retirement System to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

Similarly, if you do a 60-day rollover to an IRA of only a portion of a payment made to you, the portion rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after- tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after- tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If you miss the 60-day rollover deadline
Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the 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. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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-A, Contributions to Individual Retirement Arrangements (IRAs).

If you were born on or before January 1, 1936
If you were born on or before January 1, 1936, and receive a lump sum distribution that you do not roll over, 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.

If you are an eligible retired public safety officer and your payment is used to pay for health coverage or qualified long- term care insurance
If you retired from the Retirement System as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income Retirement System payments paid (either directly or indirectly) as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of $3,000 annually. For this purpose (but not for the 10% exception above), a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

If you roll over your payment to a Roth IRA
If you roll over a payment from the Retirement System to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. In general, the 10% additional income tax on early distributions will not apply. However, if you take the amount rolled over out of the Roth IRA within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional income tax will apply (unless an exception applies).

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-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

If you are not a Retirement System member
Payments after death of the member. If you receive a distribution after the member's death that you do not roll over, the distribution generally will be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the deceased member was born on or before January 1, 1936.

If you are a surviving spouse
If you receive a payment from the Retirement System as the surviving spouse of a deceased member, you have the same rollover options that the member would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an 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 were born before July 1, 1949), age 72 (if you were born on or after July 1, 1949 and before January 1, 1951), or age 73 (if you were born after December 31, 1950).

Guide F. Special Federal Tax Notice regarding refunded retirement contributions. (Continued)

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 member had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the member had not started taking required minimum distributions from the Retirement System, you will not have to start receiving required minimum distributions from the inherited IRA until the year the member would have been age 70½ (if the member was born before July 1, 1949), age 72 (if the member was born on or after July 1, 1949 and before January 1, 1951), or age 73 (if the member was born after December 31, 1950).

If you are a surviving beneficiary other than a spouse
If you receive a payment from the Retirement System because of the member's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a QDRO
If you are the spouse or former spouse of the member who receives a payment from the Retirement System under a QDRO, you generally have the same options and the same tax treatment that the member would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). However, payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien
If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Retirement System is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules
If your payments for the year are less than $200 (not including payments from a designated Roth account in the Retirement System), the Retirement System is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

FOR MORE INFORMATION

You may wish to consult with the Retirement Systems Division or payor, or a professional tax advisor, before taking a payment from the Retirement System. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.

Guide G. Updating personal information.

If you indicate change to your personal information, complete Section E. You will also need to provide verification documents proving your address change, legal name change and/or Social Security number change.

Change of Address
The address on the application should be your mailing address. This is where payments to you and any rollover institution will be sent. We will also use this address when sending year-end tax documents.

If you have moved and need to update your mailing address, enter your new address in Section E. We require one of the following verification documents in your name at your new address:

- Driver's License (preferred)
- Government-Issued ID
- Utility Bill – such as gas, electric, water, telephone
- Mortgage Statement
- Vehicle Registration
- Tax document(s)

Change of Name
If you change your legal name from what we have on file for you, you will be required to provide a copy of government-issued proof of legal name. Acceptable forms of identification are:

- Social Security Number Change
- Driver's license
- Passport
- Military ID
- State-Issued ID

Social Security Number Change
A copy of your Social Security Card must be provided during the refunds process if you need to make any changes to the SSN we have on file.

These guides are subject to and governed by the General Statutes of the State of North Carolina.