



For Investment Plan Members:

# WHEN YOUR FRS EMPLOYMENT ENDS

Your FRS Investment Plan  
Distribution Options and  
Special Tax Notice

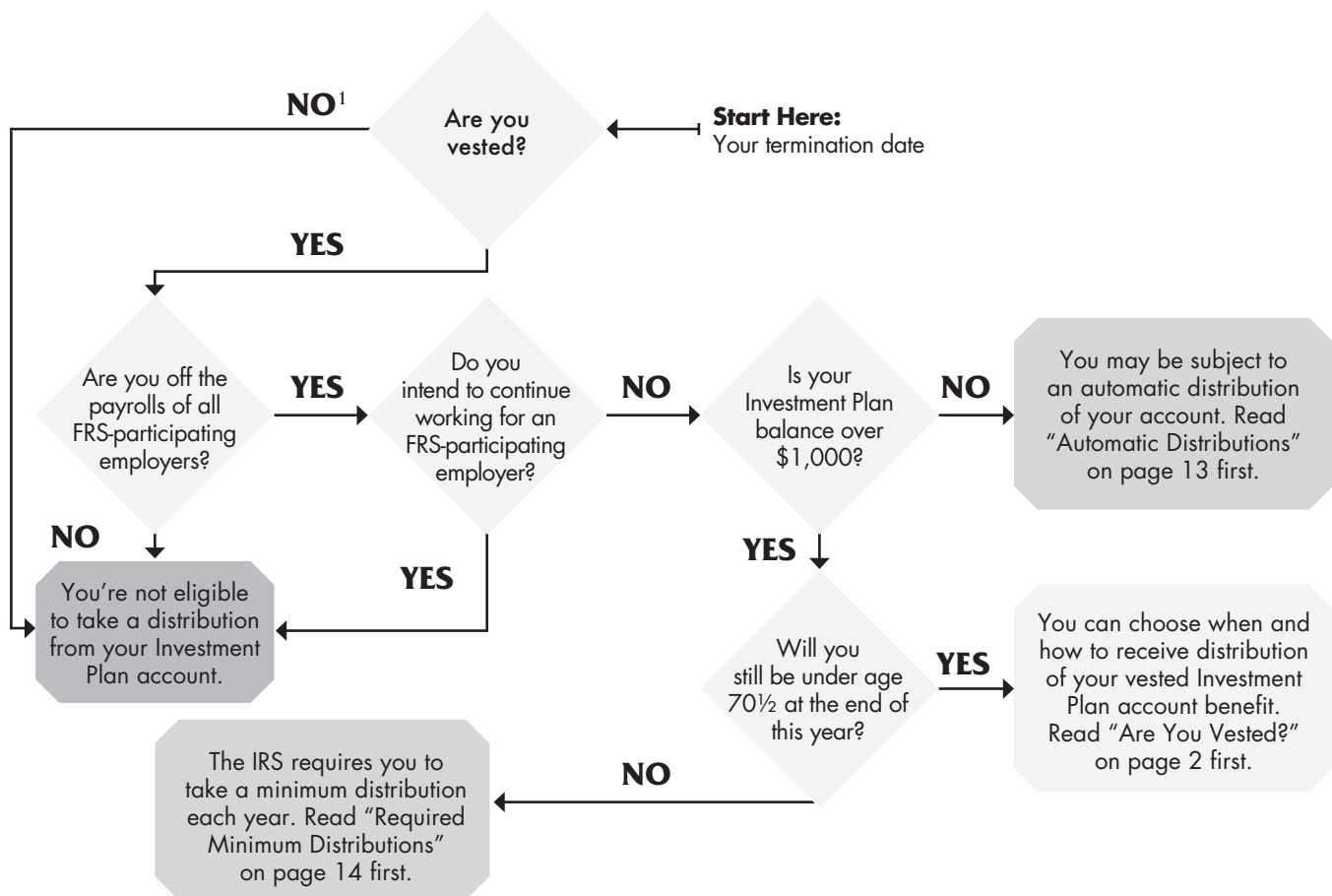
August 2019

# What's Your Next Step?

Now that your employment with your FRS-participating employer has ended, you may have some decisions to make about when and how you'd like to withdraw your retirement savings from the FRS Investment Plan. But before you make any decisions, be sure you understand how withdrawing money from your account or rolling it over to another plan will affect the money available to you in retirement, and how it could affect your ability to return to the FRS at a later date. This guide will walk you through some important next steps and help you make an informed decision.

If you have any questions or would like further guidance about what to do next, you can always call the MyFRS Financial Guidance Line to speak with an experienced EY financial planner free of charge.

Be sure you understand how withdrawing money from your account (including rolling it over to another plan) will affect both the money available to you in retirement and your ability to return to the FRS.



<sup>1</sup> If you are not vested, you are eligible to receive your own contributions and any earnings.

## Take a Step in the Right Direction

Get free, unbiased guidance from an EY financial planner.

**1-866-446-9377, Option 2 (TRS 711)**

9:00 a.m. to 8:00 p.m. ET, Monday through Friday, except holidays

Call today to talk about your distribution options and your retirement goals.

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## **Este Folleto Está Disponible en Español**

Visite [MyFRS.com](http://MyFRS.com), haga clic en Publicaciones y busque el enlace debajo de Retirees.

# Are You Vested?

Vesting refers to gaining ownership of your Investment Plan benefit. You cannot request a distribution from your Investment Plan account unless you are vested.

**Do you have *at least 1 year of FRS-covered service in the Investment Plan?***

You are vested in all contributions (yours and your employer's) to your Investment Plan account and any earnings on those contributions.

**Do you have *less than 1 year of FRS-covered service in the Investment Plan?***

You are vested only in *your* contributions to your Investment Plan account and any earnings on your contributions.

**Did you *transfer a benefit from the Pension Plan into the Investment Plan?***

You must have 8 or more years of total FRS-covered service (6 or more years if hired prior to July 1, 2011) to be vested in the transferred Pension Plan benefit and any earnings on that transferred benefit.

## What Happens to Your Unvested Balance

If you do not have enough FRS-covered service to be fully vested in your Investment Plan account, your unvested balance will be moved to a suspense account.

If you return to FRS-covered employment within 5 years from your date of termination, your unvested balance, plus earnings, will be reinstated from the suspense account.

**Warning!** The unvested portion of your balance will be permanently forfeited if you do not return to FRS-covered employment within 5 years of your termination date or if you choose to take a distribution of your vested balance (whether from the Investment Plan or Pension Plan) while you have an unvested balance in a suspense account.

# Things to Think About Before Choosing a Distribution

## 1. Are you vested?

You can only request a distribution of the vested portion of your Investment Plan account. See “Are You Vested?” on page 2.

## 2. You cannot be actively employed by any FRS-participating employer in any capacity (including OPS, temporary employment, etc.) at the time of the distribution.

## 3. You may not be able to request a distribution yet.

You can request a distribution only under these two circumstances:

1. You have terminated employment and have been off the payrolls of all FRS-participating employers for 3 full calendar months. Here’s an example:

Month terminated	1 <sup>st</sup> full month	2 <sup>nd</sup> full month	3 <sup>rd</sup> full month	Eligible for distribution
JANUARY	FEBRUARY	MARCH	APRIL	MAY

2. You have reached normal retirement, have terminated employment, have been off the payrolls of all FRS-participating employers for 1 full calendar month, and are eligible for a one-time distribution of up to 10% of your account balance.

## 4. If you choose to take a distribution, the FRS will consider you to be “retired” and reemployment restrictions would apply.

See “What It Means to Be ‘Retired’” on page 4.

## 5. Your distribution will be subject to taxes and possibly to penalties.

See “Taxes and Penalties” on page 7.

## 6. A distribution could affect your health insurance eligibility.

Taking a distribution might affect your eligibility to continue your current health insurance coverage with your employer. Before taking a distribution from your Investment Plan account, be sure to contact your employer’s personnel office to verify your eligibility to continue your coverage.

## 7. Will you have enough money in retirement?

The Investment Plan was designed to help you save money for your retirement. Before taking any distributions, consider how much money you have in your account and how long that money has to last.

## 8. You will lose future potential earnings on the money you withdraw.

The money you withdraw from the Investment Plan will lose its potential to gain investment earnings, unless you roll it over into another investment account.

# What It Means to Be “Retired”

The FRS will consider you to be retired when you choose to take any distribution from the Investment Plan, including employee contributions or a rollover to another plan. Once the FRS considers you to be retired:

- You will lose any non-vested Investment Plan or prior Pension Plan service.
- You can eventually be reemployed by an FRS-participating employer, but as the timeline on page 5 shows, your benefit may be suspended.

Receiving a required minimum distribution (RMD) or an automatic distribution (de minimis distribution) will not cause you to be considered retired.

## What Is Normal Retirement?

According to the Investment Plan’s rules, you qualify for normal retirement upon reaching a certain combination of age and years of service as shown in the table below. Achieving normal retirement allows you to take a one-time distribution of up to 10% of your Investment Plan account balance after being terminated for 1 full calendar month. Otherwise, you have to wait until you have been terminated for 3 full calendar months before you can take a distribution.

### Investment Plan Normal Retirement Requirements

*Achieving normal retirement allows you to take a one-time distribution of up to 10% of your Investment Plan account balance after being terminated for 1 full calendar month.*

	Special Risk Class	All Other Membership Classes
<b>Hired after July 1, 2011</b>	Age 60 or older and 1 or more years of FRS-covered service Age 57 or older and 30 or more years of Special Risk and military service Any age and 30 or more years of Special Risk service	Age 65 or older and 1 or more years of FRS-covered service Any age and 33 or more years of service
<b>Hired prior to July 1, 2011</b>	Age 55 or older and 1 or more years of FRS-covered service Age 52 or older and 25 or more years of Special Risk and military service Any age and 25 or more years of Special Risk service	Age 62 or older and 1 or more years of FRS-covered service Any age and 30 or more years of service



## Reemployment After Retirement

FRS-participating employment includes being employed by any FRS-participating employer in any employee/employer capacity (FRS-covered or non-covered, including temporary, part-time, OPS, substitute, adjunct, and regularly established positions).

<b>Calendar Months Following Your First Distribution</b>	<b>0</b>	<b>Month of First Distribution</b>
	<b>1</b>	<p><b>Reemployment Blackout Period</b></p> <p>If you return to any employment with an FRS-participating employer during this period, you (and possibly your employer) will be required to repay any benefits you received.</p> <p>You must notify the Investment Plan Administrator of your employment with an FRS-participating employer during this period by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4 (TRS 711).</p>
	<b>2</b>	
	<b>3</b>	
	<b>4</b>	
	<b>5</b>	
	<b>6</b>	
	<b>7</b>	<p><b>Suspension of Distributions</b></p> <p>If you return to any employment with an FRS-participating employer during this period, any distributions you requested from the Investment Plan will be canceled and any distributions you are receiving (including the Health Insurance Subsidy) will stop until you terminate employment or until 12 calendar months pass from your retirement date. You are exempt from this suspension of distributions if you are a retired law enforcement officer who is reemployed during this period as a school resource officer with an FRS-participating employer.</p> <p>You must notify the Investment Plan Administrator of your employment with an FRS-participating employer during this period by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4 (TRS 711).</p>
	<b>8</b>	
	<b>9</b>	
	<b>10</b>	
	<b>11</b>	
	<b>12</b>	
<b>After 12 months</b>	<p><b>No Reemployment Restrictions</b></p> <p>You can keep any distributions you've received and receive further Investment Plan distributions even if you are reemployed by an FRS-participating employer.</p>	

## A Note About Independent Contractors

After you are considered to be retired under Investment Plan rules, you may enter into an independent contractor relationship with an FRS-participating employer, **if approved** by the Division of Retirement. Independent contractors are not subject to the reemployment restrictions that apply to retired members.

However, attempts to convert employee positions into independent contractor relationships are rarely successful. To qualify as an independent contractor, you must be self-employed and in the business of providing your services to the general public, private companies, and public employers. Simply becoming a contract employee and receiving a Form 1099 instead of a W-2 would not qualify you for independent contractor status.

If you are retired and are found to be improperly classified as an independent contractor, your retirement may be voided and you may be required to repay all retirement benefits you have received. Additionally, the FRS-participating employer may be required to pay the retirement plan and Social Security contributions necessary to enroll you in the FRS retroactively to the date you were incorrectly classified.

If you are considering providing independent contractor services to an FRS-participating employer during the first 12 calendar months after you are considered retired, submit a copy of your contract to the Division of Retirement's Enrollment Section for an employment status determination. Be sure to receive a determination prior to returning to employment or taking an additional distribution.

### Division of Retirement

1-866-446-9377, Option 3 (TRS 711)  
enrollment@dms.myflorida.com

Enrollment Section, P.O. Box 9000, Tallahassee, FL 32315-9000

## Don't Miss This Extra Benefit That Can Help Pay Your Health Insurance Premiums

If the FRS considers you to be retired, you may be eligible for the Health Insurance Subsidy (HIS). The HIS is a monthly supplemental payment that offsets the cost of your health insurance premiums. This is an extra benefit; it does not come from your Investment Plan account balance. To be eligible to receive the HIS, you must meet the Pension Plan's normal retirement age and service requirements for your class of membership and provide proper documentation certifying that you have health insurance coverage.

For more information about the HIS and how to take advantage of this benefit, read "Take Advantage of the Health Insurance Subsidy" on page 16.



# Taxes and Penalties

The money in your Investment Plan account is pretax money, meaning it has never been taxed. When you take a distribution, you will be responsible for paying the taxes you owe on that money. Your age and personal financial situation will determine the amount of tax you'll be required to pay.

A mandatory 20% will be withheld from the taxable amount of your distribution, unless you roll over the entire distribution into another tax-deferred account. The withheld amount will be credited against any income tax you owe for that year. If the tax amount you owe is higher than the 20% withheld, you will be responsible for any additional taxes when you file your income tax return. If you receive payment before you reach age 59½, the IRS may impose an additional 10% penalty tax for early withdrawal.

Before you take money out of your account, contact the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711), to discuss the impact that taxes will have on your benefit. For additional information, see the Special Tax Notice on page 18.

A mandatory 20% will be withheld from the taxable amount of your distribution, unless you roll over the entire distribution into another tax-deferred account.

## Taxes and Penalties: An Example

\$30,000	distribution
- \$6,000	20% withholding
- \$3,000	10% early withdrawal penalty if under age 59½
<hr/>	
\$21,000	

## If You're Living Outside the United States

If your address is outside the United States when you receive your distribution, you may be subject to a higher 30% withholding rate, unless you qualify for a lower rate.

*If you're a U.S. citizen living outside the U.S. and want the U.S. withholding rate of 20% applied to your payment, you must complete a Form W-9.*

*If you're not a U.S. citizen and your country of residence qualifies for a tax withholding rate of less than 30%, you may request the lower rate by completing a Form W-8BEN. Your form must be submitted and approved prior to your payment request.*

Withholding rates and forms can be found on [www.irs.gov](http://www.irs.gov). For more information, refer to IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*. If you have questions, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4 (TRS 711).

# Distribution Options

You have a variety of options for what to do with your Investment Plan balance, including leaving your money in the plan. But remember, unless you meet the Investment Plan's normal retirement requirements (see page 4), you must be terminated from all FRS-participating employment for at least 3 full calendar months before receiving any benefit from the Investment Plan.

Balances below \$1,000 are subject to automatic distribution. See page 13 for more information.

## One-Time Distribution for Normal Retirement

If you meet the Investment Plan's normal retirement requirements (see page 4), you may receive a one-time distribution of up to 10% of your account balance after being terminated for 1 full calendar month. After 2 additional calendar months, you can choose any of the following distribution options for the remainder of your balance.

## Leave Your Money in the Plan

As long as you have an account balance of more than \$1,000, you can keep your money in the Investment Plan. You will not receive any employer contributions, but you will still enjoy all the benefits of FRS membership, including:

- Continued potential for investment growth and earnings.
- Access to MyFRS Financial Guidance Line services (online and telephone).
- The ability to monitor and change your investment elections.
- Avoiding taxes and penalties associated with withdrawals.
- Low investment management fees.
- The option to roll over into your Investment Plan account any other qualified plans you may have, such as a 401(k) from another employer or an individual retirement account (IRA).

After contributions to your Investment Plan account have stopped for 3 consecutive months, you will be charged a low account maintenance fee of \$6 per quarter.

While it may be tempting to tap your retirement savings for today's expenses, the Investment Plan is intended to provide you with income you'll need in your retirement. Plus, taxes and early distribution penalties could cost you 30% to 40% or more of your account value.

## Fixed Guaranteed Retirement Income

These options provide you guaranteed monthly payments (offered by MetLife, the FRS' approved lifetime income provider). These payments are not subject to market fluctuations; they are the same month to month. You can choose to receive these payments for your lifetime or for a specified period.

### Your options include:

**Return of Premium Guarantee.** This ensures that your beneficiary gets back the amount you used to purchase this option, minus any payments you received.

**50% or 100% Joint and Survivor.** These options pay you guaranteed monthly payments during your lifetime. After you die, a continuing benefit of 50% or 100% of the original benefit will continue to be paid to your spouse or beneficiary.

**Lifetime Income (for One or Two) with a Guaranteed Period.** These options ensure that monthly payments will continue for a guaranteed period of time. If you choose Lifetime Income for One and you die during the guaranteed period, the payments would continue to your beneficiary until the guaranteed period ends. If you choose Lifetime Income for Two, payments would continue even if you and the other person you specify die during the guaranteed period. You can choose a guaranteed period between 5 and 30 years.

## Deferred Guaranteed Retirement Income

This option lets you delay guaranteed monthly payments until as late as age 85.

Purchasing this option can reduce the amount of your Investment Plan balance that may be subject to required minimum distribution (RMD) rules.

You may only use up to 25% of your Investment Plan balance or \$130,000, whichever is less, to purchase this option.

## Flexible Payment Schedule

A flexible payment schedule lets you decide how much money to withdraw and how often. You can set up monthly, quarterly, semiannual, or annual payments. Unlike the guaranteed retirement income options, these payments are not guaranteed to last for your lifetime, but a flexible payment schedule allows you to change payment amounts and frequency at any time.

## Rollover

Rolling over your vested account balance into another qualified retirement plan, such as an IRA, 401(k), 403(b), or 457, is a great way to keep your retirement savings invested and to defer taxes and penalties. However, other plans may charge higher investment management and administrative fees, and they may not offer the same distribution options as the Investment Plan. Some plans may even pressure you to buy other products or services.

If you intend to open another qualified retirement plan so you can continue saving for retirement, and you would like to keep all your retirement savings in one place, you do have the option of leaving your balance in the Investment Plan and rolling over funds from your other account into the Investment Plan at a later date.



## Lump-Sum Payment

You can choose to have a full or partial lump-sum distribution of your Investment Plan account balance paid directly to you.

You should think twice about taking a lump-sum payment. While it may be tempting to tap your retirement savings for today's expenses, the Investment Plan is intended to provide you with income you'll need in your retirement. Plus, taxes and early distribution penalties could cost you 30% to 40% or more of your account value. For more information, please see the Special Tax Notice on page 18.

Before you choose a lump-sum payment, call the MyFRS Financial Guidance Line to speak with an unbiased financial planner at no cost, or contact another tax advisor of your choosing at your own expense.

## Combination

You can choose any combination of distribution options allowed under the Investment Plan: guaranteed retirement income, flexible payment schedule, rollover, and/or lump-sum distribution. Let a financial planner help you determine what may be best for you. For assistance, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).

# How to Request a Distribution

The Investment Plan is designed to provide you income in your retirement. Therefore, you cannot receive a distribution if you are actively employed by any FRS-participating employer in any capacity. And, due to the restrictions described under “Reemployment After Retirement” on page 5, you should not request a distribution if you have any intention of returning to work for an FRS-participating employer. Be sure to review the Special Tax Notice on page 18. You will have to acknowledge you’ve read it before your distribution will be processed.

You should not request a distribution if you have any intention of returning to work for an FRS-participating employer.

**By Phone:** 1-866-446-9377, Option 4 (TRS 711)

You will need to provide your PIN.

**Online:** MyFRS.com > Investment Plan  
(user ID and password required)

Once you’ve made your request, you can make changes to it up until 4:00 p.m. ET on the distribution date.

## Forgot Your PIN?

Request a PIN reminder on MyFRS.com or call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

# When You Can Request a Distribution

You can submit a request by phone or online for a distribution from your Investment Plan account up to one and a half months prior to the date you are eligible to take the distribution. Known as a “pending” distribution, this option can help you avoid long wait times that sometimes occur on the first date you are eligible to take your distribution (first business day of the month). Here’s an example:

If your termination date is:	You’re eligible for distribution on the first business day of:	You would be eligible to make a pending request on:
May 20, 2019	September 2019	July 15, 2019 <sup>1</sup>

<sup>1</sup> Requests can be made no earlier than the 15th calendar day of the month. You can make changes to your pending distribution up until 4:00 p.m. ET on the pending distribution date.



**To make your request online,** log in to MyFRS.com. Select Investment Plan, FRS Investment Plan > Withdrawals and Rollovers > Withdraw or Roll Over Money, and then select a payment type.



**To make your request by phone,** call 1-866-446-9377, Option 4. You will need your PIN.

# When You Will Receive Your Distribution

## Monthly Payments

Monthly checks and direct deposits are issued on the last business day of each month. Allow 3 business days for a direct deposit to appear in your bank account, or 5 to 7 days for a check to arrive by mail.

## Lump-Sum Payments

For direct deposit, allow 3 business days from the day your request is received.

For a check, allow 5 to 7 days from the time your request is received for the check to arrive by mail. Expedited delivery of checks is available by request.

# How You Can Receive Your Distribution

Installment payments or lump-sum distributions from your Investment Plan account can be deposited directly into your personal banking account. ACH deposit information can be set up at any time at MyFRS.com by logging in and going to Investment Plan > Personal Information > Financial Institutions.

If you want to receive your distribution as a check, the check will be mailed to your address on file with the Investment Plan Administrator. If you fail to cash or deposit a check within 180 days, it will be voided; a replacement check must be requested for the same amount as the voided check.

# How Your Distribution Amount Is Calculated

Distributions will be based on your total account balance at the close of business on the day that the distribution is processed, provided the request is completed by 4:00 p.m. ET. If the distribution is processed after 4:00 p.m. ET or on a non-business day, the distribution amount will be based on the account balance at the close of business on the next business day the financial markets are open. Pending distributions are processed on the first business day of the month.

Once a distribution is taken from your Investment Plan account, no additional interest earnings are earned on those funds.

## Do You Have a Self-Directed Brokerage Account?

If you have funds in the self-directed brokerage account (SDBA), you must have sufficient funds in your Investment Plan primary account to satisfy your distribution request. If there are insufficient funds in your primary account to process the distribution request, you will need to liquidate funds from your SDBA and transfer the funds to your primary account prior to processing a distribution. For additional information, review the SDBA Access Guide on MyFRS.com.

# If You Return to FRS-Participating Employment

If you request a distribution and then return to employment with an FRS-participating employer before receiving it, you must notify the Investment Plan Administrator to cancel your request. Also, if your employment status on the FRS database changes from "Terminated" to "Active" during this period, the Investment Plan Administrator will cancel any pending distribution.



# Earn Credit Toward Another Retirement

If you return to FRS-covered employment after taking a distribution (effective for reemployed service on or after July 1, 2017), you are considered a “reemployed retiree” or “renewed member.” As a reemployed Investment Plan retiree, you are required to participate in the Investment Plan, unless you are reemployed in a position eligible to participate in the State University System Optional Retirement Program (SUSORP) or State Community College System Optional Retirement Program (SCCSORP). However, you are not eligible for the following:

- A 2<sup>nd</sup> Election to switch to the Pension Plan;
- Pension Plan or DROP membership; or
- Disability benefits.

## Automatic Distributions

If your vested account balance is \$1,000 or less when your employment ends, it will be subject to an automatic distribution. This is known as a “de minimis distribution.” However, this distribution won’t be made until you have been terminated from all employment with FRS-participating employers for at least 6 calendar months.

If your balance is subject to an automatic distribution, you can choose to receive it as a lump-sum payment or roll it over to another qualified retirement plan, such as an individual retirement account or another employer’s 401(k) plan.

### Receiving an Automatic Distribution Does Not Mean You’re “Retired”

The FRS will not consider you to be retired if you receive an automatic de minimis distribution of your Investment Plan balance. This means you will not be subject to the same reemployment limitations as a retiree. If you are rehired by an FRS-participating employer in an FRS-covered position after receiving an automatic distribution, you will be placed back in the Investment Plan and earn additional service credit.

If you request a distribution prior to the automatic distribution being paid, you will be considered retired and will forfeit any unvested account balance and associated service credit. If you return to FRS-covered employment in the future (effective for reemployed service on or after July 1, 2017), you will be enrolled in the Investment Plan as a reemployed retiree, unless you are reemployed in a position eligible to participate in the SUSORP or SCCSORP. (See “Earn Credit Toward Another Retirement” for more information and exceptions.)

### An Automatic Distribution Does Not Make You Eligible for the Health Insurance Subsidy

Because you will not be considered “retired” after receiving an automatic distribution, you will not be eligible for the Health Insurance Subsidy (HIS). To be eligible for the HIS, you must be retired and must meet the Pension Plan’s normal retirement age and service requirements for your class of membership.

For more information about the HIS and how to take advantage of this benefit, read “Take Advantage of the Health Insurance Subsidy” on page 16.

# Required Minimum Distributions

The Internal Revenue Service (IRS) requires that you begin taking distributions from your Investment Plan account in the calendar year you reach age 70½ or terminate employment, whichever is later. These are known as required minimum distributions (RMDs).

The Investment Plan Administrator will notify you if you are required to take an RMD. You will continue to receive a notice by mail in January of each year an RMD is required.

## You Can Delay Your First RMD

You can defer your first RMD payment until April 1 of the following year. To request a deferral, you must call the Investment Plan Administrator by November 30.

## How Much Is an RMD?

The amount of an RMD changes from year to year. It is based on your age and your account balance at the end of the previous year. Any distributions you receive during the year will be applied to your RMD amount. If by December you have not satisfied your RMD requirement for that year, the balance needed to satisfy the requirement will be sent to you as an additional benefit payment.

## Receiving an RMD Does Not Mean You're "Retired"

The FRS will not consider you to be retired if you receive an RMD. This means you will not lose any unvested service credit nor will you be subject to the same reemployment limitations as a retiree. If you are rehired by an FRS-participating employer in an FRS-covered position after receiving an RMD, you will be placed back in the Investment Plan and earn additional service credit.

However, if you receive benefit payments that exceed the required RMD, you will be considered retired and will forfeit any unvested account balance and associated service credit. If you return to FRS-covered employment in the future (effective for reemployed service on or after July 1, 2017), you will be enrolled in the Investment Plan as a reemployed retiree, unless you are reemployed in a position eligible to participate in the SUSORP or SCCSORP. (See "Earn Credit Toward Another Retirement" for more information and exceptions.)

## If You Return to Employment

If you return to employment with an FRS-participating employer after receiving notice that an RMD is required, you will be paid the RMD for the year. Future RMDs will not be calculated and paid until you again terminate employment.

If it is later determined that you received an ineligible RMD payment, the Investment Plan may request that the RMD be returned to your Investment Plan account.

## An RMD Does Not Make You Eligible for the Health Insurance Subsidy

Receiving an RMD does not make you eligible for the Health Insurance Subsidy (HIS). To be eligible for the HIS, you would have to request a distribution above any required RMD amount.

For more information about the HIS and how to take advantage of this benefit, read "Take Advantage of the Health Insurance Subsidy" on page 16.



# Be Sure We Know Where to Send Your Checks

Your checks, member quarterly statements, year-end tax forms, and any other Investment Plan communications will be mailed to your address on file with the Investment Plan Administrator, so be sure to keep your information up to date. While you're an active employee, you can make these changes through your employer.

**For name changes,** request a Name Change Form from the Investment Plan Administrator by calling 1-866-446-9377, Option 4 (TRS 711). Or send a letter, including your old name, your new name, the last 4 digits of your Social Security number, and a copy of the court order, marriage certificate, or driver's license, to the Investment Plan Administrator by mail (Investment Plan, P.O. Box 785027, Orlando, FL 32878-5027) or by fax (1-888-310-5559).

**For address changes,** log in to MyFRS.com or call the Investment Plan Administrator at 1-866-446-9377, Option 4 (TRS 711). A confirmation statement will be mailed within 2 business days to both your current address on file and the new address.

If you are receiving the Health Insurance Subsidy, complete and submit Form ADDCH 1, Address Change Request, available on the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

# Take Advantage of the Health Insurance Subsidy

Once you are considered retired and have reached the Pension Plan's normal retirement requirements, you may be eligible for a supplemental payment of \$30 to \$150 per month toward your health insurance premiums. This payment is known as the Health Insurance Subsidy (HIS). To receive this benefit, you must meet certain eligibility requirements and you must take action to apply.

## How Much Your HIS Is Worth

If you qualify, your HIS benefit will equal \$5 for each year of creditable FRS-covered service you completed, with a minimum benefit of \$30 per month and a maximum benefit of \$150 per month.

## HIS Eligibility Requirements

To be eligible to receive monthly HIS payments, you must meet the following requirements:<sup>1</sup>

- The FRS must consider you to be retired. See “What It Means to Be ‘Retired’” on page 4.
- You must have 8 or more years of FRS-covered service (6 or more years if hired prior to July 1, 2011) or be eligible for an FRS disability benefit.
- You must have met the Pension Plan's normal retirement age and service requirements for your class of membership – even if you've already taken a distribution from the Investment Plan. See “What Is Normal Retirement?” on page 4. NOTE: If you currently do not meet the Pension Plan's normal retirement requirements, it is your responsibility to apply for the HIS once you meet these requirements.
- You must have current health insurance. Cover Florida Health Care Access Program, Medicare, and TRICARE coverage are accepted.
- You must have successfully applied for the HIS.

<sup>1</sup> If you elected the Investment Plan Hybrid Option, you must apply to receive the HIS. Your HIS payments will begin when you begin receiving your Pension Plan benefit.

## When the HIS Will Begin

HIS payments will begin the month in which you attain normal retirement under the Pension Plan, provided you are retired and the Division of Retirement has received Forms HIS-IP and HIS-IP-2 and birth certification.

HIS payments are retroactive up to a maximum of 6 months. This allows you up to 6 months from the date you attain normal retirement to submit your completed forms without missing any payments.

## When the HIS Will End

Your HIS payments will continue until you are no longer eligible. When you die, your surviving spouse will be entitled to your HIS. Only a spouse is eligible to be a beneficiary under the HIS.

### Important Note

The HIS is subject to continued approval by the Florida Legislature. HIS payments shall not be subject to assignment, execution, or attachment, or to any legal process whatsoever.

# How to Apply for the HIS

It is your or your surviving spouse's responsibility to obtain certification of health insurance coverage and to apply for the HIS by submitting the following documentation to the Division of Retirement.

- Application for Health Insurance Subsidy for Investment Plan Members (HIS-IP)  
*The HIS-IP form can be submitted to the Division up to 6 months before your normal retirement date, even if other documents are not available.*
- Health Insurance Subsidy Certification for Investment Plan Members (HIS-IP-2)  
*This form must be completed after your termination date.*
- One of the following forms of proof of birth date.
  - Birth certificate
  - Delayed birth certificate
  - Valid, unexpired U.S. passport
  - Census report more than 30 years old
  - Life insurance policy more than 30 years old
  - Letter from the Social Security Administration stating the date of birth it has established for the payment of benefits
  - Certificate of naturalization
  - Florida driver license issued after January 1, 2010 that indicates compliance with the federal REAL ID Act.

*Photocopies of the above are accepted.*

If you cannot provide one of the forms of proof listed above, you may provide **two** of the following forms of proof.

- Birth certificate of a child, showing your age (limit one)
- Baptismal certificate more than 30 years old
- Hospital record of birth
- School record at time you entered grammar school
- A copy of the retiree's death certificate if the spouse is applying for the subsidy

*Original documents are not required. Legible copies are accepted. Be sure to write your Social Security number and current name on your submitted documentation. If providing verification for your beneficiary or joint annuitant, please include your information and the individual's relationship to you. For example, for your spouse, write: Spouse of [your name and Social Security number].*

## Questions?

If you have any questions about the HIS, call the Division at 1-844-377-1888, or write to the Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000.

# Special Tax Notice – Governmental Plan Payments (other than 457 Plans)

This notice explains how you can continue to defer federal income tax on your retirement savings in your Plan and contains important information you will need before you decide how to receive your Plan benefits. This notice does not address any applicable state or local tax rules that may apply.

This notice is provided to you because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to an IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you, or in the case of a Roth conversion, to obtain tax-free investment returns. 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) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer 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. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional 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. Before making the rollover, check with the administrator of the plan that is to receive your rollover.

If you have additional questions after reading this notice, you should contact your Plan Administrator at 1-866-446-9377, Option 4.

## Summary

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

- A certain type of payment — called a “DIRECT ROLLOVER” — 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; or
- The payment can be PAID TO YOU.

If you choose a **DIRECT ROLLOVER**:

- You choose whether your payment will be made directly to your IRA (traditional or Roth) 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 because these are not traditional or Roth IRAs. A distribution of non-Roth amounts can be rolled over to an eligible employer plan, to a traditional IRA or, by paying taxes on the non-Roth amounts and converting them to Roth amounts, to a Roth IRA.

- You can roll the payment to a traditional IRA or an eligible employer plan and the taxable portion of your payment will be taxed later 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 this Plan.
- You can roll the payment to a Roth IRA and later distributions from the Roth IRA (including a distribution of earnings) will not be taxed, provided that the distribution is a “qualified distribution” from the Roth IRA.

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

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year or in accordance with Plan guidelines unless you roll it over. 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% early withdrawal tax. The additional tax would be assessed when you file your 1040 tax return.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If 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 is not rolled over.

Special options are available to eligible retired public safety employees and are described below under “Payment Paid to You.”

## Your Right to Waive the 30-Day Notice Period

Generally, neither a direct rollover nor a payment paid to you can be made from the 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 withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you can waive the notice period by making an affirmative verbal election over the Plan Administrator’s recorded telephone line indicating whether or not you wish to continue with the transaction and waive the waiting period. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

## More Information

- I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER
- II. DIRECT ROLLOVER
- III. PAYMENT PAID TO YOU
- IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES



## I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to an IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. The portion of a payment (if any) that is drawn from an after-tax contributions account can be rolled over to an IRA or to an eligible employer plan that accepts after-tax rollover contributions. The portion of a payment (if any) that is drawn from other types of accounts can be rolled over to an eligible employer plan, to a traditional IRA, or, if you make a Roth conversion, to a Roth IRA. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

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

**Roll Over Into a Traditional IRA.** You can roll over your after-tax contributions to an IRA either directly or indirectly. Your Plan Administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion. After-tax contributions included in a payment are not taxed. If a payment is only part of your 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 a payment. In addition, special rules apply when you do a rollover, as described below. If you roll over after-tax contributions to an 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. This will enable the non-taxable amount of any future distributions from the IRA to be determined. Once you roll over your after-tax contributions to an IRA, those amounts CANNOT later be rolled over to an employer plan. 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 Plan, and at the same time the rest is paid to you, the portion directly 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 directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. 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.

**Roll Over Into an Employer Plan.** You can roll over your after-tax contributions to an eligible employer plan using a DIRECT

ROLLOVER if the other plan agrees to accept the rollover and provide separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can roll over after-tax contributions to either a qualified defined contribution or defined benefit plan under Code section 401(a) or a tax-sheltered annuity under Code section 403(b). You cannot roll over after-tax contributions to a governmental 457 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 Plan Administrator of this Plan to make a DIRECT ROLLOVER on your behalf. Also, you cannot first roll over after-tax contributions to an IRA and then roll over that amount into an employer 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.

**Conversion of Non-Roth Amounts by Means of a Rollover Into a Roth IRA.** If you roll over a payment 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. 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 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 have had a Roth IRA for at least 5 years and (1) you are age 59½ or (2) after your death or disability or (3) as a qualified first-time homebuyer distribution of up to \$10,000. 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 Plan to a designated Roth account in another employer plan. 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)*.

**Payments That Cannot Be Rolled Over.** The following types of payments cannot be rolled over:

**Payments Spread Over Long Periods.** You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for (1) your lifetime (or a period measured by your life expectancy), or (2) your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or (3) a period of 10 years or more.

**Required Minimum Payments.** 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 payment” that must be paid to you.

The Investment Plan Administrator should be able to tell you if your payment includes amounts that cannot be rolled over.

## II. DIRECT ROLLOVER

A **Direct Rollover** is a direct payment of the amount of your Plan benefits to an 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 I of this notice. If your DIRECT ROLLOVER is into a traditional IRA or an eligible employer plan, you are not taxed on any taxable

portion of your payment until you later take it out of the traditional IRA or eligible employer plan. If your DIRECT ROLLOVER is into a Roth IRA, you are taxed on the taxable portion of your payment in the conversion to Roth treatment, and if the later distribution from the Roth IRA is a "qualified distribution," you are not taxed when you take it out of the Roth IRA. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200. Any eligible rollover distribution that you receive from the Plan that is otherwise non-taxable, and that you wish to roll over to an eligible employer plan, can be rolled over only in a DIRECT ROLLOVER.

**Direct Rollover to a Traditional IRA.** You can open an IRA to receive the DIRECT ROLLOVER. If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a DIRECT ROLLOVER to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. (See IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, for more information on IRAs, including limits on how often you can roll over between IRAs).

**Direct Rollover to a Plan.** If you are employed by a new employer that has an eligible employer plan, and you want a DIRECT ROLLOVER to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to an 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.

**Direct Rollover of a Series of Payments.** If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

**Change in Tax Treatment Resulting From a DIRECT ROLLOVER.** 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 Plan. For example, if you were born before January 2, 1936, you might be entitled to 10-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 plan, or an IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections on the following page titled "Additional 10% Tax if You Are Under Age 59½" and "Special Tax Treatment if You Were Born Before January 2, 1936."

**Physical Payment of the Direct Rollover.** The Investment Plan Administrator does not currently process electronic direct rollovers to other retirement plan providers. A direct rollover is accomplished by making the distribution check payable to the new retirement plan provider for the benefit of the member. This type of distribution still qualifies for the direct rollover provisions outlined above.

### III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I of this notice) and the payment is PAID 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, you roll it over to an IRA or an eligible employer plan that accepts rollovers (or unless you are an eligible retired public safety employee who makes the election to pay health care or long-term care premiums, described in this section below). 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 under Part I of this notice and you do not elect to make a DIRECT ROLLOVER, the 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 \$10,000, only \$8,000 will be paid to you, because the Plan must withhold \$2,000 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 \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

**Voluntary Withholding.** If any portion of your payment is taxable but cannot be rolled over under Part I of this notice, the mandatory withholding rules described above do not apply. In this case, you can elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

**Sixty-Day Rollover Option.** If you receive a payment that can be rolled over under Part I of this notice, you can still decide to roll over all or part of it to an 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 an IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. This 60-day rollover option is also available for converting to a Roth IRA.

You can roll over up to 100% of your payment that can be rolled over under Part I of this notice, 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 the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

*Example:* The taxable portion of your payment that can be rolled over under Part I of this notice is \$10,000, and you choose to have it PAID TO YOU. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you can roll over the entire \$10,000 to an IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 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 \$2,000 withheld. However, any refund is likely to be larger if you roll over the entire \$10,000.

**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, (6) payments that do not exceed the amount of your deductible medical expenses, or (7) payments from a defined benefit, defined contribution, or other governmental plan to a qualified public safety employee following separation from service after age 50. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to an IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

**Special Tax Treatment if You Were Born Before January 2, 1936.** If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I 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 1 year, of your entire balance under the 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 5 years before the year in which you received the distribution. The special tax treatment for lump-sum distributions that may be available to you is described below.

**Ten-Year Averaging.** If you receive a lump-sum distribution and you were born before January 2, 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.

**There Are Other Limits on the Special Tax Treatment for Lump-Sum Distributions.** For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump-sum distributions that you receive in that same year. You cannot elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, from a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity.

Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump-sum distributions and how you elect the special tax treatment.

**Special Election by Eligible Retired Public Safety Employees.** If you are an "eligible retired public safety employee," you can make an election to exclude up to \$3,000 of your otherwise taxable payment from your gross income, and not be taxed on the amount you exclude, by instead having your payment directly made to the provider of an accident or health insurance plan or a qualified long-term care insurance contract covering you, your spouse, or your dependents. All distributions are combined from all of your eligible retirement plans — section 401(a), 457(b), 403(a) and 403(b) plans — for purposes of the \$3,000 limit. You are an "eligible retired public safety employee" if you separated from service as a public safety employee of the employer maintaining the plan, and your separation from service was due to your disability or attainment of normal retirement age. Contact the Plan Administrator for more information about this special election.

## IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized in this notice that apply to payments to employees also 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 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.

If you are a surviving spouse or an alternate payee, you can choose to have a payment that can be rolled over, as described in Part I of this notice, paid in a DIRECT ROLLOVER to a traditional or 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 or to an eligible employer plan. Thus, you have the same choices as the employee.

The Plan allows non-spouse beneficiaries to make a DIRECT ROLLOVER of their share of an employee's account.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III of this notice, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump-sum distributions and the special rule for payments that include employer stock, as described in Part III of this notice. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump-sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

## 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 in this notice are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator, an EY financial planner, or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements (IRAs)*. These publications are available from your local IRS office, on [irs.gov](http://irs.gov), or by calling 1-800-TAX-FORMS.





This guide is a summary of the Investment Plan termination options available to FRS-covered employees and is written in non-technical terms. It is not intended to include every program detail. Complete details can be found in Chapter 121, Florida Statutes, the rules of the State Board of Administration of Florida in Title 19, Florida Administrative Code, and in the Investment Plan Summary Plan Description. In case of a conflict between the information in this guide and the statutes and rules, the provisions of the statutes and rules will control.

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