Employee Information Sheet #10 (Cont.)

Special Tax Notice
Regarding Rollovers, RI 37-22

This notice contains important Federal income tax and other information you will need before you decide how to receive your lump-sum payment from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). To be of service to our customers, the Office of Personnel Management has worked with the Internal Revenue Service to present a general explanation of how P.L. 102-318 affects those who receive our benefits. However, the IRS remains the authority on tax matters and questions. Requests for additional or clarifying information should be directed to them. The official tax publications that govern how benefits are taxed are referenced at the end of this notice. OPM does not stock IRS publications. We cannot provide official tax information nor can we advise individuals on tax matters. The following discussion applies to the taxable portion of your lump-sum payment.

Summary

A taxable payment from the Office of Personnel Management (OPM) that is eligible for “rollover” can be paid in one of two ways. You can have all or any part of your payment either (1) paid in a “direct rollover” or (2) paid to you. A rollover is a payment of the taxable portion of your CSRS or FERS benefit to your individual retirement arrangement (IRA) or to another employer retirement plan. This choice will affect the tax you owe.

If you choose a direct rollover of the taxable portion --

- Your payment will not be taxable income in the year it is paid, and no income tax will be withheld.
- Your payment will be made directly to your IRA or, if you choose, to another employer retirement plan that accepts your rollover.
- Your payment will be taxable income later when you take it out of the IRA or the employer retirement plan.

If you choose to have the taxable portion of your benefit paid to you --

- You will receive only 80 percent of the payment, because OPM is required to withhold 20 percent of the payment and send it to the Internal Revenue Service as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the year it is paid unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you also may have to pay an additional 10 percent tax.
- You can roll over the payment by paying it to your IRA or to another employer retirement 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 IRA or employer retirement plan.
- If you want to roll over 100 percent of the payment to an IRA or an employer retirement plan, you must find other money to replace the 20 percent that was withheld. We cannot refund the 20 percent once it has been withheld. If you roll over only the 80 percent you receive, you will be taxed on the 20 percent that was withheld and that is not rolled over.

Employee Information Sheet #10 (Cont.) Special Tax Notice Regarding Rollovers (Cont.)

MORE INFORMATION

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Certain payments from the OPM are "eligible rollover distributions." This means they can be rolled over to an IRA or to another employer retirement plan that accepts rollovers. In general, only the "taxable portion" of your payment is an eligible rollover distribution. Information on the portion of your payment that is eligible for rollover is enclosed. The following types of payments cannot be rolled over:

Non-taxable Payments. In general, the non-taxable portion of your payment is not an eligible rollover distribution. If you have made "after-tax" employee contributions, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over. (After-tax employee contributions generally are contributions you made from your own pay that was already taxed.)

Payments Spread Over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for

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

Required Minimum Payments. Beginning in the year you reach age 70-1/2, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. **You must compute and exclude this amount from a direct rollover if you will be age 70-1/2 or older when the payment is made.**

II. DIRECT ROLLOVER

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution" as described above. In a direct rollover, the eligible rollover distribution is paid directly from OPM to an IRA or another employer retirement plan that accepts rollovers (or is sent to you in a check made payable to the IRA or other retirement plan). If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer retirement plan. OPM will not pay a direct rollover or withhold tax on taxable payments under $200, but recipients themselves may roll over such payments tax free within 60 days after receipt. The minimum direct rollover amount is $500 if you designate part of your payment as a direct rollover with the remainder payable to you. OPM will pay a direct rollover to only one IRA or retirement plan at any one time.

Direct Rollover to an IRA. You can open an IRA to receive the direct rollover. (The term "IRA," as used in this notice, includes individual retirement accounts and individual retirement annuities.) 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 consider whether the IRA you choose will allow you to move all or part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, **Individual Retirement Arrangements**, for more information on IRA's (including limits on how often you can roll over between IRA's).

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

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Direct Rollover of a Series of Payments. If you receive eligible rollover distributions that are paid in a series of 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 unless you change your election. You are free to change your election for any later payment in the series by contacting OPM.

III. PAYMENT PAID TO YOU

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

Mandatory Federal Income Tax Withholding. If any portion of the payment to you is an eligible rollover distribution, OPM is required by law to withhold 20 percent of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is $10,000, only $8,000 will be paid to you because OPM must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full $10,000 as a payment from OPM. You will report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

Sixty-Day Rollover Option. If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer retirement plan that accepts rollovers. If you decide to roll it over, **you must make the rollover 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 IRA or the employer retirement plan.

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

Example: Your eligible rollover distribution 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 may roll over the entire $10,000 to an **IRA** or employer retirement plan. To do this, you roll over the $8,000 you received from OPM, 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 IRA or employer retirement plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund 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 tax refund is likely to be larger if you roll over the entire $10,000.)

Additional 10 Percent Tax If You Are Under Age 59-1/2. If you receive a payment before you reach age 59-1/2 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 percent of the taxable portion of the payment. The additional 10 percent tax does not apply to your payment if it is (1) paid to you because you separate from service with your employing agency during or after the year you reach age 55, (2) paid because you retire due to disability (as determined by IRS), (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives of life expectancies), or (4) used to pay certain medical expenses. See IRS Form 5329, **Return for Additional Taxes...**, for more information on the additional 10 percent tax.

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Special Tax Treatment. If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump-sum distribution," it may be eligible for special tax treatment. A lump-sum distribution is a payment within 1 year, of your entire balance under CSRS or FERS that is payable to you because you have separated from service with your agency. For a payment to qualify as a lump-sum distribution, you must have been a participant under CSRS or FERS for at least 5 years. The special tax treatment for lump-sum distribution is described below.

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

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

Capital Gain Treatment If You Were Born Before January 1, 1936. In addition, if you receive a lump-sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation under CSRS or FERS (if any) taxed as long-term capital gain at a rate of 20 percent.

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. If you have previously rolled over a payment from OPM, you cannot use this special tax treatment for later payments from OPM. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in IRS Form 4972, which has more information on lump-sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above 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 benefit results from an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA, but you cannot roll it over to an employer retirement plan. If you are an elternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer retirement plan that accepts rollovers. If you are a beneficiary other than a surviving spouse or alternate payee, you cannot choose a direct rollover, and **you cannot** roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10 percent tax described in section III above, even if you are younger than age 59-1/2. If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the

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special tax treatment for lump-sum distributions, as described in section III above. 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 service under CSRS or FERS.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the Federal (not State or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from OPM. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, **Pension and Annuity Income**, IRS Publication 590, **Individual Retirement Arrangements**, and IRS Publication 721, **Tax Guide to U.S. Civil Service Retirement Benefits**. These publications are available from your local IRS office or by calling 1-800-TAX-FORMS.

Employee Information Sheet #11

VOLUNTARY CONTRIBUTIONS NOTICE
RI 38-125

If you have made voluntary contributions (VC), you can elect to receive a refund or you can use the VC to purchase additional annuity when you retire. Most people choose a refund but please read the following information before making your election. Please keep a copy of this notice for your records. If you are retiring, you can make your election after the Office of Personnel Management (OPM) receives your retirement package and sends you more detailed information specific to your case; however, interest on your account stops on the date you retire. If you want a refund and wish to avoid any loss of interest, send your application directly to OPM 60 days before you retire.

1. If You Want a Refund of Your Voluntary Contributions:

If you receive a refund, you may roll over the interest portion to an Individual Retirement Account (IRA) to defer income tax. (For purposes of this notice, the term "IRA" includes qualified employer retirement plans that accept rollovers.) Your rollover options depend on the amount of interest payable on your VC account. The Voluntary Contributions Annual Statement of Account that is sent to you at the beginning of each year shows the amount of interest as of December 31 for the preceding year. As a general rule, your voluntary contributions stop earning interest on the earliest of the following dates: (1) the date OPM authorizes payment of a refund of your VC; (2) the date you separate from Federal service; and (3) the date you transfer to a position not subject to the Civil Service Retirement System or the Federal Employees Retirement System.

- **If your VC interest is less than $200--**You may roll over the interest portion to defer income tax within 60 days after you receive the payment. OPM will not withhold Federal income tax from interest amounts of less than $200.

- **If your VC interest is $200 or more--**You have two rollover options.

  Option 1: OPM pays the interest to you. You may roll over the interest portion to an IRA within 60 days after you receive the payment. However, OPM will withhold 20% of the interest portion for Federal income tax. You may apply for a refund of any excess tax withholding when you file your tax return.

  Option 2: OPM pays all or part of the interest portion directly to your IRA. OPM will not withhold Federal tax on the amount rolled over **directly** to an IRA. The amount of a direct rollover by OPM must be at least $500 if you want part of the interest paid to you and part of it paid directly to the IRA. Interest not rolled over is subject to 20% Federal income tax withholding.

If your interest is at least $200 and you want it paid directly to an IRA, contact an IRA sponsor (usually a financial institution) for assistance in establishing a qualified account. You must have the financial institution complete Part II of Form RI 38-124, Voluntary Contributions Election. Do not make your rollover election until you have read the Special Tax Notice Regarding Rollovers, Form RI 37-22. Your agency should provide you with this notice.

II. If You Want to Purchase Additional Annuity:

If you do not receive a refund, your voluntary contributions, plus interest, will purchase an additional annuity to you at the rate of $7 per year plus 20 cents for each full year you are over age 55 for each $100 you have in voluntary contributions.

You may also elect a reduction to provide a survivor annuity for any person you name. This reduction is 10% of your VC annuity, plus an additional 5% for each full 5 years the person you name is younger than you, up to a maximum reduction of 40%. The amount of the benefit payable to the survivor is 50% of your reduced voluntary contributions annuity.

Example: Suppose you are 57 years old at retirement and have voluntary contributions of $25,000, including interest. Your VC annuity is $154 per month ($25,000 divided by $100 = 250 multiplied by $7.40 = $1,850 per year divided by 12 months = $154, rounded down).

Suppose you provide a VC survivor annuity for someone who is age 50. Your VC annuity is reduced by 15%, to $131 per month. ($1,850 - $277.50 (15%) = $1,572.50 per year divided by 12 months = $131, rounded down.) Your survivor would receive $65 per month after your death ($1,572.50 x .5 = $786.25 per year divided by 2 months = $65 rounded down).

You should consider the following facts before electing a VC annuity.

- Your VC annuity will be included in your regular monthly annuity payments. However, your VC annuity (and any VC survivor annuity payable after your death) will NOT be increased by cost-of-living adjustments.

- A VC annuity is subject to apportionment and garnishment if OPM receives a qualified court order, but is not subject to reduction to provide a court-ordered survivor annuity benefit.

- If you are married, you do not need the consent of your current spouse if you decide not to provide a VC survivor annuity, or if you decide to name another person to receive this benefit.

- The reduction to provide a VC survivor annuity is permanent and will not stop even if the person named to receive the benefit dies. The survivor benefit cannot be transferred to another person.

- A VC annuity or survivor annuity cannot be changed or canceled unless your signed request is received at OPM within 30 days after your first regular annuity payment.

How to Make Your Election: Please complete Form RI 38-124, Voluntary Contributions Election. If you are applying for a refund, send the completed form to the Office of Personnel Management, Retirement Operations Center, (Attn: Refunds Section), P.O. Box 45, Boyers, PA 16017. If you are retiring and want a VC annuity or you want additional information before making your election, return the form to your personnel office.

Released 8/3/00.

Voluntary Contributions Election

Please read all of the information in the Voluntary Contributiosn Notice (RI 38-125) before making your election. If you want to receive a refund, make your election in Part I below by checking the appropriate spaces.
If you want to purchase additional annuity, complete Part III on the reverse side of this form.
If you are retiring and do not want an election at this time, complete Part IV.

Before you make your election, please provide the following information about yourself (please print clearly)

Your name	Date of birth
Your address	
Your Voluntary Contributions Account Number	Your Social Security Number
If you will retire within 60 days, provide the date you will separate for retirement	

I. Refund of Voluntary Contributions

☐ I want to receive a refund of my voluntary contributions, plus interest.

Complete one of the following options. You can elect to have OPM roll over the interest to your account only if your interest is at least $200 when you retire.

☐ Pay all of the interest to me. I understand that the interest will be subject to 20% income tax withholding if it is over $200, but I can roll it over within 60 days to an IRA account (or other qualified employer retirement plan) to defer income tax.

☐ I want *(enter "all" or a dollar amount at or above $500)* ______________ of the interest made payable to the account shown in Part II with no tax withholding on the amount rolled over. I understand that any balance of the interest paid to me will be subject to 20% tax withholding, but that I can roll over any part of it within 60 days to an IRA account (or other qualified employer retirement plan) to defer income tax. (If you check this block, your financial institution must complete Part II on the reverse side of this notice.)

☐ Send the payment directly to my account.

☐ Send the payment to me, made payable to my account. I will deliver it to the account within 60 days.

Provide Your Certification: By my signature below, I certify that I have read and understand the information in the accompanying Voluntary Contributions Notice.

Signature	Date

This form may be locally reproduced

(Continued on reverse)

Print this page and the next back-to-back.

II. Certification by Financial Institution or Retirement Plan

This part must be completed by your financial institution or retirement plan if all or part of the interest is made payable to a qualified account.

Name of institution or retirement plan	IRA Account number
Address of insittution or retirement plan	
Certification: As a representative of the financial institution or plan named above, I confirm the account number for the individual named above and the address of the institution or retirement plan. I certify that the financial institution or plan named above agrees to receive funds from the individual and deposit them in an eligible IRA or retirement plan as defined in the Internal Revenue Code.	
Typed or printed name of certifying representative	
Signature of certifying representative	
Daytime phone (area code & number)	Date of certification

III. Additional Annuity

☐ I want to use my voluntary contributions (VC) to purchase additional annuity.

Check one of the following options

☐ I do not want to provide a VC survivor annuity.	☐ I want to provide a VC survivor annuity for the person described below.
Name of Person	His/Her Date of Birth
His/Her address	
His/Her Social Security Number	His/Her Relationship to You, if Any

Provide Your Certification: By my signature below, I certify that I have read and understood the information in the accompanying Voluntary Contributions Notice.

Signature	Date

Warning: Any intentionally false or willfully misleading statement or response you provide in this election is a violation of the law punishable by a fine of not more than $10,000 or imprisonment of not more than 5 years, or both. (18 U.S.C. 1001)

IV. Send Me Additional Information After I Retire

☐ I do not want to make an election at this time. I want the Office of Personnel Management (OPM) to send me information that is specific to my case. I understand this information will be sent after OPM receives my application for retirement.

Signature	Date