

Housing Agency Retirement Trust

**REQUEST FOR BENEFIT
PAYMENT ***

NOTE: Any person completing this form must also receive:
 ▪ Options Available Upon Termination or Retirement
 ▪ Special Tax Notice Regarding Plan Payments

* THIS FORM IS NOT TO BE USED FOR REQUESTING AN IN-SERVICE WITHDRAWAL OF VOLUNTARY CONTRIBUTIONS. ACCESS THE INFOEXPRESS™ LINE (1-888-801-3534) OR THE WEB (WWW.HART-RETIRE.COM) TO REQUEST PAPERWORK FOR AN IN-SERVICE WITHDRAWAL.

1. REASON FOR DISTRIBUTION (CHECK ONLY ONE BOX BELOW)

- Retirement ~ or ~ Termination of Employment for any reason
- Total and Permanent Disability
- QDRO (Qualified Domestic Relations Order)
- Death (Attach a copy of the Death Certificate. If your agency has Supplemental Death Benefit Insurance, this must be a **certified** copy, not a photocopy.)

2. PARTICIPANT INFORMATION (HOUSING AUTHORITY MUST COMPLETE ALL ITEMS AND SIGN)

- Name of Participant _____ Social Security Number _____
- Name of Housing Authority where Participant worked _____
- Housing Authority Number (if known) **598** _ _ _
- Last day worked by Participant _____
- Last date through which Participant was paid wages _____
(For example, this could include current year vacation pay, but prior years' accumulated leave time is not applicable.)
- Final Retirement Plan contributions will be reported on the bill that reflects activity for _____ (month/year).
- Supplemental Death Benefit Insurance (check one) _____ (does) _____ (does not) apply to this Authority.

Note: This Section **must be signed by an authorized official of the agency**, and the information in this Section must be reported to the Retirement Plan Administrator in a timely manner (by mail or fax) even if the participant elects to leave the funds in the Plan.

I certify the information in the above two sections is correct.

Signature of Authorized Official of the Agency _____ Date Signed _____

3. INSURANCE CONVERSION INFORMATION

To the Participant: If your Authority has **Supplemental Death Benefit Insurance** (as indicated in Section 2 above), you have **31 days after your date of severance of employment** to elect to convert all or a part of your coverage to your own individual "whole life" insurance policy. Otherwise, your coverage will end. If you are interested in purchasing this insurance, contact your Plan Administrator at 1-800-798-2044 and ask for the cost and procedures to convert an amount from your **Minnesota Life Insurance** contract to your own individual policy. This is a guaranteed issue. Proof of insurability is **not** required.

4. RECIPIENT INFORMATION

Social Security Number	Name of Recipient (person requesting funds)		
_____	_____		
	<small>Last Name</small>	<small>First Name</small>	<small>Middle Initial</small>
Daytime Phone Number	Current Mailing Address		
() _____	_____		
	<small>Street or P.O. Box</small>		
Housing Authority Number	_____		
598 _ _ _	<small>City</small>	<small>State</small>	<small>Zip Code</small>

**Housing Agency Retirement Trust
 c/o ADP Retirement Services
 4801 Olympia Park Plaza Drive, Suite 2000
 Louisville, KY 40241**

5. TAX WITHHOLDING AND PENALTY INFORMATION

BEFORE YOU MAKE A DECISION ABOUT THE PAYMENT OPTION YOU CHOOSE IN SECTION 7 OF THIS FORM, YOU SHOULD CAREFULLY CONSIDER THE TAX CONSEQUENCES OF EACH OPTION. FOR TAX WITHHOLDING AND PENALTY INFORMATION, READ CAREFULLY THE “OPTIONS AVAILABLE UPON TERMINATION OR RETIREMENT” ~ AND ~ “SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS.”

6. SPECIAL INSTRUCTIONS AND TIMING OF DISTRIBUTIONS

Questions?

If you have any questions or need additional assistance while completing this form, please contact the Plan Administrator by calling **1-800-798-2044, extension 3.** Plan representatives are available to assist you **Monday through Friday from 8:30 a.m. until 5:00 p.m. EST.**

Timing of Distributions

You must complete and sign Form #0150 – Request for Benefit Payment to receive a distribution from this plan.

Distributions are processed **after** final plan contributions and loan payments are received by the Plan Administrator from your agency. Since final contributions and loan payments are usually received from your agency during the month which follows your termination month, **you will typically receive your distribution at the end of the month following the month in which your termination date occurs.**

Once final contributions are received, distributions are processed every business day.

Checks are mailed within 2 business days from **ADP Retirement Services** in Salem, New Hampshire. Please allow adequate time (an additional 3 to 5 business days) for mail delivery.

Sending In Forms

Completed forms may be **FAXED TO 502-429-5972** or **mailed** to the address listed at the bottom of this page. Please keep a copy of the completed paperwork for your records.

IMPORTANT

Please consult with your tax adviser regarding federal and state reporting of your distribution. Each distribution issued on your behalf from this Plan (including rollovers) must be reported on your Federal Tax Return 1040. Premature distributions require Form 5329. Please keep your address up to date with us so that you will receive Form 1099R.

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7. PAYMENT OPTIONS

Please check **only one** box to indicate the type of payment you would like to receive. **Note: Even if you elect to leave your money in the Plan temporarily, this form needs to be returned to the Retirement Plan Administrator in a timely manner.**

- (A) I elect to leave my entire account balance in the Plan for now. I understand that I will have to complete a new Form 0150 for any future distribution, and I have taken a duplicate form with me. (The Employee's signature in Section 8 is not required for this option.)
(B) I elect to have my entire account balance paid directly to me in one lump sum payment. (See Section 5 on Page 2.)
(C) I certify that I have attained at least age 55, and I elect to take my distribution in partial payments, in whatever amounts I choose, and they may be paid as often as monthly. I am requesting that my first payment be \$ with the check issued (month/day/year). I understand that I must submit my next request in writing on a special form supplied by the Plan Administrator. I understand that I may select one-time or recurring payments.
(D) I elect to receive regular payments of (complete one) \$ per month (minimum \$500) ~ or ~ \$ per quarter (minimum \$1,500) until my account balance is exhausted, with the first such payment made on the 15th day of , . If applicable, the Plan Administrator will provide a form for me to elect out of tax withholding.
(E) My total vested account balance is at least \$50,000, and I elect to receive (check one) monthly ~ or ~ quarterly payments for exactly ten (10) years with the first such payment made on the 15th day of , (month/year). If I select monthly payments, my first payment will be 1/120th of my vested account balance, the next will be 1/119th, then 1/118th, etc., until all 120 payments have been made. If I select quarterly payments, my first payment will be 1/40th of my vested account balance, the next 1/39th, then 1/38th, etc., until all 40 payments have been made. The Plan Administrator will provide a form for me to elect out of tax withholding.
(F) I elect to purchase an annuity through an insurance company. I elect to have the annuity paid according to the following option beginning , : (Check only One Type of Annuity)
(a) Life Only (e) 20 Years Certain & Continuous
(b) 5 Years Certain & Continuous (f) Joint & Survivor
(c) 10 Years Certain & Continuous (g) Cash Refund Annuity
(d) 15 Years Certain & Continuous (h) Variable Annuity

*****ROLLOVER SECTION*****

- (G) I elect to rollover the entire taxable amount of my distribution to the rollover IRA or Eligible Retirement Plan indicated below, with any non-taxable amount paid directly to me.
(H) I elect to rollover only \$ of the taxable amount of my distribution to the rollover IRA or Eligible Retirement Plan indicated below, with the remainder paid directly to me.

Name of Rollover Company or Eligible Retirement Plan: _____

Circle One: IRA or Eligible Retirement Plan -- You must attach written proof Plan is 401(a), 401(k), 403(b), or 457(b).

Account Number _____ and/or Contact Person _____

Address for mailing rollover check _____

City, State, Zip _____

8. RECIPIENT'S SIGNATURE

I certify that the above information and any elections I have made are accurate. If I elected a rollover, I certify that I have directed the rollover either to a rollover IRA or to an Eligible Retirement Plan. I have read and understand the "Options Available Upon Termination or Retirement" and "Special Tax Notice Regarding Plan Payments." I further understand that the program, as described in the official plan documents, will govern in all cases.

Name (Please Print) _____ Signature _____ Date _____

For the timing of distributions and mailing instructions, see Page 2. Please keep a copy of this completed paperwork for your records.

Housing Agency Retirement Trust
c/o ADP Retirement Services
4801 Olympia Park Plaza Drive, Suite 2000
Louisville, Kentucky 40241



Housing Agency Retirement Trust

OPTIONS AVAILABLE UPON TERMINATION OR RETIREMENT -- REVISED 2006

The following will summarize these options for you.

LEAVING YOUR ACCOUNT BALANCE IN THE PLAN

- You may leave your account balance in the Retirement Plan. However, you must comply with the Federal minimum distribution rule. Simply stated, this means that if you have not yet begun to take distributions, you must do so by the April 1st following the year in which you turn age 70½. If this applies to your situation, we will notify you of the minimum amounts you must receive each year.
- There will be no further contributions allowed to your account. However, your account will continue to be credited with any investment gains or losses. Also, you will have the privilege of transferring balances among the different investment funds by accessing either the *InfoExpress*™ telephone system at 1-888-801-3534, or the *InfoExpress*™ Website: www.hart-retire.com. You will need your Social Security number and your Personal Identification Number (PIN) to access either system.
- There are *no* administrative expenses charged for leaving your money in the plan; however, you will have to pay any applicable investment fees charged by the funds in which you are participating.
- You may request a distribution at any time* from any of the available options under this Plan.

* Exception: If you leave your balance in the Plan and are later rehired by the **same** agency, you will not be able to take a distribution from that balance while you are **actively employed** by that same agency.

LUMP SUM DISTRIBUTION

- You may take out your entire balance in a single lump sum distribution.
- The IRS requires a flat 20% Federal income tax withholding on the *taxable* portion of a lump sum distribution. If applicable, any mandatory state tax will also be withheld. If you choose to rollover your distribution to a rollover IRA or another Eligible Retirement Plan, taxation will be deferred until you take a distribution from wherever you rolled your funds. For information about rollovers, see the next section.
- The Internal Revenue Service also imposes a **10% penalty tax** on distributions from retirement plans prior to the time you reach age 59-1/2. However, there are exceptions to the penalty. Some of these exceptions are: a distribution made as a result of your disability or death; a Qualified Domestic Relations Order (QDRO, which applies to divorce or other circumstances); or, if you are age 55 or older in the year in which you terminate. If you terminate employment prior to the year in which you attain age 55, you will not be exempt from the 10% penalty until you reach age 59-1/2. Federal Form 5329 should be furnished to you by your tax preparer when filing your Federal Tax Return 1040.

ROLLOVERS

- You are permitted to request that a total or partial rollover be directed to a rollover IRA (Individual Retirement Account) or to an Eligible Retirement Plan that will accept the rollover. Eligible Retirement Plans include: Qualified Plans, such as 401(a) or 401(k); 403(b) Tax-Sheltered Annuity Plans; and 457(b) Plans.

- Most participants elect to rollover only the taxable portion of a distribution. Since there is no tax liability or penalty associated with receiving a non-taxable distribution, they elect to have the non-taxable portion paid directly to them.
- However, now that certain rollover IRA's and certain Eligible Retirement Plans do accept non-taxable rollovers, that option is available to you. Be sure to check with your rollover company to see who is responsible for keeping records of your non-taxable funds for future tax purposes.

AGE 55 OR OLDER PROVISION

- After you terminate employment, you may want to leave your money in the plan until you reach age 55 in order to take advantage of this special provision. When you are age 55 or older, you may elect to receive your distribution in partial payments, in whatever amount you choose, and you may elect to receive them as often as monthly. You are not required to take a payment every month, nor do the payments always have to be in the same amount. Since the amount and frequency of your payments can vary, the Plan Administrator will provide you with special forms for making your selection(s). Once you start receiving payments, you are still entitled to take out your entire balance at any time, or elect another optional form of payment under the Plan.
- The mandatory 20% tax withholding rules apply to these distributions. If you terminate employment prior to the year you attain age 55, any payments you receive before age 59-1/2 may be subject to the 10% tax penalty.

REGULAR MONTHLY OR QUARTERLY PAYMENTS

Regardless of your age, you may elect to receive one of the following **two** options. **Once you begin receiving payments under either option (1) or (2) below, you may not switch to another option unless you are age 55 or older and elect the "Age 55 or Older Provision" above. Making a change will cancel your current tax withholding election and require the Plan Administrator to withhold 20% federal income tax from each future payment. Once you have made this change, you may not revert back to your initial election.**

- (1) If your total vested account balance is at least \$50,000, you may elect to receive either monthly or quarterly payments that will continue for exactly 10 years. If you select **monthly** payments, your first payment will be 1/120th of your balance, the next will be 1/119th of your balance, then 1/118th, etc., until all 120 payments have been made. If you select **quarterly** payments, your first payment will be 1/40th of your balance, the next 1/39th, then 1/38th, etc., until all 40 payments have been made.
 - (2) You may elect to receive regular monthly payments of at least \$500 (or regular quarterly payments of at least \$1,500) until your account balance is exhausted. Initially, you may specify the dollar amount of each payment (subject to the above minimums), **but the dollar amount cannot be changed once payments begin unless you are 55 or older.**
- Under IRS regulations, equal (or almost equal) payments that continue for a period of at least 10 years are not subject to mandatory 20% tax withholding. Therefore, if you elect option (1) above (or if you elect option (2) and your payments are expected to last at least 10 years), your tax withholding rate will only be 10%, unless you wish to have no taxes withheld. To elect out of tax withholding, ask the Plan Administrator for the election form and related information. Please be advised that the 10% penalty tax (described on page 1) may still apply to your particular situation under these options.

ANNUITY PURCHASES

- Depending on which monthly annuity option you choose, purchasing an annuity provides you with a **lifetime** of monthly income payments and the option of providing an income (or lump sum) to your beneficiary after your death.
- If you elect to purchase a monthly annuity benefit, bid quotes will be taken from several insurance companies (currently John Hancock, Metropolitan Life, and Principal Mutual Life Insurance Companies) so that you may choose the best offer. You may purchase your benefit from any one of these companies. Neither the mandatory 20% tax withholding nor the 10% penalty tax applies to annuities. You will arrange with the insurance company whether to have taxes withheld from your monthly payments.
- Upon your selection, a check will be disbursed from your retirement account and mailed directly to the chosen insurance company. You will receive your monthly check directly from the insurance company and, at the end of the year, you will receive from the insurance company a Form 1099R showing the total benefit paid you, any Federal income tax withheld, and any non-taxable portion, if applicable.
- All annuities will provide a lifetime monthly benefit for you, the purchaser of the annuity. There are several types of annuities from which to choose.

Monthly annuity options are:

- Life Only
- 5 Year Certain & Continuous
- 10 Year Certain & Continuous
- 15 Year Certain & Continuous
- 20 Year Certain & Continuous
- Joint & Survivor
- Cash Refund
- Variable Annuity

- ✓ ***The Life Only Annuity*** provides lifetime annuity payments for the participant who purchases the annuity, with no benefit payable to a beneficiary after the participant's death.
- ✓ ***The 5, 10, 15 & 20 Year Certain and Continuous Annuities*** provide the participant who purchases the annuity with a lifetime benefit. If the payments made have not already exceeded the guaranteed period, the beneficiary will be entitled to receive the same monthly benefit to complete the guarantee period. For example, if a participant selects the 20 Year Certain and Continuous Annuity and dies after 12 years, the beneficiary would receive the same monthly payments for the next 8 years to complete the guarantee period. If the participant chooses this same 20 Year Certain and Continuous Annuity and lives for 20 or more years, there would be no benefit payable to the designated beneficiary.
- ✓ ***A Joint & Survivor Annuity*** will provide a lifetime benefit for the participant who purchases the annuity. If the purchaser should die, a percentage of that lifetime benefit will continue to the designated Joint Annuitant. There is no benefit payable after the death of both parties. The participant selects the percentage: For example, if a participant selects a "Joint and 50% to Survivor" annuity that provides \$500 a month to the participant for life, after the death of the participant, the Joint Annuitant, if living, would receive 50% of the \$500, or \$250 a month, for his or her lifetime. Had the participant selected a "Joint and 100% to the Survivor" annuity, the Joint Annuitant would receive the full 100%, or \$500 per month for life.

- ✓ *A Cash Refund Annuity* provides lifetime annuity payments for the participant. If the participant should die before having received total annuity payments equal to the amount of money used to purchase the annuity, the excess will be paid to the designated beneficiary in a lump sum.
- ✓ *A Variable Annuity* is invested primarily in a portfolio of equity securities and, therefore, provides lifetime annuity payments for the participant which fluctuate with the value of those securities. The participant may select from several types of variable annuities with “certain and continuous” or “joint and survivor” features for the designated beneficiary.

***A NOTE ABOUT OUTSTANDING LOANS
(IF APPLICABLE TO YOUR AUTHORITY)***

If you terminate employment and have an outstanding loan balance, the balance of that loan becomes immediately due and payable. Unless the loan is repaid in full prior to termination, the remaining loan amount is treated as a distribution from the Plan and is subject to taxation. This will occur whether or not you request a distribution of your vested retirement account balance. The Form 1099R will be forwarded to you and the taxable information will be reported to the Internal Revenue Service. Also, you should be aware that unpaid loans will not be eligible for rollover. However, if you do not withdraw your account balance from the retirement plan, you may be able to make arrangements to continue making loan payments. Please contact the Plan Administrator (1-888-801-3534) for special instructions or a loan payoff quote. For tax implications, you should consult your tax advisor.

TIMING OF DISTRIBUTIONS

- Distributions are processed **after** final plan contributions and loan payments are received by the Plan Administrator from your agency. Since final contributions and loan payments are usually received from your agency during the month which follows your termination month, **you will typically receive your distribution at the end of the month following the month in which your termination date occurs.**

Once final contributions are received, distributions are processed every business day.

Checks are mailed within 2 business days from ADP Retirement Services in Salem, New Hampshire. Please allow adequate time (an additional 3 to 5 business days) for mail delivery.

- To initiate a distribution, or for additional information about these opportunities/options, please consult with the appropriate person at your agency. To receive any type of distribution from the Plan, you must sign and complete Form #0150 which is available at your agency or on the Website: www.hart-retire.com.

***Housing Agency Retirement Trust
c/o ADP Retirement Services
4801 Olympia Park Plaza Drive, Suite 2000
Louisville, Kentucky 40241***

Revised July 2006



Housing Agency Retirement Trust

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by Housing Agency Retirement Trust (the “Plan”) 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 a traditional rollover IRA or another qualified employer plan. A “traditional rollover IRA” does not include a Roth IRA, SIMPLE IRA, or education IRA.

If you have additional questions after reading this notice, you can contact your plan administrator.

SUMMARY

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

- 1) Certain payments can be made directly to a traditional IRA or, if you choose, another qualified employer plan that will accept it (“**DIRECT ROLLOVER**”), or
- 2) The payment can be **PAID TO YOU**.

If you choose a **DIRECT ROLLOVER**:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your traditional IRA or, if you choose, to another qualified employer plan that accepts your rollover. Your Plan payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or an education IRA because these are not traditional IRAs.
- Your payment will be taxed later when you take it out of the traditional IRA or the qualified employer plan. (See page 2 for more information about direct rollovers.)

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

- You will receive *only 80% of the payment*, because the Plan administrator *is required to withhold 20% of the payment* and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment *will be taxed in the current year* 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% tax. (See page 3 for additional information about taxes.)
- You can roll over the payment by paying it to your traditional IRA, or to another qualified employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or qualified employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or another qualified employer plan, *you must find other money to replace the 20% that was withheld*. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and not rolled over.

The following pages contain more detailed information about how your distribution is paid and the tax treatments that are available. Please read this notice carefully before making a decision about taking a distribution from the Plan.

MORE INFORMATION

I.	Payments that Can and Cannot be Rolled Over.....	Page 2
II.	Direct Rollovers.....	Page 2
III.	Payment Paid to You.....	Page 2
IV.	Surviving Spouses, Alternate Payees and Other Beneficiaries.....	Page 4
V.	How to Obtain Additional Information.....	Page 4

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 another employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or an education IRA. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

The following types of payments *cannot* be rolled over:

Non-taxable payments

In general, only the “taxable portion” of your payment can be rolled over. If you have made “after-tax” employee contributions to the Plan, 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 that you made from your own pay that were already taxed. Earnings on these contributions are taxable and can be rolled over.) 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 employee contribution portion.

Payments spread over long periods

You cannot roll 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 10 years or more.

Required minimum payments

Beginning when you reach age 70-1/2 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.

II. Direct Rollovers

A *direct rollover* is a direct payment of the amount of your Plan benefits to a traditional IRA or another qualified 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 above. You are not taxed on any portion of your payment for which you choose a *direct rollover* until you later take it out of the traditional IRA or qualified employer plan. In addition, no income tax withholding is required for any portion of your Plan benefits for which you choose a *direct rollover*.

Direct rollover to a traditional IRA

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

Direct rollover to a plan

If you are employed by a new employer that has a qualified employer plan, and you want a direct rollover to that plan, ask the Plan Administrator of that plan whether it will accept your rollover. A qualified employer plan is not legally required to accept a rollover. If your new employer’s plan does not accept a rollover, you can choose a *direct rollover* to a traditional IRA.

Direct rollover of a series of payments

If you receive a payment that can be rolled over to a traditional IRA or another qualified employer plan that will accept it, and it is paid in a series 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.

III. Payment Paid to You

If your payment can be rolled over under Part I above and the payment is made to you in cash, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or another qualified employer plan that accepts rollovers. 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 above, and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if you can roll over a 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, you must report the full \$10,000 as a 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.

Voluntary withholding

If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. 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 above, you can still decide to roll over all or part of it to a traditional IRA or another qualified employer plan that accepts rollovers. If you decide to roll over, *you must contribute the amount of the payment you received to a traditional IRA or another qualified 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 qualified employer plan.

You can roll over up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% 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 qualified employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Example: The portion of your payment that can be rolled over under Part I above 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 a traditional IRA or a qualified 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 the qualified 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% penalty 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% of the taxable portion of the payment. The additional 10% penalty 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 to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies).
- 4) payments that are paid directly to the government to satisfy a federal tax levy.
- 5) payments that are paid to an alternate payee under a qualified domestic relations order, or
- 6) payments that do not exceed the amount of your deductible medical expenses.

See IRS Form 5329 for more information on the additional 10% tax.

Special tax treatment if you were born before January 1, 1936

If you receive a payment that can be rolled over under Part I and you do not roll it over to a traditional IRA or other qualified employer plan that will accept it, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you *after* you have reached age 59-1/2 or because you have separated from service with your employer. For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. 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 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.
- ***Capital Gain Treatment.*** If you receive a lump sum distribution and you were born before January 1, 1936, and if you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

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 the Plan (or certain other similar plans of the employer), you cannot use this special tax treatment for later payments from the Plan.
- If you roll over your payment to a traditional IRA, you will not be able to use this special tax treatment for later payments from the traditional IRA.
- Also, if you roll over only a portion of your payment to a traditional 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.

Repayment of plan loans

If you end your employment and have an outstanding loan from your Plan, your employer may reduce (or “offset”) your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan repayment. The amount withheld will be limited to the amount of other cash or property paid to you.

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 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. Some of the rules summarized above also apply to a deceased employee’s beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a *direct rollover* to a traditional IRA 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, but you cannot roll it over to a qualified employer plan. If you are an alternate 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 a traditional IRA or to another qualified employer plan that accepts rollovers.

If you are a beneficiary other than the surviving spouse, 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 generally not subject to the additional 10% 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 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 participation in the Plan.

V. How to Obtain Additional Information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator 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 retirement plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS’ Internet Website at <http://www.irs.ustreas.gov/>, or by calling 1-800-TAX-FORMS.

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