



## Application for Refund of Member Contributions and Direct Rollover/Direct Payment Selection

The earliest a refund may be processed is 45 days following termination of employment. KPPA does not guarantee the date a refund will be issued or the date it will be received once mailed from our office.

**Required Information:** Failure to complete all items and sign this form could result in delays. This form and verification of termination must be on file at the retirement office before a refund or rollover will be issued.

### Member Information

Member Name:		Member ID:	
KPPA will update contact information for your retirement account based on the details provided below.			
Address:		City:	State: Zip Code:
Phone (select type) <input type="radio"/> Mobile <input type="radio"/> Home <input type="radio"/> Work		Email:	
Date of Birth:		Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female	

System	Name of Agency Refund/Rollover Requested From	Termination Date		
		Month	Day	Year
<input type="checkbox"/> Kentucky Employees Retirement System (KERS)				
<input type="checkbox"/> County Employees Retirement System (CERS)				
<input type="checkbox"/> State Police Retirement System (SPRS)				

**Distribution of Payment Election:** If you are unsure about the information to provide in this section, please contact our office for assistance from a counselor to avoid possible delays in processing your benefits.

### I elect a complete distribution of my payment as follows:

If your refund will include taxable monies, you must select one option from this column.

Taxable Portion (Monies have not yet been taxed)

- ☐ Direct Rollover
- ☐ Paid Directly to me (less 20% withholding\*)
- ☐ Partial Rollover in the amount of \$\_\_\_\_\_, balance (less 20% withholding\*) paid to me.

If your refund will include non-taxable monies, you must select one option from this column.

Non-Taxable Portion (Monies have already been taxed)

- ☐ Direct Rollover
- ☐ Paid Directly to me
- ☐ Partial Rollover in the amount of \$\_\_\_\_\_, balance

**Please complete Page 2. Complete Page 3 only if you select a rollover.**

**Member Information**

Member Name: \_\_\_\_\_

Member ID: \_\_\_\_\_

**Employer Information: If you have terminated employment with a participating agency within the last 6 months, please have your former employer complete the information below.**

Employer Name: \_\_\_\_\_ Employer Code: \_\_\_\_\_

Termination Date: \_\_\_\_\_ Were there wages reported to KPPA after termination? ☐ Yes ☐ NoIf so, were those wages earned prior to the termination? ☐ Yes ☐ No

Signature of Agency Official: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name of Agency Official: \_\_\_\_\_

Title: \_\_\_\_\_ Agency Phone Number: \_\_\_\_\_

**Acknowledgments: Subject to penalty of KRS 523.100**

- I acknowledge that federal and state law both require a bona fide separation from service with all employers participating in the Kentucky Retirement Systems (KRS) and the County Employees Retirement System (CERS) and, in some cases, entities affiliated with participating employers in order for the Kentucky Public Pensions Authority to pay a refund of a retirement account.
- If I am taking a refund of my retirement account, I affirm that I have had a separation from service with all employers participating in the KRS and the CERS. I also affirm that I do not have a prearranged agreement to return to work for a participating employer (including, in some cases, entities affiliated with participating employers) after I have received a refund.
- I understand that the term "separation from service" as used in this affidavit means a complete severance of any kind of employment relationship (including, but not limited to, work as an independent contractor or leased employee) with all employers participating in the KRS and the CERS (including, in some cases, entities affiliated with participating employers).
- I understand that the term "prearranged agreement" as used in this affidavit means any contemplation of return to employment with employers participating in the KRS and the CERS (including, in some cases, entities affiliated with participating employers) after I have received a refund.
- I understand that the terms "employers participating in the KRS and the CERS" and "participating employer" as used in this affidavit are to be construed in a broad manner, and include not only the employer itself, but may also include certain entities affiliated with participating employers, regardless of whether such entities are holding themselves out as legally separate entities. I am aware that I may contact the Kentucky Public Pensions Authority for assistance if I have any questions about whether an entity affiliated with a participating employer may be included in these terms.
- I acknowledge that if I fail to comply with federal and state law regarding bona fide separation from service, I will be required to repay all refunded contributions paid in error.
- I acknowledge that I have full understanding that any person who provides a false statement, report, or representation is subject to the penalty of perjury in accordance with Kentucky Revised Statutes 523.010, et seq.
- I understand that by taking a refund, I am forfeiting all service credit and eligibility for future retirement benefits.
- If I am a Tier 3 member (participation date is on or after January 1, 2014) and I am not eligible to retire, I understand that by taking a refund that is not a retirement benefit, I will be eligible to participate in the KRS and/or CERS again if I should become reemployed with a participating employer, but I will not be able to re-establish my original participation date.
- If I am a Tier 3 member (participation date is on or after January 1, 2014), and I am eligible to retire, and taking a refund that is a retirement benefit, I understand that I will not be eligible to participate in the KRS or the CERS again if I should become reemployed with a participating employer.

**Certification**

I certify that I have read the enclosed SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS and have selected the distribution option indicated above. I understand that my payment will not be processed until this form is completed and returned to the retirement office. I understand that I have a right to at least 30 days from my receipt of the SPECIAL TAX NOTICE in which to make my decision regarding receipt or rollover of these funds, and by signing and returning this form, I waive my right to the full 30-day period. I understand that if I elect to receive any or all of the taxable portion directly, 20% of the taxable portion paid to me will be withheld for my federal income taxes.\* I understand that no tax will be withheld if I have the entire taxable portion rolled over directly to an IRA, qualified plan, or other retirement plan that can accept the rollover. If I elect to have any or all of the payment rolled over, I will have the Trustee receiving the rollover complete page 3 of this form.

**\*If you are a nonresident alien, the mandatory withholding rate is 30% instead of 20%, unless a tax treaty exemption applies.**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Witness Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Note: Signature of Member is required. Signature of Witness is also required. Failure to sign form and have your signature witnessed by another person will result in the form being voided.**

**Member Information**

Member Name: \_\_\_\_\_

Member ID: \_\_\_\_\_

**Direct Rollover Information: To be completed by Trustee of IRA or eligible plan receiving rollover. Please complete both sections if the distribution will include a taxable portion and a non-taxable portion.****Taxable Portion (*Monies have not yet been taxed*)**

- ☐ Traditional Individual Retirement Account/Annuity
- ☐ Roth Individual Retirement Account/Annuity
- ☐ 401(a) Qualified Plan, 403(a) Qualified Annuity, 403(b) Annuity Contract, or 457(b) Governmental Plan
- ☐ SIMPLE IRA that has been established for at least two (2) years

Make check payable to: \_\_\_\_\_

Account number (if applicable): \_\_\_\_\_

Send check to: \_\_\_\_\_

As agent for the above named plan, I certify that the above plan is an eligible plan and will accept the rollover for the benefit of the distributee of pre-tax dollars that would otherwise be taxable upon distribution.

Trustee/Agent  
Signature: \_\_\_\_\_

Phone: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Non-Taxable Portion (*Monies have already been taxed*)**

- ☐ Traditional Individual Retirement Account/Annuity
- ☐ Roth Individual Retirement Account/Annuity
- ☐ 401(a) Qualified Plan or 403(b) Annuity Contract

Make check payable to: \_\_\_\_\_

Account number (if applicable): \_\_\_\_\_

Send check to: \_\_\_\_\_

As agent for the above named plan, I certify that the above plan is an eligible plan and will accept the rollover for the benefit of the distributee of post-tax dollars, and will separately account for such post-tax dollars, in the case of a 401(a) qualified plan or a 403 (b) annuity contract.

Trustee/Agent  
Signature: \_\_\_\_\_

Phone: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



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## **Special Tax Notice**

### **Application for Direct Rollover or Direct Payment**

You are receiving this notice because all or a portion of a payment you are receiving from the Kentucky Employees Retirement System, County Employees Retirement System, or State Police Retirement System (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover. If you have additional questions after reading this notice, you can contact your Plan Administrator at 1-502-696-8800 or 1-800-928-4646.

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

### **General Information About Rollovers**

#### **How can a rollover affect my taxes?**

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

#### **What types of retirement accounts and plans may accept my rollover?**

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan. Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan (for example, IRAs are not subject to spousal consent rules and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

#### **How do I do a rollover?**

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

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

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld.

If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59 ½ (unless an exception applies).

### **How much may I roll over?**

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain a period of at least 10 years or over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions after age 70½ (if you were born before July 1, 1949), after age 72 (if you were born after June 30, 1949), after age 73 (if you were born on or after January 1, 1951), or after death;
- Corrective distributions of contributions that exceed tax law limitations; and
- Distributions of certain premiums for health and accident insurance.

KPPA can tell you what portion of a payment is eligible for rollover.

### **If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?**

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

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

## **If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?**

If you receive a payment from an IRA when you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 or have 25 or more years of service in the Plan for qualified public safety employees) does not apply;
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse); and
- The exception for payments made at least annually in equal or close to equal amounts over specified period applies without regard to whether you have had a separation from service.

If you are a “qualified public safety employee,” in order not to be subject to the additional 10% early distribution tax on this payment, you must submit a fully completed “Form 4527, Certification by a Qualified Public Safety Employee and Request for an Exception to the ten (10) percent Early Distribution Penalty in IRC 72(t)” to the retirement office. Upon request, Kentucky Retirement Systems can provide a copy of the Form 4527 to you. The Form 4527 is also available on Kentucky Retirement Systems' website, [www.kyret.ky.gov](http://www.kyret.ky.gov).

Additional exceptions apply for payments from an IRA, including:

- Payments for qualified higher education expenses;
- Payments up to \$10,000 used in a qualified first-time home purchase; and
- Payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

## **Will I owe State income taxes?**

This notice does not address any State or local income tax rules (including withholding rules).

## **Special Rules and Options**

### **If your payment includes after-tax contributions**

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

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). Using the Form 4525, Application for Refund of Member Contributions and Direct Rollover/Direct Payment Selection, or the Form 6025, Direct Rollover/Direct Payment Election Form for a Member, Beneficiary, or Alternate Payee Regarding an Eligible Rollover Distribution, you will elect how your after-tax contributions will be distributed separately from how your pre-tax contributions will be distributed. The Plan will distribute your after-tax contributions and pre-tax contributions in accordance with your elections for each.

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

### **If you miss the 60-day rollover deadline**

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*.

### **If you were born on or before January 1, 1936**

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

### **If you roll over your payment to a Roth IRA**

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

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time home buyer distribution of up to \$10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime.

For more IRS information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

You cannot roll over a distribution to a designated Roth account in another employer's plan.



## **If you are not a Plan member**

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

## **If you are a surviving spouse**

If you receive a payment from the Plan as the surviving spouse of a deceased member, you have the same rollover options that the member would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½ (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949), or after age 73 (if you were born on or after January 1, 1951).

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the member had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the member had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the member would have been age 70½ (if the member was born before July 1, 1949) or age 72 (if the member was born after June 30, 1949), or after age 73 (if the member was born on or after January 1, 1951).

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

## **Payments under a QDRO**

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

If the alternate payee does not return the Form 6025, Direct Rollover/Direct Payment Election Form for a Member, Beneficiary, or Alternate Payee Regarding an Eligible Rollover Distribution, within thirty (30) days of receipt of the form and this notice, the lump-sum payment shall be processed and treated for federal income tax purposes as if the alternate payee had made an election to directly receive the funds instead of rolling over the payment to an IRA or an eligible employer plan.

In the event that the Plan cannot locate an alternate payee when a lump-sum payment from the Plan pursuant to a QDRO becomes payable, the Plan shall hold the amount payable to the alternate payee and shall make payment to the alternate payee if he or she is located within one hundred eighty (180) days after the payment becomes payable. If the alternate payee has not been located within one hundred eighty (180) days after the alternate payee's payment becomes payable, the Plan shall pay the payment held to the member and shall assign the federal tax liability for this payment to the member.



No interest shall accrue on this lump-sum payment during the one hundred and eighty (180) day period or thereafter. If the alternate payee is subsequently located, any amounts already paid to the member shall no longer be payable to the alternate payee.

### **If you are a nonresident alien**

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60- day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S.

See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

### **Other Special Rules**

If a payment is one in a series of payments for less than 10 years, your choice whether to do a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than \$200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover. However, you may do a 60-day rollover.

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

### **For More Information**

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