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Special Tax Notice
for Members of The Annuity Plan for the United Church of Christ

You are receiving this notice because all or a portion of a payment you are receiving from The Annuity Plan for the United Church of Christ (the "Plan") is eligible to be rolled over to an individual retirement account or individual retirement arrangement ("IRA") or an employer plan. This notice is intended to help you decide whether to roll over your payment(s) from the Plan into an IRA or employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan).

The Section below entitled "General Information About Rollovers" describes rules that apply generally to most plan payments. The Section below entitled "Special Rules and Options" describes special rules that apply in limited circumstances.

General Information About Rollovers

How does rolling over my payment affect my taxes?

You will be taxed on any payment(s) received from the Plan if you do not roll the payment(s) into an IRA or employer plan. If you are under age 59½ and do not elect to roll over your payment, you will pay an additional 10% income tax on early distributions (unless an exception applies). However, if you elect to roll over your payment(s), you will not have to pay tax until you begin receiving payments from the IRA or employer plan and the additional 10% income tax will not apply as long as the payment(s) are received after you attain age 59½ (or if an exception applies).

Where may the payment(s) be rolled over?

You may roll over payment(s) received from the Plan to either an IRA or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that accepts rollover payments. The rules of the IRA or employer plan that receives the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan. The tax rules that apply to the IRA or employer plan into which the payment(s) are rolled will apply to the rolled over payment(s).

How do I roll over my payment(s) into an IRA or employer plan?

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

- **Direct Rollover -** The Plan will make your payment(s) directly to your designated IRA or employer plan. Contact the IRA sponsor or the administrator of the employer plan for information on how to initiate a direct rollover.

- **60-Day Rollover -** You may still initiate a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive any payment(s) to make the deposit. If you do not initiate a direct rollover, the Plan is required to withhold 20% of your payment for federal income taxes. This means that, when choosing a 60-day rollover, in order to roll over your entire payment, you must use other funds to make up for the 20% withheld from your payment. 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 additional 10% income tax on early distributions if you are under age 59½ (unless an exception applies).

How much may I roll over?

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

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)

- Required minimum distributions after age 70½ (or after death)
- Corrective distributions of contributions that exceed tax law limitations

The Plan administrator or the payor can tell you the portion of a payment that is eligible for rollover.

If I don't roll over my payments, will I have to pay the additional 10% income tax on early distributions?

If you are under age 59½ you will have to pay the additional 10% income tax on early distributions for any payment received 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 is in addition to the regular income tax on the payment not rolled over. The additional 10% income tax does not apply to the following payments from the Plan:

- Payments made after you separate from employment if you will be at least age 55 in the year of the separation
- Payments that start after you separate from employment if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments made after your death to your beneficiary
- 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
- Certain payments made while you are on active military duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days

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

If you receive a payment from an IRA when you are under age 59½, you will have to pay the additional 10% income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the additional 10% 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 received from an IRA, including:

- No exception for payments after separation from employment that are made after age 55
- No QDRO exception (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)
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from employment
- Additional exceptions for (i) payments for qualified higher education expenses; (ii) payments up to $10,000 used in a qualified first-time home purchase; and (iii) payments 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 describe any State or local income tax rules (including withholding rules). Contact your tax advisor.

Special Rules and Options

If your payment includes after-tax contributions.

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the payment. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

You may roll over a payment from the Plan which includes after-tax contributions into an IRA through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in each of your IRAs (in order to determine your taxable income for later payments from each of the IRAs). If you elect a direct rollover of only a portion of the amount paid from the Plan and you elect to receive a portion in cash, each of the payments will include an allocable portion of the after-tax contributions. If you elect a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals $12,000, of which $2,000 is an after-tax contribution. In this case, if you roll over $10,000 to an IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being an after-tax contribution.

You may roll over to an employer plan an entire 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 elect 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. To apply for a waiver, you must request a private letter ruling from the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, *Individual Retirement Arrangements (IRAs).*

If you were born on or before January 1, 1936.

IIf 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 the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the additional 10% income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover). For example, payments distributed from the Plan during 2016 that are rolled over to a Roth IRA, then the taxable amount may be spread over a two-year period starting in 2017.

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 attain age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least five years. In applying this five-year rule, you count from January 1 of the year in 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 additional 10% income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, *Individual Retirement Arrangements (IRAs).*

You cannot roll over a payment from the Plan to a designated Roth account in an employer plan.

If You Are Not a Plan Participant

Payments after death of the participant.

If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the additional 10% income tax on early distributions does not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant 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 participant, you have the same rollover options that the participant 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 additional 10% income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until you attain age 70½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the additional 10% income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to continue receiving required minimum distributions from the inherited IRA. If the participant 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 participant would have attained age 70½.

If you are a surviving beneficiary other than a spouse.

If you receive a payment from the Plan because of the participant'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 additional 10% income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order.

If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order ("QDRO"), you generally have the same options the participant would have had (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the additional 10% income tax on early distributions.

If you are a nonresident alien.

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the 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 (which may happen if you elect a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 104 2-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 make 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, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may elect a 60-day rollover.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, *Armed Forces' Tax Guide*.

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, *Individual Retirement Arrangements (IRAs)*; and IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, on the web at **www.irs.gov**, or by calling **1.800.TAX.FORM**.