

Distributions and Leaving State Employment



- Distribution Options
 - 401(k) Plan
 - 457 Plan
 - Initiating a Distribution from Texa\$aver
- Tax Considerations and Special Tax Notice
- Benefits of Staying in Texa\$aver
- Required Minimum Distributions (RMD)
- Rollovers Out



The Texa\$aver 401(k) and 457 Program



**Outstanding Loan Balance?
Proceed with Caution.**

Failure to pay back an outstanding loan from your Texa\$aver account before requesting a distribution or rolling over your funds could cause you to pay income taxes on the amount of the outstanding loan.

Distributions and Leaving State Employment

When you leave state employment, you will have to make certain decisions about your Texa\$aver account. It's important to consider all your options.

Distribution Options

401(k) Plan distribution options

- Leave the money in Texa\$aver (see *Benefits of Staying in Texa\$aver* on page 3). You must start taking distributions once you reach age 70½.
- Establish a regular payment schedule for the remainder of the account (i.e., monthly, quarterly, semi-monthly, or annually), called periodic payments.
- Take a partial withdrawal (a portion of your money) from your account.
- Roll over the balance to an ING Immediate Annuity. Call **(800) 238-6273**, option 3 for information.
- Roll over the balance to another qualified plan or an IRA without tax penalties or withholding.
- Take a portion or all of the money in cash, called a lump-sum distribution.

Distributions from Texa\$aver are taxable, and will be subject to 20% federal tax withholding if not rolled over to a qualified account such as an IRA. If you are younger than age 59½, a 10% early withdrawal penalty may apply. Distributions that are rolled over directly to an IRA or other qualified plan, or an ING annuity, are not taxable and are not subject to withholding.

457 Plan distribution options

- Leave the money in Texa\$aver (see *Benefits of Staying in Texa\$aver* on page 3). You must start taking distributions once you reach age 70½.
- Establish a regular payment schedule for the remainder of the account (i.e., monthly, quarterly, semi-monthly, or annually), called periodic payments.
- Take a partial withdrawal (a portion of your money) from your account.
- Roll over the balance to an ING Immediate Annuity. Call **(800) 238-6273**, option 3 for information.
- Roll over the balance to another qualified plan or an IRA without tax penalties.
- Take a portion or all of the money in cash, called a lump-sum distribution.

Distributions from Texa\$aver will be subject to 20% federal tax withholding if not rolled over to a qualified account such as an IRA. Distributions that are rolled over to an IRA or other qualified plan, or an ING annuity, are not taxable and are not subject to withholding.

Initiating a Distribution from Texa\$aver

You can request a distribution from Texa\$aver after you retire or terminate from state employment by completing a Distribution Agreement Form and submitting it to ING. You can download a Distribution Agreement Form from the **Forms** section of the Texa\$aver website, or request a Distribution Agreement Package be mailed to you by calling Texa\$aver at **(800) 634-5091**.

If you do not request a distribution, your money will automatically stay in Texa\$aver and you will continue to have access to the same great features and benefits you had while employed.



Tax Considerations and Special Tax Notice

Review your current financial situation carefully before requesting a distribution from Texa\$aver. The rules governing taxes are complex and contain many conditions and exceptions. Therefore, you are encouraged to talk with your tax advisor or financial planner before deciding how to receive your distribution.

To avoid both ordinary income tax and the tax penalty, you can request a direct rollover of your plan assets to an IRA, another eligible retirement plan, or an ING Immediate Annuity.

If you request a payment be made directly to you, you will receive only 80% of your distribution amount because Texa\$aver is required to withhold 20% for federal taxes. (And if you're in the 401(k) Plan and under age 59½, you may also have to pay a 10% penalty to the IRS on the amount withdrawn.)

If you receive a lump-sum distribution paid directly to you from Texa\$aver, you have a 60-day window to initiate a rollover to another tax-qualified plan or IRA. If you want to roll over 100% of the "before tax" amount, you will need to make up the 20% withheld for taxes from other sources. If you roll over only the 80% that you initially received, the 20% that was withheld and not rolled over will be taxed as income in the tax year of the distribution.

The Texa\$aver 401(k) and 457 Plans' Special Tax Notice discusses the tax implications of taking distributions from Texa\$aver. You can review this notice at any time by visiting the **Forms** section of the Texa\$aver website at www.texasaver.com or by calling Texa\$aver at **(800) 634-5091** to request a copy.

If you call the Plan Information Line to request a distribution, you will be asked to verify that you have received and read this notice within the last 90 days and that you waive your right to wait 30 days prior to requesting a distribution.



Benefits of Staying in Texa\$aver

Four reasons stay in the Plan

- 1. Texa\$aver Program offers flexible, easy account management.** Continue to use the automated Texa\$aver Information Line at (800) 634-5091, with access to customer service representatives to answer your plan-specific questions. The Texa\$aver website at www.texasaver.com allows you to manage your retirement savings and access financial education information that can help you effectively prepare for retirement. You can access both the Information Line and website at any time for account information or to make changes in your investments.
- 2. Quick and easy transfers among investment options.** By staying in your Texa\$aver 401(k) or 457 Plan, there is no paperwork to transfer your assets among Texa\$aver's wide array of investment products. Transfers made online or by phone are processed within 24 hours.
- 3. Texa\$aver is a low-cost program.** Texa\$aver offers you investment products that are competitively priced when compared to many other mutual funds. Low investment fees continue to keep more of your retirement money working for you in your portfolio. Some funds also offer attractive rebates. In addition, because operating expenses are spread over a large pool of accounts, and there are no commissioned sales people, the Texa\$aver Program is able to maintain low fees.
- 4. Distribution flexibility with a variety of payout options.** Texa\$aver allows you to keep your money in the Plan—even if you retire or leave your job—with a variety of distribution options to suit your financial needs, including periodic payments and partial withdrawals. You can also change your distribution arrangement as many times as necessary to meet your needs, as long as you begin receiving payments the year after you reach 70½.

Texa\$aver participants have even more reasons to stay invested!

Distribution option flexibility. You can choose monthly, quarterly, semi-annual, annual, or periodic payouts from your Texa\$aver 401(k) and 457 Plan accounts.

No early withdrawal penalties. Texa\$aver 457 Plan assets are not subject to a 10% early withdrawal penalty tax.

Required Minimum Distributions (RMD)

When you turn age 70½ and are retired, the law mandates that you take a Required Minimum Distribution (RMD) from your Texa\$aver 401(k) and/or 457 Plan(s). If you have an account balance in both plans, you will need to complete a separate RMD Form for each plan. The RMD is calculated separately for each plan using your account balance as of the last day of the previous year.

- **If you have turned age 70½ in the calendar year**, you have until April 1 in the following calendar year to take your RMD.
Caution: If you wait until the following January 1, you will need to take another RMD by December 31 of that year and will be taxed on both in that year.
- **If you are still employed**, and have already begun taking your RMD, you may choose to stop receiving distributions until you retire. If you are receiving installment payments, ING will continue these payments unless you notify ING in writing to discontinue.
- **If you have retired**, and do not take the RMD in a given year, you will have to pay an IRS penalty of 50% of the amount that should have been distributed.

You are encouraged to consult with your tax advisor or the Internal Revenue Service to discuss the best way to comply with the rules and avoid a 50% tax penalty based on your individual financial needs.

When you are ready to set up or receive your annual RMD, please contact Texa\$aver at **(800) 634-5091**. Texa\$aver customer service representatives are available weekdays, 8 a.m. to 7 p.m. CST. The TDD toll-free number is **(877) 606-4790**.



Direct Rollovers Out

A direct rollover is a direct payment of the amount of your Texa\$aver account to an eligible employer plan or to a Traditional Individual Retirement Account (IRA). If you choose a direct rollover, you will not be taxed on any portion of the rollover until you begin taking distributions from the IRA or the eligible employer's plan.

If you decide to roll over your Texa\$aver account directly to your new employer's plan, you'll need to check with the new plan administrator and confirm that they will accept your rollover. Employer plans are not legally required to accept rollover money. If rollovers are permitted, arrange the rollover with the new plan administrator. Remember to complete a Distribution Agreement Form to ensure that the distribution check is made payable to the new plan administrator and not to you to avoid possible penalties and withholding of taxes.

You can also choose to roll over your account to an IRA. You'll need to contact an IRA plan vendor to find out how to have your direct rollover payment made directly into an account at that institution. Be sure to review the IRA disclosure statement and distribution rules before making your rollover as they may be more restrictive than your existing Texa\$aver Plan.

Once you have contacted your new plan sponsor or administrator, you will need to complete a Distribution Agreement Form and submit it to ING for processing. A copy of the Distribution Agreement Form can be obtained by visiting the **Forms** section of the Texa\$aver website at **www.texasaver.com** or by calling Texa\$aver at **(800) 634-5091**.