

# Hardship request form

– TPA Serviced

**For use with:**  
Lincoln Director<sup>SM</sup>  
Lincoln American Legacy Retirement<sup>®</sup>

## Participant information

*Our records will be updated to reflect the address given here.*

Plan name \_\_\_\_\_ Contract number \_\_\_\_\_

Account number \_\_\_\_\_ Plan ID \_\_\_\_\_

Participant's name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security number \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Date of birth \_\_\_\_/\_\_\_\_/\_\_\_\_ (mm, dd, year)

Day Phone \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Date of hire \_\_\_\_/\_\_\_\_/\_\_\_\_ (mm, dd, year)

## Form and type of benefit election

I elect to receive a hardship distribution.

Reason for hardship \_\_\_\_\_

**Hardship amount requested \$ \_\_\_\_\_, to be taken out of the following sources:**

Salary Deferral	\$ _____	Prevailing Wages	\$ _____
Employer	\$ _____	Bundled Employer & Employee	\$ _____
Employer Discretionary	\$ _____	Qualified Safe Harbor Match	\$ _____
Employer Match	\$ _____	Qualified Safe Harbor Non-Elective	\$ _____
Employer Secondary Match	\$ _____	Roth	\$ _____

## Voluntary tax withholding election

Please consult your tax advisor prior to making any elections. Federal tax of 10% will be withheld on this distribution unless instructed to withhold at a different rate. Refer to the Special Tax Notice, Form EM-33691, for more information. State taxes may apply depending on state of residence and will be withheld at the appropriate rate when applicable.

North Carolina Residents – Participants who elect to have federal tax withheld must have state tax withheld unless participant opts out (W4-NC form must be attached).

Instead of 10% withholding, withhold at \_\_\_\_\_% (may be as low as 0%).

## Payment instructions

- Mail check to the Participant's address as provided in the Participant Information section.
- Mail check to the Plan Administrator/Trustee.
- Send funds directly to the financial institution listed below via electronic transfer.  
*(If incomplete or inaccurate information is received, a check will be mailed.)*

ABA number *(nine digit bank routing number; voided check required)* \_\_\_\_\_

Account number \_\_\_\_\_  Checking  Savings

Account owner name \_\_\_\_\_

Financial institution name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**Note:** *If you choose to have your funds sent via electronic transfer, depending on your financial institution, it may take three or four days from our processing date to be received in your account.*

## Vesting

*To be completed by Plan Administrator/Trustee*

Vesting must be completed or distribution will not be processed.

- Indicate the number of hours worked in current year \_\_\_\_\_
- Indicate the number of years of service \_\_\_\_\_
- Does this distribution contain after tax dollars?  No  Yes If yes, what is the after tax cost basis? \$ \_\_\_\_\_
- Does this distribution contain Roth dollars?  No  Yes If yes, what is the Roth cost basis? \$ \_\_\_\_\_
- Is there an outstanding loan?  No  Yes If yes, what is the outstanding balance? \$ \_\_\_\_\_
- Does this distribution contain 457(b) Governmental Plan money?  No  Yes  
If yes, how much? \$ \_\_\_\_\_

- Indicate percentage vested by source below:

Employer	_____ %	<input type="checkbox"/> Bundled Employer & Employee	_____ 100 %
Employer Discretionary	_____ %	<input type="checkbox"/> Qualified Safe Harbor Match	_____ 100 %
Employer Match	_____ %	<input type="checkbox"/> Qualified Safe Harbor Non-Elective	_____ 100 %
Employer Secondary Match	_____ %		
Prevailing Wages	_____ %	_____	_____ %

## Participant and spouse signatures

*Spousal consent not required for all plans. Please check with your Plan Administrator/Trustee.*

**If you move during the year in which you take a distribution, you must contact us and provide your new address; otherwise, you may not receive your Form 1099R.**

By signing below you certify that the information contained on this form is complete and accurate. You understand that federal income tax will be withheld at 10% unless you follow the requirements to waive withholding as outlined in the Voluntary Tax Withholding Election section on page 1.

Any person who knowingly and willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly and willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

Participant/Beneficiary signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Check here if you do not have a living spouse.

By signing below, you, the spouse, consent to the election by your spouse to waive the qualified joint and survivor annuity form of payment and/or the election of an immediate distribution of the benefit. You further acknowledge that the qualified joint and survivor annuity has been explained to you and you understand the effect of such election and that signing here will cause you to give up important rights to which you may otherwise be entitled.

Spouse signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
*(If required)*

Witness signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
*(Plan administrator or Notary Public)*

Notary's commission expires \_\_\_\_/\_\_\_\_/\_\_\_\_ *(mm, dd, year)*

## Signature/Authorization

**Form will be returned if appropriate signatures are not present.**

By signing below, you, the Plan Administrator/Trustee, certify that the Participant has been provided a written explanation of the rollover rules, the special tax treatment available to lump sum distributions, the direct rollover option (if applicable) and the mandatory income tax withholding rules. You also direct Lincoln Financial Group to process the benefit election selected on this form.

Plan Administrator/  
Trustee name (print/type) \_\_\_\_\_

Plan Administrator/  
Trustee signature \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

## Third Party Administrators

This form should be forwarded to your Third Party Administrator (TPA) for review unless other arrangements have been made.

TPA name \_\_\_\_\_ Extension \_\_\_\_\_

TPA authorization code \_\_\_\_\_ Initials \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

I authorize \$\_\_\_\_\_ to be paid to the TPA of record for service fees. (check one)

- deducted from the proceeds  
 in addition to the withdrawal amount

Fees should be sent to the TPA via:

- ACH (if Lincoln Financial Group has previously received ACH instructions)  
 Check

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## **SPECIAL TAX NOTICE REGARDING PLAN PAYMENT FROM NON-ROTH AND DESIGNATED ROTH ACCOUNTS**

### **YOUR ROLLOVER OPTIONS**

You are receiving this notice because all or a portion of a payment you are receiving from an employer-sponsored retirement plan (“Plan”) is eligible to be rolled over to an IRA or employer plan. This notice is intended to help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to payments that are from a “designated Roth account” (a type of account with special tax rules in some employer plans) and payments from an account that is not a designated Roth account (a “non-Roth account”). If you are only receiving a payment from one of these types of accounts, you need only read the sections of this notice that apply to that type of account. If you are receiving payments from both types of accounts, you should read the sections applicable to both designated Roth and non-Roth accounts. In addition, the Plan administrator or payor will tell you the amount that is being paid from each account.

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?**

##### ***Non-Roth Account***

**In General.** You will be taxed on a payment from a non-Roth account under 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 (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 59 ½ (or if an exception applies).

**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.

##### ***Designated Roth Account***

After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the Plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10% additional income tax on the early distributions will also apply to the earnings (unless an exception applies). However, if you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions.

If the payment from the Plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution from a designated Roth account in the Plan is a payment made after you are age 59½ (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a direct rollover to a designated Roth account in the Plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the other employer plan.

## **Where may I roll over the payment?**

### ***Non-Roth Account***

**In General.** You may roll over the payment from a non-Roth account 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 (for example, no spousal consent rules apply to IRAs 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.

**If Your Payment Includes After-Tax Contributions.** You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover (60 day rollovers are explained below under “How do I do a 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).

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.

### ***Designated Roth Account***

You may roll over the payment from a designated Roth account to either a Roth IRA (a Roth Individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan or section 403(b) plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spouse consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs)
- If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions)
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA

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

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

### ***Non-Roth Account***

**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. 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 59½ (unless an exception applies).

### ***Designated Roth Account***

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

**If you do not do a direct rollover**, you may still do a rollover by making a deposit within 60 days into a Roth IRA, whether the payment is a qualified or nonqualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a nonqualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a nonqualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include allocable portion of the earnings in your designated Roth account.

If you do not do a direct rollover and the payment is not a qualified distribution, the Plan is required to withhold 20% of the earnings 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 to a Roth IRA, you must use other funds to make up for the 20% withheld.

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

The following rules are the same for both non-Roth and designated Roth accounts.

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 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)
- Hardship distributions
- ESOP dividends
- Corrective distributions of contributions that exceed tax law limitations
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends)
- Cost of life insurance paid by the Plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Amounts treated as distributed because of a prohibited allocation of S corporation stock under an ESOP (also, there will generally be adverse tax consequences if you roll over a distribution of S corporation stock to an IRA)

The Plan administrator or the payor 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?**

#### ***Non-Roth Account***

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 is in addition to the regular income tax on the payment not rolled over.

## ***Designated Roth Account***

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

## ***Both Non-Roth Accounts and Designated Roth Accounts***

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 lives or joint life expectancy of you and your beneficiary)
- Payments from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation
- Payments made due to disability
- Payments after your death
- Payments of ESOP dividends
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan
- 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 duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution

**If I do a rollover to an IRA (or Roth IRA for payments from a designated Roth account) will the 10% additional income tax apply to early distributions from the IRA?**

## ***Non-Roth Account***

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, 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:

- There is no exception for payments after separation from service that are made after age 55.
- 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).
- 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 service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) 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).

## ***Designated Roth Account***

If you receive a payment from a Roth IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA listed above are the same as the exceptions for early distributions from a plan. However, there are a few differences for payments from

a Roth IRA, including:

- There is no special exception for payments after separation from service.
- 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 a Roth 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 service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) 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).

### **Are there consequences of failing to defer distributions until retirement?**

Saving adequately for retirement is one of the most important decisions you will make during your employment years. For participants that have recently severed employment, (1) electing to leave your account in your former employer's retirement Plan, (2) rolling the account to a Roth IRA, IRA or new employer's plan, or (3) taking the distribution in cash is a decision that should be weighed very carefully in order to meet your long-term savings goals.

Factors you should consider include:

- Generally, if your vested account balance is more than \$5,000, you may leave your retirement account with your previous employer's Plan until the later of age 62 or the date you reach the plan's normal retirement age.
- As an investor, with an ultimate goal of saving the maximum for retirement while also managing investment risk, you should review the investment fees and administrative costs associated with your current Plan, any future employer's Plan and various IRAs that are available in the marketplace. Such investment fees and administrative costs may be lower in your employer's plan than you will be able to find elsewhere.
- Electing to take a distribution in cash now may cause you to have insufficient funds to retire. In addition, distributions of non-Roth and earnings from designated Roth accounts are subject to federal income tax and, based on your specific circumstance, and additional 10% tax may apply. You should carefully consider how you will make up these contributions and accumulate adequate earnings in order to retire when you would like.

### ***Additional information regarding payout options:***

This notice summarizes the federal tax rules that may apply to your payment. You are encouraged to obtain further information from your Plan administrator describing payout alternatives and expenses specific to your Plan. A Summary Plan Description (SPD), for 401(a), including 401(k), and ERISA 403(b) plans, can also be a valuable resource as you weigh your distribution / rollover options. Investment prospectus(es) or investment profiles are also a valuable source for fee/expense comparisons. To view information regarding fees and expenses, please visit [www.LincolnFinancial.com](http://www.LincolnFinancial.com).

## **SPECIAL RULES AND OPTIONS**

### **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 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, Individual Retirement Arrangements (IRAs).

## **If your payment includes employer stock that you do not roll over**

### ***Non-Roth Account***

If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the Plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the Plan. If you do a rollover from a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or employer plan. The Plan administrator can tell you the amount of any net unrealized appreciation.

### ***Designated Roth Account***

If you receive a payment that is not a qualified distribution and you do not roll it over, you can apply a special rule to payments of employer stock (or other employer securities) that are paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock included in the earnings in the payment will not be taxed when distributed to you from the Plan and will be taxed at capital gain rates when you sell the stock. If you do a rollover to a Roth IRA from a nonqualified distribution that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the distribution), you will not have any taxable income and the special rule relating to the distributed employer stock will not apply to any subsequent payments from the Roth IRA or employer plan. Net unrealized appreciation is generally the increase in the value of the employer stock after it was acquired by the Plan. The Plan administrator can tell you the amount of any net unrealized appreciation.

If you receive a payment that is a qualified distribution that includes employer stock and you do not roll it over, your basis in the stock (used to determine gain or loss when you later sell the stock) will equal the fair market value of the stock at the time of the payment from the Plan.

## **If you have an outstanding loan that is being offset**

### ***Non-Roth Account***

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset. The loan offset amount will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the loan offset to an IRA or employer plan.

### ***Designated Roth Account***

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and, if the distribution is a nonqualified distribution, the earnings in the loan offset will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the earnings in the loan offset to a Roth IRA or a designated Roth account in an employer plan.

## **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. If the lump sum distribution is a nonqualified distribution from a designated Roth account that you do not roll over, these special rules for calculating the amount of the tax would apply to the earnings in the payment. For more information, see IRS Publication 575, Pension and Annuity Income.

## **If you are an eligible retired public safety officer and your pension payment is used to pay for health coverage or qualified long-term insurance**

If the Plan is a governmental plan, you retired as a public safety officer, and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments (including nonqualified distributions from a designated Roth account) that are paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of \$3,000

annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

## **If you are not a plan participant**

### ***Non-Roth Account***

**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 (the sections applicable to payments from non-Roth accounts). 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 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 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 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 participant had started taking required minimum distributions, you will have to receive 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 been 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 10% additional income tax on early distributions.

**Payments under a qualified domestic relations order.** If you are the spouse or a 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 (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 10% additional income tax on early distributions.

### ***Designated Roth Account***

**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 (the sections applicable to payments from designated Roth accounts). However, whether the payment is a qualified distribution generally depends on when the participant first made a contribution to the designated Roth account in the Plan. Also, 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 receive a nonqualified distribution and 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 a Roth IRA, you may treat the Roth IRA as your own or as an inherited Roth IRA.

A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a nonqualified distribution before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies).

If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you

will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been 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 Roth IRA. Payments from the inherited Roth IRA, even if made in a nonqualified distribution, will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited Roth IRA.

**Payments under a qualified domestic relations order.** If you are the spouse or a former spouse of the participant who receives a designated Roth account payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment as described in the sections of this notice applicable to designated Roth accounts). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

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

The following rules are the same for both non-Roth and designated Roth accounts.

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.

### **If you have a non-Roth account and you roll over your payment to a Roth IRA**

You can roll over a payment from a non-Roth account in the Plan that is made before January 1, 2010 to a Roth IRA only if your modified adjusted gross income is not more than \$100,000 for the year the payment is made to you and, if married, you file a joint return. These limitations do not apply to non-Roth account payments made to you from the Plan after 2009. If you wish to roll over the payment to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into 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 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

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 homebuyer 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 information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

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

The above rules do not apply to payments from a designated Roth account. See the "Designated Roth Account" section under "Where may I roll over the payment" above for rules applicable to rollovers from a designated Roth account to a Roth IRA.

### **If you have a non-Roth account and your payment is from a governmental section 457(b) plan**

If the Plan is a governmental section 457(b) plan, the same rules applicable to non-Roth accounts that are described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early

distributions from the Plan even if you are under age 59½ (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences are that you cannot do a rollover if the payment is due to an “unforeseeable emergency” and the special rules under “If your payment includes employer stock that you do not roll over” and “If you were born on or before January 1, 1936” do not apply.

### **If your payment is subject to the mandatory cashout rules**

#### ***Non-Roth Account***

Unless you elect otherwise, a mandatory cashout of more than \$1,000 (not including payments from a designated Roth account in the Plan) may be directly rolled over to an IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant’s benefit does not exceed \$5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

Not every plan provides for mandatory cashouts. If your Plan does not provide for mandatory cashouts, the above rules will not apply. Some plans may require mandatory rollover of less than \$1,000 be directly rolled over to an IRA. For more information about the Plan’s cashout rules, check with the Plan administrator and/or refer to the Plan’s summary plan description (SPD).

**The following applies to non-Roth accounts.** The automatic rollover IRA selected by your employer for any mandatory cashouts from the Plan is the Lincoln Small Accounts IRA, which is not available in the state of New York. The Lincoln Small Accounts IRA invests in a fixed annuity contract that is issued by The Lincoln National Life Insurance Company, Fort Wayne, IN on contract form 28866. This contract is held in a custodial account with Wilmington Trust Company, a Delaware-based independent trust company. Wilmington Trust Company is not a member of Lincoln Financial Group. This investment is designed to preserve principal and provide a reasonable rate of return and liquidity. The administrative fee deducted from this account is an annual fee of \$30.00 (\$7.50 deducted on a quarterly basis). Further information regarding this IRA is available through your Plan administrator.

#### ***Designated Roth Account***

Unless you elect otherwise, a mandatory cashout from a designated Roth account in the Plan of more than \$1,000 may be directly rolled over to a Roth IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant’s benefit does not exceed \$5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

Not every plan provides for mandatory cashouts. If your Plan does not provide for mandatory cashouts, the above rules will not apply. Some plans may require mandatory rollover of less than \$1,000 be directly rolled over to a Roth IRA. For more information about the Plan’s cashout rules, check with the Plan administrator and/or refer to the Plan’s summary plan description (SPD).

The Lincoln Small Accounts IRA is not available for Roth rollovers. Participants will need to check with their Plan administrator and/or refer to the SPD to find out who is the Roth IRA provider.

#### **Other special rules (applicable to both non-Roth and designated Roth accounts)**

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 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 do 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 plan 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](http://www.irs.gov), or by calling 1-800-TAX-FORM.