

17. **Q. How is a direct rollover paid to an IRA or other employer's qualified plan?**
A. If you elect a direct rollover, a check will be made out to the rollover institution and mailed to you. It will be your responsibility to deposit the check with the institution managing your IRA or qualified plan.
18. **Q. What do I do if I want a direct rollover?**
A. Complete the election form, indicating that you want a direct rollover. Be sure to provide the information on the IRA account or qualified plan you want your distribution rolled to.
19. **Q. What information do I need to provide if I want to directly roll over my distribution to an IRA or another employer's qualified plan?**
A. For an IRA, you need to include the name and address of the institution sponsoring the IRA and the IRA number. If you decide to make a direct rollover to another employer's qualified plan, contact LACERA for the Employer Qualified Plan Rollover Form.
20. **Q. Must another employer's qualified plan accept direct rollovers?**
A. No. The decision to accept direct rollovers is entirely up to the plan sponsor.
21. **Q. Can I roll over part of my distribution and receive the distribution for the rest?**
A. Yes. Also, your nontaxable member contributions cannot be rolled over, so you will automatically receive these funds.
22. **Q. How can I avoid this 20% federal income tax withholding?**
A. The only way to avoid paying the federal income tax is by requesting a direct rollover to an IRA or another employer's qualified plan. Or, you can defer your retirement, if qualified to do so. However, you may need the money now or you may have a tax situation that makes it more practical to pay the tax now.
23. **Q. I have already retired. Does the 20% federal income tax withholding rule apply to me?**
A. No. Retirees receive a life allowance, and it is not subject to the 20% withholding rule.
24. **Q. I am 70 years old. Can I roll over my taxable distribution?**
A. Under IRS rules, you can only roll over a portion of your taxable distribution when you are 70-1/2 or older. The portion that you can roll over depends on your age. LACERA will notify you of the amount that you can roll over.

IRS 20% Withholding RULES for Qualified Plan Distributions

Questions Answers

1. **Q. How does this withholding rule work?**
A. Effective January 1, 1993, if you receive a lump sum distribution and do not have it directly rolled into an IRA, the IRS requires that LACERA withhold 20% of the taxable amount of your distribution for federal income tax purposes. (You may also roll over your distribution to another employer's qualified plan.)
2. **Q. What is an IRA?**
A. An Individual Retirement Account (IRA) is an individual retirement savings program that allows you to roll over your distribution and defer the federal income taxes on the money until you withdraw it. Generally, withdrawals from an IRA are not permitted, without penalty, until you reach age 59-1/2.

3. **Q. What types of distributions are subject to this rule?**
- A. The following taxable distributions are subject to the 20% withholding:
- Withdrawal of your taxable contributions by you,
 - Election of the Lump Sum Death Benefit by your surviving spouse, or
 - The Lump Sum Benefit portion of the Combined Benefit when elected by your surviving spouse.
4. **Q. When is this rule effective?**
- A. The 20% withholding rule becomes effective for withdrawals made by you on or after January 1, 1993.
5. **Q. Will this rule affect me?**
- A. The rule will affect you if you are a LACERA member taking a withdrawal of your retirement contributions.
6. **Q. How can you make a change like this?**
- A. All rules associated with tax-qualified retirement plans are subject to changes in the federal tax law. However, the change doesn't affect the amount of money you receive. It just handles your federal income tax liability differently.
7. **Q. Will the 20% withholding cover my federal income tax liability for this distribution?**
- A. It may, depending on your personal tax situation. It is possible that you will owe additional federal income taxes or that the IRS will owe you money. (Please see LACERA's *IRA Rollovers & Taxes* brochure.)
8. **Q. How do I fill out this election form?**
- A. There are step-by-step instructions for completing the form included with your package. There is also information about the rules and the various payment options. If you read these materials and still have specific questions, call LACERA and we'll be happy to help you.
9. **Q. How do I find an IRA?**
- A. Most banks, savings and loans, credit unions, insurance companies, brokerage firms, and other major financial institutions offer IRAs. You can contact them for the details about how they will invest your IRA funds. (Please see LACERA's *IRA Rollovers & Taxes* brochure.)
10. **Q. Can I elect a direct rollover?**
- A. Yes, if you are a LACERA member withdrawing your taxable retirement contributions.
11. **Q. Can I directly roll over after-tax contributions to an IRA?**
- A. No. The new rules do not allow you to directly roll over to an IRA any contributions on which you've paid tax. After-tax contributions are not subject to more taxes, and therefore don't qualify for this tax deferral/rollover plan.
12. **Q. What is the penalty if I fail to elect a direct rollover to an IRA or other employer's qualified plan?**
- A. Without a direct rollover, there is a mandatory federal income tax withholding of 20% of any taxable distribution subject to the rule. This applies even if you later roll over to an IRA the 80% you receive within 60 days of receiving it.
13. **Q. Does this mean I no longer have 60 days to roll over my money without getting taxed?**
- A. If you have your distribution paid directly to you, you can then roll it over within 60 days. Since 20% will be withheld, you will have only 80% of your distribution to roll over. To get full credit, you would need to add funds to cover the amount of the 20% that was withheld; and then request a refund for the withheld taxes when you file your tax return with the IRS.
14. **Q. What is the starting date for the 60-day rollover limit?**
- A. The starting date is the date of the check that is payable to you.
15. **Q. Can I roll over the remainder of my distribution after the 20% is withheld?**
- A. Yes, but rolling over 80% of your distribution will not permit you to avoid the federal income tax on the 20%. In addition to the 20% that is withheld, you may owe additional federal income tax, plus you may have a 10% federal tax penalty and a 2-1/2% California tax penalty for early withdrawal.
16. **Q. If I take a distribution paid to me and later change my mind, can I give back the check and request a direct rollover?**
- A. No. Once the check has been printed, it is no longer considered trust fund money and is subject to the 20% federal income tax withholding.