



MIT Basic Retirement Plan Election of Lump Sum Payment

For Terminated Vested Employees with 10 years or less of MIT service only

The following document is the form required to elect to take your MIT Basic Retirement Plan benefit as a one-time lump sum. Included are instructions and important information regarding lump sum payments. Depending on when your lump sum is paid, the actual amount you receive may be more or less than this estimated amount. Interest rates affecting lump sum payments change quarterly.

Lump Sum payments are made monthly on the last week of the month. *Your completed form must be received by the MIT Benefits Office at least one month prior to payment.* If you have recently terminated employment, the earliest you can receive a lump sum payment is the next available payment cycle following 90 days after termination of employment.

Instructions:

- **Review the enclosed Summary of Payment Options and Spousal Rights and Special Tax Notice for Lump Sum Payments.**
- **Complete and sign the enclosed Election of Lump Sum Payment form.**
- **If you are married, obtain your spouse's written consent.** Your spouse's consent must be witnessed by a notary public (or similar official if outside the U.S.), or an MIT Plan representative. You must complete the form before obtaining your spouse's consent.
- **Elect either Direct Rollover or Cash Payment.** If you elect a cash payment, please complete the attached *Direct Deposit Instructions*, if applicable. Direct Rollovers are paid by check only. The rollover check will be made payable to the financial institution for your benefit and mailed to you for delivery.
- **The election form may not be signed prior to your termination of MIT employment.** Election is not valid if signed more than 180 days prior to payment. If you have recently terminated employment, the earliest you can receive a lump sum payment is the next available payment cycle following 90 days after termination of employment.
- **Attach a copy of your proof of age (e.g., driver's license, passport or birth certificate).** Do not submit original documents. Originals will not be returned.



**MIT Basic Retirement Plan
Election of Lump Sum Payment
For Terminated Vested Employees with 10 years or less of MIT service**

Lump Sum payments are made monthly on the last week of the month. Your completed form must be received by the MIT Retirement Benefits Office at least one month prior to payment. Please print legibly.

PARTICIPANT NAME: _____

ADDRESS: _____

SSN: _____ **Daytime Telephone:** _____

Marital Status: Married Not Married

If you are married, spousal consent is required.

Method of Payment

100% as Direct Rollover
Payment issued as check only, made out to provider FBO you, and mailed to you for forwarding.
Destination of Direct Rollover (Check one box only)

IRA Account Provider Name: _____

Eligible Employer Plan Name: _____

Income Tax Withholding: Lump Sum Direct Rollover Payment – No Tax

100% as Cash Payment to me, less required income tax withholding
Please complete the *Direct Deposit Instructions* (below).

Income Tax Withholding: Lump Sum Cash Payments – Flat Tax

- 20% of your cash payment must be withheld for Federal Income Taxes
- If you are a Massachusetts resident, Massachusetts Income taxes must be withheld

My principle residence is in: _____
Enter name of State (or Country, if outside United States)

Direct Deposit Instructions

If the Direct Deposit Instructions are incomplete or incorrect, a check will be made payable to you and sent to your mailing address.

Exact name(s) on your account: _____

Type of account: Checking (*attach voided check*) Savings

Your account no.: _____

Institution's ABA routing no. (must be 9 digits):

Name of Institution: _____

Institution's Mailing Address: _____



Your Signature

I waive my right to receive my benefit in the form of a qualified joint and survivor annuity, and, instead, elect to receive my benefit in the form indicated above. If I am married, I understand that my spouse's written consent to my election is required. I certify that my spouse's consent, if provided, was obtained after I completed my election. I have received the Plan's *Summary of Benefit Payment Options and Spousal Rights* and *Special Tax Notice for Lump Sum Payments*, and agree that payment may be made to me earlier than 30 days after I received them. I understand the forms of payments available to me under the Plan and that I will be responsible for the tax consequences of the payment. I understand that my election is not valid if signed more than 180 days prior to payment and if I have recently terminated employment, the earliest I can receive a lump sum payment is the next available payment cycle following 90 days after termination of employment. By signing below, I certify that all information I have provided is true.

Your Signature (Cannot be signed prior to termination of employment)

Date

Spousal Consent

Your spouse must complete this section in the presence of a Notary Public or MIT Basic Retirement Plan Representative AFTER you have signed this form. *MIT Basic Retirement Plan Representatives are available at the Benefits Office.*

To be completed by your spouse

By signing below, I certify that:

- I am married to the Plan participant whose signature appears above;
- I understand that the participant needs my consent to choose a payment form other than a qualified joint and survivor annuity with me as joint annuitant for at least 50% benefit continuation after the participant's death.

I hereby freely and voluntarily consent to the form of payment elected above.

Spouse's Signature

Date

To be completed by Notary Public or MIT Basic Plan Representative

_____ personally appeared before me, acknowledging that he or she is the participant's spouse, and that he or she executed this consent as a free act and deed.

Notary Public or MIT Plan Representative

Date

Notary Public commission expires _____

State of _____

(seal)

**Return the completed form to: MIT Retirement Benefits Office
77 Massachusetts Avenue
E19-215
Cambridge, MA 02139
Attn: Basic Retirement Plan**

For more information or assistance, contact the MIT Retirement Benefits Office.

Email: benefits-www@mit.edu
Telephone: (617) 253-4272



MIT Basic Retirement Plan Summary of Benefit Payment Options and Spousal Rights QJSA Notice

You have the right to have your benefit from the MIT Basic Retirement Plan paid as monthly lifetime income (i.e., as an annuity). If you have been an MIT employee for 10 years or less, you may choose to have your benefit paid either as monthly lifetime income or as a single lump sum payment.

Annuity Payments--Monthly Lifetime Income

Several forms of annuity payment are available to you, including forms that provide continuation of benefits after your death to your annuity partner. Your choice of an annuity form is subject to your spouse's written consent and other limitations described below.

Once payments begin, your choice of annuity form is irrevocable.

Normal Forms of Annuity Payment

If you are NOT married when payments begin

The normal form of payment is a *single life annuity*. Under this form, monthly payments are made to you for as long as you live. After your death, no payments are made to your survivors. Since no payments are made to your survivors, this option provides the largest monthly lifetime income.

You may elect any other form of annuity payment.

If you are married when benefit payments begin

The normal form of payment is a *50% joint and survivor annuity*. Under this form, monthly payments are made to you for as long as you live. Upon your death, payments continue to your surviving spouse for his or her life. Your spouse's payments equal 50% of the monthly payments you received before your death.

If your spouse predeceases you after payments have begun, monthly payments will continue to you, unchanged, until your death. No payments will be made after your death. You may not designate another annuity partner.

This annuity form will reduce the amount of your monthly annuity payment.

Spousal Consent

Your spouse's consent is not required if you elect the normal form of annuity payment.

However, you may elect a single life annuity or any other form of annuity payment described below. If this other form provides your spouse with less than s/he would have received under the normal form, your spouse must consent in writing to your election. Your spouse's written consent must be witnessed by a Notary Public or an MIT Basic Plan representative.

Other Forms of Annuity Payment

Joint Life Annuity with 66 2/3% or 75% or 100% Continued

Reduced payments are made to you for as long as you live. Upon your death, payments continue to the annuity partner you designated when your payments began. You decide how much of your payment amount will be continued to your annuity partner: 66 2/3% or 75% or 100%. Your annuity partner's payments continue as long as s/he lives.

If s/he predeceases you after payments have begun, monthly payments will continue to you, unchanged, until your death. No payments will be made after your death. Once your payments have begun, you may not choose another annuity partner.

If you are married when benefit payments begin, you must elect a joint life annuity with at least 50% continued to your spouse, unless your spouse consents in writing to another option. Your spouse's written consent must be witnessed by a Notary Public or an MIT Basic Plan representative.



Period Certain

To either a single life annuity or a joint life annuity, you may add the requirement that payments be made for a minimum number of years. This minimum payment period, known as a *period certain*, may not exceed your life expectancy (or the joint life expectancy of you and your annuity partner).

If you are married when benefit payments begin, your spouse must consent in writing to your use of this option. Your spouse's written consent must be witnessed by a Notary Public or an MIT Basic Plan representative.

This option will reduce the amount of your monthly payment.

Lump Sum Form—available only if you were employed by MIT for 10 years or less

In lieu of annuity payments, you may elect to have the present value of your annuity payments paid to you in a single lump sum. Since the calculation of this present value uses assumptions about current interest rates and life expectancy, calculation results change over time. If you are married, your spouse must consent in writing to your use of this option. Your spouse's written consent must be witnessed by a Notary Public or an MIT Basic Plan representative.

Small Benefit Rule

Your benefit must be paid to you in a single lump sum if your benefit's lump sum value is \$5,000 or less, and you no longer work at MIT. The lump sum may be paid to you or rolled over directly to an IRA or other retirement plan.

Timing of Benefit Payments

Benefits are paid the first of each month. Your request for payment must be completed and received by the Benefits Office at least 45 days, but no more than 180 days, before your chosen benefit commencement date.

This *Summary* must be provided to you at least 30 days, but no more than 90 days, before your chosen benefit commencement date.

Important Information for Spouses of Plan Participants

If the *Small Benefit Rule* does not apply to the participant's benefit, federal law requires that his/her benefit be paid as a *Qualified Joint and Survivor Annuity* (QJSA). This QJSA is the Plan's normal form of payment for married participants, and is described above.

Can benefits be paid in a form other than the QJSA?

Yes, but your voluntary, written consent is required.

How does my spouse choose another annuity form and/or annuity partner?

After having chosen another annuity form, the participant must obtain your voluntary, written consent to the optional form and/or the optional annuity partner s/he has chosen. Your consent must be witnessed by a Notary Public or an MIT Basic Plan representative.

Do I have to give up my right to a QJSA?

No. Your consent to an optional form of payment must be voluntary.

Can I change my mind after waiving my right to a QJSA?

To withdraw your consent, you and the participant must submit a mutual, written agreement to the Plan **before** the participant's payments begin.



MIT Basic Retirement Plan

Special Tax Notice for Lump Sum Payments 402(f) Notice

Introduction

You may wish to review this *Special Tax Notice* with a professional tax advisor if you are considering electing a lump sum payment from the MIT Basic Retirement Plan (the "Plan"). As required by federal law, this notice is provided to you to explain how you can continue to defer federal income tax on your retirement benefit from the Plan. This notice contains important information you will need before you decide how to receive your Plan benefit.

Notice

This notice is provided to you by MIT (your "Plan Administrator") because the payment that you will soon receive from the Plan is eligible for rollover by you or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including the MIT Supplemental 401(k) Plan, another 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

The MIT Supplemental 401(k) will accept a rollover of your Basic Plan benefit if you have an existing MIT 401(k) account. However, other eligible employer plans are not legally required to accept a rollover. Before you decide to roll over your payment to another employer's plan, you should find out whether that plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. If another employer's plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact the MIT Benefits Office at [benefits-www@mit.edu](mailto:benefits-<u>www@mit.edu</u) or (617) 253-4272.

Summary

There are two ways you may be able to receive a lump sum payment from the Plan:

(1) DIRECT ROLLOVER

The payment can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- Your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

(2) PAYMENT TO YOU



If you choose to have your lump sum PAID TO YOU:

- You will receive only 80% of the payment, because MIT is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes. (If you are a Massachusetts resident when payment is made, Massachusetts income tax also must be withheld. Therefore, you will receive less than 80% of the payment.)
- Your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 1/2, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% (or more) that was withheld. If you roll over only the 80% (or less) that you received, you will be taxed on the 20% (or more) that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period.

Generally, neither a direct rollover nor a payment to you can be made from the Plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election.

More Information

- I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER
- II. DIRECT ROLLOVER
- III. PAYMENT PAID TO YOU
- IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

100% of your lump sum payment from the Plan can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account.

Lifetime annuity payments from the Plan cannot be rolled over.

II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of your lump sum payment to a traditional IRA or an eligible employer plan that will accept it. You are not taxed on your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required from your lump sum if you choose a DIRECT ROLLOVER. The Plan has the right to not let you choose a DIRECT ROLLOVER if your lump sum is less than \$200.

DIRECT ROLLOVER to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you are unsure of how to invest your money within the IRA, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See *IRS Publication 590, Individual Retirement Arrangements*, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

DIRECT ROLLOVER to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the



plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the MIT Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59 1/2" and "Special Tax Treatment if You Were Born before January 1, 1936."

III. PAYMENT PAID TO YOU

If your lump sum is paid to you, it is subject to 20% federal income tax withholding (Massachusetts income tax withholding is required if you are a Massachusetts resident when payment is made). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Mandatory Income Tax Withholding. If you do not elect a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the lump sum amount. This amount is sent to the IRS as federal income tax withholding. For example, if your lump sum is \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There may be no income tax withholding if your lump sum is less than \$200.

Massachusetts income tax withholding also is required if you are a Massachusetts resident when payment is made.

Sixty-Day Rollover Option. If you decide not to roll over your benefit directly, but, instead, receive the net amount of your lump sum after income tax withholding, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of the gross amount of your lump sum, including an amount equal to the 20% (or more) withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% (or more) withheld. On the other hand, if you roll over only the net amount you received, you will be taxed on the 20% (or more) withheld.

Example: The gross amount of your lump sum is \$10,000, and you choose to have it paid to you. You are not a Massachusetts resident when payment is made. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

Additional 10% Tax If You Are under Age 59 1/2. If you receive a payment before you reach age 59 1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the gross amount of your lump sum. The additional 10% tax generally does not apply to (1) payments that are paid after your MIT employment ends, if your employment ended during or after the year you reached age 55; (2) payments that are paid because you retire due to disability; (3) payments that are paid to an alternate payee under a qualified domestic relations order; or (4) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another



type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59 1/2, unless one of the exceptions applies.

Special Tax Treatment If You Were Born before January 1, 1936 If you were a participant in the MIT Plan for at least five years before the year in which you receive your lump sum, you may be eligible for special tax treatment known as *Ten-Year Averaging*. With Ten-Year Averaging, you can make a one-time election to figure the tax on the payment by using a special averaging method and 1986 tax rates. Ten-year averaging often reduces the tax you owe.

There are limits on the use of Ten-Year Averaging. For example, you can generally elect this special tax treatment only once in your lifetime. If you have previously rolled over a distribution from this Plan, you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to former MIT employees also apply to payments to their surviving spouses and to their spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you have the same choices as the former employee. Thus, you may choose to have your lump sum paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59 1/2.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment as described in Part III above. If you receive a payment because of the employee's death, you may be eligible for the special tax treatment if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

How to obtain additional information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex, and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in *IRS Publication 575, Pension and Annuity Income*, and *IRS Publication 590, Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.