The Plan allows Roth designated contributions and In-Plan Roth Rollovers. This brochure is intended to provide general education and should not be considered tax advice. It is very important that any participant consult with their tax advisors prior to requesting an In-Plan Roth Rollover.
Distributions that are Required Minimum Distributions (RMD). The amounts designated as In-Plan Rollover rollovers are held in a separate subaccount within your Plan account, as required by law. Although separately held, they will be included in your Quarterly statement and in all the summaries and totals.

ARE THERE ANY PLAN FEES RELATED TO A IN-PLAN ROTH ROLLOVER ACCOUNT?

There are no additional Plan fees related to the creation of the Rollover subaccount.

HOW MUCH CAN I ROLLOVER?

Full and partial In-Plan Rollover rollovers are allowed. Your investment allocations remain the same when an amount is rolled over. Once the rollover is processed, existing balances may be exchanged among available Plan investment options. The rollover can be a direct rollover or an indirect rollover. With a direct rollover, funds are not actually distributed but are moved to the rollover account internally. An indirect rollover is also possible when funds are distributed but rolled back into the Plan within 60 days of receipt. The indirect rollover may not be the preferred method since the Plan is required to withhold 20% for federal income taxes on the distribution when paid to the participant.

WHAT IS A QUALIFIED DISTRIBUTION?

A Qualified distribution must meet two requirements. The first is that a Rollover contribution or In-Plan Rollover must have been made at least five tax-years ago. Rollovers from other plans that offer a Rollover feature may count towards the five-year requirement in your designated Rollover account. The period starts at the beginning of the year the first contribution or In-Plan Rollover was made and is met on the fifth anniversary of that date. For example, a participant made his or her first Rollover contribution or In-Plan Rollover on July 25, 2012. The first tax-year would start on January 1, 2017. The second requirement is that the distribution must be made after attainment of age 59½, death or disability. If the distribution is made under both of these conditions, it is Qualified and therefore tax-free.

Note: The designated Rollover account and an In-Plan Rollover account have independent 5-year requirements.

IF A DISTRIBUTION IS NOT QUALIFIED, HOW IS IT TAXED?

The portion attributed to Rollover contributions and rollovers is not subject to income tax since it was already taxed when it was made. The growth portion of a distribution would be taxable on a pro-rata basis. For example, 25% of the Rollover rollover account value was due to growth, 25% of any distribution would be considered taxable.

WHAT IS THE SPECIAL RECAPTURE TAX?

If the source of funds used for an In-Plan Rollover is from a pre-Rollover account from another retirement plan that was not a section 457(b) plan, a 10% Recapture Tax may apply if distributions are made from the In-Plan Rollover Account before age 59½ or the end of the fifth tax year after it was processed. This tax may apply even if the distribution would have been qualified for other purposes. The tax will not apply if the distribution is made after age 59½ or due to death or disability. If more than one conversion is done in different tax years, each conversion will have its own five year requirement.

WHO IS THE BENEFICIARY OF MY IN-PLAN ROLLOVER ACCOUNT?

The beneficiary designation on file applies to the In-Plan Rollover subaccount. Separate designations are not allowed under the Plan. Distributions to beneficiaries retain the same income tax treatment as if the participant had received the distribution. The five-year holding requirement applies for a distribution to be considered Qualified in the case of death.

CAN I ROLL OVER MY IN-PLAN ROTH ROLLOVER ACCOUNT TO ANOTHER PLAN?

If a distribution qualifies as an eligible rollover distribution, you may be able to roll Rollover designated and In-Plan Rollover funds to another employer plan that offers a Rollover program, or to a Roth IRA. See “What is NOT eligible for an In-Plan Rollover?”

If the distribution does not meet the conditions to be Qualified, the distributing plan will supply the amount that would be taxable if not rolled over, the age of the participant and the year of the first Rollover deferral or rollover. This allows the successor plan to use that information to determine the amount that would be taxable if not rolled over, the age of the participant and the year of the first qualified distribution instead of a direct transfer. This method is generally not advantageous since the participant takes possession of the distribution.

Distributions from the Plan are not generally subject to additional 10% early distribution tax whereas taxable distributions from a Roth IRA may be subject to the 10% additional tax. Roth IRA conversions may also have more stringent rules regarding additional taxes on early distributions of converted amounts, even if not subject to income taxes, prior to age 59½ or the fifth tax year. The Plan also provides low-cost core investment options and low administrative fees compared to many IRA products.

A conversion to a Roth IRA can be re-characterized by the taxpayer’s tax return filing deadline, plus extensions, whereas an In-Plan Rollover is irrevocable. Distributions from the Plan that are not Qualified are taxed on a less favorable pro-rated basis. Non-Qualified distributions from Roth IRAs are received from tax-free basis first.

Roth IRA distributions used for qualified first time homebuyer expenses up to $50000 may be qualified In-Plan Rollover assets. Distributions are subject to lifetime RMD rules whereas Roth IRAs are not. A participant could choose to hold rollover assets in the Plan and rollover to a Roth IRA prior to age 70½ to avoid this potential disadvantage.

Roth IRA investment options can be very broad and are not limited to the Plan’s investment options. However, the Plan offers numerous low-cost investment options.