



Municipal Employees' Retirement System of Michigan
1134 Municipal Way • Lansing, MI 48917
800.767.6377 • Fax: 517.703.9706
www.mersofmich.com

Defined Benefit DROP Distribution Request Form

Please print • Retain a copy for your records

We know this is a long form.

Tax and legal requirements for determining distribution elections are very specific. To ensure that MERS handles your account accurately in accordance with your wishes and the law, you will need to provide specific information, decisions, and documentation. To help you make sense of it all, this form will ask for general information about you, information regarding the one-time DROP payment, and information regarding the monthly pension payments.

If you need additional assistance, you can contact the MERS Service Center during business hours at 800.767.6377.

1. Information about you

Last name*	First name*	Last four digits of SSN*	Phone number (with area code)*
Mailing address*			
City*		State*	Zip code*
Email address		Citizenship* <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> U.S. Resident <input type="checkbox"/> Non-resident alien (submit IRS Form W-8BEN)	
Marital status* <input type="checkbox"/> Single <input type="checkbox"/> Married	Have you been divorced at any time following your date of employment with this employer?*		
	<input type="checkbox"/> No <input type="checkbox"/> Yes ———— If yes, you must submit a complete copy of your Judgment of Divorce to MERS before your distribution can be processed.		
	Ex-spouse(s) name(s):		
Employer name*			
DROP termination date * (MM/DD/YYYY):			

..... DROP One-Time Distribution

Sections 2-5 address your one-time **DROP distribution**. Banking information and tax requirements for this payment may differ from the monthly pension payments we'll ask you about in Sections 6-8.

You have certain options and rights related to your *Deferred Retirement Option Program (DROP)* account (see additional information regarding your DROP distribution, pages 9-10). This DROP Distribution Request allows you to make your selection of the option(s) you desire for the payment of your DROP account.

The DROP funds payable to you as a plan participant may be received as a lump sum cash payment, a rollover to a qualified plan, or a combination lump sum cash payment and rollover. No portion of a DROP account may be left on deposit with MERS Defined Benefit.

In order to comply with the distribution election(s) you have requested, **MERS must receive a completed form and documentation requested no later than 60 calendar days after the DROP termination date**. The form and documentation required include, but are not limited to, the following:

- This *Defined Benefit DROP Distribution Request Form* (F-56)
- All documentation pertaining to a divorce or legal separation, i.e. *Judgment of Divorce*, *Eligible Domestic Relations Order*, etc. (if applicable)

MERS strongly encourages you to seek financial, legal, and tax advice from professionals before submitting your DROP distribution request. MERS cannot advise you on these issues.

* Required field

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Last name* (please print clearly)

Last four digits of SSN*

2. Payment election

For information on early withdrawal penalties, please refer to pages 9-10.

- ☐ **Lump sum payment made to you:** Payment will be directly deposited to the account in **part A of Section 3 below**.
- ☐ **Direct rollover:** Transfer to another eligible account
- ☐ Roll entire account directly over to the institution listed in **part B of Section 3 below**. My non-taxable portion shall be placed in an after-tax account, separate from the taxable portion. *I have contacted the financial institution and confirmed that it will accept the rollover and account for my after-tax dollars.* (No taxes will be withheld.)
- ☐ Roll taxable portion over to the institution listed in **part B of Section 3 below**. Pay non-taxable portion to me to the account in **part A of Section 3 below**.
- ☐ Roll \$ _____ or _____ % of the taxable portion over to the institution listed in **part B of Section 3 below**. Pay remainder to me to the account in **part A of Section 3 below** (taxable and non-taxable) and withhold applicable income taxes.

3. Account information

A. Your bank account: For payments being made to you.

<input type="checkbox"/> Checking account		<input type="checkbox"/> Savings account	
Financial Institution name		Phone	
ABA routing number (9 digit)		Account number	

B. Eligible rollover account: For funds being rolled directly into an eligible retirement plan.

Financial Institution/Company or Trustee name of eligible qualified plan or IRA			Phone		
Address		City		State	Zip
Individual account number			Financial Institution's Federal tax ID		
Type of account					
<input type="checkbox"/> 401(a) <input type="checkbox"/> 401(k) <input type="checkbox"/> 403(a) <input type="checkbox"/> 403(b) <input type="checkbox"/> IRA – 408(a) or 408(b) <input type="checkbox"/> Roth IRA or 408(a) <input type="checkbox"/> 457(b) <input type="checkbox"/> Other _____					
If you are selecting another MERS account, please include form MD-005b Direct Rollover Between MERS Plans .					

4. State income tax withholding

MERS will withhold the mandatory Michigan income tax rate from your distribution, unless one of the following applies:

- ☐ Check here if all payments are exempt because you (or your spouse if joint filers) were born before 1946, and you do not want any amount withheld.
- ☐ Check here if you qualify for any other exemption shown on the MI W-4R and want your withholding calculated using those exemptions. **Complete Form MI W-4R and submit along with this form.**
- ☐ Check here if you wish to opt out of tax withholding. **Complete Form MI-W4R, check the box on line 1, and submit along with this form.**
Note: If you (and your spouse if joint filers) opt to have no Michigan tax withheld, it may result in a balance due on your MI-1040 as well as penalty and/or interest.
- ☐ Check here if you are not subject to Michigan Income Tax because your primary legal state of residence is _____. MERS will withhold the amount required by that state.

You may obtain more information on Michigan tax withholding, including Form MI W-4P and instructions at www.michigan.gov/taxes.

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Last name* (please print clearly)

Last four digits of SSN*

5. Federal income tax withholding (instructions pages 7-8)

1. Your federal withholding rate is determined by the type of payment you receive.
For an eligible rollover distribution, the default withholding rate is 20%. You can choose a rate greater than 20% by entering the rate on line 2. You may not choose a rate less than 20%.
2. Complete this line if you would like a rate of withholding that is different from the default withholding rate. See the instructions and the [Marginal Rate Tables](#) on (pages 7-8) for additional information. Enter the rate as a whole number (no decimals) ► \$ _____

Monthly Pension Payment

Sections 6-8 cover elections for your **monthly pension payment**. Banking information and tax requirements for these payments may differ from the DROP distribution made in the sections above.

6. Retirement banking information

MERS will deposit your retirement benefit by direct deposit into the designated financial institution specified below the month following your termination from DROP participation.

Primary account:

Amount of deposit*		Type of account*	
<input type="checkbox"/> All <input type="checkbox"/> Partial \$ _____		<input type="checkbox"/> Savings account <input type="checkbox"/> Checking account	
Financial Institution name*		Phone number (with area code)*	
ABA routing number (9 digit)*		Account number* (do not include check number)	

Secondary account: If you chose a partial payment above, the remainder of your pension payment will be directly deposited into a secondary account. Please provide that account information below.

Type of account	
<input type="checkbox"/> Savings account <input type="checkbox"/> Checking account	
Financial Institution name	Phone number (with area code)
ABA routing number (9 digit)	Account number (do not include check number)

MERS reserves the right to recover money electronically deposited in your account in error, either by adjusting the account or withholding from future payments. We will notify you in writing if adjustments are being made. Please notify any joint account holder(s) of the obligations to repay any overpayment to this account if the overpayment is not repaid by the financial institution.

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Last four digits of SSN*

7. Retirement Michigan income tax withholding

Marital tax status* ☐ Single ☐ Married ☐ Married, but withhold at higher "Single" rate

	Select ONE option below that applies to you (or your spouse)	Tax withholding will occur on:
1. <input type="checkbox"/>	Your pension payments are not taxable and you wish to opt out of Michigan state tax withholding (<i>Opting out may result in a balance due on your MI-1040 as well as penalty and/or interest.</i>) See Optional section below for additional voluntary withholding.	None of your pension benefits
2. <input type="checkbox"/>	You (or spouse) were born before 1946	None of your pension benefits
3. <input type="checkbox"/>	You (or spouse if older) were born during the period 1946–1952	Benefits over \$20,000 if single; over \$40,000 if filing jointly
4. <input type="checkbox"/>	You (or spouse if older) were born 1946–1952 and one of you received pension benefits from a government agency not covered by Social Security - OR - You (and spouse) were born after 1952, one of you received a pension from a government agency not covered by Social Security, and one of you were retired from that agency as of January 1, 2013.	Benefits over \$35,000 if single; over \$55,000 if filing jointly
5. <input type="checkbox"/>	You (and spouse) were born after 1952, either of you are now age 62 through 66, and your pension benefits were from a government agency not covered by Social Security	Benefits over \$15,000
6. <input type="checkbox"/>	You (and spouse) were born after 1952	All pension benefits
7. <input type="checkbox"/>	You (and spouse) were born after 1952, either of you have reached age 67. Enter amount from Calculation Worksheet on last page of this form. _____ → \$ _____	

If you reside in Michigan and you do not submit this form, MERS will withhold based on Michigan tax regulations. For additional information, visit www.michigan.gov/taxes.

Optional – Select exemptions and additional withholding

If you checked 3, 4, 5, or 6 above, enter number of exemptions, if desired (this will reduce the amount withheld for taxes): _____

If you checked 3, 4, 5, 6 or 7 above, enter *additional* percentage or dollar amount, if any, you want withheld from your pension or annuity payment. This amount will be *in addition* to the withholding calculated by your selections above: _____% **OR** \$ _____

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Last name* (please print clearly)

Last four digits of SSN*

8. Federal income tax withholding

Detailed instructions for Steps 1-4 of the Federal Tax section can be found on pages 11-12.

Step 1. Federal Filing Status: ☐ **Single** or **Married filing separately** ☐ **Married filing jointly** or **Qualifying surviving spouse**
☐ **Head of household** (Check only if you're unmarried and pay more than half the costs of keep up a home for yourself and a qualifying individual.)

Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Section 9. See the pages following the application for more information on each step, when to use the estimator at www.irs.gov/W4App, and how to elect to have no federal income tax withheld (if permitted).

Step 2:
Income From a Job or Multiple Pension Annuities (Including a Spouse's Job or Pension/Annuity)

Complete this step if you (1) have income from a job or more than one pension/annuity, or (2) are married filing jointly and your spouse receives income from a job or a pension/annuity.

Do **only one** of the following:

(a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4). If you or your spouse have self-employment income, use this option; or

(b) Complete the items below.

(i) If you (or your spouse) have one or more jobs, enter the total taxable annual pay from all jobs, plus any other income entered on Form W-4, Step 4(a), for the jobs less the deductions entered on Form W-4, Step 4(b). Otherwise, enter "-0-"

(ii) If you (or spouse) have another pension/annuity that pays less annually than this pension, enter the total annual taxable payments from all lower-paying pensions/annuities. Otherwise, enter "-0-"

(iii) Add the amounts from items (i) and (ii) and enter the total here \$ _____

TIP: To be accurate, submit an IRS Form W-4P for all other pensions/annuities if you haven't updated your withholding since 2021 or this is a new pension that pays less than the other(s). Submit a new Form W-4 for your job(s) if you have not updated your withholding since 2019.

If (b)(i) is blank and this pension/annuity pays the most annually, complete Steps 3-4(b) in this Section. Otherwise, do not complete Steps 3-4(b) in this Section.

Step 3:
Claim Dependent and Other Credits

If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):

Multiply the number of qualifying children under age 17 by \$2,000 ... \$ _____

Multiply the number of other dependents by \$500 \$ _____

Add other credits, such as foreign tax credit and education tax credits ... \$ _____

Add the amounts for qualifying children, other dependents, and other credits and enter the total here \$ **3**

Step 4 (optional):
Other Adjustments

(a) **Other income (not from jobs or pension/annuity payments).** If you want tax withheld on other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, taxable social security, and dividends \$ **4(a)**

(b) **Deductions.** If you expect to claim deductions other than the basic standard deduction and want to reduce your withholding, use the Deductions Worksheet on the bottom of the last page and enter the result here \$ **4(b)**

(c) **Extra withholding.** Enter any additional tax you want withheld from **each payment** \$ **4(c)**

Defined Benefit DROP Distribution Request Form

Last name* (please print clearly)

Last four digits of SSN*

9. Required signatures

By signing this Defined Benefit *DROP Distribution Request Form*, I affirm that I have read the attached DROP Distribution Summary and Special Tax Notice and understand the tax consequences of a transfer or rollover (if applicable). If for some reason, MERS is unable to process my DROP distribution according to the above instructions, MERS is authorized to establish a Deemed IRA in my name and process the DROP lump sum amount as an eligible rollover distribution. The lump-sum resulting from the DROP period is subject to all applicable taxes and withholding requirements, subject to its distribution in the form of an eligible rollover distribution (see [disclosures](#)). If I have voluntarily terminated employment prior to the end of my DROP period, I understand that the DROP benefit I will receive shall be equal to 80% of the amount credited to the DROP account.

Participant signature*

Date (mm/dd/yyyy)

Data collected on this form will be used by MERS staff for identification and documentation only.

You can submit this form online!



If you already have a myMERS account, you can upload this form online. Select "MERS DB Monthly Pension" from your Retirement Accounts, click on the Account Summary in the Quick Links and select **File Upload** in the upper right corner to securely submit completed forms.

You may also mail completed form to:

**Municipal Employees'
Retirement System of Michigan**
1134 Municipal Way
Lansing, MI 48917
Fax: 517.703.9706

Federal Tax Withholding for DROP Distribution (Section 5)

This section replicates information on IRS Form W-4R and is required by the IRS to be included in its entirety as part of this form. For additional information, go to www.irs.gov/FORMW4R.

Purpose of this section is to have payers withhold the correct amount of federal income tax from your nonperiodic payment or eligible rollover distribution from your MERS Defined Benefit pension. See the following pages for the rules and options that are available for each type of payment. For more information on withholding, see IRS Pub. 505, Tax Withholding and Estimated Tax.

Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. Your withholding choice (or an election not to have withholding on a nonperiodic payment) will generally apply to any future payment from the same plan or IRA. Submit a new IRS Form W-4R if you want to change your election.

Nonperiodic payments—10% withholding. MERS must withhold at a default 10% rate from the taxable amount of nonperiodic payments unless you enter a different rate on line 2 of the Federal Tax Withholding section. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering “-0-” on line 2. See the specific instructions below for more information. You are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including “-0-”) on any payments to be delivered outside the United States and its possessions.

Note: If you don't complete this section, you don't provide a Social Security Number, or the IRS notifies MERS that you gave an incorrect Social Security Number, then MERS must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld.

Eligible rollover distributions—20% withholding. Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can't choose withholding at a rate of less than 20% (including “-0-”). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% on line 2. Don't give Form W-4R to your payer unless you want more than 20% withheld.

Note that the following payments are not eligible rollover distributions for purposes of these withholding rules: a) Qualifying “hardship” distributions; b) Distributions required by federal law, such as required minimum distributions; c) Generally, distributions from a pension-linked emergency savings account; d) Eligible distributions to a domestic abuse victim; e) Qualified disaster recovery distributions; f) Qualified birth or adoption distributions; and g) Emergency personal expense distributions.

Payments to nonresident aliens and foreign estates. Do not use this section for federal income tax withholding. See *IRS Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities*, and *IRS Pub. 519, U.S. Tax Guide for Aliens*, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter “-0-” on line 2. See *IRS Pub. 3920, Tax Relief for Victims of Terrorist Attacks*, for more details.

2024 Marginal Rate Tables for determining federal tax withholding

You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the column that matches your filing status to find the corresponding rate of withholding. See following pages for more information on how to use this table.

Single or Married filing separately		Married filing jointly or Qualifying surviving spouse		Head of household	
Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more	Total income over—	Tax rate for every dollar more
\$0	0%	\$0	0%	\$0	0%
14,600	10%	29,200	10%	21,900	10%
26,200	12%	52,400	12%	38,450	12%
61,750	22%	123,500	22%	85,000	22%
115,125	24%	230,250	24%	122,400	24%
206,550	32%	413,100	32%	213,850	32%
258,325	35%	516,650	35%	265,600	35%
623,950*	37%	760,400	37%	631,250	37%

* If married filing separately, use \$380,200 instead for this 37% rate.

Federal Tax Withholding for DROP Distribution (Section 5)

Line 1. Check your anticipated filing status. This will determine the standard deduction and tax rates used to compute your withholding.

Line 2. More withholding. If you want more than the default rate withheld from your payment, you may enter a higher rate on line 2.

Less withholding (nonperiodic payments only). If permitted, you may enter a lower rate on line 2 (including “-0-”) if you want less than the 10% default rate withheld from your payment. If you have already paid, or plan to pay, your tax on this payment through other withholding or estimated tax payments, you may want to enter “-0-”.

Suggestion for determining withholding. Consider using the [Marginal Rate Tables](#) above to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of tax on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the [Marginal Rate Tables](#).

The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.

To determine the appropriate rate of withholding from the table, do the following. Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.

If these two rates are the same, enter that rate on line 2. (See Example 1 below.)

If the two rates differ, multiply (a) the amount in the lower rate bracket by the rate for that bracket, and (b) the amount in the higher rate bracket by the rate for that bracket. Add these two numbers; this is the expected tax for this payment. To get the rate to have withheld, divide this amount by the taxable amount of the payment. Round up to the next whole number and enter that rate on line 2. (See Example 2 below.)

If you prefer a simpler approach (but one that may lead to overwithholding), find the rate that corresponds to your total income including the payment and enter that rate on line 2.

Examples. Assume the following facts for Examples 1 and 2. Your filing status is single. You expect the taxable amount of your payment to be \$20,000. Appropriate amounts have been withheld for all other sources of income and any deductions or credits.

Example 1. You expect your total income to be \$62,000 without the payment. Step 1: Because your total income without the payment, \$62,000, is greater than \$61,750 but less than \$115,125, the corresponding rate is 22%. Step 2: Because your total income with the payment, \$82,000, is greater than \$61,750 but less than \$115,125, the corresponding rate is 22%. Because these two rates are the same, enter “22” on line 2.

Example 2. You expect your total income to be \$43,700 without the payment. Step 1: Because your total income without the payment, \$43,700, is greater than \$26,200 but less than \$61,750, the corresponding rate is 12%. Step 2: Because your total income with the payment, \$63,700, is greater than \$61,750 but less than \$115,125, the corresponding rate is 22%. The two rates differ. \$18,050 of the \$20,000 payment is in the lower bracket (\$61,750 less your total income of \$43,700 without the payment), and \$1,950 is in the higher bracket (\$20,000 less the \$18,050 that is in the lower bracket). Multiply \$18,050 by 12% to get \$2,166. Multiply \$1,950 by 22% to get \$429. The sum of these two amounts is \$2,595. This is the estimated tax on your payment. This amount corresponds to 13% of the \$20,000 payment (\$2,595 divided by \$20,000). Enter “13” on line 2.

Additional Information Regarding DROP Distribution (Sections 2-5)

DROP Distribution Summary:

Introduction

Municipal Employees' Retirement System (MERS) is required to provide you with this Summary under Section 402(f) of the Internal Revenue Code. Distributions from your DROP account may have significant federal and state income tax consequences for you. The information within this Summary merely summarizes the federal (not state) tax rules, which might apply to your DROP payment; more detailed information is included in the "Special Tax Notice Regarding Your Rollover Options." The relevant federal income tax laws are complex, contain many conditions and exceptions that are not included in this Summary, and are modified frequently. This notice is not intended to be a complete description of all of the federal income tax consequences of distributions to you from your DROP account and of all the requirements that must be met to qualify under various tax rules. This Summary is not intended to give personal tax advice. Before you leave DROP, we encourage you to consult with your personal tax advisor. More detailed tax information is contained in IRS Publication 575, *Pension and Annuity Income*, which is available from your local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORMS.

Summary of DROP Distribution Options

You will have sixty (60) days from the date you exit DROP to submit the DROP Distribution Request Form to MERS. There are three ways in which you may receive the funds in your DROP account: 1) you may receive it as a lump sum paid to you; 2) you may roll it over to a traditional Individual Retirement Account ("IRA"), a Roth IRA, or to a qualified plan; or 3) you may elect a partial rollover and a lump sum distribution of the balance of your DROP account. Additional tax information regarding these options are provided in the Special Tax Notice Regarding Your Rollover Options provided to you. You should review these options with your financial, legal and/or tax professional to select a distribution election for both your taxable and non-taxable DROP funds.

NOTE: Failure to meet the 60-day deadline to complete the forms and documentation required will result in distribution of your DROP account into a default account whereby your payment will be subject to all applicable taxes as required by law. You still will have certain rollover rights related to a lump-sum distribution in this situation (See section under the Special Tax Notice titled "Rollover Within 60 Days After Receiving a Lump Sum Payment"). You should consider all of your options with your financial, legal and/or tax professionals.

How after-tax contributions affect your DROP funds

If you made after-tax contributions, your DROP funds will include after-tax "basis." "Basis recovery" is the process by which your after-tax employee pension contributions are returned to you, free of taxes, as part of your pension benefits. The Internal Revenue Code includes a provision that allows you to recover your after-tax contributions using a basis recovery method. When you exit DROP, you will be subject to this basis recovery method which provides that you will:

- Recover pre-1987 after-tax contributions entirely from the lump sum DROP distribution
- Have any post-1986 after-tax contributions allocated pro-rata between the lump sum DROP distribution and your ongoing monthly pension annuity under a formula developed by the IRS.

Lump sum distribution

- By "lump sum," we mean having a portion of or your entire DROP account balance distributed in the form of a single payment to you by direct deposit to the checking/savings account you select.
- If you take your entire distribution as a lump sum, it will be less any applicable federal and state tax withholdings required by law.
- The full amount of your taxable distribution will be taxed in the year of distribution (unless you roll it over within 60 days – see section under "Rollover Within 60 Days After Receiving A Lump Sum Payment").
- Depending on your age and whether you were employed as a public safety officer, your DROP distribution may be subject to the 10% additional Federal tax on early distributions from retirement plans unless you roll it over within 60 days to another retirement plan or an IRA. Please see the section below entitled "Rollover Within 60 Days After Receiving A Lump Sum Payment" and the section in the Special Tax Notice titled "If I Don't Do a Rollover, Will I Have to Pay the 10% Additional Income Tax on Early Distributions?"

Additional Information Regarding DROP Distribution – *continued*

Rollover distribution

- By rollover, we mean having your DROP distribution paid directly into a traditional IRA, Roth IRA, or an eligible employer plan that agrees to accept your rollover.
- Whatever taxable portion of your distribution you rollover directly to a traditional IRA or eligible employer plan will not be taxed in the current year, will not be subject to mandatory income tax withholding, and will not be subject to early withdrawal penalties. These rules differ for Roth IRA's—see the “Special Tax Notice Regarding Your Rollover Options” for more information or consult your tax advisor.
- Your taxable rollover distribution will be taxed later when you take distribution from the traditional IRA or eligible employer plan. Roth IRA's are subject to different tax rules—see the “Special Tax Notice Regarding Your Rollover Options” for more information.
- You may obtain further information concerning rollovers from your tax advisor.

Rollover within 60 days after receiving a lump sum payment

If you don't request a direct rollover, you can still rollover your distribution within 60 days after receipt into a traditional IRA or an eligible employer plan and avoid taxation, including early withdrawal penalties, in the year of distribution on the amount that is rolled over. Because this distribution is first being paid to you, MERS is required to withhold 20% from the distribution for purposes of federal taxes (See Section under the Special Tax Notice titled “How Do I Do a Rollover?”). Then, in order to fully accomplish the rollover, you must pay into the IRA or eligible employer plan the full amount of your distribution (including the amount withheld by MERS for taxes). This would require you to contribute additional funds at the time of deposit. Any portion not rolled over within 60 days will be subject to taxation in the year of distribution. See your tax advisor for further information.

Important tax information for spouse or former spouse of participant

The above information is addressed to the Participant, but the same rollover and mandatory 20% federal tax withholding rules set forth above also apply to:

- A current or former spouse who receives funds from a DROP account based upon a domestic relations order.
- A spouse who receives funds from a DROP account due to the Participant's death.

A spouse or former spouse, however, is not subject to the early distribution penalty that applies to the participant.

Important tax information for beneficiaries other than a spouse

The above information is addressed to the Participant, but the same rollover and mandatory 20% federal tax withholding rules set forth above also apply. In the event of the Participant's death, if the beneficiary is not an opposite-sex or same-sex spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. The non-spouse beneficiary is not subject to the early distribution penalty.

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

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.

Federal Tax Withholding for Monthly Pension Payments (Section 8)

This section replicates information on *IRS Form W-4P* and serves as a substitute for that form. It is required by the IRS to be included in its entirety with this form. For additional information, go to www.irs.gov/FormW4P.

Purpose of this section is to withhold the correct amount of federal income tax from your MERS Defined Benefit pension. Federal income tax withholding applies to the taxable part of these payments. Periodic payments are made in installments at regular intervals (monthly) over a period of more than 1 year. For more information on withholding, see *IRS Pub. 505, Tax Withholding and Estimated Tax*.

Choosing not to have income tax withheld. You can choose not to have federal income tax withheld from your payments by writing "No Withholding" in the space below Step 4(c) then submitting this form.

Generally, if you are a U.S. citizen or a resident alien, you are not permitted to elect not to have federal income tax withheld on payments to be delivered outside the United States and its territories.

Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. If your tax situation changes, or you chose not to have federal income tax withheld and you now want withholding, you should submit a new *IRS Form W-4P*.

When to use the estimator. Consider using the estimator at www.irs.gov/W4App if you:

1. Have social security, dividend, capital gain, or business income, or are subject to the Additional Medicare Tax or Net Investment Income Tax; or
2. Receive these payments or pension and annuity payments for only part of the year.

Self-employment. Generally, you will owe both income and self-employment taxes on any self-employment income you (or you and your spouse) receive. If you do not have a job and want to pay these taxes through withholding from your payments, use the estimator at www.irs.gov/W4App to figure the amount to have withheld.

Payments to nonresident aliens and foreign estates. Do not use Form W-4P. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, write "No Withholding" in the space below Step 4(c). See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

Specific Instructions – Federal income tax withholding

Step 1. Check your anticipated filing status. This will determine the standard deduction and tax rates used to compute your withholding.

Step 2. Use this step if you have at least one of the following: (1) income from a job or more than one pension/annuity, and/or (2) a spouse (filing jointly) that receives income from a job/pension/annuity.

Example 1. Bob, a single filer, is completing this form for a MERS pension that pays \$50,000 a year. Bob also has a job that pays \$25,000 a year. Bob has no other pensions or annuities. Bob will use an IRS Form W-4P to enter \$25,000 in Step 2(b)(i) and in Step 2(b)(iii). If Bob also has \$1,000 of interest income, which he entered on IRS Form W-4, Step 4(a), then he will instead enter \$26,000 in Step 2(b)(i) and in Step 2(b)(iii). He will make no entries in Step 4(a) on this form.

Example 2. Carol, a single filer, is completing this form for a MERS pension that pays \$50,000 a year. Carol does not have a job, but she also receives another pension for \$25,000 a year (which pays less annually than the \$50,000 pension). Carol will enter \$25,000 in Step 2(b)(ii) and in Step 2(b)(iii). If Carol also has \$1,000 of interest income, then she will enter \$1,000 in Step 4(a) of this form.

Example 3. Don, a single filer, is completing this form for a pension that pays \$50,000 a year. Don does not have a job, but he receives another pension for \$75,000 a year (which pays more annually than the \$50,000 pension). Don will not enter any amounts in Step 2.

If Don also has \$1,000 of interest income, he won't enter that amount on this form because he entered the \$1,000 on the IRS Form W-4P for the higher paying \$75,000 pension.

Example 4. Ann, a single filer, is completing this form for a pension that pays \$50,000 a year. Ann also has a job that pays \$25,000 a year and another pension that pays \$20,000 a year. Ann will enter \$25,000 in Step 2(b)(i), \$20,000 in Step 2(b)(ii), and \$45,000 in Step 2(b)(iii).

Federal Tax Withholding for Monthly Pension Payments (Section 8)

If Ann also has \$1,000 of interest income, which she entered on Form W-4, Step 4(a), she will instead enter \$26,000 in Step 2(b) (i), leave Step 2(b)(ii) unchanged, and enter \$46,000 in Step 2(b) (iii). She will make no entries in Step 4(a) of this form.

If you are married filing jointly, the entries described above do not change if your spouse is the one who has the job or the other pension/annuity instead of you.

CAUTION:

Multiple sources of pensions/annuities or jobs. If you (or if married filing jointly, you and/or your spouse) have a job(s), or a different pension/annuity that pays higher than this MERS pension, do NOT complete Steps 3 through 4(b) in this section. Instead, complete Steps 3 through 4(b) on IRS Form W-4P for the job or highest paying pension/annuity.

If you (or if married filing jointly, you and/or your spouse) do not have a job or a higher paying pension/annuity, complete Steps 3 through 4(b) on this form for only this MERS pension.

Step 3. This step provides instructions for determining the amount of the child tax credit and the credit for other dependents that you may be able to claim when you file your tax return. To qualify for the child tax credit, the child must be under age 17 as of December 31, must be your dependent who generally lives with you for more than half the year, and must have the required social security number. You may be able to claim a credit for other dependents for whom a child tax credit can't be claimed, such as an older child or a qualifying relative. For additional eligibility requirements for these credits, see *IRS Pub. 501, Dependents, Standard Deduction, and Filing Information*. You can also include **other tax credits** in this step, such as the foreign tax credit and the education tax credits. Including these credits will increase your payments and reduce the amount of any refund you may receive when you file your tax return.

Step 4 (optional).

Step 4(a). Enter in this step the total of your other estimated income for the year, if any. You shouldn't include amounts from any job(s) or pension/annuity payments. If you complete Step 4(a), you likely won't have to make estimated tax payments for that income. If you prefer to pay estimated tax rather than having tax on other income withheld from your pension, see *IRS Form 1040-ES, Estimated Tax for Individuals*.

Step 4(b). Enter in this step the amount from the [Deductions Worksheet](#) (bottom of the last page), line 6, if you expect to claim deductions other than the basic standard deduction on your 2024 tax return and want to reduce your withholding to account for these deductions. This includes itemized deductions, the additional standard deduction for those 65 and over, and other deductions such as for student loan interest and IRAs.

Step 4(c). Enter in this step any additional tax you want withheld from **each payment**. Entering an amount here will reduce your payments and will either increase your refund or reduce any amount of tax that you owe.

Note: If you don't provide any information in this Section, then MERS will withhold tax from your payments as if your filing status is single with no adjustments in Steps 2 through 4. For payments that began before 2024, your current withholding election (or your default rate) remains in effect unless you submit a new [IRS Form W-4P](#), including this substitute Form W-4P.

Special Tax Notice for NON-ROTH Distributions

YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the Municipal Employees' Retirement System of Michigan (the "Plan") is eligible to be rolled over to an IRA or an 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 from the Plan that are not from a designated Roth account (a type of account in some employer plans that is subject to special tax rules). If you also receive a payment from a designated Roth account in the Plan, you will be provided a different notice for that payment, and the Plan administrator or the 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?

You will be taxed on a payment from 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 (generally, distributions made before age 59½), 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 59½ (or if an exception to the 10% additional income tax applies).

What types of retirement accounts and plans may accept my rollover?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified 401(a) 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, IRAs are not subject to spousal consent rules, 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.

How do I do a rollover?

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

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. Generally, 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. 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).

How much may I roll over?

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 joint lives or joint life expectancies of you and your beneficiary);
- Required minimum distributions after age 70½ (if you were born

before July 1, 1949), after age 72 (if you were born after June 30, 1949, and before January 1, 1951), after age 73 (if you were born after December 31, 1950), or after death;

- 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); and
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution;

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?

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 applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

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 joint lives or joint life expectancies of you and your beneficiary);
- Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you (1) will be at least age 50 in the year of the separation or (2) have at least 25 years of service under the Plan;
- Payments made due to disability;
- Payments made while you are terminally ill;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order/eligible domestic relations order (QDRO/EDRO);
- Payments of up to \$5,000 made to you from a defined contribution plan if the payment is a qualified birth or adoption distribution;
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- 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 that you request to withdraw within 90 days of your first contribution; and
- Payments of up to \$22,000 made in connection with federally-declared disasters.

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

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 on the part of the distribution that you must include in income, 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:

- The exceptions for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 or following 25 years of service for qualified public safety employees and employees providing firefighting services) do not apply;
- The exception for qualified domestic relations orders/eligible domestic relations orders (QDRO/EDROs) 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); and
- 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.

Additional exceptions apply for payments from an IRA, including:

- Payments for qualified higher education expenses;
- Payments up to \$10,000 used in a qualified first-time home purchase;
- Payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status); and
- Payments of net income attributable to an excess IRA contribution made in a calendar year where such amounts are distributed by tax return deadline for the year (including extensions) and no deduction is allowed for the excess contribution.

Will I owe State income taxes?

This notice does not address any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. If you receive a partial payment of your total benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, 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 the payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day 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). If you do a direct rollover of only a portion of the amount paid from the Plan and at the same time the rest is paid to you, the portion rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

Similarly, if you do a 60-day rollover to an IRA of only a portion of a payment made to you, the portion rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

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.

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. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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-A, Contributions to Individual Retirement Arrangements (IRAs).

If you have an outstanding loan that is being offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason (such as a failure to make level loan repayments that results in a deemed distribution), then you have 60 days from the date the offset occurs to complete your rollover.

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. For more information, see IRS Publication 575, Pension and Annuity Income.

If your payment is from a governmental section 457(b) plan

If the Plan is a governmental section 457(b) plan, the same rules 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 include that you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rule under "If you were born on or before January 1, 1936" does not apply.

If you are an eligible retired public safety officer and your payment is used to pay for health coverage or qualified long-term care 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 paid 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 roll over your payment to a Roth IRA

If you roll over a payment from the Plan 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. In general, the 10% additional income tax on early distributions will not apply. However, if you take the amount rolled over out of the Roth IRA within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional

income tax will apply (unless an exception applies).

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-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

If you do a rollover to a designated Roth account in the Plan

You cannot roll over a distribution to a designated Roth account in another employer's plan. However, you can roll the distribution over into a designated Roth account in the distributing Plan. If you roll over a payment from the Plan to a designated Roth account in the same Plan, the amount of the payment rolled over (reduced by any after-tax amounts directly rolled over) will be taxed. In general, the 10% additional income tax on early distributions will not apply. However, if you take the amount rolled over out of the designated Roth account within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional income tax will apply (unless an exception applies).

If you roll over the payment to a designated Roth account in the Plan, later payments from the designated Roth account that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a designated Roth account is a payment made both 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 this 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you made a direct rollover to a designated Roth account in the Plan from a designated Roth account in a plan of another employer, the 5-year period begins on January 1 of the year you made the first contribution to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the plan of the other employer. Payments from the designated Roth account 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). With respect to taxable years beginning after 2023, you are not required to take required minimum distributions from a designated Roth account during your lifetime.

If you are not a Plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution generally will be taxed in the same manner described elsewhere in this notice. 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 deceased 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 were born before July 1, 1949), age 72 (if you were born after June 30, 1949, and before January 1, 1951), or after age 73 (if you were born after December 31, 1950).

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 the participant was born before July 1, 1949), age 72 (if the participant was born after June 30, 1949, and before January 1, 1951), or age 73 (if the participant was born after December 31, 1950).

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. You will have to receive required minimum distributions from the inherited IRA.

Payments under a QDRO/EDRO. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a QDRO/EDRO, you generally have the same options and the same tax treatment that 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). However, payments under the QDRO/EDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

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.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to do a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than \$200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cash-out of more than \$1,000 (not including payments from a designated Roth account in the Plan) will be directly rolled over to an IRA chosen by the Plan administrator or the payor. A mandatory cash-out 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).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, Armed Forces' Tax Guide. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

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 plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from 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, or by calling 1-800-TAX-FORM.

Worksheet to Estimate Michigan State Withholding for Taxpayers Born After 1952 and Reached Age 67

(see section above on Michigan Income Tax Withholding)

Recipients born after 1952 that have reached age 67 may choose to either (1) deduct the personal exemption amount and taxable Social Security benefits, military compensation (including retirement benefits), Michigan National Guard retirement benefits, and railroad retirement benefits included in adjusted gross income, or (2) claim a deduction against all income of \$20,000 if single or married filing separately, or \$40,000 if filing jointly. Benefits in excess of these limits are taxable. Complete ONE of the columns below based on your filing status to determine how much withholding is necessary on taxable benefits. Estimate your income this year based on last year's state and federal income tax returns even if you have not completed them yet.

	Single or Married Filing Separately	Joint
1. Standard Deduction – If you received retirement benefits from SSA exempt employment and were retired before January 1, 2013, the additional \$15,000 to the standard deduction does not apply to line 1.	\$20,000	\$40,000
2. Lines 2a–2d: Enter this year's estimated income by using last year's federal return, even if that return has not been filed yet.		
a. Taxable Social Security from last year's 1040, line 6b		
b. Military compensation (including military retirement benefits)		
c. Michigan National Guard retirement benefits		
d. Taxable railroad retirement benefits		
3. Enter the total of lines 2a through 2d		
4. Michigan exemption amount from last year's MI-1040, line 9a		
5. Subtract lines 3 and 4 from line 1. If lines 3 plus 4 are greater than line 1, enter "0"		
6. a. This year's retirement benefits with No Withholding		
b. Other income not subject to Michigan withholding (Examples: interest, dividends, and other investment income)		
7. Enter the total of lines 6a and 6b		
8. Subtract line 5 from line 7. If line 5 is greater than line 7, enter "0"		
9. Multiply line 8 by 4.25% (0.0425)		
10. Divide line 9 by 12 (since MERS issues 12 pension payments during the tax year). Enter here and on line 7 of Section 3 of this form.		

Deductions Worksheet

(see Federal Income Tax Withholding section – Step 4(b))

1 Enter an estimate of your 2023 itemized deductions (from Schedule A (IRS Form 1040)). Such deductions may include qualifying home mortgage interest, charitable contributions, state and local taxes (up to \$10,000), and medical expenses in excess of 7.5% of your income..... ► \$ _____

2 Enter:

•	\$27,700 if you're married filing jointly or qualifying widow(er)
	\$20,800 if you're head of household
	\$13,850 if you're single or married filing separately

..... ► \$ _____

3 If line 1 is greater than line 2, subtract line 2 from line 1 and enter the result here. If line 2 is greater than line 1, enter "-0-" ► \$ _____

4 If line 3 equals zero, and you (or your spouse) are 65 or older, enter:

- \$1,850 if you're single or head of household
- \$1,500 if you're married filing separately
- \$1,500 if you're a qualifying widow(er) or you're married and one of you is under age 65
- \$3,000 if you're married and both of you are age 65 or older

Otherwise, enter "-0-". See *IRS Pub. 505* for more information ► \$ _____

5 Enter an estimate of your student loan interest, deductible IRA contributions, and certain other adjustments (from Part II of Schedule 1 (IRS Form 1040)). See *IRS Pub. 505* for more information ► \$ _____

6 **Add** lines 3 through 5. Enter the result here and in **Step 4(b)** in Section 5 - Federal income tax withholding ► \$ _____