

APPLE VALLEY FIREFIGHTERS RELIEF ASSOCIATION

7100 147th Street West
Apple Valley, MN 55124



RETIREMENT PACKET

This packet contains the forms and information you requested for a **Retirement Application**.

If you have any questions or require more information please feel free to contact any board member. We would be glad to sit down with you and explain the forms and answer questions which may help you determine the best options available to you.

Information needed for a complete application

Birth Certificate

A – Member Information – please fill out completely

B – Benefit Selection – please fill out completely and sign and date and attach voided check if applicable

C – Minnesota State Income Tax Withholding – please fill out completely

D – Federal Income Tax Withholding – please fill out completely

E – Signatures etc. – please fill out completely and sign, date, and have notarized

Please study the **SPECIAL TAX NOTICE REGARDING PENSION PLAN PAYMENTS** and consult your tax or financial advisor. They will be best suited to give you information on a Direct Rollover.

Make sure you specify which type of pension you are choosing on the application and complete the tax withholding form.

We will try to keep you informed about what is happening in the *Association*. We will try to let you know when the Banquet is and the Annual Meeting so that you may attend.

You should notify the *Secretary of the Association* if you;

1. Change your address.
2. Change your marital status.

Thank you for your years of service and dedication to the **Apple Valley Fire Department** and for being a member of the ***Apple Valley Firefighters Relief Association***.

SPECIAL TAX NOTICE REGARDING PENSION PLAN PAYMENTS

SUMMARY *This notice contains important information you will need before you decide how to receive your benefits from the Apple Valley Firefighters Relief Association (Plan).*

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. For more information about the specific terms and conditions relative to your payout, contact your Plan administrator. The rules described are complex and contain many conditions and exceptions that are not included with this notice. Therefore, **YOU MAY WANT TO CONSULT WITH A PROFESSIONAL TAX ADVISOR OR FINANCIAL PLANNER 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 retirement 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 or by calling 1-800-TAX-FORMS.

A payment from the Plan that is eligible for "rollover" can be taken in two ways. You can have **ALL OR ANY PORTION** of your payment either;

- 1) **PAID IN A "DIRECT ROLLOVER" or**
- 2) **PAID TO YOU.**

A rollover is a payment of your Plan benefits to your individual retirement arrangement (IRA) or to another plan. This choice will affect the tax you owe.

If you choose a **DIRECT ROLLOVER**

- 1 Your payment will not be taxed in the current year and no income tax will be withheld.
- 2 Your payment will be made directly to your IRA or, if you choose, to another plan that accepts your rollover.
- 3 Your payment will be taxed later when you take it out of the IRA or the other plan.

If you choose to have your Plan benefits **PAID TO YOU**

- 1 You will receive only 80% of the payment, because the plan administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- 2 Your payment will be taxed in the current year unless you roll it over. 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 also may have to pay an additional 10% tax.
- 3 You can roll over the payment by paying it to your IRA or to another plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or other plan.
- 4 If you want to roll over 100% of the payment to an IRA or other acceptable plan, **YOU MUST FIND OTHER MONEY TO REPLACE THE 20% THAT WAS WITHHELD.** If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

I. DIRECT ROLLOVER

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or other plan.

A. DIRECT ROLLOVER TO AN IRA

You can open an IRA to receive the direct rollover. (The term "IRA," as used in this notice, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on IRAs (including limits on how often you can roll over between IRAs).

B. DIRECT ROLLOVER TO A PLAN

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

II. PAYMENT PAID TO YOU

If you have the payment made to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

A. INCOME TAX WITHHOLDING

1. Mandatory Withholding

If any portion of the payment to you is an eligible rollover distribution, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution 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, you will report the full \$10,000 as a payment from the Plan. You will report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

2. Sixty-Day Rollover Option

If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another plan that accepts rollovers. If you decide to roll over, YOU MUST MAKE THE ROLLOVER 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 IRA or other plan. You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the IRA or other plan to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

B. 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 taxable portion of the payment. The additional 10% tax does not apply to your payment if it is (1) paid to you because you separate from service during or after the year you reach age 55, (2) paid because you retire due to disability, (3) paid to you as equal (or almost equal) payments over your life expectancy (or your and your beneficiary's lives or life expectancies), or (4) used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

C. SPECIAL TAX TREATMENT

If your eligible rollover distribution is not rolled over, it will be taxed in the year received. However, if it qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan that is payable to you because you have reached age 59-1/2 or have separated from service. For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least 5 years. The special tax treatment for lump sum distributions is described below.

1. Five-Year Averaging

If you receive a lump sum distribution after you are age 59 ½, you may be able to make a one-time election to figure the tax on the payment by using "5-year averaging." Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over 5 years.

2. Ten-Year Averaging If You Were Born Before January 1, 1936

If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates) instead of 5-year averaging (using current tax rates). Like the 5-year averaging rules, 10-year averaging often reduces the tax you owe.

3. Capital Gains Treatment If You Were Born Before January 1, 1936

In addition, if you receive a lump sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan (if any) taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If you have previously rolled over a payment from the Plan, you cannot use this special tax treatment for later payments from the Plan. If you roll over your payment to an IRA, you cannot use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in IRS Form 4972, which has more information on lump sum distributions and how you elect the special tax treatment.

III. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to firefighters also apply to payments to surviving spouses of firefighters. 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. Some of the rules summarized above also apply to a deceased firefighter's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA but you cannot roll it over to another plan. If you are an alternate payee, you have the same choices as the firefighter. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another plan that accepts rollovers. If you are a beneficiary other than the surviving spouse, you **CANNOT** choose a direct rollover, and you **CANNOT** roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10% tax described in section II. B, above, even if you are younger than age 59 ½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions.

APPLE VALLEY FIREFIGHTERS RELIEF ASSOCIATION

7100 147th Street West
Apple Valley, MN 55124



RETIREMENT APPLICATION

A – Member Information

Name: _____

Address: _____

city

state

zip

Phone #: _____

Cell Phone #: _____ Email: _____

Fire Department Dates of Service: from _____ to _____

Relief Association Dates of Membership: from _____ to _____

Did you have any Leave of Absence or time on suspension? NO ___ YES ___ Dates _____

Social Security #: _____

Date of Birth: _____ Age: _____

B – Benefit Selection

LUMP SUM _____

_____ **Lump Sum Check*** _____ **Direct Rollover****

*20% Federal Tax withholding required on Lump Sum Payment direct to you if under age 59 ½.

**Check Payable to: _____

MONTHLY _____

_____ **Monthly Pension Check** or _____ **Auto Deposit*****

Optional Survivor Benefit with Monthly Plan

_____ **JOINT & 50%** or _____ **JOINT & 100%**

PLEASE ATTACH A VOIDED CHECKING OR SAVINGS DEPOSIT SLIP

***I authorize Union Bank and Trust Company to initiate automatic deposit entries to my checking or savings account for monthly pension payments. I further authorize Union Bank and Trust Company to initiate appropriate entries to correct the amount of my monthly pension payment. This authorization will remain in effect for each pension payment until I have advised Union Bank and Trust Company in writing to the contrary.

Signed _____
Applicant's Signature

_____ Date

RETIREMENT APPLICATION

C – Minnesota State Income Tax Withholding

The withholding of state income tax is voluntary. AVFRA can withhold only a specific dollar amount for state income tax.

NO, I do not wish to have Minnesota State Income Tax withheld.

YES, I wish to have Minnesota State Income Tax withheld.

Specific amount you want deducted. _____

D – Federal Income Tax Withholding

NO, I am 59 ½ or older and do not wish to have Federal Income Tax withheld from my check.

I realize that I am liable for payment of the federal income tax on the taxable portion of my benefit and that the amount of payment I receive will be reported to the IRS, I may be subject to tax penalties under the estimated tax payment rules if my payments of estimated tax and withholding are not adequate.

YES, I wish to have Federal Income Tax withheld based on the marital status and number of exemptions claimed below.

Single

Married

Total exemptions you are claiming _____

Specific amount you want deducted _____

RETIREMENT APPLICATION

E – Signature of Member and Spouse, if applicable, Notary Required

To the **Board of Trustees**;

In making application for the this service pension from the **Apple Valley Firefighters Relief Association**, I certify that I meet each of the follow eligibility requirements and acknowledge;

1. I am at least 50 years of age. (Attach a copy of your birth certificate)
2. I have separated from service with the **Apple Valley Fire Department**.
(Attach a copy of your resignation letter)
3. I have at least 5 years (10 years if starting date is after 2011) of active time (need not be continuous) on the **Apple Valley Fire Department** prior to separation. (Service Dates entered in Section A)
4. I have been an active member of the **Apple Valley Firefighters Relief Association** at least 5 years prior to separation. (Membership Dates entered in Section A)
5. I have received and read the SPECIAL TAX NOTICE REGARDING PENSION PLAN PAYMENTS and completed the required forms to receive my payment, i.e. tax withholding, direct rollover, etc. (See parts A – E)
6. The **Apple Valley Firefighters Relief Association** cannot give any financial advice and I must consult with my own tax or financial advisors as to the specific tax consequences of my distribution.

AUTHORIZATION and RELEASE

I hereby authorize the entities and persons listed above to release to the **Apple Valley Firefighters Relief Association** and any agent working on its behalf data classified as private. The data which I authorize to be released consists of private data, as defined by Minnesota Statute Ch. 13.02, subd. 12, and has been or will be collected by the **Apple Valley Firefighters Relief Association** and/or its agents and/or representatives. The information for which release is authorized includes all data which has been collected, created, received, retained or disseminated in whatever form which is any way related to membership.

This authorization shall be valid indefinitely, but I reserve the right to cancel this authorization by providing written notice to the Secretary of the *Association*.

Signed _____
Applicant's Signature Date

FOR COMPLETION BY MEMBER'S SPOUSE

I hereby acknowledge the benefit selection made by spouse.

Signed _____
Applicant's Spouse Signature Date

Spouse's Social Security #: _____

Spouse's Date of Birth: _____ Age: _____

FOR COMPLETION BY NOTARY

Signature(s) Witnessed (check one)

_____ Applicant Only _____ Both Parties

Applicant(s) _____ Known _____ Produced ID, Type of ID _____

Signed, sworn to, and acknowledged before me this _____ day of _____, year _____.

Notary Public of _____ County My Commission Expires _____

Signature of Notary Public (Seal Required)

ACTION TAKEN BY BOARD OF TRUSTEES: Approved: _____ Denied: _____ Date: _____

ATTEST: _____ and _____

cc: Member, file, Secretary, Treasurer, President

