



CITY OF LOS ANGELES FIRE & POLICE PENSION PLAN
DEFERRED RETIREMENT OPTION PLAN (“DROP”)

DROP DISTRIBUTION ELECTION INFORMATION

Name: _____ DROP Exit Date: _____

You are entitled to elect a distribution of your DROP account balance in a lump sum payment or a rollover to a traditional Individual Retirement Account (IRA) or another tax-qualified retirement plan or a combination of a lump sum and a rollover. (A traditional IRA does not include a Roth IRA, SIMPLE IRA or education IRA.) You must schedule an exit consultation appointment with the Fire & Police Pension Department prior to exiting DROP, to complete the necessary forms for processing your DROP distribution election and future retirement payments. We recommend that you schedule your appointment 60 days prior to your intended exit date for processing purposes.

Please review this Distribution Election Information prior to your exit consultation meeting with the Fire & Police Pension Department staff. The Fire & Police Pension Department is located at 360 E. 2nd Street, Suite 400, Los Angeles, California 90012, (213) 978-4568.

Please review the attached forms which allow you to elect to receive your DROP account either as a direct lump sum payment, as a rollover, or as a combination of these. Please complete the applicable form(s), attached, to make your election.

No matter which distribution option you elect, we encourage you first to carefully review the Special Tax Notice regarding distribution from DROP and to consult with your tax and/or financial advisor so that you are aware of any financial consequences that could affect your distribution decision. We cannot advise you regarding your tax liability.

You have the right to take ninety (90) days to make an election. If you return this form in fewer than 90 days, the DROP Administrator will honor your election as soon as it is received.

If you do not elect a distribution option within ninety (90) days of the DROP exit date, which is indicated above, your distribution election will **default** to the lump sum payment option less mandatory tax withholding. Keep in mind that if you receive a lump sum payment:

- (1) you will not receive all of the funds in your DROP account as the plan must withhold 20% for federal income taxes--the only way to avoid the 20% mandatory withholding is to do a direct rollover.
- (2) unless you do a rollover within 60 days of receipt (see the Special Tax Notice for further information or your tax advisor), you will be subject to taxes upon the full amount of the taxable distribution and, if you are not age 55 or older during the year of distribution, you will have to pay an additional 10% federal tax and 2½% state tax as early distribution penalties.

The only way to avoid both the mandatory federal tax withholding and taxation upon the distribution in the current year is by a direct rollover to a traditional IRA or tax-qualified retirement plan. If you wish to have your DROP account distributed as a direct rollover, please provide the requested information concerning the financial institution receiving the rollover distribution on page 5.

Should you take a lump sum payment, remember that you have 60 days after you receive the distribution in which to do a rollover to a traditional IRA or tax-qualified retirement plan and avoid taxation in the current year (including any applicable early withdrawal penalties). You, however, will have to do this rollover yourself. See your tax and/or financial advisor for further information.

IMPORTANT TAX INFORMATION FOR SPOUSE OR FORMER SPOUSE OF MEMBER

The above information is addressed to the Member, 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 Member's death.

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

IMPORTANT TAX INFORMATION FOR BENEFICIARIES OTHER THAN A SPOUSE

In the event of the Member's death, if the beneficiary is not a spouse, the beneficiary has no right to rollover the funds in the Member's DROP account. The non-spouse beneficiary is not subject to either the early distribution penalty or to the mandatory federal tax withholding requirements.

DROP Distribution Election Form (Lump Sum Payment)

I hereby elect to have my DROP account distributed to me as follows (initial one of the following unless you want to rollover the entire amount of your DROP account):

_____ **DIRECT LUMP SUM PAYMENT OF FULL AMOUNT**

_____ **DIRECT LUMP SUM PAYMENT OF ACCOUNT BALANCE AFTER PARTIAL ROLLOVER** (If you select this option, you need to also complete an election form for a partial rollover; your lump sum payment will be for the balance in your DROP account.)

Please pay the portion of my DROP account as indicated above directly to me in a check, less the mandatory federal income tax withholding at the rate of 20 percent on the taxable portion of my distribution. If I am under the age of 55 the year I take distribution, I understand that I will be subject to a 10% federal penalty and, if applicable, a 2½% California state penalty for early distribution on the taxable portion of the distribution.

Depending upon your state of residency, please complete either (1) or (2) below:

- (1) I am a resident of the state of California:
- a.) **Yes**, withhold California income tax at 2% of the taxable distribution.
 - b.) **No**, do not withhold California income tax.
- (2) I am a resident of _____, so do not withhold California income tax. (Print name of state)

CHECK TO BE SENT TO ME AT:

PRINT YOUR NAME SOCIAL SECURITY NO.

ADDRESS CITY STATE AND ZIP CODE

Exit Date from DROP: _____ PHONE # _____

I understand that I have the right to consider my election options for 30 days before making the above distribution election. I also understand that I am waiving this right if I sign below within 30 days of receiving this form.

Signature: _____ Date: _____

Witness: _____
Administrative Staff Member

(If not witnessed by staff, signature must be notarized—attach notary form.)

DEPARTMENT OF FIRE & POLICE PENSIONS – CITY OF LOS ANGELES
360 EAST 2ND STREET, SUITE 400
LOS ANGELES, CA 90012
TELEPHONE: (213) 978-4568

DROP Distribution Election Form (Rollover)

I hereby elect to have my DROP account distributed to me as follows (initial one of the following unless you want to receive the entire amount of your DROP account as a lump sum payment):

_____ **DIRECT ROLLOVER OF THE ENTIRE TAXABLE PORTION OF MY DROP ACCOUNT**

_____ **PARTIAL ROLLOVER OF THE TAXABLE PORTION OF MY DROP ACCOUNT. Please rollover \$ _____ of the taxable portion of my drop account.**

(If you select this option, you need to also complete an election form for direct lump sum payment of the balance in your DROP account.)

I understand that by electing a rollover, and within ninety days (90) from the date the member exits DROP, I must supply the Fire & Police Pension Department with the necessary information regarding the financial institution receiving the eligible rollover distribution. I understand that it is my responsibility to complete the Rollover Information Form contained on page 5, have the financial institution receiving my rollover distribution complete their part of this form, and return the completed form to the Fire & Police Pension Department within 90 days from the date I exit DROP. **The Department of Fire and Police Pensions is not responsible and will not check to see if this information is correct.** I am responsible for providing accurate information.

PRINT YOUR NAME

SOCIAL SECURITY NO.

ADDRESS

CITY

STATE AND ZIP CODE

Exit Date from DROP: _____

PHONE # _____

I understand that I have the right to consider my election options for 30 days before making the above distribution election. I also understand that I am waiving this right if I sign below within 30 days of receiving this form.

Signature: _____

Date: _____

Witness: _____

Administrative Staff Member

(If not witnessed by staff, signature must be notarized—attach notary form.)

