

# SAG-PRODUCERS PENSION PLAN

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## Special Tax Notice Regarding Plan Payments

You are receiving this notice because all or a portion of a payment you are receiving from the Screen Actors Guild- Producers Pension Plan (Plan) is eligible for rollover into an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover, although the Plan and its officers and employees cannot provide tax or financial advice. Because these rules are complex and contain many conditions and exceptions which we do not discuss in this notice, you may need to consult with a professional tax advisor before you receive your distribution from the Plan.

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment from the Plan to another employer plan, you should find out whether the other plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept certain rollover distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish, instead, to roll over your distribution to a traditional IRA or a qualified plan. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover also may be subject to different tax treatment than distributions from this Plan. Check with the receiving plan prior to rolling over your balance. If you have questions, please contact the Plan at (800) 777-4013.

Please read the following section on frequently asked questions about rollovers section. Special rules that only apply in certain circumstances are described in the "Special rules and options" section.

### Frequently asked questions 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 (transfer it) to an IRA rollover account or another similar qualified plan. If you are under age 59<sup>1/2</sup> and do not do a rollover, you will also have to pay an additional 10% income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the additional 10% income tax will not apply if those payments are made after you are age 59<sup>1/2</sup> (or if an exception applies).

#### Where may I roll over the payment?

You may roll over an eligible rollover distribution either to a Roth IRA, a traditional IRA or an eligible employer plan that accepts rollovers. An "eligible employer plan" includes a plan qualified under Code Section 401(a), including a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan (including an ESOP), and money purchase plan; a Section 403(a) annuity plan; a 403(b) plan; and an eligible Section 457(b) plan maintained by a governmental employer (governmental 457 plan). Special rules apply to the rollover of after-tax contributions. You may not roll over any distribution to a simple IRA or a Coverdell Education Savings Account (formerly known as an educational IRA).

#### 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. 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 (up to the amount of cash and property received other than employer stock). 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 59<sup>1</sup>/<sub>2</sub> (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 lives or joint life expectancy of you and your beneficiary); or
- Required minimum distributions after age 70<sup>1</sup>/<sub>2</sub> (or after death)

The Plan administrator or the payer 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 additional 10% income tax on early distributions?**

If you are under age 59<sup>1</sup>/<sub>2</sub>, you will have to pay the additional 10% 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 is *in addition to* the regular income tax on the payment not rolled over.

The additional 10% 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 lives or joint life expectancy of you and your beneficiary/ies)
- Payments made due to disability
- Payments after your death
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active military duty if you were a member of a reserve component called to duty after Sept. 11, 2001 for more than 179 days

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

If you receive a payment from an IRA when you are under age 59<sup>1</sup>/<sub>2</sub>, you will have to pay the additional 10% income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the additional 10% 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:

- There is no exception for payments after separation from service that are made after age 55
- The exception for qualified domestic relations orders (QDROs) 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)

- The exception for payments is 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
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments to cover medical 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)
- Due to an IRS levy

### **Will I owe state income taxes?**

This notice does not describe any state or local income tax rules (including withholding rules).

### **Special rules and options**

#### **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 prevent you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, 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, *Individual Retirement Arrangements (IRAs)*.

#### **If you were born on or before Jan. 1, 1936**

If you were born on or before Jan. 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 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 will generally be taxed in the same manner described elsewhere in this notice. However, the additional 10% 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 Jan. 1, 1936" applies only if the participant was born on or before Jan. 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 59<sup>1</sup>/<sub>2</sub> will be subject to the additional 10% 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 70<sup>1</sup>/<sub>2</sub>.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional tax penalty 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 70<sup>1</sup>/<sub>2</sub>.

### **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 additional 10% income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

*Payments under a qualified domestic relations order.* If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options 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). Payments under the QDRO are not subject to the additional 10% 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 of whether to make 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 for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, 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 payer. 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, see IRS Publication 3, *Armed Forces' Tax Guide*.

### **For more information**

You may want to consult with the Plan administrator, payer or 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, *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](http://www.irs.gov), or by calling 1-800-TAX-FORM.