COUNTY OF SAN DIEGO TERMINAL PAY PLAN

ABOUT THE PLAN

The Terminal Pay Plan (TPP) is a retirement benefit program implemented to provide eligible employees who separate from County service an opportunity to increase their tax-deferred retirement savings. Under TPP rules, the County will make a contribution to the TPP in lieu of paying any accrued vacation leave you may be entitled to receive at seperation. Eligibility to receive sick pay is determined by your bargaining unit and can be found in Section 4.2.2 of the County Compensation Ordinance.

If you retire or separate from service, and you are a Tier I, A, or B member in the San Diego County Employee Retirement Association (SDCERA), and you are at least 55 years of age or 50 for Deputy Sheriff (DS) or Sheriff Management (SM), then your participation in the TPP is automatic. Your TPP benefit will be an amount equivalent to the value of your accrued vacation and any eligible sick time.

In order to process your participation in the TPP, please complete the TPP request form. You must also select how you would like to receive your plan benefit.

HOW IT WORKS

- Your payroll clerk determines your eligibility and the value of your accrued vacation and any eligible sick time. Central Payroll will notify the Deferred Compensation Office of all benefit amounts.
- In order for the Deferred Compensation Office to process your benefit payment you will need to select a payment option by completing the enclosed TPP Request Form. Your payment options are:

  1) **Lump sum cash payment.** Cash payments are subject to a mandatory 20% federal tax withholding and any applicable state tax withholding. You can request to have additional federal taxes withheld by completing and submitting a W-4P form. The standard withholding for the State of California is 10% of the federal tax withholding. You may elect to have no California withholding by completing form DE-4P. Note: Any payments to you or on your behalf will be issued by the plan trustee, Wells Fargo. Please do not discard.
  2) **Direct rollover** of the entire amount to your existing Deferred Compensation 401(a) or 457 account, IRA, or other qualified retirement plan.
  3) **Partial direct rollover**, with the remainder to be paid as a lump sum cash payment.
  4) **Installment payments** over 60 months (without interest).

- Before your elected payment can be made, testing must be performed by SDCERA to ensure that the TPP payment together with your pension will not exceed IRS limitations on retirement compensation as set forth in Section 415(b) of the Internal Revenue Code.
- After testing is complete, payment will be made in accordance with your instructions and the Internal Revenue Code rules. While every effort is made to make payments as quickly as possible after receiving your payment election:

PAYMENT MAY TAKE UP TO 90 DAYS FROM DATE OF SEPARATION

INFORMATION

For information about the amount of your payment or your eligibility please contact your payroll clerk or Central Payroll at (858) 694-2051. For all other information please call the Deferred Compensation Store at (619) 531-5840.

Please return completed forms to:
San Diego County Treasurer-Tax Collector - Deferred Compensation Division
TPP Administrator
1600 Pacific Highway, Room 102 — Mailstop: A-49
San Diego, Ca. 92101 — Fax: (619) 531-4937

TERMINAL PAY PLAN REQUEST FORM

A. PARTICIPANT INFORMATION

Name (Last, First, M.I.): ____________________

Date of Birth: __________ Social Security #: __________ Employee I.D. #: __________

Mailing Address: ____________________ City: __________ State: ______ Zip: ______

Contact Phone #: __________ E-mail Address: ____________________

Department: __________ Age at Date of Separation: ______ Date of Separation: __________

B. BENEFICIARY DESIGNATION

Participant Marital Status: ☐ Single ☐ Married or Registered Domestic Partners*

*Note: if you are married and designate someone other than your spouse as a primary beneficiary, your spouse's consent is required. Please complete Spousel Consent form.

Primary Beneficiary(ies):

1. Name: ____________________ SSN: __________ D.O.B: __________
   Relationship: ____________________ Percentage: __________
2. Name: ____________________ SSN: __________ D.O.B: __________
   Relationship: ____________________ Percentage: __________

(Please attach a separate sheet if you have more than 3 primary beneficiaries)

Secondary Beneficiary(ies):

If you are not survived by any of your primary beneficiary(ies) to receive benefits.

1. Name: ____________________ SSN: __________ D.O.B: __________
   Relationship: ____________________ Percentage: __________
2. Name: ____________________ SSN: __________ D.O.B: __________
   Relationship: ____________________ Percentage: __________

(Please attach a separate sheet if you have more than 3 secondary beneficiaries)

Tertiary Beneficiary(ies):

If you are not survived by any of your primary beneficiary(ies) to receive benefits.

1. Name: ____________________ SSN: __________ D.O.B: __________
   Relationship: ____________________ Percentage: __________
2. Name: ____________________ SSN: __________ D.O.B: __________
   Relationship: ____________________ Percentage: __________

(Please attach a separate sheet if you have more than 3 secondary beneficiaries)

TERMINAL PAY PLAN REQUEST FORM

C. PAYMENT METHODS

1) ☐ Lump Sum Cash Payment (for direct deposit please complete Authorization for Direct Deposit Form)

2) ☐ Direct rollover of the entire amount

3) ☐ Partial rollover of __________ % with the remainder balance as a lump sum cash payments

4) ☐ Sixty (60) equal monthly payments without interest

Note: Cash distributions from this plan are subject to mandatory 20% federal tax withholding and a California state tax withholding equivalent to 10% of the amount of federal withholding computed. However, you may elect not to have a state income tax withheld or an amount other than the standard withholding by completing a DE-4P form.

Complete the following information ONLY if Option 2) or 3) above is selected

☐ County of San Diego 457 Plan ☐ County of San Diego 401 (a) Plan
☐ _____________ IRA ☐ Qualified Plan (401k, 403b)

Complete the following below only if you elected an IRA, or another qualified plan.

Make Check Payable to: ______________________________

Account Number: ____________________ Financial Institution or Plan Number: ______________

Address: ______________________________

Note: in the case where you elect to rollover your payment into your County of San Diego Deferred Compensation 457 or 401(a) account the check will be sent directly to your plan provider. If you elect to rollover your payment into an IRA account or another qualified employer plan that will accept it, your check will be sent directly to your plan provider to the address provided above. Regarding your County of San Diego Deferred Compensations Account, the rollover amount will be credited according to your current investment election. If you want to change your investment election, please call your plan provider.

If after receipt of your lump-sum or partial cash distribution you decide to do an indirect rollover to an IRA or other eligible retirement plan, you will must come up with other money to replace the amounts withheld for federal and state taxes and the rollover must be completed within 60-days of receiving the cash distribution to avoid immediate taxation on the distribution.

D. PARTICIPANT AUTHORIZATION

I hereby authorize that payment be made to me as indicated in Section C. I have received the Special Tax Notice Regarding Plan Payments. I understand that if I do not elect a direct rollover of my benefits, there will be a mandatory 20% federal income tax withholding. There will also be a California state tax withholding of 10% of the amount of federal withholding computed pursuant to Section 3405 of the Internal Revenue Code unless I complete and sign Form DE-4P attached to this form. I may indicate on form DE-4P that I want an amount other than the standard withholding calculated, or that I do not want any amount withheld for California taxes.

I also authorize the exchange of my retirement data with the San Diego County Employees Retirement Association (SDCERA) if necessary.

Participant Signature ______________________________ Date ____________________

RETURN TO:

County of San Diego Treasurer-Tax Collector
Deferred Compensation Division
1600 Pacific Highway, Rm 102
San Diego, CA 92101

Telephone: (619) 531-5840
Fax: (619) 531-4937
Mailstop: A-49

SPOUSAL CONSENT FORM

COUNTY OF SAN DIEGO TERMINAL PAY RETIREMENT PROGRAM IRREVOCABLE CONSENT TO DISTRIBUTION TO NON-SPOUSE BENEFICIARY

***Only complete if your beneficiary is someone other than your spouse.**

I, ______________________________ (spouse's name), am the spouse of, ______________________________ (participant's name), a participant in the County of San Diego Terminal Pay Retirement Program (comprised of the County of San Diego Defined Benefit Pension Plan and the County of San Diego Defined Contribution Savings Plan) (collectively and individually referred to as "Plan"). I hereby irrevocably waive my rights as a beneficiary of the benefits due to ______________________________ (participant's name) under the terms of the Plan. I understand the beneficiary is ______________________________(beneficiary's name).

If another beneficiary is named, this waiver shall become ineffective and another waiver naming such other beneficiary shall be required for me to waive my right as beneficiary under the Plan.

____
Signature of Spouse

____
Printed Name

____
Date

NOTARY PUBLIC CERTIFICATION IS REQUIRED

______________________________ ______________________________
Notary Signature Date

AUTHORIZATION FOR DIRECT DEPOSIT

TO BE COMPLETED BY TERMINATED EMPLOYEE/RETIREE/BENEFICIARY:

S.S.N.: ____________________________

I, ______________________________, authorize and request that the retirement benefits, that I am entitled to receive as a terminated employee, retiree or beneficiary of the County of San Diego, be deposited directly into the account at the depository bank designated below.

I hereby authorize and direct depository bank to debit my account if any payments are made subsequent to my death, and to refund said payments to Wells Fargo as disbursing agent. I further authorize the disbursing agent to initiate adjustment debits to my account for deposits made after my death and for deposits made in error.

I understand I have the right to revoke and cancel this authorization. Such revocation or cancellation will take effect when I notify the disbursing agent in writing.

Signature of Terminated
Employee/Retiree/Beneficiary ____ Date ______________

Address: ____

Telephone Number (________)__________________________

DIRECT DEPOSIT INFORMATION

Name of Depository Bank: ____

Address of Depository Bank: ____

Account Number: ________________________________ Account Type: ___________________________

ABA Routing Number: ____

Please attach a voided check below:

Dan McAllister
SAN DIEGO COUNTY TREASURER-TAX COLLECTOR
DEFERRED COMPENSATION
1600 PACIFIC HIGHWAY, RM. 102 | SAN DIEGO, CALIFORNIA 92101 | 619.531.5840 | WWW.MYDCPLAN.COM

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

The accompanying notice is for informational purposes only. This notice is not intended to be tax advice and should not be relied upon in preparation of a tax return. Participants should consult with a competent tax advisor or the IRS to determine how their own circumstances are affected. This notice is provided to you by the TPP Administrator because all or part of the payment that you will soon receive from the Terminal Pay Plan ("Plan") may be eligible for rollover to a traditional IRA or another qualified employer plan that will accept it. A "traditional IRA" does not include a Roth IRA, SIMPLE IRA, or education IRA.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover.

- Certain payments can be made directly to a traditional IRA or, if you choose, another qualified employer plan that will accept it (**"DIRECT ROLLOVER"**), or
- The Payment can be **PAID TO YOU**.

If you choose a DIRECT ROLLOVER

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made to your traditional IRA or, if you choose, to another qualified employer plan that accepts your rollover. Your plan cannot be rolled over to a SIMPLE IRA or an Education IRA because they are not traditional IRA's.
- Your payment will be taxed later when you take it out of the traditional IRA or the qualified employer plan.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU

- You will receive only 80% of the payment (or less if California State withholding is taken), as the TPP 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. In addition, the TPP Administrator is required to withhold 10% of the amount of federal withholding computed pursuant to Section 3405 of the Internal Revenue Code and send it to the State of California as withholding UNLESS YOU SIGN A FORM (ATTACHED FORM DE 4P) INDICATING YOU DO NOT WANT STATE WITHHOLDING TAKEN FROM THE PAYMENT OR THAT YOU WANT SOME AMOUNT OTHER THAN STANDARD STATE WITHHOLDING TO BE CALCULATED. IT IS NOT POSSIBLE TO REDUCE OR ELIMINATE THE 20% FEDERAL WITHHOLDING. If you choose not to pay California withholding you will receive 80% of the payment.
- Your payment will be taxed in the current year unless you roll it over
- You can rollover the payment by paying it to your traditional IRA or to another qualified employer plan that accepts your rollover if you do so within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA, or the qualified employer plan. 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. 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-A, *Contributions to Individual Retirement Arrangements (IRAs)*.

If you choose to have the payment sent to you, and then decide to rollover the payment to a traditional IRA or another qualified employer plan, you must find other money to replace the 20% federal income tax withheld, or amount withheld by the state if you also choose to have California State tax withheld from the payment. If you rollover only the 80% that you received (or a lesser amount if California State tax is also withheld), you will be taxed the amount that was withheld and not rolled over.

PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. Your Plan Administrator should be able to tell you what portion of your payments is an eligible rollover distribution.

The following types of payments cannot be rolled over:

Payments Spread over Long Periods. You cannot rollover a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for

- Your lifetime (or your life expectancy), or
- Your lifetime and your beneficiary's lifetime (or life expectancies), or
- A period of ten years or more.

Required Minimum Payments, Beginning when you reach age 70 1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own 5% or more of your employer.

I. DIRECT ROLLOVER

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

Direct Rollover to a Plan. If you belong to a qualified employer plan, a 403(b), or a governmental 457 plan and you want a direct rollover to that plan, ask the Plan Administrator of that plan whether it will accept your rollover. A qualified employer plan is not legally required to accept a rollover. If other plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA.

Direct Rollover of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA or another qualified employer plan that will accept it, and it is paid in a series for less than ten years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payments in the series.

II. PAYMENT PAID TO YOU

If your payment can be rolled over under Part I above and the payment is made to you in cash, it is subject to 20% federal income tax withholding. It is also subject to California state tax withholding equivalent to 10% of the amount of federal withholding computed pursuant to Section 3405 of the Internal Revenue Code. However, you may elect not to have the California withholding taken out from your payments, or to have some amount other that the standard withholding calculated by completing Form DE-4P. The Federal tax is mandatory and may not be waived. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or another qualified employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

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.

III. INCOME TAX WITHHOLDING AND OTHER SPECIAL RULES

Mandatory Withholding

Federal and State Tax Withholding

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of that amount for federal tax withholding. This amount is sent to the IRS as income tax withholding. In addition, the Plan is required to withhold 10% of the amount of federal withholding computed for California tax withholding pursuant to Section 3405 of the Internal Revenue Code. However, you may elect not to have the California withholding taken out from your payments, or to have some amount other than the standard withholding calculated by completing Form DE-4P that will be supplied to you by the Plan Administrator.

For example, if you can rollover a payment of $10,000, only $7,800 will be paid to you because the Plan must withhold $2,000 as income tax for federal withholding and $200 for state withholding. However, when you prepare your income tax return for the year, you must report the full $10,000 as a payment from the Plan. You must report the $2,000 as federal tax withheld, and it will be credited against any income tax you owe for the year and you must report $200 as California state income tax and it will be credited against any income tax you owe for the year. If you elect not to have any state tax withheld you will receive $8,000, **the federal tax withholding may not be waived**.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to rollover all or part of it to a traditional IRA or another qualified employer plan that accepts rollovers. If you decide to rollover, you must contribute the amount of the payment you received to a traditional IRA or another qualified plan 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 traditional IRA or the qualified employer plan.

You can rollover up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% that was withheld, or a further lesser amount assuming you decide to have the California state withholding apply. If you choose to rollover 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the qualified employer plan, to replace the 20% (or a lesser amount) that was withheld. On the other hand, if you elect not to pay California state withholding and if you rollover only the 80% that you received, you will be taxed on the 20% that was withheld.

Example: The portion of your payment that can be rolled over under Part I above is $10,000, and you choose to have it paid to you. You elect not to have California withholding taken out. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may rollover the entire $10,000 to a traditional IRA or a qualified employer plan. To do this, you rollover the $8,000 you received from the Plan, and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the traditional IRA or the qualified employer plan. If you rollover the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld. If, on the other hand, you rollover only $8,000, the $2,000 you did not rollover is taxed in the year it was withheld. When you file your income tax return you may get a refund of part of the $2,000 withheld.

Additional 10% Tax If You Are under Age 59½. 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 generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." 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 employee'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 a payment that can be rolled over, as described in Part I above. 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 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 has 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 you are an alternate payee, 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 will not be subject to the 10% additional income tax on early distributions. 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 a traditional IRA or to another qualified employer plan that accepts rollovers.

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.

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 15 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.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice is not intended to be tax advice and should not be relied upon in preparation of a tax return. Participants should consult with a competent tax advisor or the IRS to determine how their own circumstances are affected. This notice is for general information purposes and summarizes only the federal and state tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, **you may want to consult with a professional tax advisor before you take a payment of your benefits from the Plan.** Also, you can find more specific information on 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.