



## Special Tax Notice Regarding Rollovers

This notice explains how you can continue to defer federal income tax on your lump-sum payment and contains important information you will need before you decide how to receive your payment.

This notice is provided to you because all or part of the payment that you will soon receive from the Office of Personnel Management (OPM) may be eligible for rollover by you or OPM to a traditional IRA or an eligible employer plan. A rollover is a payment by you or OPM of all or part of your lump sum to another plan or IRA that allows you to continue to postpone taxation of the lump sum until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is **not legally required** to accept a rollover. Before you decide to roll over your payment to an employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that must be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. 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 may also be subject to different tax treatment than distributions from OPM. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have a Federal Retirement Thrift Savings Plan account, you may roll over the taxable portion of your lump sum into that account. The Thrift Savings Plan (TSP) will not accept non-taxable [after-tax] monies. To accomplish a rollover to the TSP, you will need to submit form TSP-60 to us. See Part II *Direct Rollover* for more information.

### Summary

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

1. We can make certain payments directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("**Direct Rollover**"); or
2. We can make the payment **to you**.

If you choose a **Direct Rollover**:

- Your payment will not be taxed in the current year and OPM will not withhold income tax.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRA's.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from OPM.