

Washington State
Department of Retirement Systems

Plan 3 Beneficiary, Estate and Successor Withdrawal



Beneficiaries, estates and successors: use this guide to request payment of member contributions.



This booklet also covers special exception distributions and summarizes federal tax laws that could affect you.



The withdrawal form starts on page 9. Mail the completed form to DRS along with a copy of the member's certified death certificate.

drs.wa.gov/plan3



To contact us

For the member-funded retirement account, contact Empower Retirement

| | | | | | |
|--|---|--|--|--|---|
| Call Phone 888.327.5596 TTY 711 Fax 866.745.5766 |  | Website www.drs.wa.gov/plan3 |  | Email savewithwa@empower-retirement.com |  |
|--|---|--|--|--|---|

For the employer-funded benefit (pension), contact DRS

| | | | | | |
|---|---|--|--|---|---|
| Call Phone 360.664.7000 800.547.6657 TTY 711 DCP 888.327.5596 |  | Write Department of Retirement Systems PO Box 48380 Olympia, WA 98504-8380 |  | Email recep@drs.wa.gov It might be possible for other people to read messages sent over the Internet. If you contact us by email, please include only the last four digits of your Social Security number. |  |
| Visit 6835 Capitol Blvd. Tumwater, WA 98501 <i>Directions are available on the DRS website.</i> |  | Hours Monday - Friday 8 am to 5 pm Pacific Time |  | Website www.drs.wa.gov You can also send us email through the DRS website. Visit the <i>Contact Us</i> page. |  |

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Glossary: terms highlighted in **bold** print are defined on page 11.

Introduction

Plan 3 members have two parts to their retirement benefit. One part is funded by the employer—this is called the defined benefit. The other part is funded by the employee. The employee-funded part is called the defined contribution. This guide is for beneficiaries, estates or successors withdrawing a deceased member’s defined contributions.

Privacy of your information

We are committed to protecting the privacy of your personal account information, including your Social Security number, which we use to track your account and submit required reports to the IRS. We will not disclose your information to anyone unless we are required to do so by law.

Payment options

Your payment options vary. If the member or retiree was receiving payments before his or her death, you may be subject to the payment option he or she selected. The tables on pages 4 and 5 provide an overview of the options available to you based on the type of **beneficiary** or survivor you are and the investment program the member or retiree was enrolled in.

State retirement laws govern your benefit. If a conflict exists between the information in this document and what is contained in current law, the law governs.



Payment options

This page* covers instances where the member or retiree **was not** or **was** receiving payments. Use the table below to determine which forms you will need to fill out and when the payments will occur.

| | Spouse: ¹ WSIB Investment Program ² | Spouse: ¹ Self- Directed investment program ² | Non-Spouse (excludes estates): WSIB Investment Program ³ | Non-Spouse (excludes estates): Self-Directed investment program ³ | Estate and trust: WSIB Investment Program | Estate and trust: Self- Directed investment program |
|--|--|---|--|---|--|---|
| Member/retiree was NOT receiving payments (lump sum cash distribution, direct rollover, ⁴ regular installments) | | | | | | |
| Forms to complete | | | | | | |
| Plan 3 Beneficiary, Estate & Successor Withdrawal (in this booklet) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Payment timeline | | | | | | |
| Within three to 30 days | | ✓ | | ✓ | | ✓ |
| Within 70 days (for special exception distribution information see page 7) | ✓ | | ✓ | | ✓ | |

| | Spouse: ¹ WSIB Investment Program ² | Spouse: ¹ Self- Directed investment program ² | Non-Spouse (excludes estates): WSIB Investment Program ³ | Non-Spouse (excludes estates): Self-Directed investment program ³ | Estate and trust: WSIB Investment Program | Estate and trust: Self- Directed investment program |
|---|--|---|--|---|--|---|
| Member/retiree WAS receiving payments (lump sum cash distribution, direct rollover, regular installments) | | | | | | |
| Forms to complete | | | | | | |
| Plan 3 Beneficiary, Estate & Successor Withdrawal (in this booklet) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Plan 3 Annuity Payment Request form (contact Empower) | | | | | | |
| WSIB TAP Annuity Transfer form (Contact DRS) | ✓ | | ✓ | | | |
| Payment timeline | | | | | | |
| Within three to 30 days | | ✓ | | ✓ | | ✓ |
| Within 70 days (for special exception distribution information see page 7) | ✓ | | ✓ | | ✓ | |
| It the member/retiree purchased a Self-Directed annuity contact the vendor the annuity was purchased through for payment options. | | ✓ | | ✓ | | ✓ |

*Footnotes for this table are located on page 5.



Payment options

This page covers **WSIB** and **Self-Directed** annuity purchases Use the table below to determine which forms you will need to fill out and when the payments will occur.

| | Spouse: ¹ WSIB Investment Program² | Spouse: ¹ Self- Directed investment program² | Non-Spouse (excludes estates): WSIB Investment Program³ | Non-Spouse (excludes estates): Self-Directed investment program³ |
|---|--|--|---|--|
| WSIB annuity purchase (single or joint life) | | | | |
| Forms to complete | | | | |
| Plan 3 Beneficiary, Estate & Successor Withdrawal (in this booklet) | ✓ | | ✓ | |
| Plan 3 Annuity Payment Request form (contact Empower) | ✓ | | ✓ | |
| Payment timeline | | | | |
| Within 70 days (for special exception distribution information see page 7) | ✓ | | ✓ | |
| If the member/retiree purchased a WSIB TAP annuity, payment will be as follows: option 1: the remaining balance will be paid to the beneficiary named on the annuity; or options 2-4: an ongoing benefit will be paid to the survivor named on the annuity. | ✓ | | ✓ | |

Self-Directed annuity purchase

| | | | | |
|--|--|---|--|---|
| Forms to complete | | | | |
| Plan 3 Beneficiary, Estate & Successor Withdrawal (in this booklet) | | ✓ | | ✓ |
| Plan 3 Annuity Payment Request form (contact Empower) | | ✓ | | ✓ |
| Payment timeline | | | | |
| Within three to 30 days | | ✓ | | ✓ |

¹State-registered domestic partners have the same survivor and death benefits as married spouses.

²Spouses can choose to leave the money in the account until the member or retiree would have turned 70½. The IRS requires a minimum distribution each year after that. You can move money between **WSIB** and **Self-Directed** once the account is set up for you.

³Payments must be exhausted within 5 years of the member's or retiree's death. Non-spouses can choose to leave the money in the account until the end of the fifth year following the member's or retiree's death. At that time, the entire account balance must be withdrawn. You can move money between **WSIB** and **Self-Directed** once the account is set up for you.

⁴For non-spouse, the direct rollover applies to the inherited IRA only.

Lump sum or partial cash distribution

You are entitled to a direct payment of the entire amount due to you, also called a **lump sum cash distribution**. A direct payment is treated as earnings for the year in which you receive the payment. IRS rules require a mandatory 20% withholding of all tax-deferred funds. Any funds in your account already taxed are not subject to the 20% withholding.

Direct rollover to an IRA or other eligible plan

If you are a spouse entitled to a benefit of \$100 or more, you may request a direct **rollover** to an **Individual Retirement Account (IRA)** or an eligible retirement account. A non-spouse can only **rollover** to an Inherited IRA (see "Direct **rollover** to an inherited IRA" below). The **eligible rollover distribution** is paid directly from Plan 3 to the IRA or eligible retirement account. You are not taxed on the payment until you receive a distribution from the IRA or eligible retirement account. You are not taxed on any portion that represents a return of after-tax contributions unless you request a **rollover** to a Roth IRA. DRS and Empower are not responsible for ensuring your eligibility to make a **rollover**. Consult your tax advisor if you are interested in rolling over your distribution.

Payments cannot be rolled over to a Simple IRA or a Coverdell Education Savings Account. Once you roll over your after-tax contributions to an IRA, those amounts cannot later be rolled over to an eligible plan. See IRS Publication 590, Individual Retirement Arrangements for more information. Review IRS publications at www.irs.gov.

You may request to transfer a specific portion of the payment to an IRA or eligible retirement account and have the remainder paid directly to you as described above.

Direct rollover to an inherited IRA (non-spouse)

If you initiate a direct **rollover** to an IRA (includes traditional and Roth), it must be properly established as an inherited IRA. You cannot roll over to an eligible pension plan or roll over the payment yourself. You are not taxed on the payment until you receive a distribution from the IRA (except for any portion that represents a return of the after-tax contributions). An exception is in the case of a Roth IRA, which is included in your taxable income for the year.

Installment payments

Select an installment payment option, such as monthly, annually or equal payments over your lifetime. If your installment payment plan lasts 10 years or less, and does not span your life expectancy, the IRS requires a mandatory 20% federal tax withholding. Otherwise, taxes are withheld according to what you select on your IRS Form W-4P. If your money is invested in the **WSIB** Investment Program, installment payments can only be made on a monthly basis.

Annuity purchase (WSIB TAP or Self-Directed annuity)

You can purchase an annuity that guarantees an income throughout your life or for a certain number of years. For more information regarding the application procedure or process timeline, refer to the Annuity Guide www.drs.wa.gov/plan3 or contact Empower. You are not taxed until you start receiving your annuity payments.

How long does it take to process my request?

After we receive your documents, and depending on which program you are requesting a payment from, your request can take:

- up to 30 days for the **Self-Directed Investment Program**; or
- 70 days, due to the monthly valuation process of the fund – **WSIB** Investment Program

Special exception distribution for the WSIB Investment Program

Exceptions to the 70-day processing deadline for the **WSIB** Investment Program are considered for unforeseeable emergencies or terminal illnesses only.

What qualifies as an unforeseeable emergency?

An unforeseeable emergency is defined as a severe financial hardship resulting from:

- Your or an immediate family member's accident or serious illness
- The need to pay medical expenses for you or a dependent
- Imminent foreclosure or eviction from your primary residence
- The need to pay a spouse's or immediate family member's funeral expenses
- Loss of property due to casualty

Approved special exception requests are processed as indicated in the distribution section of the form.

Examples of situations that DO NOT qualify as an unforeseeable emergency:

- Purchasing, remodeling or repairing a home
- Purchasing or performing optional repairs/routine maintenance on a vehicle
- Renting or experiencing other cost-of-living increases
- Paying college tuition
- Paying past-due bills (such as cable, car payment and credit cards)

How do I apply for a special exception distribution?

Complete and send the enclosed form in to DRS to establish your beneficiary account. If you meet the qualifications above, contact Empower Retirement at 888-327-5596 to request a special exception distribution form.

You will need to provide supporting documents such as the following:

- Foreclosure or eviction notice
- Medical bills or receipts
- Receipts for other qualifying events

If my special exception is approved, when will the funds be distributed?

If your request is approved for terminal illness, up to 80% of your account balance can be distributed within 10 business days. If the request is more than 80% of your account balance, the remaining 20% of your request can be paid out according to the payment timeline in the Plan 3 Investment Guide.

Approval process and timeline for a special exception

You may receive up to 100% of your account balance if your request is approved. Review the two steps below to request and receive your funds:

1. Submit your request at least six business days before the close of the month.
2. On the second day of the following month, you will receive your account balance based on the past month's valuation.

Example: If your request is approved Oct. 20, your emergency withdrawal (minus taxes) will be paid out Nov. 2.

Requests received — and approved — less than six business days before the end of the month, are processed at the end of the next month and paid out on the second business day of the following month.

Example: If your request is approved Oct. 31, your emergency withdrawal (minus taxes) will be paid out Dec. 2.

Requests that are not approved as an emergency withdrawal, are processed and paid out in accordance with the payment timeline in the Plan 3 Investment Guide.

The following must be true before we can issue your payment:

- We received your request, your form is complete and you provided all of the required information, including your signature. Incomplete forms cause a delay in processing.
- We received a copy of the member's or retiree's certified death certificate and all other required documents.
- We received the member's separation date from his or her employer.

Are federal taxes withheld?

The IRS requires a mandatory 20% withholding from most payments. The exceptions are:

- Direct **rollovers**
- Payments that are part of a series of equal (or almost equal) payments made over your life expectancy (or joint life expectancy with **beneficiary**) or a period of 10 or more years
- **Required minimum distributions** (RMD) that begin when the member would have reached age 70 ½

Already-taxed payments

If taxes have already been paid on the contributions, they are not subject to additional tax. However, the IRS determines how after-tax dollars are distributed.

- If you have started receiving the **defined benefit** from DRS, all after-tax dollars are distributed from those payments. Upon withdrawal, all of the **defined contributions** are classified as **tax deferred**.
- If you have not started receiving the **defined benefit** from DRS, the **defined contribution** distribution will include a portion of after-tax dollars.
- If you are not entitled to a **defined benefit** from DRS, all after-tax dollars are distributed through the withdrawal of the **defined contributions**.

Form instructions

Withdrawal Account

Select the member's retirement system (PERS, SERS or TRS) and indicate whether you are requesting payment from **WSIB, Self-Directed** or both programs. If you are unsure, refer to the member's quarterly statement or contact DRS at 360-664-7000.

Your information

Include your name, mailing address, phone number and Social Security or Tax ID number.*

Payment options

Option 1, Transfer Only: If you just want the account transferred in your name, but do not want to collect payments, check this box.

Option 2, **Lump Sum Cash Distribution**: By selecting this option, you indicate you understand that the IRS tax withholding on all **tax-deferred contributions** and earnings is mandatory. Indicate whether you want to receive payment by check or direct deposit.

Option 3, Direct **Rollover**: If you choose Direct **Rollover**, you must also complete the "Agreement to Accept Direct **Rollover**" section. Do not submit forms to your provider, because doing so could delay processing.

Option 4, Installment Payments: If your installment payment plan lasts 10 years or less and is not for your lifetime, the IRS requires DRS to withhold 20%.

Option 5, Annuity Purchase: Select the annuity type. Also complete the *Plan 3 Annuity Payment Form*. Contact Empower Retirement at 888-327-5596 for more information.



Complete both sides of the withdrawal form including your signature for authorization.

*Your Social Security or Tax ID number is needed so DRS can report to the IRS any funds paid to you. DRS will not disclose your information unless required to do so by law. (See IRC sections 6041(a) and 6109.)



Plan 3 Beneficiary, Estate and Successor Withdrawal

Beneficiaries and survivors of Plan 3 members use this form to withdraw or transfer member contributions.

Send completed form to:
 Department of Retirement Systems
 PO Box 48380 • Olympia, WA 98504-8380
 www.drs.wa.gov • 800.547.6657
 360.664.7000 • TTY: 711

Withdrawal Account

Select the retirement system and investment program.

| | | | |
|--------------------|---|---|--|
| WSIB Only | <input type="checkbox"/> PERS 98759-02 | <input type="checkbox"/> SERS 98761-02 | <input type="checkbox"/> TRS 98760-02 |
| Self-Directed Only | <input type="checkbox"/> PERS 98759-01 | <input type="checkbox"/> SERS 98761-01 | <input type="checkbox"/> TRS 98760-01 |
| Both Programs | <input type="checkbox"/> PERS 98759-02 & 98759-01 | <input type="checkbox"/> SERS 98761-02 & 98761-01 | <input type="checkbox"/> TRS 98760-02 & 98760-01 |

Your Information

| | | | |
|--|---------------|---|-----|
| Name (Last, First, Middle) or Name of Estate/Trust | | Social Security or Estate/Trust Tax ID Number | |
| Mailing Address | City | State | ZIP |
| Date of Birth (mm/dd/yyyy) | Email Address | Phone Number | |

Member/Retiree Information

| | |
|--|---------------------------------------|
| Member/Retiree Name (Last, First, Middle) | Member/Retiree Social Security Number |
| Member/Retiree Marital Status at Time of Death <input type="checkbox"/> Single <input type="checkbox"/> Widowed <input type="checkbox"/> Married/Registered Domestic Partner <input type="checkbox"/> Separated <input type="checkbox"/> Divorced | Date of Death (mm/dd/yyyy) |

Payment Options (Organizations, estates and trusts must select the Lump Sum Cash Distribution)

| | |
|--|--|
| <input type="checkbox"/> 1. Transfer Only, no disbursement This option transfers the funds to your name without initiating payment. If you choose this option, you will not receive payments until you request a withdrawal. | |
| <input type="checkbox"/> 2. Lump Sum Cash Distribution Amount requested: <input type="checkbox"/> 100% of balance <input type="checkbox"/> Partial payment of \$_____ <input type="checkbox"/> RMD Payment only Payment method: <input type="checkbox"/> By check to me <input type="checkbox"/> Direct deposit to my financial organization account | |
| <input type="checkbox"/> 3. Direct Rollover <input type="checkbox"/> Roll over all tax-deferred contributions and previously taxed contributions and earnings as designated. <input type="checkbox"/> Roll over all tax-deferred contributions and earnings as designated. Send the taxed portion of+-- my account (if any) directly to me. <input type="checkbox"/> Roll over \$_____ of the tax-deferred contributions and previously taxed funds and earnings as designated in the Agreement to Accept Direct Rollover section. The remaining funds should be left in my account unless marked under another option on this form. | |
| <input type="checkbox"/> 4. Installment Payments A. Scheduled payments: <input type="checkbox"/> By check to me <input type="checkbox"/> Direct deposit to my financial organization account B. Installment payments: <input type="checkbox"/> Monthly (WSIB and Self-Directed) <input type="checkbox"/> Quarterly – every three months (Self-Directed only) <input type="checkbox"/> Annually (Self-Directed only) C. Another payment type: <input type="checkbox"/> Payments of \$_____ until account balance is exhausted <input type="checkbox"/> Payments projected to exhaust the account balance in _____ years <input type="checkbox"/> Equal payments until the account is exhausted during my life expectancy | |
| <input type="checkbox"/> 5. Annuity Purchase This option uses your funds to purchase an annuity that pays a benefit for your lifetime or the lifetimes of you and your joint annuitant. <input type="checkbox"/> WSIB TAP <input type="checkbox"/> Self-Directed | |



Agreement to Accept Direct Rollover (complete only if you selected the rollover option)

If you choose to roll over any of your contributions, complete and sign this section. DRS retirement accounts are 401(a) accounts. Your institution named below agrees to accept transfer of the tax-deferred and previously taxed funds described in the Payment Options section on a trustee-to-trustee basis. It is your intention that this transfer shall not constitute actual or constructive receipt for income tax purposes.

Account type: Traditional IRA Roth IRA Eligible Pension Plan Inherited IRA (non-spouse)

| | | | |
|------------------------|------|----------------|-----|
| Institution Name | | Account Number | |
| Mailing Address | City | State | ZIP |
| Accepting Agent's Name | | Phone Number | |

Agreement to Direct Deposit (Required if you want your funds electronically deposited)

| | |
|---|---|
| <input type="checkbox"/> Checking Account | Include a copy of a printed, voided check for the receiving account; or include a letter on financial institution letterhead signed by a representative with your name, checking account number and ABA routing number. |
| <input type="checkbox"/> Savings Account | Include a letter on financial institution letterhead signed by a representative with your name, savings account number and ABA routing number. |

Deposits cannot be sent to a prepaid debit card, business account or other retirement plan. Your financial institution must be located in the United States and the deposits cannot be forwarded to an institution outside the United States.

Waiver of 30-Day Notice Period

Your signature on this document creates a permanent agreement between you and DRS. The IRS requires that you be given 30 days to review the options described in the Payment Options section. You may waive this right by checking the box below. If you do not waive the 30-day review, DRS must delay processing your payment for 30 days. This is not applicable to the WSIB Investment Program since the payout time frame is more than 30 days.

I waive my right to 30 days for reviewing the payment options.

Authorization for Withdrawal and W-9 Substitute

I have read the publication Plan 3 Beneficiary, Estate and Successor Withdrawal and agree to the defined contribution withdrawal payment options I have selected. The information I have provided on this form is complete and accurate.

Form W-9 Substitute: Under penalties of perjury, I certify that:

- The number shown on this form is my correct Social Security or estate/trust tax ID number.
- I am a U.S. citizen or a U.S. resident alien.

If I am requesting direct deposit of payments, I also understand and authorize the following:

- Payments will be deposited as I have specified on this form until I cancel this agreement in writing. My cancellation must be made by me at least 30 days prior to a payment date for the cancellation to be effective.
- If this form is not completed properly, or in time for my payment start date, payments will be made by check and mailed directly to me at my last known mailing address on file.
- It is my obligation to provide notification of any address or other changes affecting my electronic fund transfers during my lifetime. I am solely responsible for any liability that may arise if I don't provide information that may affect my transfers.
- The initiation of credit entries and, if necessary, debit entries and adjustments for any credit entries in error to my checking or savings account at the financial institution I am choosing. My financial institution will not hold any overpayments made on my behalf or on behalf of my estate or any current or future joint account holder, if applicable.
- The record keeper can stop my direct deposit for any reason and will notify me in the event of such termination by sending notice to my last known address on file.
- Under penalties of perjury, I certify that my financial institution is in the United States and I will stop the direct deposit request if forwarding outside the United States is implemented.

| | |
|-----------|------|
| Signature | Date |
|-----------|------|

Glossary

Beneficiary: The person(s), estate, organization or trust the member designated to receive any benefits payable upon their death. The beneficiary will receive payment if the member dies before retirement.

Defined benefit: A retirement plan where the benefit is based on a set formula rather than an account balance. The formula provides a retirement benefit based on the member's years of service and Average Final Compensation.

Defined contribution: A benefit that consists solely of the money contributed by the member and any investment gains, losses or expenses applied to the member's account.

Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any part of the balance to your credit in a qualified retirement plan, except for those to members, beneficiaries and alternate payees that do not continue for the life of the recipient for 10 years or more. See IRS *Publication 575* for details.

Most payments made to a member or beneficiary that do not continue for the life of the recipient or for 10 years or more. See IRS *Publication 575* for details.

Individual Retirement Account (IRA): Includes individual retirement accounts or individual retirement annuities. IRAs can be classified as either traditional or Roth.

Lump sum cash distribution: The payment of your entire balance from the retirement plan within one tax year. See IRS *Publication 575*.

Required Minimum Distributions (RMD): Beginning the year the member or retiree would have reached age 70½, the IRS requires that spouses begin receiving a certain portion of the benefit. This portion of the benefit cannot be rolled over and is not subject to the mandatory withholding.

Rollover: A deposit of your payment into your Individual Retirement Account (IRA) or eligible employer plan. This could include tax-deferred contributions, taxed contributions and earnings.

Self-Directed Investment Program: A program with two investment approaches — a hands-on approach for those who prefer to take a more active part in managing their own investments, and another for individuals who prefer to have their investments managed for them.

Survivor: The individual designated at retirement to receive benefit payments upon the death of retiree.

Total Allocation Portfolio (TAP): An investment program that is determined, managed and continuously rebalanced by the Washington State Investment Board.

Tax-deferred contributions: Contributions deducted before federal income taxes are calculated. Payment of taxes is deferred until you receive the money.

Washington State Investment Board (WSIB): This board manages investments for 17 Washington state public sector retirement plans.



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