Application for Lump-Sum Payment

PBGC Form 720
Approved OMB 1212-0055
Expires

Pension Benefit Guaranty Corporation.
P.O. Box 151750, Alexandria, Virginia 22315-1750

For assistance, call 1-800-400-7242

Plan Name: FX.PrismCase.CaseTitle.XF
Plan Number: FX.PrismCase.CaseIdNmbr.XF
Date Printed:
Date of Plan Termination: FX.PrismCase.DOPT.XF
Participant Name: FX.PrismCust.FullName.XF
Applicant Name :

INSTRUCTIONS: Use this form to request a lump-sum payment. When "proof required" is indicated, please enclose a **copy** of a birth or baptism certificate, or a U.S. Passport, whichever is appropriate, unless you already sent PBGC a copy of this document. If you have questions about other acceptable documents, call our Customer Contact Center at 1-800-400-7242. **Please print clearly with dark ink.**

1. General information about you

Last Name	First Name
Middle Name	Other Name (s) Used
Social Security Number ___ - __ - ____	Date of Birth (proof required) ___ , ___ , ____
Gender	
Mailing Address	Apartment / Route Number
City	State / Zip Code
Country	Province
Daytime Phone ( ) - Extension	Evening Phone ( )

2. Signature

Signature – Sign and date this application. Knowingly and willfully making false, fictitious or fraudulent statements to the Pension Benefit Guaranty Corporation is a crime punishable under Title 18, Section 1001, United States Code.

I declare under penalty of perjury that all of the information I have provided on this form is true and correct.

SIGNATURE ____________________ DATE ____________

CONTINUE

3. Lump-sum Payment Election – Please review the enclosed *Special Tax Notice Regarding Non-Periodic PBGC Payments* and be sure you understand the tax implications of electing to have PBGC send your lump-sum payment directly to you or to an eligible retirement plan (an individual retirement account, an individual annuity, or a qualified trust or annuity plan).

Please select A, B, or C. If you do not choose one of these options, Option B will be treated as your election.

A. Send the entire lump-sum payment, plus interest, directly to an eligible retirement plan. I understand that PBGC will not withhold taxes from my payment. ☐

Name of Eligible Retirement Plan		
Account Number		
Name of the Institution / Trustee	Daytime Phone ( )	
Mailing Address		
City	State	Zip Code

B. I want PBGC to send the entire lump-sum payment, plus interest, directly to me. I understand that PBGC will withhold 20% from this payment for income taxes. ☐

CONTINUE ➡

Plan Number: FX.PrismCase.CaseIdNmbr.XF

Participant Name : FX.PrismCust.FullName.XF
Applicant Name :

C. I want PBGC to send a portion of the lump-sum payment, plus interest, directly to an eligible retirement plan, and to send a portion directly to me as follows: ☐

1. Amount I want PBGC to send directly to me: $

   I understand that PBGC will withhold 20% from this portion of my benefit payment for income taxes.

2. Amount I want PBGC to send to an eligible retirement plan. $ **.00**

   NO LESS THAN $500

   I understand that PBGC will not withhold taxes from this portion of my benefit payment.

Name of Eligible Retirement Plan	
Account Number	
Name of the Institution / Trustee	Daytime Phone ( )
Mailing Address	
City	State / Zip Code

SIGN & DATE PAGE 1 BEFORE SUBMITTING. THANK YOU.

Table of Contents

I. INTRODUCTION

This notice contains important information that applies to participants, spouse beneficiaries and former spouse alternate payees (as determined under a Qualified Domestic Relations Order), collectively referred to as "you." You should read this important information before you decide how to receive your benefits from the Pension Benefit Guaranty Corporation (PBGC). If you are a non-spouse beneficiary or alternate payee please contact PBGC for the proper form.

PBGC is providing this notice to you because all or part of the PBGC payment for which you are applying may be eligible for rollover by you or PBGC to an eligible employer plan or IRA. The rollover allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to 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).

In addition, an eligible rollover distribution may be rolled over into a Roth IRA. Please be aware that such a rollover is subject to additional tax rules. If you wish to select this rollover option, PBGC encourages you to consult with a financial advisor or tax professional to ensure that you understand the qualifications and rules applicable to Roth IRAs.

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another 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 are required to 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 an IRA or split your rollover amount between the employer plan in which you will participate and an 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 PBGC. Check with the administrator of the plan that is to receive your rollover before making the rollover.

If you have additional questions after reading this notice, please contact PBGC or your tax advisor.

II. SUMMARY

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

(1) Certain payments can be made directly to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or

(2) 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 if your payment is made to a traditional IRA or to an eligible employer plan. If you choose to have your payment made to a Roth IRA the amount will be taxable in the year you roll the payment into the Roth IRA.

- You choose whether your payment will be made directly to your IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account.

- The taxable portion of your payment will be taxed later when you take it out of a traditional IRA or an 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 the taxable distribution from PBGC.

- If you choose to have your payment rolled into a Roth IRA, the amount rolled over is taxable in the year of your distribution, but later withdrawals from the Roth IRA are generally not subject to taxation.

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

- You will receive only 80% of the taxable amount of the payment, because the PBGC is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.

- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to an IRA or to an eligible employer plan that accepts your rollover 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 eligible employer plan. However, an amount rolled over to a Roth IRA is taxed in the year it is deposited into that account.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

III. DETAILED INFORMATION

A. Payments That Can And Cannot Be Rolled Over

PBGC benefit payments may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to an eligible employer plan that accepts rollovers. PBGC payments cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. PBGC can tell you what portion of your payment is an eligible rollover distribution.

After-tax Contributions. If you made after-tax contributions to your pension plan that are part of your PBGC non-periodic payment, these contributions may be rolled into either a traditional or Roth IRA, or to certain employer plans that accept rollovers of after-tax contributions. The following rules apply:

a) Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. PBGC can tell you how much of your payment is the taxable portion and how much is the after-tax portion.

   If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

   Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to another pension plan.

b) Rollover into a Roth IRA. You can roll over your after-tax contributions to a Roth IRA either directly or indirectly. PBGC can tell you how much of your payment is the taxable portion and how much is the after-tax portion.

   If you roll over after-tax contributions to a Roth IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions.

   Once you roll over your after-tax contributions to a Roth IRA, those amounts CANNOT later be rolled over to another pension plan.

c) Rollover into an eligible employer plan. You can roll over after-tax contributions returned to you by PBGC to an eligible employer plan using a direct rollover if the plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. (You cannot roll over after-tax contributions to a government 457 plan.) If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct PBGC to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to an IRA and then roll over that amount into an eligible employer plan.

The following types of payments cannot be rolled over: payments spread over long periods; certain required minimum payments that must be paid to you after you reach age 70½ or retire, whichever is later (special rules apply if you own more than 5% of your employer); and plan loan amounts that are treated as distributions because of a default. PBGC will tell you if your payment includes amounts that cannot be rolled over.

B. Direct Rollover

A DIRECT ROLLOVER is a direct payment by PBGC to an IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in **Section A** above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. If your payment is made to a Roth IRA the taxable portion will be taxed in the year the payment is made. In addition, no income tax withholding is required for any taxable portion of your benefit for which you choose a DIRECT ROLLOVER.

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

DIRECT ROLLOVER to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from PBGC. For example, if you were born before January

1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59½ " and "Special Tax Treatment if You Were Born before January 1, 1936."

C. Payment Paid to You

If your payment can be rolled over and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

<u>Income Tax Withholding</u>:

<u>Mandatory Withholding</u>. If any portion of your payment can be rolled over and you do not elect to make a DIRECT ROLLOVER, PBGC is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of $10,000, only $8,000 will be paid to you because PBGC must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full $10,000 as a taxable payment from PBGC. You must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than $200.

<u>Voluntary Withholding</u>. If any portion of your payment is taxable, but cannot be rolled over, you may elect not to have withholding apply to that portion. However, if you do nothing PBGC will withhold 10% from that portion of your payment for federal income tax withholding. To elect out of withholding, ask PBGC for the election form and related information.

<u>Sixty-Day Rollover Option</u>. If you receive a payment that can be rolled over, you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer 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 eligible employer plan; however, if you choose to roll over your payment to a Roth IRA amount will be taxable in the year you roll the payment into the Roth IRA.

You can roll over up to 100% of your payment that can be rolled over, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

> <u>Example</u>: The taxable portion of your payment that can be rolled over is $10,000, and you choose to have it paid to you. 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 roll over the entire $10,000 to a traditional IRA or an

eligible employer plan. To do this, you roll over the $8,000 you received from PBGC, 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 an eligible employer plan. If you roll over 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 you choose to roll over the payment to a Roth IRA it will be taxable in the year you receive the payment.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over 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. (However, any refund is likely to be larger if you roll over the entire $10,000.)

Additional 10% Tax If You Are under Age 59 ½. If you receive a payment before you reach age 59½ 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 made in equal (or almost equal) installments over your life or life expectancy (or the lives or life expectancies of you and your beneficiary), (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments that do not exceed the amount of your deductible medical expenses, or (7) payments made at death. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to an IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59 1/2, unless one of the exceptions applies.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from PBGC that can be rolled and you do not roll it over to an IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump-sum distribution," it may be eligible for special tax treatment. A lump-sum distribution is a payment, within one year, of your entire PBGC benefit that is payable to you after you have reached age 59 1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59 1/2 or have become disabled). For a payment to be treated as a lump-sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump-sum distributions that may be available to you is described below.

Ten-Year Averaging. If you receive a lump-sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump-sum distribution and you were born before January 1, 1936, and you participated in the plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump-sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump-sum distributions that you receive in that same year. If you have previously rolled over a distribution from your pension plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from PBGC. If you roll over your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from the IRA, governmental 457 plan, or 403(b) tax-sheltered annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

D. 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 more than 5% of your employer. You should consult a tax advisor for more information.

E. Repayment of Plan Loans

If you had an outstanding loan from your pension plan when your plan terminated, PBGC generally will reduce (or “offset”) your benefit payments by the amount of the loan that you have not repaid. The amount of your loan offset may be treated as a distribution to you at the time of the offset and will be taxed unless you roll over an amount equal to the amount of your loan offset within 60 days of the date of the offset. If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments from PBGC, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan offset. The amount withheld will be limited to the amount of other cash paid to you. In contrast, the amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over. If you have an outstanding loan, you should consult a tax advisor to discuss the tax implications.

F. Surviving Spouses and Alternate Payees

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, and approved by the pension plan or PBGC.

If you are a surviving spouse or a former spouse alternate payee, you may choose to have a payment that can be rolled over, as described in this notice, paid in a DIRECT ROLLOVER to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. Thus, you have the same choices as the plan participant.

If you are a beneficiary other than a surviving spouse or a former spouse alternate payee, you may choose a direct rollover to an inherited IRA, but you cannot roll over the payment yourself. (Please contact PBGC if you are a beneficiary other than a surviving spouse or a former spouse alternate payee, so we can send you the correct application for your payment.)

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in **Section C** above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump-sum distributions as described in **Section C** above. If you receive a payment because of the participant's death, you may be able to treat the payment as a lump-sum distribution if the participant met the appropriate age requirements, whether or not the participant had 5 years of participation in the pension plan.

IV. HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) 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 the IRS or a professional tax advisor before you take a payment of your PBGC benefits. Also, you can find more specific information on the tax treatment of payments from qualified employer 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, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.