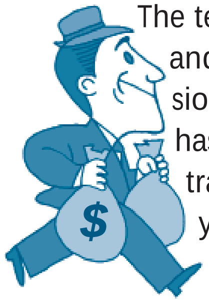
SPECIAL TAX TREATMENT FOR LUMP SUM DISTRIBUTIONS

For Those Born Before January 1, 1936



The ten-year averaging method and the capital gains provisions for lump sum payments has been repealed. However, a transition rule applies to you, your spouse, trust, or estate if you were age 50 before January 1, 1986.

This rule allows ten-year averaging at 1986 tax rates, and capital gains treatment at a 20% tax rate. The averaging method may not be chosen unless you participated in JRS/GARS for at least five years. The five-year participation rule does not apply to death benefit distributions. If you were not age 50 before January 1, 1986, the capital gains treatment may not be used.

SURVIVING SPOUSES, ALTERNATE PAYEES, OTHER BENEFICIARIES

In general, the rules that apply to payments to members also apply to payments to their surviving spouses. Some of the rules described above also apply to a deceased member's beneficiary who is not a spouse.

If you are a surviving spouse or beneficiary, you can have your payment rolled over, paid as a direct rollover to a traditional IRA or qualified employer plan, or have it paid to you. If you have the payment sent to you, you can keep it or roll it over yourself into an IRA or a qualified employer plan that accepts rollovers.

If you are a surviving spouse or other beneficiary, your payment is generally not subject to the additional 10% excise tax. You may also be able to use the special tax treatment for lump sum distributions as described above.

OBTAINING ADDITIONAL INFORMATION

IRS This brochure summarizes the federal tax rules that may apply to your lump sum payment. You can find more specific information on the tax treatment of lump sum payments from qualified retirement plans in IRS Publication 575 "Pension and Annuity Income," and IRS Publication 590 "Individual Retirement Arrangements."

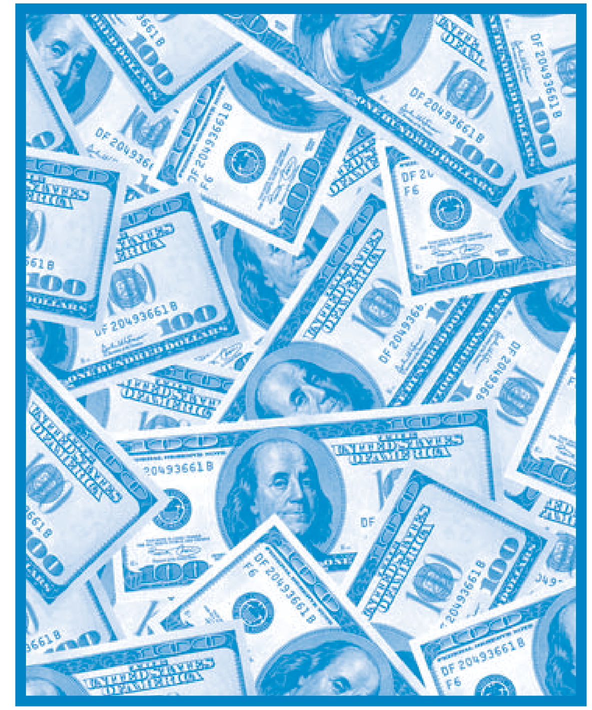
These publications are available from your local IRS office, on the IRS's web site at www.irs.gov, or by calling 1-800-TAX-FORM.

Judges' & General Assembly Retirement Systems
2101 South Veterans Parkway • P. O. Box 19255
Springfield, IL 62794-9255 217-782-8500

Printed by Authority of the State of Illinois on Recycled Paper 50 11/14

Judges' & General Assembly Retirement Systems of Illinois

Lump Sums & Rollovers



JRS/GARS are qualified pension plans under Section 401(a) of the Internal Revenue Code

This brochure contains important information to review before you decide how to receive your lump sum payment from the Judges' & General Assembly Retirement Systems (JRS/GARS) and explains how you can continue to defer federal income tax on your retirement savings. This brochure also summarizes the federal tax rules that may apply to your payment. These rules are complex and contain many conditions and exceptions that may not be included here. Therefore, you should consult with a professional tax advisor before receiving your JRS/GARS payment.

Your taxable JRS/GARS lump sum payment is eligible for a rollover. A rollover is a direct transfer of your lump sum payment to a traditional Individual Retirement Account (IRA) or a qualified employer plan that accepts rollovers.

A qualified employer plan includes 401(a), 401(k), 403(b), 457 or a Roth IRA. Your lump sum payment cannot be rolled over to a SIMPLE IRA or educational IRA.

The nontaxable portion (after-tax contributions) may be rolled into a traditional IRA, Roth IRA or to certain employer plans that accept rollovers of after-tax contributions. It must be a direct transfer and the qualified plan must agree to accept the transfer and account for it separately. The nontaxable portion of your lump sum payment may not be rolled over to a 457 plan (Deferred Compensation).

There are two ways to receive your lump sum payment that is eligible for a rollover:

1. The payment can be made directly to a traditional IRA or to an eligible employer plan that will accept it; or

2. The payment can be paid to you.

Whether you receive your payment now, or roll it over, will affect the tax you owe.

DIRECT ROLLOVER

In a direct rollover, your payment is transferred directly from JRS/GARS to an IRA, Roth IRA or qualified employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on your payment until you withdraw it from the IRA or qualified employer plan (unless you choose to rollover into a Roth IRA). You can choose a direct rollover of all or any portion of your payment.

Direct Rollover to a Traditional IRA

If you want your payment made directly to an IRA, contact the financial institution where you opened the IRA to find out how you can transfer your payment.

If you are unsure of how to invest your money, you may be able to deposit your payment in a temporary IRA. If you roll your after-tax contributions to a traditional IRA, it is your responsibility to report the amount of after-tax contributions to the IRS.

Be sure the IRA you choose will allow you to move all or part of your payment to another IRA at a later date without penalties or other limitations (See IRS Publication 590, "Individual Retirement Arrangements").

Direct Rollover to a Qualified Employer Plan

If you go to work for a new employer that has a qualified employer plan, ask your employer whether they will accept your direct rollover. If they don't, you can choose a direct rollover to an IRA instead. A qualified employer plan is not legally required to accept a rollover.

PAYMENTS MADE TO YOU

If you choose to have the payment made to you, it is subject to a 20% federal income tax withholding. The payment is taxed in the year you receive it, unless you roll it over to an IRA or a qualified employer plan that accepts rollovers within 60 days after receiving it. If you don't roll it over, special tax rules may apply.

Mandatory Tax Withholding

If your payment is eligible for a rollover, JRS/GARS is required by federal law to withhold 20% of the taxable amount. This money is then sent to the IRS as income tax withholding.

For example, if the taxable portion of your eligible rollover payment is $10,000, only $8,000 will be paid to you because JRS/GARS must withhold $2,000 as income tax. However, when you prepare your income tax return for that year, you report the $2,000 as tax withheld, and it will be credited against any income tax you owe.

Voluntary Tax Withholding

If any portion of your lump sum is not eligible for a rollover but is taxable, you may choose to voluntarily have taxes withheld since the mandatory withholding rules do not apply.

Sixty-Day Rollover Option

If your payment is eligible for a rollover, *you must make the rollover within 60 days after you receive your payment.* The amount you roll over will not be taxed until you withdraw it.

You can rollover up to 100% of your eligible payment, including the 20% that was withheld as taxes, but you must find other money to replace the 20% that JRS/GARS withheld for taxes. If you rollover the 80% you received, you will only be taxed on the 20% that JRS/GARS withheld.

Additional 10% Excise Tax on Distributions Before Age 55

A refund of contributions following severance of employment before age 55 is subject to a 10% excise tax if you do not roll it over. The excise tax does not apply to a refund of contributions following severance of employment after age 55, or from death or disability.