



# Your OPSRP Pension Program and Individual Account Program (IAP) Pre-Retirement Guide and [Retirement Application](#)

For PERS members hired after August 28, 2003

This *Pre-Retirement Guide* is for general informational purposes only and is not intended to provide legal advice. If there is any conflict between this publication and federal law, Oregon law, or administrative rules, the law and administrative rules shall prevail.



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## Introduction: Getting Ready to Retire

*What you need to know before completing your  
Oregon Public Service Retirement Plan (OPSRP) Retirement Application*

### Thinking about retirement?

All retiring members need to answer the following questions:

- Am I eligible to retire from the OPSRP Pension Program? (See page 5.)
- When should I retire?
- What payment option shall I choose?
- Is my beneficiary designation correct?
- Do I want my payment deposited directly to my financial institution?
- How much federal or Oregon state tax shall I have withheld?

### Pre-retirement resources

Many informational services are available to help you plan your retirement. We recommend you:

- request a [benefit estimate](#) (when you are within two years of the date you want to retire);
- attend a [PERS Retirement Application Assistance Session](#);
- visit the PERS website (<http://oregon.gov/pers>) for up-to-date information and online forms; and
- if you still have questions, call Customer Service (503-598-7377 or toll free 888-320-7377, TTY: 503-603-7766) or access Customer Service on the PERS website. You can e-mail Customer Service via the PERS website.

### Important information

- As an OPSRP Pension Program member, you also have an Individual Account Program (IAP) account. This application includes forms for both programs. Section A is for the OPSRP Pension Program, and Section B is for the Individual Account Program (IAP). You may have additional forms for the programs. They have been watermarked with an “A:” if they correspond to the OPSRP Pension Program and with a “B” if they correspond to the IAP. For retirement dates beginning January 1, 2011, when you retire from the OPSRP Pension Program, you must also retire from the IAP.
- You must retire from the OPSRP Pension Program and IAP at the same time, and you must be separated from all PERS employers to do so.
- Turn in your Retirement Application as soon as possible before your effective retirement date.

# OPSRP Pension Program and IAP Pre-Retirement Guide

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## Are you eligible to retire?

You are an OPSRP Pension program member if you were hired by an employer covered by the Public Employees Retirement System (PERS) on or after August 29, 2003.

To be eligible to retire, you must be vested and have reached retirement age.

### 1. Vesting

You vest on the earliest of the following dates:

- a) The date on which you have completed at least 600 hours of service in each of five calendar years. The years do not have to be consecutive; however, if you are not vested and you perform service for less than 600 hours for five consecutive years, hours of service performed before the first years of the five consecutive years will be disregarded for purposes of vesting.
- b) The date on which an active (working) member reaches normal retirement age.
- c) If the Pension Program is terminated, the date on which termination becomes effective, but only to the extent the Pension Program is funded.

### 2. Retirement Age

If you retire at normal retirement age, you will receive full benefits. If you retire earlier, you will receive a reduced benefit.

- a) Normal retirement age with full benefits

General service: Age 65, or age 58 with 30 years or more of retirement credit

Police officer or firefighter: Age 60, or age 53 with 25 or more years of retirement credit\*

- b) Early retirement age with reduced benefits

General service: Age 55, or if you have 25 or more years of retirement credit as a telecommunicator (911 Operator), you can retire at any age; however, you are not eligible for a cost-of-living adjustment (COLA) until you reach age 55

Police officer or firefighter: Age 50\*

\* You must have held the position of a police officer or firefighter continuously for a period of not less than five years immediately preceding the effective retirement date. You would be considered to have met this requirement if you were employed in a qualifying position as a police officer or firefighter for five years prior to the date of your separation from that employment and if you did not return to a qualifying position after separation from that employment.

**Note:** If you do not meet eligibility requirements to retire from the OPSRP Pension Program but are inactive and vested, you can withdraw your account if the actuarial equivalent of your benefit under the Pension Program at the time of withdrawal is \$5,000 or less. The withdrawal will be paid in a lump sum. If you are subsequently reemployed in an OPSRP-qualifying position, all retirement credit accrued before the withdrawal is lost, and you must reestablish membership in the OPSRP Pension Program. The [Account Balance Withdrawal Application](#) is posted on the PERS website.

### Information for registered domestic partners

Effective January 1, 2008, House Bill 2007 requires PERS to provide benefits to a registered domestic partner to the same extent that a spouse would be entitled to PERS benefits under the plan unless it would conflict with the plan's federal tax qualification. Registered domestic partners should complete PERS forms as a "spouse" wherever that's indicated and are considered "married" whenever spousal consent is required.

Registered domestic partners will be required to provide the necessary paperwork to establish their status, just as PERS requires of married couples. For example, in the event of a member's death, a registered domestic partner must submit the [Certificate of Registered Domestic Partnership](#) to apply for PERS benefits as that member's spouse or, in the event a registered domestic partnership is dissolved, a certified copy of a [Judgment of Dissolution of Domestic Partnership](#) must be received by PERS and approved as administrable before an alternate payee award can be established.

There are several exceptions when tax qualification requirements mean that PERS will provide benefits to registered domestic partners differently than spouses:

If you choose either the Full Survivorship or the Full Survivorship Increase Option with your registered partner as the beneficiary and your

registered partner is more than 10 years younger than you, the benefit paid will be adjusted.

If you choose the Full Survivor Increase Option or the Half Survivorship Increase Option, choose your registered partner as the beneficiary and later legally dissolve your domestic partnership, your benefit will not be increased. If you named your registered partner as your beneficiary, your benefit will only increase if your registered partner dies before you.

If your death benefit distribution is eligible to be rolled over, your registered domestic partner may be able to roll over only to a particular IRA. Please see the note below about consulting a qualified tax professional for more information.

Federal income tax law may apply differently to a registered domestic partner who receives any PERS benefit. Please consult with a qualified tax professional if you have questions about the federal income tax aspects of a PERS benefit.

# OPSRP Pension Program and IAP Pre-Retirement Guide



## Section A: OPSRP Pension Program Part One: Retirement Options

You can select from five different options. There is a non-survivorship option and four survivorship options.

Retirement options cannot be changed after the effective retirement date.

You cannot change your beneficiary after your effective retirement date.

You may also want to consult a qualified financial advisor or a tax consultant.

If your monthly pension benefit is less than \$200, you will receive a one-time lump-sum payment that represents the actuarial equivalent of the present value of the pension. PERS will contact you with more information if this happens.

### **Non-survivorship option**

**Single Life Option** – This benefit is paid monthly for your lifetime. No benefit of any kind is paid to anyone after you die.

### **Survivorship options**

**Full-Survivorship Option** – This benefit is paid monthly for your lifetime. After you die, your surviving beneficiary will receive, for life, the monthly benefit you were receiving at the time of your death. Payments are actuarially reduced to provide the same monthly benefit amount to you for life and to your beneficiary for his or her lifetime. If you outlive your beneficiary, your benefit is not changed, and all benefits stop when you die.

**Full-Survivorship Increase Option** – This benefit is paid monthly for your lifetime. After you die, your surviving beneficiary will receive, for life, the

monthly benefit you were receiving at the time of your death. If your beneficiary dies before you or your beneficiary is your spouse and you are divorced after you retire, you will then receive the higher paying Single Life Option benefit for the remainder of your lifetime. You will need to provide proof of death or divorce. A change to the Single Life Option benefit is effective the first of the month following the date your beneficiary dies or your divorce is final.

**Half-Survivorship Option** – This benefit is paid monthly for your lifetime and is actuarially reduced to provide one-half the same monthly benefit amount to your beneficiary. After you die, your surviving beneficiary will receive, for life, one-half the monthly benefit you were receiving before you died. If you outlive your beneficiary, your benefit is not changed, and all benefits stop when you die.

**Half-Survivorship Increase Option** – This benefit is paid monthly for your lifetime. After you die, your surviving beneficiary will receive, for life, one-half the monthly benefit you were receiving at the time of your death. If your beneficiary dies before you or your beneficiary is your spouse and you are divorced after you retire, you will then receive the higher paying Single Life Option benefit for the rest of your lifetime. You will need to provide proof of death or divorce. A change to the Single Life Option benefit is effective the first of the month following the date your beneficiary dies or your divorce is final.

NOTE: Because of their additional flexibility, the Full-Survivorship Increase Option and the Half-Survivorship Increase Option pay somewhat lower benefits than the Full-Survivorship Option and the Half-Survivorship Option.

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## Beneficiary

If you are married on your effective retirement date, the pension payable will be as provided under the Half-Survivorship option with your spouse as the beneficiary unless you have submitted a notarized consent form signed by your spouse consenting to a different option or beneficiary.

## Important tax information

PERS benefits are subject to federal taxes, regardless of where you live, and to Oregon state income taxes if you are an Oregon resident. A surviving beneficiary may owe state inheritance and federal estate taxes.

Federal and Oregon state income taxes will be withheld at the standard rates unless you complete

and submit a W-4P. The standard federal rate is married with three exemptions and the Oregon state standard rate is single with zero exemptions. Oregon non-residents MUST complete a W-4P to elect out of Oregon state income tax withholding. By January 31, PERS mails retired members one or more Form 1099Rs for benefits paid the previous year.

Consult your local Internal Revenue Service office, your state's Department of Revenue, or a professional tax advisor for help computing tax liability and preparing tax returns. For more information, see IRS Publication 575, Pension and Annuity Income, which is available from the IRS.

## Benefit options at a glance

Option	Do monthly payments continue while I am alive?	Do monthly payments continue after I die?	What kind of payment is due my beneficiary after I die?	Can my beneficiary be an estate, trustee, or charity?
Single Life*	Yes	No	None	N/A
Full-Survivorship**	Yes	Yes	Monthly (same amount that was paid to you)	No
Half-Survivorship **	Yes	Yes	Monthly (1/2 amount that was paid to you)	No
Full-Survivorship Increase Option***	Yes	Yes	Monthly (same amount that was paid to you)	No
Half-Survivorship Increase Option***	Yes	Yes	Monthly (1/2 amount that was paid to you)	No

\* No benefit of any kind is paid to anyone after you die.

\*\* No benefit of any kind is paid to anyone after you and your beneficiary die.

\*\*\* You can change your monthly benefit to Single Life if your beneficiary dies and your beneficiary is your spouse and you divorce after retirement.

You must notify PERS in writing to change to Single Life.



## Section A: OPSRP Pension Program Part Two : Other Things to Know

### First retirement payment

You can expect to receive your first retirement payment within 92 days after your effective retirement date. PERS needs information from you and your employer to process your retirement. Make sure your employer provides PERS the necessary information to expedite your retirement.

When you receive your first payment, you will receive payments retroactive to your effective retirement date. If PERS cannot calculate your benefit within 92 days, we will send you an estimated benefit payment.

Once we calculate your actual benefit, you will receive the difference between your estimated payment and your actual payment. If the estimated payment is \$10 or more per month under what your actual payment turns out to be, you will receive interest on the balance of the underpaid amount.

Benefits are paid on the first of each calendar month. A benefit ends on the first day of the month in which the member dies.

### Decisions that must be made within a limited time after your retirement date

You can cancel your retirement application or change your effective retirement date only if PERS receives your written request before your first benefit payment is issued

### Cost-of-living adjustment after retirement

The PERS Board annually determines the percentage increase or decrease in the cost-of-living adjustment (COLA) for the previous year. An increase or decrease will not exceed two percent in any year. Pensions and death benefits will not be adjusted to an amount less than the amount first payable.

The adjustment is made on payments payable on August 1 and thereafter.

### When should I turn in my retirement application?

Turn in your retirement application to PERS as soon as possible prior to your effective retirement date.

### Important retirement date information

Your **effective retirement date** can be no sooner than either the first day of the month following the last day you worked (or were on qualifying paid leave) or the first of the month following the month you file your application for benefits, whichever is later. Example: If your last day of work was December 5, 2011, your retirement date could be no earlier than January 1, 2012; if your last day worked was May 5, 2007, but you did not file your application until August 6, 2011, your retirement date could be no earlier than September 1, 2011.



## Section B: IAP Part One: IAP Retirement Options

There are several important factors to consider when you retire from the IAP:

- Your IAP disbursement is based on the account balance at the time PERS processes the payment, not the date you select to retire or withdraw from the IAP.
- IAP accounts are credited with investment earnings and losses annually and are subject to loss exposure until you remove the funds.
- IAP accounts have no guaranteed rate of return.

Also, if you retire from or withdraw your IAP account before age 59½, the distribution may be subject to a 10 percent IRS penalty. Contact a qualified tax professional regarding your individual situation. When you retire as a PERS Tier One, Tier Two, or OPSRP member, you can either withdraw your IAP account or apply for IAP retirement depending on your age.

Please read the How to Fill out the [Individual Account Program Retirement Application](#) document in this package.

We will return an incomplete retirement application to you, which could delay your payment. Additionally, once you make your IAP retirement choices, you cannot change them. Contact PERS if you have any questions.

### Distribution election

You can receive your distribution as a one-time lump-sum payment or installment payments over 5-, 10-, 15-, 20-years or as an Anticipated Life Span Option distribution.

5-, 10-, 15-, 20-years: All installment distributions require

you to select a distribution frequency. You may select monthly, quarterly, or annual distributions provided your account balance at the time of your IAP retirement supports the payment minimums. Each distribution must be at least \$200. The minimum is based on the number of payments you will receive, determined by your option and frequency. The chart on page 13 shows the minimum account balances required at the time of your IAP retirement for each payment option and frequency.

If your account balance at the time you retire from the IAP does not meet the minimum required for the option and frequency you select, your frequency and option will be reduced until your account balance meets the minimum, up to and including a one-time payment. You will be notified by letter of the change and given an opportunity to change your distribution option. If you do not respond within 15 calendar days of the date of the notification letter, your distribution will proceed with the option and frequency as outlined in the letter.

### Anticipated Life Span Option

Payment of the Anticipated Life Span Option is based on the current market value of your account and an estimate of your life expectancy based on Internal Revenue Service (IRS) life expectancy tables. This distribution must also meet the \$200 per payment minimum standard to qualify, and the payment will vary each year based on the current market value of your account. (See [page 14](#) for a table with minimum account balance needed so each installment is at least \$200 based on anticipated life expectancy.)

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If your account balance at the time of IAP retirement does not meet the minimum required for the Anticipated Life Span Option frequency you select, your frequency will be reduced until your account balance meets the minimum. You will be notified by letter of the frequency change and given an opportunity to change your distribution option. If you do not respond within 15 calendar days of the date of the notification letter, your distribution will proceed with the frequency as outlined in the letter. If your account balance does not meet the minimum required for any Anticipated Life Span Option frequency, your application will be returned, and you will be required to choose a different option.

### **Rollover elections**

Only one-time lump-sum or 5-year distributions are rollover eligible. The other options, the 10-, 15-, 20-year installments and the Anticipated Life Span Option, are not eligible for rollover and must be taken as a check sent directly to you or as a direct deposit.

If you are rolling to a qualified plan rather than an IRA or Oregon Savings Growth Plan (OSGP)<sup>1</sup>, a representative of the plan must complete the enclosed [Direct Transfer Rollover Acceptance form \(#459-388\)](#).

Contributions on which you have already paid taxes (after-tax contributions) may not be eligible to be rolled over. If not eligible to be rolled over these funds will be mailed directly to you.

A W-4P is not necessary for the portion of your distribution that you elect to rollover because rollover distributions are tax-exempt.

If you select a one-time lump-sum or 5-year distribution, you may elect to receive your distribution as a combination payment, which would split your payment in an amount specified by you. In this split/roll situation, two checks would be sent directly to you, one made out to

you and the second check (the rollover portion) made out to the financial institution you specify. Your account balance must meet minimum requirements to qualify for combination split/roll payments. That minimum is \$200 for the portion paid directly to you and \$500 for the rollover portion. The chart on [page 13](#) shows what your account balance must be at the time of distribution to qualify for combination split/roll payments.

### **One-time rollover-eligible lump-sum distribution**

This option is a one-time lump-sum distribution of your entire IAP account. A one-time lump-sum payment can either be paid directly to you or rolled over into an IRA, eligible employer plan, or deferred compensation plan.

It can also be split as a combination payment including an amount rolled over and the remainder in a check issued directly to you. As outlined in the Combination Split/Roll Minimum Account Balances chart on [page 13](#), there are pre-distribution account balance minimums necessary to qualify for a combination split/roll distribution.

As one-time payments cannot be directly deposited into your bank, requests for automatic deposits for this payment cannot will not be honored.

### **Installment options**

You may choose to receive installment payments by direct deposit into your bank account or by check mailed directly to you.

In the case of 5-year installment payments, you may elect to have all or a portion of the payment rolled over. A combination split distribution includes an amount rolled over and the remainder in a check issued directly to you. As outlined in the Combination Split/Roll Minimum Account chart on [page 13](#), there are pre-distribution account balance minimums necessary to qualify for a combination split/roll distribution. If your account balance does not

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meet the minimum, you will be notified and given an opportunity to elect a qualifying option.

Once your distribution has begun, the amount your payment is based on will be equal to the current market value of your account divided by the number of payments left for the balance of the distribution. Because the market fluctuates daily, each distribution will be different based on the current market value of your account. If your account reaches a zero balance, your distribution stops regardless of the number of payments left for the option chosen.

If you elect an installment option, you must designate a beneficiary by completing the [IAP: Retirement Designation of Beneficiary form \(#459-476\)](#). If you have a complex beneficiary situation, you may want to consult an estate-planning attorney.

### **Cashing out**

If you decide that you no longer wish to receive an installment distribution, you can make a one-time decision to “cash out” your IAP account. Once the

account is distributed in this fashion, it is not reversible and will close your IAP account with PERS. As this is not a withdrawal, you will retain membership with PERS and, should you decide to return to qualifying employment, you will not need to serve a six-month waiting time.

If you decide to cash out and the distribution of your remaining the account balance is greater than \$200, the distribution is rollover eligible and will be taxed accordingly.

If you decide to cash out, are under the age of 59½, and are not rolling these funds, the IRS may assess a 10 percent early withdrawal penalty.

If you have any questions regarding tax laws, you may wish to consult with a qualified tax professional or the IRS.

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## Direct deposit

All installment distributions are eligible for direct deposit. If you wish to receive your 5-, 10-, 15-, 20-year or Anticipated Life Span Option as a direct deposit to your domestic bank account, please complete the enclosed

[Authorization Agreement for Automatic Deposits \(ACH Credits\) form \(#459-001\)](#). Direct deposits cannot be made to foreign banks.

### Installment Minimum Account Balances\*

Your account balance at the time you retire from the IAP retirement must be the **minimums** shown below so each distribution is at least \$200.

Installment Option	Monthly Distribution	Quarterly Distribution	Annual Distribution
5-year installments	\$12,000 (60 payments)	\$4,000 (20 payments)	\$1,000 (5 payments)
10-year installments	\$24,000 (120 payments)	\$8,000 (40 payments)	\$2,000 (10 payments)
15-year installments	\$36,000 (180 payments)	\$12,000 (60 payments)	\$3,000 (15 payments)
20-year installments	\$48,000 (240 payments)	\$16,000 (80 payments)	\$4,000 (20 payments)

\* The number of payments are not guaranteed. Your account could reach a zero balance before you receive the number of payments specified.

### Combination Split/Roll Minimum Account Balances

Your account balance at the time you retire from the IAP must be the minimums shown below so each distribution is at least \$200 for the portion sent directly to you and \$500 for the rollover portion (\$700 total). Your election to roll over will remain in effect until revoked, changed by you, or your distribution falls below the required \$700 per month.

One-Time Combination Split/Roll	5-Year Combination Split/Roll		
The minimum balance must be:	Monthly	Quarterly	Annually
\$700 (1 payment x \$700)	\$42,000 (60 payments x \$700)	\$14,000 (20 payments x \$700)	\$3,500 (5 payments x \$700)

<b>IAP Anticipated Life Span Option</b>			
<b>Age at Retirement</b>	<b>Minimum account balance needed so each installment is at least \$200</b>		
	<b>Monthly</b>	<b>Quarterly</b>	<b>Annually</b>
50	82,400	27,400	6,850
51	80,100	26,700	6,670
52	77,900	25,900	6,480
53	75,600	25,200	6,290
54	73,300	24,400	6,120
55	71,300	23,700	5,940
56	68,900	23,000	5,750
57	67,000	22,400	5,600
58	65,000	21,600	5,400
59	62,900	20,900	5,220
60	60,600	20,200	5,040
61	58,600	19,600	4,900
62	56,600	18,800	4,700
63	54,500	18,200	4,560
64	52,400	17,500	4,370
65	50,400	16,800	4,200
66	48,500	16,200	4,060
67	46,600	15,550	3,880
68	44,800	14,900	3,720
69	42,800	14,300	3,560
70	40,850	13,600	3,400
71	39,200	13,100	3,270
72	37,350	12,400	3,100
73	35,600	11,850	2,970
74	33,850	11,300	2,820
75	32,250	10,750	2,690



## Section B Part Two: IAP Tax Information

### Required minimum distribution (RMD)

Internal Revenue Code (IRC) 401(a)(9) requires you to begin receiving distributions on or before April 1 of the year following the calendar year in which you turn age 70½ or leave PERS-covered employment, whichever is later. If you become subject to these required distribution rules, at least a portion of your benefit is your RMD. Your RMD amounts are not rollover eligible. If PERS determines you are subject to the RMD rules, PERS will notify you.

As required by IRC 401, if PERS determines that you meet the RMD guidelines, PERS will calculate and send directly to you the portion of your distribution that cannot be rolled over.

### Tax withholding on rollover-eligible distributions

PERS is required by federal law to withhold 20 percent of the taxable amount of any rollover-eligible distributions that are not rolled over. If you want additional taxes withheld, please enter the additional dollar amount on line 3 of Section A on the [W-4P form](#).

The state of Oregon requires PERS to withhold 8 percent Oregon tax from the taxable amount of any rollover-eligible distributions you do not rollover unless we receive a valid W-4P electing to be exempt. If you do not want Oregon state income taxes withheld, please check the box in line 1 of Section B on the [W-4P form](#). If you would like additional taxes withheld, please enter the additional

dollar amount on line 3 of Section B on the [W-4P form](#).

Note: Oregon non-residents must complete a valid [W-4P](#) to be exempt from Oregon state income tax withholding.

Note: If you are not a U.S. citizen or resident alien, please contact PERS for additional information regarding special withholding rules.

### Tax withholding on non-rollover-eligible distributions

Installment distributions for the 10-, 15-, or 20-year and Anticipated Life Span options are not rollover eligible. These installment options are considered periodic distributions and, as such, are not taxed in the same manner as rollover-eligible distributions.

If you elect the 10-, 15-, 20-year, or Anticipated Life Span Option, you must [complete a W-4P Federal Tax form](#). If you do not complete a W-4P, by law, federal withholding will be based on a filing status of married with three exemptions, and Oregon withholding will be based on a filing status of single with zero exemptions.

Note: Non-Oregon residents must complete a valid W-4P to be exempt from Oregon state income tax withholding.

Note: If you are a U.S. citizen living outside the United States, you cannot exempt yourself from federal tax withholding.

Note: If you are not a U.S. citizen or resident alien, please contact PERS for additional information regarding special withholding rules.



## Section B: IAP Part Three: Additional Forms for IAP

Depending on the choices you have made, you will have to complete additional forms for your IAP retirement. All forms that apply to the IAP portion of your benefit are watermarked with a large B.

### Mandatory additional forms

The following forms are mandatory for your IAP benefit. You must complete them even if you have already completed a similar form for your Tier One/Tier Two benefit.

- **W-4P \***  
**IMPORTANT: There are two W4Ps included in the packet. Please make sure you fill out the one that corresponds to your election. One is specifically for non-rollover elections and the other is for rollover distributions. The forms are named accordingly.**
- [W-4P Tax Withholding for Non-Rollover Eligible Elections](#)
- [W-4P Tax Withholding for IAP Rollover-Eligible Distributions](#)
- [Retirement Designation of Beneficiary form](#)

### Supplementary forms you may need depending on your personal situation

The following forms may or may not apply to you, depending on the choices you have made. IAP forms are all watermarked with a large B.

- [IAP Direct Transfer Rollover Application](#)  
You must fill this out if you are rolling over any portion of your IAP benefit.
- [Authorization Agreement for Automatic Deposits](#)  
You must fill out this if you want us to deposit your benefit directly into a bank account. (Note: Your first benefit check will be sent to the address you provide on the application. Subsequent payments will go directly into the account you provide on this form.)