

Distribution options

You've been contributing to your MSRP account for years and retirement is around the corner. How might you receive your money? What are your options?



MSRP



When can withdrawals begin?

Once employment has terminated, accounts can be left to accumulate any additional earnings, transferred to another plan or IRA, or withdrawn. Participants *cannot withdraw* money from an MSRP account *while still employed* with the State — *with the following exceptions*:

Minimum withdrawals at age 70½: Federal Tax Law requires withdrawals beginning at age 70½, *unless still employed by the State*. The amount is determined by the IRS based on life expectancy and estimated account earnings. This requirement also applies to other kinds of retirement accounts — like IRAs.

In-service distribution at age 59½: The 401(k), Roth 401(k) and 403(b) plans allow withdrawals at age 59½ even while still employed. It is unavailable in the 401(a), 457(b) and Roth 457(b) plans.

Hardship distributions: Documented financial hardship emergencies may qualify participants in the 457(b), 401(k), Roth 457(b), Roth 401(k) and the 403(b) plans for an early withdrawal. Documentation includes demonstrating that the hardship cannot be alleviated by any other resources or by stopping plan contributions. All plan withdrawals are subject to state and federal ordinary income tax.

- **457(b) unforeseeable emergency distributions¹:** A severe financial hardship from an unforeseeable event producing an unbudgetable expense may qualify a participant for a withdrawal. For example, a sudden unreimbursable medical expense may qualify; generally routine automobile repairs will not.
- **401(k) and 403(b) hardship standards¹:** Participants must document the hardship and general financial status to qualify. The need must be severe, but not necessarily unforeseeable. Additionally, payment of college tuition and purchase of primary residence automatically qualify for hardship withdrawal. Withdrawals prior to age 59½ are subject to a 10% penalty tax. Exceptions to the 10% penalty may apply only under certain special income tax provisions.

¹ Options apply to both pre-tax and Roth accounts.

Nationwide is the administrator for MSRP. Nationwide Investment Services Corporation (member, FINRA), an affiliate of NRS, provides educational and enrollment services on behalf of MSRP. Financial & Realty Services, LLC may provide education and marketing support services on behalf of Nationwide. Its Retirement Consultants are registered representatives of FSC Securities Corporation (FSC), member FINRA, SIPC. FSC and Financial & Realty Services, LLC are not affiliated with MSRP, Nationwide or NISC.



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Withdrawal options

Systematic withdrawal options offer ongoing control of investment selections and payments. Accounts continue to be subject to plan fees and market risk, including possible loss of principal. Account balances are available to beneficiary(ies) in the event of death.

Systematic payments are automated, so requests to stop or change a payment should be made well in advance of the payment date.

1. A designated amount systematic withdrawal

provides a constant, requested amount until account is depleted. Payments can be received monthly, quarterly, semiannually or annually.

2. A designated period systematic withdrawal

provides payments for a requested period of time. For example, for a five-year period, the first annual payout would be one-fifth of the balance; one-fourth of the balance in year two; and so on until the entire balance and any investment earnings are depleted.

Lump-sum payments are requests for a single lump-sum payment of a portion or the entire account balance.

Purchased annuity options (*Available from Nationwide Life Insurance Company and Metropolitan Life Insurance Company*): Account balances are used to purchase an annuity contract. Once an annuity is purchased, the benefit amount remains the same for the life of the annuity. Participants receive an annuity certificate stating the terms of the contract. Payments are sent directly from the issuing insurance company and quarterly account statements from MSRP cease. Payments can be received monthly, quarterly, semiannually, or annually.

1. A single life annuity provides guaranteed lifetime income based on age and account balance. All payments stop upon death with no beneficiary payment.

2. A life income with payment certain annuity (5, 10, 15, 20, 25 or 30 years) provides equal payments over a lifetime and guarantees payments for a stated period. Amounts are based on age and account balance. If death occurs before the end of the stated period, any remaining payments go to beneficiary(ies).

3. A joint & survivor annuity (50, 66.67, 75 or 100%) provides income for life for annuity contract holder and a beneficiary (usually a spouse). Payments to beneficiaries may be a percentage (50, 66.67, 75 or 100%) of the original payments. Amounts are based on ages and account balance.

4. A designated period annuity provides fixed payments over a specified period. If death occurs before the end of the period, named beneficiary(ies) receives remaining payments. The payout period cannot exceed actuarial life expectancy and can be anywhere from three to twenty years. Payments are based on account balance, years requested and a pre-determined rate of return.

5. A designated amount annuity provides payments of a stated dollar amount. If death occurs before receiving all of the stated income, any remaining income is paid to the beneficiary(ies). Payments are based on account balance, amount requested and a pre-determined rate of return.

Guarantees discussed as part of the annuity contract are subject to the claims-paying ability of the issuing insurance company.

Payment illustrations

Call 800-966-6355 to receive payment illustrations of the potential future value of an account with various payment schedules—at no additional charge.

Withdrawal forms

Forms for selecting your payment date, method and/or making changes are available online or by calling 800-545-4730.

Benefit payments are direct deposited to the bank account you choose. Payment requests must be received at least 30 days before payments begin. For systematic withdrawals, the date on which the first payment is issued is the issue date of all subsequent checks or direct deposits. For purchased annuity with withdrawals, the issue date of payments depends on the annuity provider. Payments by check may also be requested.

Retirement counseling

As you near retirement, you can call Nationwide Retirement Solutions at 800-966-6355 to set up a retirement consultation, at no additional charge.

Taxes and withholding requirements

Withdrawals from the traditional 457(b), 403(b) and 401(k) and 401(a) plans are taxable income and subject to federal withholding in the years they are received. The IRS requires a 20% federal income tax withholding on most withdrawals, unless a systematic withdrawal extending over 10 years or more is chosen. Participants may choose to have more than 20% withheld using form W-4P.

State income tax withholding is based upon state law. You can request to have withholding to states other than where you reside. Use form MW507P to designate Maryland state income tax withholding. You will receive a 1099R to file with your income tax return in January of each year for any withdrawals made in the prior year. You should consult your accountant, lawyer or tax advisor for individual guidance.

Roth 401(k) accounts are similar to pre-tax 401(k) accounts because payout may begin at 59½ or after retirement, whichever comes first. Roth 457(b) accounts are similar to traditional pre-tax 457(b) plan accounts because payout may begin after separation from State service, regardless of age. The difference for BOTH kinds of Roth accounts is that no federal or Maryland income taxes are due on the earnings if 1) the Roth account was established more than five years ago (five-year period begins January 1 of the year you first make a Roth contribution into the plan) and 2) you meet the other conditions for an eligible distribution from that plan.

Required minimum distributions (RMD) begin at age 70½.

Note: Roth conversions

A Roth conversion feature will be added in the future so that any eligible distribution from the tax-deferred portion of the 401(k) plan may be converted to the Roth 401(k) at the participant's direction. Likewise, any eligible distribution from the tax-deferred portion of the 457(b) plan may be converted to the Roth 457(b).² As with a distribution to the participant, the conversion amounts become taxable in the year converted.

² Normal distribution rules apply for the Roth conversion.

Social Security

Payments from MSRP plans do not affect Social Security benefits. However, payments may affect the amount of federal income taxes assessed on Social Security benefits. Social Security benefits are not subject to Maryland state income taxes.

Rollovers

Amounts paid from the 457(b), 401(k), 403(b) or 401(a) match plan may be transferred to an Individual Retirement Account (IRA); or to another 457(b), 401(k) or 403(b). Required minimum distribution to participants over 70½ as well as certain systematic long-term withdrawals are not eligible for rollovers. For qualifying rollovers, the transaction is tax-free, and tax is paid when withdrawn from the IRA or new plan.

To arrange a rollover you must either a) arrange a direct transfer from the plan to the IRA or eligible plan; or b) deposit the money into the IRA or new plan within 60 days. If the withdrawal is paid to you, federal tax withholding is required. Call team MSRP at 800-545-4730 for details on which distributions are eligible for rollover, and how a rollover can be accomplished.

Rollover to MSRP

	457(b)	Roth 457(b)	403(b)	401(k)	Roth 401(k)
457(b)	Yes	Yes ¹	Yes	Yes	No
Roth 457(b)	No	Yes	No	No	Yes
403(b)	Yes	No	Yes	Yes	No
401(k)	Yes	No	Yes	Yes	Yes ¹
Roth 401(k)	No	No	No	No	Yes
IRA	Yes	No	Yes	Yes	No
Roth IRA	No	No	No	No	No
Simple IRA	Yes ²	No	Yes ²	Yes ²	No
SEP IRA	Yes	No	Yes	Yes	No
Pension	Yes	No	Yes	Yes	No
Thrift savings plan	Yes	No	Yes	Yes	No

¹ Ignores Roth conversion. In other words, the money rolled over remains taxable at distribution.

² After 2 years, only one rollover in any 12-month period.



Nationwide Retirement Solutions, Inc. and Nationwide Life Insurance Company (collectively Nationwide) have endorsement relationships with the National Association of Counties and the International Association of Firefighters-Financial Corporation. More information about the endorsement relationships may be found online at www.NRSforU.com.

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MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Nationwide Retirement Solutions, Plan Administrator

11350 McCormick Rd., Executive Plaza 1, Suite 400

Hunt Valley MD 21031

800-545-4730 • MarylandDC.com

Loans

MSRP's loan program is similar to bank loans. To qualify, participants must have an account balance of at least \$5,000⁴ and have no outstanding MSRP loan.

- The minimum loan amount is \$2,500 and the maximum is \$50,000—up to 50% of account value.
- There is a \$50 nonrefundable application fee and an annual fee of \$50.
- The interest rate is based on market conditions at the time the loan is processed—generally, Prime Rate + 1%.
- Any payouts are suspended until the balance is repaid.

Repayment

- Payoff is expected within five years, except for primary residence loans which are fifteen years.
- Payments are made monthly and may be repaid in full prior to the term due date without penalty with a single lump-sum payment.
- Payroll deduction is not available, so automatic payments from savings or checking accounts is required.

Defaulted loans

- For missed payments, Nationwide will send written notification requesting the missed payment plus interest within 30 days to prevent default.
- Federal law requires that defaulted loans are reported to the IRS as a deemed distribution—meaning the borrower is responsible for income tax and any early distribution penalties on outstanding balances and any accrued interest to date.
- Defaulted loans are assessed a \$50 fee.

To request a loan application call Team MSRP toll-free at 800-545-4730.

⁴ *In calculating loans, 401(a) assets are not includable.*

Nationwide® reserves the right to change the fee amount after advising the Plan in writing at least 30 days in advance of when the new fee schedule goes into effect. Nationwide reserves the right to redefine how the interest rate is calculated by advising the Plan in writing at least 30 days in advance of when the new definition goes into effect.

Beneficiaries

Name a beneficiary for your account when you enroll in the plans and change your beneficiary at any time.

Death without beneficiary designation causes the account balance to be distributed to the surviving spouse; if no surviving spouse, to surviving children; if no surviving descendants, to surviving parents; and if no parents, to the participant's estate.

Distribution to beneficiaries is controlled by the tax rules under IRC 401(a)(9). Under these rules beneficiaries may elect withdrawal at any time.

Beginning the year after the participant's death, most beneficiaries are required to take an annual minimum distribution based on the beneficiary's age and expected investment return—with two important exceptions:

- Surviving spouses do not have to take any distribution until the year the participant would have turned 70½.
- Non-spousal beneficiaries can delay distributions for five years after the participant's death, and the entire account must be distributed within five years.

Spousal rollover: If your beneficiary is your spouse under any of these plans [457(b), 403(b), 401(k) or 401(a)] he/she may also choose to roll over the account to an Individual Retirement Account (IRA) or to any other eligible plan. A non-spousal beneficiary cannot roll over the account, but can leave the money in the plan and take distributions over their life expectancy.

To request forms or make a claim call Team MSRP toll free at 800-545-4730.