

Tax-Free Rollovers for Service Purchases Fact Sheet

- An “eligible rollover distribution” is any distribution of all or any portion of the employee’s balance in a qualified trust to the credit of the employee in another qualified trust. *See* Internal Revenue Code Section 402(c)(4).
- MPERS will not accept a rollover in excess of the balance due for the purchase or reinstatement of service credit.
- Only eligible tax-deferred funds from your transferring account(s) may be rolled over to MPERS. Your name must be on the account. Distributions from your spouse’s or other family member’s plan cannot be used to purchase service.
- If the eligible distribution is not rolled directly to MPERS, the payer is required to withhold 20% for federal tax withholding.

<u>Distributions Eligible for Rollover to MPERS</u>	<u>Funds <i>Not</i> Eligible for Rollover to MPERS</u>
<ul style="list-style-type: none"> • 457 deferred compensation plan • 401(a) qualified plan (including pension, profit sharing, 401(k), ESOP or Keogh plan) • 403(a) qualified annuity plan • 403(b) tax-sheltered annuity, custodial or retirement account • 408(a) individual retirement account (IRA) or 408(b) individual retirement annuity (MPERS will only accept pre-tax contributions from a traditional IRA that provides separate accounting for pre-tax contributions; after-tax contributions from an IRA are not acceptable.) • Funds from the member, if the amount was distributed to the member from a qualified plan and is rolled over by the member to MPERS within 60 days of that distribution, and the member’s check is accompanied by proof of rollover eligibility 	<ul style="list-style-type: none"> • Roth IRA funds • Rollovers from SIMPLE IRAs and Coverdell education savings accounts • Any payment that is one of a series of substantially equal periodic payments made over the life or life expectancy of the member or the joint life or joint life expectancies of the member and his/her designated beneficiaries • Any payment that is one of a series of substantially equal periodic payments made for 10 years or more • Required distributions under Internal Revenue Code Section 401(a)(9) • Any distribution not includable in taxable income • Death benefit payments made to a member as a beneficiary under a qualified plan • Certain other types of payments that are not considered to be “eligible rollover distributions”

Please consult your financial or tax advisor before using rollover funds to purchase service credit. This fact sheet should not be construed as financial/tax advice.