Special Notice Regarding Distributions

What is the purpose of this notice?
Once you are entitled to receive a distribution of your vested benefit from a qualified retirement plan, the law requires that you be made aware of the items contained in this notice. This notice is designed to both provide you with pertinent information on your benefit payment options and to meet the legal notice requirements under IRC Section 402(f).

Why is it important to understand the options available to me and the tax consequences of each option?
The best way to lessen the taxes you’ll pay and possibly avoid income tax withholding on your distribution is to make an informed benefit payment option decision. Depending on your plan provisions, you may have options to postpone taxes or pay taxes now by taking a cash distribution or spread taxes on your distribution. Details on each of these options are provided in this notice.

Who should I contact if I have questions after reading this notice?
Contact your Plan Administrator or contact a Securian Plan Specialist at 1-800-421-3334.

Notice Contents

SECTION 1: BENEFIT PAYMENT OPTIONS
You may choose one or a combination of the following benefit payment options.

- Deferred Account - postpone taxes by keeping your benefit in the plan
- Direct Rollover - postpone taxes by moving your benefit to another institution
- Cash Distribution - pay taxes now by taking your benefit out of the plan
- Annuity - pay taxes as you receive payments over your lifetime

SECTION 2: OTHER CONSIDERATIONS
If any of the following apply to you, refer to this section for special rules that may pertain to the benefit payment option you choose.

- You are eligible for benefits as an Alternate Payee due to a Qualified Domestic Relations Order (QDRO), usually issued in connection with a divorce or legal separation
- You are eligible for benefits as a Beneficiary
- You were born before January 1, 1936 and therefore may be eligible for special tax treatment
- You have After-tax Contributions

SECTION 3: HOW TO OBTAIN ADDITIONAL INFORMATION

SECTION 1: BENEFIT PAYMENT OPTIONS

DEFERRED ACCOUNT - keep your benefit in the plan

What is the tax consequence of this benefit payment option?
Under this option, the payment of taxes on your benefit is delayed until you actually receive your benefits.

Is there a minimum account balance requirement to leave my benefit in the plan?
No.

How long will I be able to keep my benefit in the plan?
You cannot defer your benefit in the plan indefinitely. The IRS requires that at least a portion of your benefit be distributed from the plan beginning when you reach age 70-1/2 or leave employment at the University, whichever is later.

If I choose this option, do I have to defer my entire benefit amount?
No, you can choose to defer only a portion of your benefit and then choose other benefit payment option(s) for the remainder of your account balance. You can elect to take partial payments and/or the entire balance at any time by submitting the proper form.

How will my account balance be invested?
If you choose to defer a distribution, you will continue to have access to the same investment options that are available to any other participant in your plan. The same investment option expenses will apply. You can access investment information, including up-to-date descriptions, investment option expenses, and performance information at umnplans.securian.com.
DIRECT ROLLOVER - move your benefit directly to an eligible account with another institution

What is a direct rollover?
A direct rollover is a payment from the plan of all or part of your benefit directly to an Individual Retirement Account (IRA) or another eligible employer plan that accepts rollovers. The rules of the IRA or employer plan that holds the rollover will then determine the investment options fees right to payment from the IRA or employer plan, and taxation of distribution.

What is an Individual Retirement Account (IRA)?
An IRA is a personal retirement savings account that you establish directly with the financial institution you select. IRAs must generally be held until age 59-1/2 to withdraw funds without penalty but certain other limited exceptions may apply as well.

What is an eligible employer plan?
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 state or local governmental employer (governmental 457 plan) are also eligible plans.

What is the tax consequence of a direct rollover?
There is no taxation or withholding on distributions that are directly rolled to a traditional IRA or another eligible employer plan. However, your benefit payment is taxable when you later take a cash distribution from the IRA or the eligible employer plan. Note, if rolling to an IRA, some of the exceptions to the additional 10% tax are different for future payments made from the IRA. You may wish to review your tax situation prior to making your decision.

If you elect a direct rollover to a Roth IRA, amounts other than after-tax contributions are generally taxable to you in the year of the direct rollover. For taxable amounts rolled to a Roth IRA in 2010, the amount will be taxed proportionally in 2011 and 2012 (one half of the taxable amount reported in each year) unless you elect otherwise. Although not subject to mandatory tax withholding, you may elect voluntary withholding. Unless you make withholding election, no withholding will be taken automatically at the time the direct rollover is processed. Note, if you elect to have the taxable amount reported in 2011 and 2012, an election of withholding in 2010 will not affect your taxes due in 2011 or 2012. You may wish to review your tax situation before making the election to roll directly to a Roth IRA.

For information regarding taxation of future payments from the Roth IRA, please review IRS Publication 590 and/or consult your IRA provider. Please review IRS Publication 590 and/or consult with your IRA provider.

Do all eligible employer plans accept rollovers?
An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer 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 and whether you must first satisfy the plan’s eligibility requirements for new distributions.

If an employer accepts my rollover, will there be any restrictions if I decide to take a subsequent distribution from that plan?
If an employer 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 this plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

What kinds of accounts are not eligible to accept rollover distributions?
Pre-tax contribution payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA).

Is my entire benefit payment eligible to be rolled over to an account with another institution?
Your entire benefit payment amount may not be eligible for rollover. A Securian Plan Specialist should be able to tell you what portion of your benefit payment is eligible for a direct rollover distribution. The following payments cannot be rolled over:

Payments Spread Over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.
Required Minimum Distributions. 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 distribution" that must be paid to you.

Hardship Distributions. A hardship distribution cannot be rolled over.

Corrective Distributions. Due to excess withdrawals.

Loans Treated as Distributions. The amount of a plan loan that becomes a taxable deemed distribution because of a default (failure to make timely loan payments) cannot be rolled over.

Death Benefits. The amounts of death benefits paid to a non-spouse beneficiary are only eligible for direct transfer to an inherited IRA.

Is there a minimum amount I can request to be distributed as a direct rollover?

Generally, your distribution requests for the year must be at least $250 or more to be allowed by your plan.

If I choose this option, do I have to rollover the entire amount that is eligible for rollover?

No, you can choose to rollover only a portion of your benefit and then choose other benefit payment option(s) for the remainder of your account balance.

CASH DISTRIBUTION - take your benefit out of the plan

What is the tax consequence of this benefit payment option?

If your payment can be rolled over (as discussed in the previous section) but you choose to have the payment made to you in cash, it is subject to mandatory 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). This amount is then sent to the IRS as federal income tax withholding and is 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. CAUTION: if you are thinking of making a rollover, you should decide to do so before requesting your funds since this mandatory withholding must apply and cannot be changed once funds are distributed. The payment is taxed in the year you receive it unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below).

Example:
You request a payment that is taxable and eligible for rollover $10,000
The plan must withhold mandatory 20% for income tax -$ 2,000
You receive $ 8,000

Within 60 days you decide to rollover the entire $10,000 to an IRA or an eligible employer plan.
You roll over what you received from the plan $ 8,000
You make up the withholding amount from other sources (your savings, a loan, etc.) + $ 2,000
The entire amount is not taxed until you take it out of the IRA or eligible employer plan $10,000

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 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.)
Generally, the 60-day rollover deadline cannot be extended. However, the IRA has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day deadline. To apply for a waiver, you must file a private letter ruling a request with the IRS, which requires payment of a non-refundable user fee. For additional information, see IRS Publication 590.

Is there a penalty for taking my benefit out of the plan before I reach the age of 59-1/2?
If you receive a payment before you reach age 59-1/2 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 payments that:
- are paid after you separate from service with your employer during or after the year you reach age 55
- are paid because you retire due to disability
- are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies)
- are paid directly to the government to satisfy a federal tax levy
- are paid to an alternate payee under a qualified domestic relations order
- do not exceed the amount of your unreimbursed deductible medical expenses (whether or not you itemized deductions) that you paid in the same taxable year as the plan distribution
- certain payments made while you are on active duty if you were a member of a reserve component called to active duty after 9-11-01 for more than 179 days.

Note: If rolling to an IRA, some of the exceptions to the additional 10% tax are different for future payments made from the IRA. You may wish to review your tax situation prior to making your decision.

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 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.

See IRS Form 5329 for more information on the additional 10% tax.

You can decide to roll over all or part of your benefit payment to a Roth IRA. The amounts, other than after-tax contributions, that you roll to a Roth IRA are generally taxable in the year paid to you in cash with an exception if rolled in 2010. As previously noted, for amounts rolled to a traditional IRA or eligible employer plan, you can roll over up to 100% of your payment, including an amount equal to 20% mandatory withholding. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the Roth IRA to replace the 20% that was withheld. For more information regarding taxation of future payments from the Roth IRA, see IRS Publication 590 and/or consult with your IRA provider.

If I choose this option, do I have to take my entire amount as a cash distribution?
No, you can choose to take only a portion of your benefit in cash and then choose another benefit payment option(s) for the remainder of your account balance.

**ANNUITY - receive payments over time**

What is an annuity?
Annuities provide a guaranteed, steady income for as long as you live. If you are married, the annuity can be set-up to pay both you and your spouse a lifetime benefit.

What is the tax consequence of this benefit payment option?
Annuity income is taxed as ordinary income as it is received. This allows you to defer taxes throughout your retirement years, rather than experience the larger, immediate tax liability of your other benefit distribution choices. If you have made after-tax contributions to help fund your retirement benefit, your own contributions are not considered taxable income. This type of distribution is not subject to the mandatory 20% withholding. However, if you do not wish income taxes to be withheld, you must make an election to that effect.

Annuity Payout Options May Include:
- **Life Annuity:** This provides monthly payments during your lifetime with no further benefits after you die. The life annuity offers the greatest monthly income compared to other options, but is not suitable if you wish to provide a continuing income to someone after you die.
- **Life Annuity with Period Certain:** This provides a monthly payment during your lifetime, guaranteed for a minimum number of years called the period certain. If you live beyond the period certain, payments continue uninterrupted. If, however, you die before the period certain has elapsed, the benefits are made to your beneficiary for the remainder of the period certain. The period certain cannot exceed your life expectancy at the time the annuity is selected.
Joint and Survivor Annuity: This option provides a monthly income to you and your spouse while both are alive. When one dies, the income continues for the remainder of the surviving spouse’s life. Payment stops when both of you have died. This option guarantees a monthly income for as long as you both live and is available in three forms:
- Joint and Full - the survivor receives the full monthly income.
- Joint and 2/3 - the survivor receives 2/3 of the monthly income.
- Joint and 1/2 - the survivor receives 1/2 of the monthly income.

The general economic effect of the different annuity payment options is illustrated below:

Assume you have accumulated $100,000 in the plan at age 65 (your survivor is the same age). Monthly payments will vary with the option you elect.

<table>
<thead>
<tr>
<th>OPTION</th>
<th>MONTHLY BENEFIT</th>
<th>ANNUAL BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifetime Only</td>
<td>$567</td>
<td>$6,804</td>
</tr>
<tr>
<td>Lifetime with 10 Years Certain</td>
<td>$552</td>
<td>$6,624</td>
</tr>
<tr>
<td>Joint and Full to Survivor</td>
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<td>$5,772</td>
</tr>
<tr>
<td>Joint and 2/3 to Survivor</td>
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<td>$6,420</td>
</tr>
<tr>
<td>Joint and 1/2 to Survivor</td>
<td>$567</td>
<td>$6,804</td>
</tr>
</tbody>
</table>

Please note that the above is a hypothetical illustration, and that its sole purpose is to identify the relationship between the different annuity payout options. Your plan may not offer all of the above annuity options. If you are considering an annuity payment option for all or a portion of your account, contact your Plan Administrator to request an illustration of the benefit options and benefit amounts specific to your plan. Actual annuity benefits will be determined by the assumptions in effect at the time the benefit is purchased.

It is important to remember that once you choose your annuity option and begin receiving payments, those payments are guaranteed for the remainder of the selected time and are not subject to change. During the annuity payout period, you cannot change the option you originally chose or the date you receive each payment.

SECTION 2: OTHER CONSIDERATIONS

ALTERNATE PAYEE - due to a Qualified Domestic Relations Order

In general, the rules summarized above that apply to payments to employees also apply to payments 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. If you are an alternate payee, you may choose to have a payment that can be rolled over, as described in the “Direct Rollover” section above, 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 employee. If you are an alternate payee, your payment is generally not subject to the additional 10% tax described above, even if you are younger than age 59-1/2 as long as it is paid under the plan which is subject to the QDRO. If you are an alternate payee and were born before January 1, 1936, you may be able to use the special tax treatment as described below.

BENEFICIARY

Spousal Beneficiary

In general, the rules summarized previously that apply to payments to employees also apply to payments to the surviving spouse of employees. If you are the surviving spouse, you may choose to have a payment that can be rolled over, as described in the previous “Direct Rollover” section, 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 (refer to the previous “Sixty-Day Rollover Option” section for additional information). Thus, you will have the same choices as the employee.

As a beneficiary, your payment from this plan is not subject to the additional 10% tax described previously, even if you are younger than age 59-1/2. If you receive a payment because of the employee’s death and the employee was born before January 1, 1936, you may be able to use the special tax treatment as described within the subsequent “Special Tax Treatment” section. This is true whether or not the employee had 5 years of participation in the plan.

If you roll to your own IRA, the exception to the 10% additional tax prior to age 59-1/2 will not apply to future distributions from the IRA.

Non-Spouse Beneficiary

If you are a beneficiary other than a surviving spouse, you cannot rollover the distribution to your own IRA or to an eligible employer plan. You may, however, make a direct transfer to an “inherited IRA”. In order to avoid potential adverse tax consequences, the IRA must be established in a manner that identifies it as an IRA with respect to a deceased individual and also identifies the deceased individual and the beneficiary, for example, “Tom Smith as beneficiary of John Smith”. Note the distribution timing rules applicable to the plan are the same as the inherited IRA rules. Generally distributions must be paid over your life expectancy following the employee’s year of death or entirely within 5 years following the employee’s year of death.
If you elect to instead receive in cash, the amount will be subject to income tax withholding. As a beneficiary, your payment from this plan is not subject to the additional 10% tax described previously, even if you are younger than age 59-1/2. If you receive a payment because of the employee’s death and the employee was born before January 1, 1936, you may be able to use the special tax treatment as described within the subsequent “Special Tax Treatment” section. This is true whether or not the employee had 5 years of participation in the plan.

**SPECIAL TAX TREATMENT - if born before January 1, 1936**

If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over (as discussed in the previous rollover section) 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.

**Lump Sum Distribution**

A lump sum distribution is a payment, within one year, of your entire balance under the plan (and certain other similar plans of the employer) 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 were a participant in the plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the plan taxed as long-term capital gain at a rate of 20%.

**IF YOU ARE A NON-RESIDENT ALIEN**

If you are a non-resident alien and do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes.

If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding on Non-resident Aliens and Foreign Entities.

**AFTER-TAX CONTRIBUTIONS**

If you made after-tax contributions to the plan, these contributions may be rolled over to an IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

(a) **Rollover into an IRA.** You can roll over your after-tax contributions to a traditional IRA or Roth IRA either directly or indirectly. Your Plan Administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion. Once you rollover your after-tax contributions to an IRA, those amounts CANNOT later be rolled to an employer plan.

If you receive a rollover contribution to a traditional IRA, it is your responsibility to keep track of, and report to the Internal Revenue Service 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. If you rollover the after-tax contributions to a Roth IRA, amounts other than the after-tax contributions are fully taxable to you in the year of the direct rollover.

(b) **Rollover into an Employer Plan.** You can roll over after-tax contributions from the employer plan that is qualified under Code Section 401(a) to another plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. 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 the Plan Administrator of this plan 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 employer plan.

**SECTION 3: 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 a Securian Plan Specialist or a professional tax advisor before you take a payment of your benefits from your plan. 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 web site at www.irs.gov, or by calling 1-800-TAX-FORMS.

Questions? Call 1-800-421-3334 or log on to umnplans.securian.com.