NORTHERN ILLINOIS ANNUITY FUND

PO Box 34203, Seattle, WA 98124

Phone: (907) 561-5119 or (800) 732-1121 · Fax: (907) 561-4802

Website: www.niannuityfund.com
Administered by
Welfare & Pension Administration Services, Inc.

CHECKLIST*

HAVE YOU COMPLETED **AND RETURNED** ALL OF THE APPROPRIATE FORMS **LISTED BELOW**?

IF ANY DOCUMENTS ARE MISSING YOUR PAYMENT MAY BE DELAYED.

☐ Proof of Hardship with Evidence **page 2**

☐ Application for Hardship Distribution **pages 5 - 7**

☐ Explanation of Fund Valuation **page 9**

PLEASE MAKE SURE TO INCLUDE:

☐ Proof of Age/Identity (only one type of proof needs to be provided) **page 10**

* This form is for your use only. You do not need to return it with the application.

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Proof of Hardship

Reason for Hardship (Check All that Apply):

☐ Payment of Medical Expenses+
Amount Requested: $____
☐ Prevention of Eviction/Foreclosure
Amount Requested: $____
☐ Purchase of a Principal Residence
Amount Requested: $____
☐ Payment of Post-Secondary Tuition*
Amount Requested: $____
☐ Funeral Expenses*
Amount Requested: $____
☐ Home Repairs following a Natural Disaster
Amount Requested: $____

*Route may be used for expenses incurred by you, your spouse, or dependent children
+ Route may be used for expenses incurred by you, your spouse, or dependent children or your primary beneficiary

Please attach Proof of Hardship Documentation that meets the guidelines below:

- The documentation must have a clear indication of which of the above reasons for hardship it falls under (i.e. the reason for the loan or bill). **Do not include duplicate documentation.**
- The documentation must clearly display the amount of the hardship
- The documentation must have your name or immediate family member's name on it
  - If it is being used for an immediate family member, please attach proof of the relation (ex: birth certificate for your child, marriage certificate for your spouse)

You may only withdraw the amount of your actual documented need (up to 50% of your account balance). The minimum amount that may be withdrawn as a hardship is $1,000 per withdrawal. The Board of Trustees will not approve hardship distributions that exceed the clearly displayed amounts provided in the proof of hardship.

The total number of Hardship Withdrawals each Participant may take per lifetime is three (3).

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Enclosed are the hardship withdrawal forms you requested. **Please read the following instructions and information very carefully before completing any of the forms.**

PARTICIPANT DISTRIBUTION NOTICE

This notice explains your election rights under the Individual Account Plan. The following information is important to these election rights.

- Your proposed distribution date is Friday ____________________________________. The proposed distribution date is the date that the Trustees next review hardship withdrawal forms for distribution.
- Hardship withdrawal requests are reviewed each week of each month. **Your completed request must be in the administrative office by Wednesday** ____________________ **to be considered.** If you miss this date, these forms are still valid for the next review of hardship withdrawal forms. You do not need to request another set of forms.
- All distributions are subject to the Trustees' approval. Checks for approved withdrawals are mailed out on the day following the trustees' approval.
- Individual Account Balance $ ____________________________ as of the last Valuation dated ____.

You may only make 3 hardship withdrawals from the Annuity Fund during your lifetime.

Forms and additional information are included in this package. Please use the enclosed checklist to make sure you have completed all of the appropriate forms and include proof of age/identity. Any incomplete requirements will be returned, and your distribution will be delayed. We have provided you with the following:

- **<u>SPECIAL TAX NOTICE REGARDING PLAN PAYMENT.</u>** This notice also explains the income tax withholding rules for eligible rollover distributions. A hardship distribution is not an eligible rollover distribution. If you have any questions regarding withholding or method of distribution, you should talk to your tax advisor.

- **<u>APPLICATION FOR HARDSHIP DISTRIBUTION.</u>** Complete fully according to instructions. If the evidence to substantiate the existence of a hardship is less than the amount requested, then the amount your distribution will be adjusted accordingly. Please complete the enclosed Hardship Checklist. All documents must clearly substantiate the existence of a hardship.

- **<u>EXPLANATION OF FUND VALUATION.</u>**

- **<u>PROOF OF AGE/IDENTITY.</u>** Please see enclosed list of acceptable types of proof.

JOINT AND 50% SURVIVOR AND SINGLE LIFE ANNUITY DISTRIBUTION NOTICE. If you are married, your hardship withdrawal will be paid to you in the form of a Joint and 50% Survivor Annuity, unless you waive this form of payment. A Joint and 50% Survivor Annuity provides you with a monthly payment for the rest of your life and, upon your death, a monthly payment for your spouse equal to at least 50% of the monthly payment you received prior to your death.

If you are single, your hardship withdrawal will be paid to you in the form of a Single Life Annuity, unless you waive this form of payment. A Single Life Annuity provides you with a monthly payment for the rest of your life. Upon your death, payment will cease with no death benefit available to your beneficiaries.

You may waive the annuity form of payment applying to you and have your distribution paid in the form of a single lump sum payment. To do this, sign the waiver on the application for hardship distribution, and if you are married, your spouse must consent, in writing and in the presence of a Notary Public. This waiver can be executed no earlier **than** 90 days before your hardship withdrawal is paid. You have the right to revoke this waiver and also to execute a subsequent waiver at any time during this 90-day period. If your Account Balance under the Plan is greater than $5,000.00, your distribution cannot be paid more than 7 days' elapse after you receive this Application for Hardship Withdrawal form.

If you have any questions while completing this application, please do not hesitate to call the Administration Office at (800) 732-1121.

Sincerely,

THE TRUSTEES

GENERAL COUNSEL: Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich,
8 South Michigan Avenue, 19th Floor, Chicago, IL 60603

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APPLICATION FOR HARDSHIP DISTRIBUTION

As part of the application process for a hardship withdrawal, you will need to fill out the attached letter and submit the appropriate documentation that:

1. States the dollar amount of the distribution requested;
2. Describes the hardship circumstances;
3. Provides whatever evidence is available to substantiate the existence of a hardship and the inability to satisfy the financial need from income and other resources reasonably available; and
4. Sign the application certifying that all information provided is true and the Trustees may rely upon the information in making their determination.

When completed, this Application must be notarized.

NAME ____
(Last) (First) (Middle)

ADDRESS ____
(No and Street) (City) (State) (Zip Code)

TELEPHONE NUMBER______________________________BIRTHDATE ______________________
(Month) (Day) (Year)

SOCIAL SECURITY NUMBER______________________________ EMAIL ___________________________

Are you legally married at this time? ☐ Yes ☐ No (If "yes", please complete the following)

SPOUSE____SPOUSE'S SSN ______________________
(Last) (First) (Middle)

SPOUSE'S BIRTHDATE________________________DATE OF MARRIAGE______________________________
Please attach proof of your spouse's age and your date of marriage to this application form.

Local Union No. _____________________________________

Are you considering or currently in the process of obtaining a divorce: ☐ Yes ☐ No

Were you previously married and divorced: ☐ Yes ☐ No

Please provide a complete, certified copy of the Order, Agreement and/or Divorce Decree.

You may only make three hardship withdrawals from the NIAFP during your lifetime.

Northern Illinois Annuity Fund
Application for Hardship Distribution (page 2 of 3)

1. I,____________________________________, request a withdrawal of $________________from my Account. (Note: the maximum withdrawal is limited to the lesser of 50% of your Profit-Sharing Account Balance as of the last valuation date preceding the date of withdrawal and the actual amount of hardship requested. Profit-Sharing Account is defined as contributions made to the Annuity Fund after December 1, 2003.) The minimum withdrawal is $1,000.00.

2. The withdrawal is for financial hardship due to the following (check one):

☐ Payment of medical expenses arising from my sickness or disability or that of a spouse, child, other dependent or primary beneficiary that are not covered by insurance and that are deductible medical expenses for federal income tax purposes. (Please submit copies of medical bills not covered by insurance.)

☐ Purchase of my principal residence (excluding mortgage payments). (Please submit evidence of the intended purchase, attach a signed contract and evidence from the lender that the withdrawal is to be used as a down payment.)

☐ To pay funeral expenses of an immediate family member

☐ To pay the costs of repairing your home if it is damaged during a natural disaster;

☐ Payment of tuition for post-secondary education for myself, my spouse, child or other dependent. (Please submit a copy of tuition bill(s).)

☐ To prevent foreclosure of the mortgage on or eviction from my principal residence. (Please submit a copy of the foreclosure or eviction notice.)

I certify that all other sources of funds available to me have been exhausted and that my Annuity Fund money must be withdrawn in order to meet this obligation.

3. Attached to this application is appropriate evidence of such hardship in the form of bills or other documentation establishing the actual expense.

Withholding
Your distribution is subject to federal income tax withholding at a rate of 10% unless you choose to have no income tax withheld. Even if you elect to have federal tax withheld, you may be responsible for the payment of estimated tax. Under the estimated tax rules, you may be subject to penalties if the tax withheld from your distribution and your estimated tax payments are not sufficient. If no tax is withheld from your distribution, you are personally responsible for the payment of the federal income tax on your distribution.

Withholding Election (<u>If you don't elect an option below, tax will be withheld at a rate of 10%</u>)
☐ Withhold federal income tax from my distribution.
☐ Do <u>not</u> withhold federal income tax from my distribution.

Waiver of Joint and 50% Survivor or Single Life Annuity
I hereby acknowledge that I have been informed by the Plan Administrator that my hardship withdrawal from the Plan will be paid to me in the form of a Joint and 50% Survivor Annuity, if I am married, or a Single Life Annuity, if I am not married. I understand that I have the right to waive that form of payment, provided that if I am married my spouse consents to the waiver. I understand the terms of the Joint and 50% Survivor or Single Life Annuity and that if I waive the annuity benefits on this hardship withdrawal, my rights or my spouse's rights to future benefits will be reduced or eliminated. I realize that I may revoke such a waiver at any time before the hardship withdrawal is paid to me. I understand that if I waive the annuity form of payment applicable to me, my hardship withdrawal will be paid to me as a single lump sum.

Participant Annuity Waiver (check one)

☐ I am single and hereby elect to waive the Single Life Annuity form of payment. (Sign below)
☐ I am married and hereby elect to waive the Joint and 50% Survivor Annuity form of payment. (Sign below)

4. The above statements, and attached letter and documents, are true to the best of my knowledge and belief. I understand that a false statement may disqualify me for benefits, and that the Board of Trustees shall have the right to recover any payments made to me because of a false statement. In addition, if a benefit is granted to me, I agree to be bound by all Rules and Regulations of the Plan. Also, I will personally endorse all checks received by me.

______________________________________ ______________________________________
Participant's Signature Date

Witness by Notary.

STATE OF ____________________

COUNTY OF __________________

BEFORE ME, the undersigned, a Notary Public, personally appeared____________________________________who executed the above Application for Hardship Withdrawal as a free and voluntary act.

IN WITNESS WHEREOF, I have signed my name and affixed my official notarial seal this_______day of______________________, 20____

(SEAL)

____
Notary Public
My commission expires: ______________________

Spousal Consent to Waiver

I,______________________________________, spouse of the Participant hereby voluntarily consent to the foregoing election by my spouse not to have the hardship distribution from the Plan paid in the form of a Joint and 50% Survivor Annuity. Further, I hereby acknowledge that I understand (1) that the effect of my consent may be to forfeit benefits that I would have been entitled to receive upon my spouse's death, and (2) that my consent is irrevocable unless my spouse revokes the waiver. I further consent to the payment of the hardship withdrawal to my spouse in the form of a single lump sum. I agree to release and discharge the Trustee, Plan Administrator, and Employer from all liability for acting pursuant to this consent.

______________________________________ ______________________________________
Signature of Participant's Spouse Date
Note: Spousal consent must be witnessed in the presence of a Notary Public.

Witness by Notary.

STATE OF ____________________

COUNTY OF __________________

BEFORE ME, the undersigned, a Notary Public, personally appeared____________________________________who executed the above Spousal Consent as a free and voluntary act.

IN WITNESS WHEREOF, I have signed my name and affixed my official notarial seal this_______day of____________________, 20____

(SEAL)

____
Notary Public Signature
My commission expires: ______________________

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Rules for hardship distribution under "Individual Account"

Effective December 1, 2003, all participants in the NIAF are eligible to request hardship distributions from their Individual Account. "Individual Account" means all contributions made to the NIAF on or after December 1, 2003 adjusted for distributions, investment gains and losses and allocated expenses.

Withdrawals shall be limited as follows:

a. Three hardship withdrawals in a lifetime;
b. Minimum amount is $1,000;
c. Limited to 50% of your Individual Account Balance as of the last Valuation Date most recently proceeding the date of the withdrawal;
d. The amount shall not exceed the immediate and heavy financial need as described in (1) through (4) below, including amounts necessary to pay any Federal, state or local income taxes or penalties reasonably anticipated thereon.

Withdrawal requests must be in writing and made for one or more of the following reasons:

1. To pay medical expenses described in Section 213(d) of the Internal Revenue Code that are incurred by you, your spouse, dependent children or primary beneficiary;
2. To purchase (excluding mortgage payments) a principal residence;
3. To pay funeral expenses of an immediate family member;
4. To pay the costs of repairing your home if it is damaged during a natural disaster;
5. To pay tuition for post-secondary education for you, your spouse or dependent children;
6. To prevent the eviction from your principal residence or foreclosure on the mortgage on your principal residence.

The foregoing is only a brief and general description of the hardship provision of the fund and is not meant to interpret or change in any way the Fund Rules and Regulations. The Trustees reserve the right to amend, modify, or discontinue all or part of this Fund whenever in their judgment, conditions so warrant. **In the event there is a conflict between statements in this summary and the Rules and Regulations, the terms of the Rules and Regulations control.**

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NORTHERN ILLINOIS ANNUITY FUND AND PLAN
EXPLANATION OF FUND VALUATION

Please be advised that your Individual Account with the Northern Illinois Annuity Fund is valued four times a year, and gains or losses are always based on your Previous Valuation Account Balance. The Valuation Dates for the plan are Feb 28, May 31, Aug 31 and Nov 30 of each year. All factors (contributions, interest, changes in market value of investments and administration expenses) for determining the value of your Individual Account are calculated as of these two dates.

Since valuations are calculated as of each of these Valuation Dates only, the greater of 2% or $50 will be withheld from your total distribution, and once the returns for the previous quarter post, any residual amount held back will be issued. The distribution of an Individual Account between Valuation Dates will be based upon your Individual Account Balance as of the last Valuation Date and will not include any gain or loss made by the Fund since that Valuation Date.

Please return this form indicating your decision regarding the date of your distribution. If you have any questions, please contact the administrative office at (800) 732-1121.

****

I HAVE READ THE INFORMATION ABOVE AND I HAVE MADE THE FOLLOWING DECISION:

(Check One)☐ ____________ Please distribute my Individual Account Balance as soon as it is eligible. I understand that it will not include any gains or losses made by the Fund since the last Valuation Date.

☐ ____________ Please defer my distribution until after the next Valuation Date has passed.

SIGNATURE____**DATE**_______________

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INSTRUCTIONS REGARDING PROOF OF AGE

One of the types of proof of age listed below must be furnished. Proof as high in order on the list as possible should be submitted because such proof is generally more convincing. For instance, if you have or can readily obtain a birth certificate, it should be submitted rather than a Baptismal certificate or a statement of birth shown by a church record. If you do not have any of these proofs, or they are not readily obtainable, try to submit the proof listed next in order, rather than one low on the list. The Trustees may require additional proof of age if the document which you submit is not convincing proof. Therefore, please furnish a document which is high in order of preference on the list. You must attach a photocopy of the proof of age to your application for benefits. However, you are cautioned that naturalization papers, United States passports, and immigration papers may not be photographed. If any of these is the only proof of age you have, submit the original and it will be returned.

1. A birth certificate.
2. Baptismal certificate or a statement of the date of birth shown by a church record, certified by the custodian of such records.
3. Social Security approval.
4. Medicare Identification card.
5. Notification of registration of birth in a public registry or vital statistics.
6. Certification of record of age by the U.S. Census Bureau.
7. Hospital birth record certified by the custodian of such record.
8. A foreign church or government record.
9. A signed statement by the physician or midwife who attended your birth, as to the date of birth on their records.
10. Naturalization record. (Photocopy not permitted; submit original.)
11. Immigration papers. (Photocopy not permitted; submit original.)
12. Military record.
13. School record certified by the custodian of such record.
14. Vaccination record certified by the custodian of such record.
15. An insurance policy which shows age or date of birth.
16. Marriage records showing date of birth or age. (Application for marriage license or church record, certified by the custodian for such record; or marriage certificate.)
17. Other evidence, such as signed statements from persons who have knowledge of the date of birth; voting records; poll tax receipts; driver's License; etc.

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SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice contains important information you will need before you decide how to receive your benefits from the Northern Illinois Annuity Fund.

SUMMARY

A payment from the Plan that is eligible for "rollover" can be taken in two ways. You can have all or any portion of your payment either **1) PAID IN A "DIRECT ROLLOVER" or 2) PAID TO YOU.** A rollover is a payment of your Plan benefits to your individual retirement arrangement (IRA) or to another employer plan. This choice will affect the tax you owe.

If you choose a **DIRECT ROLLOVER:**

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your IRA or, if you choose, to another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the IRA or the employer plan.

If you choose to have your Plan benefits **PAID TO YOU:**

- You will receive only 80% of the payment, because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you also may have to pay an additional 10% tax.
- You can roll over the payment by paying it to your IRA or to another employment plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to roll over 100% of the payment to an IRA or an employer plan, you must find other money to replace the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

MORE INFORMATION

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution. The following types of payment cannot be rolled over:

Non-taxable Payments. In general, only the "taxable portion" of your payment is an eligible rollover distribution. If you have made "after-tax" employee contributions to the Plan, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over. (After-tax employee contributions generally are contributions you made from your own pay that were already taxed.)

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 your life expectancy), or

- Your lifetime and your beneficiary's lifetime (or life expectancies), or
- A period of ten years or more.

<u>Required Minimum Payments.</u> Beginning in the year you reach 72, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you.

II. DIRECT ROLLOVER

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to another IRA or another employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

Direct Rollover to an IRA. You can open an IRA to receive the direct rollover. (The term "IRA", as used in this notice, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether 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 limitations. See IRS Publication 590, <u>Individual Retirement Arrangements</u>, for more information on IRAs (including limits on how often you can rollover between IRAs).

Direct Rollover to a Plan. If you are employed by a new employer that has a plan, and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. An employer plan is not legally required to accept a rollover. If your new employer's plan does not accept a rollover, you can choose a direct rollover to an IRA.

Direct Rollover of a Series of Payments. If you receive eligible rollover distributions that are paid in a series for less than ten years, your choice to make or not make a direct rollover for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

III. PAYMENT PAID TO YOU

If you have the payment made to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

Mandatory Withholding. If any portion of the payment to you is an eligible rollover distribution, the Plan is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is $10,000, only $8,000 will be paid to you because the Plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full $10,000 as a payment from the Plan. You will report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

Sixty-Day Rollover Option. If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over, <u>you must make the rollover within 60 days after you receive the payment</u>. The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the employer plan.

You can choose to rollover up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the IRA or the employer plan to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

<u>Example:</u> Your eligible rollover distribution is $10,000.00 and you choose to have it paid to you. You will receive $8,000.00 and $2,000.00 will be sent to the IRS as income tax withholding. Within 60 days

after receiving the $8,000.00, you may rollover the entire $10,000 to an IRA or an employer plan. To do this, you roll over the $8,000.00 you received from the Plan and you will have to find $2,000.00 from other sources (your savings, a loan, etc.). In this case, the entire $10,000.00 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire $10,000.00, when you file your income tax return, you may get a refund of the $2,000.00 withheld.

If, on the other hand, you roll over only $8,000.00, the $2,000.00 you did not rollover is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000.00 withheld. (However, any refund is likely to be larger if you rollover the entire $10,000.00.)

Additional 10% Tax If You Are Under Age 59½. If you receive a payment before you reach age 59½ 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 does not apply to your payment if it is (1) paid to you because you separate from service with your employer during or after the year you reach age 55, (2) paid because you retire due to disability, (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or you and your beneficiary's lives or life expectancies), or (4) used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment. If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump sum distribution", it may be eligible for special tax treatment. 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 because you have reach age 59½ or have separated from service with your employer (or, in the case of a self-employed individual, because you have reached age 59½ or have become disabled). For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least five years. The special tax treatment for lump sum distributions is described below.

Five-Year Averaging. If you receive a lump sum distribution after you are age 59½, you may be able to make a one-time election to figure the tax on the payment by using "five-year averaging." Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over five years.

Ten-Year Averaging If You Were Born Before January 1, 1936. 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 "ten-year averaging" (using 1986 tax rates) instead of five-averaging (using current tax rates). Like the five-year averaging rules, ten-year averaging often reduces the tax you owe.

Capital Gain Treatment If You Were Born Before January 1, 1936. In addition, if you receive a lump sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan (if any) taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you cangenerally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If you have previously rolled over a payment from the Plan (or certain other similar plans of the employer), you cannot use this special tax treatment for later payments from the Plan. If you rollover your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in IRS Form 4972, which has more information on lump sum distributions and how you elect this special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and 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. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers.

If you are a beneficiary other than the surviving spouse, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10% tax described in section III above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had five years of participation in the Plan.

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 professional tax advisor before you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, Pension and Annuity Income, and IRA Publication 590, Individual Retirement Arrangements. These publications are available from your local IRA office or by calling 1-800-TAX-FORMS.

NORTHERN ILLINOIS ANNUITY FUND
ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the NORTHERN ILLINOIS ANNUITY FUND (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

Rules that apply to most payments from a plan are described in the "General Information about Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

GENERAL INFORMATION ABOUT ROLLOVERS

How will a rollover affect my taxes?

You will be taxed on a payment of the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the additional10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?
There are two ways to do a rollover. You can either do a direct rollover or a 60-day rollover.

If you do a direct rollover, the Plan will make the payment directly to your IRA or employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire amount of the payment, the portion not rolled over will be taxed and subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

How much may I roll over?
If you wish to do a rollover, you may rollover all or part of the amount eligible for rollover. Any payment from the Plan is eligible for a rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 72 (or after death)
- Corrective distributions of contributions that exceed tax law limitations
- Hardship withdrawals

The Plan Administrator can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?
If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service, if you will be at least age 55 in the year of separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you were on active duty, if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days

If I do rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?
If you do receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation of service that are made after age 55.

- The exception for qualified domestic relations orders (QRDOs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse.)
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS 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 rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

If you were born on or before January 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of tax on the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If you roll your payment to a Roth IRA

You can roll over a payment from the Plan made before January 1, 2010 to a Roth IRA only if your modified adjusted gross income is not more than $100,000 for the year the payment is made to you and, if married, you file a joint return, these limitations do not apply to payments made to you from the Plan after 2009. If you wish to roll over the payment to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into a Roth IRA.

If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a two-year period starting in 2011.

If you roll over the payment to a Roth RIA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings form the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least five years. In applying this five-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take the required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs). You cannot roll over a payment from the Plan to a designated Roth Account in an employer plan.

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described in the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

> **If you are a surviving spouse.** If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or an inherited IRA.
>
> An IRA you treat as your own is treated like any other IRA of yours, so that payments are made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 72.
>
> If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 72.
>
> **If you are a surviving beneficiary other than a spouse.** If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a non-resident alien

If you are a nonresident alien and you 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 also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

If a payment is one in a series of payments for less than ten years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than $200, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cash out of more than $1,000 will be directly rollover to an IRA chosen by the Plan administrator. A mandatory cash out is a payment from the plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed $5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

You may have special rollover rights if you have recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.

FOR MORE INFORMATION

You may wish to consult with a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590, Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) plans). These publications are available from a local IRS office, on the web at www.irs.gov or by calling 1-800-TAX-FORM.