



IMPORTANT TAX INFORMATION NOTICE

Separate from this mailing, in January 2016, you will receive your 2015 1099-R from SDRS. This 1099-R will contain information you will need in preparing your income tax return. Both the total amounts of benefits paid during the year and taxable benefits will be shown. The total amount of benefits is reflected as **“Gross Distribution”** in **Box 1** and taxable benefits are reflected as **“Taxable Amount”** in **Box 2A**. The difference (if any) between the gross distribution (Box 1) and taxable amount (Box 2A) represents a partial recovery of your previously taxed contributions to the South Dakota Retirement System.

In determining the recovery portion of the total benefit, SDRS used the IRS “Simplified” method. According to the IRS, the “Simplified” method allows for tax-free recovery of your previously taxed contributions. The amount of your tax exclusion (if any) for this year appears as **“Employee Contributions or Insurance Premiums”** in **Box 5**. Consequently, Box 5 does **not** pertain in any way to health or life insurance premiums paid by you or your former employer.

Further information regarding the “Simplified” method may be found in the instructions for IRS Form 1040.

NOTE: If you are the beneficiary of a deceased member who died before August 21, 1996, you may qualify for a death benefit exclusion of up to \$5,000. If this is applicable, we suggest you contact your tax preparer for further assistance as SDRS is not allowed to determine the non-taxable portion of the death benefit exclusion.

This notice has been supplied to you in accordance with IRS Notice 98-2.

Please retain this notice for future tax years.

Sample IRS Form 1099-R

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 Gross distribution \$		OMB No. 1545-0119 2016		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S federal identification number		2a Taxable amount \$		Form 1099-R		Box 1—The total amount paid to you by SDRS for the calendar year.	
RECIPIENT'S identification number		2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>		Box 2a—The portion of your total benefit received during the calendar year that should be considered taxable income.	
RECIPIENT'S name		3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$		Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.	
Street address (including apt. no.)		5 Employee contributions /Designated Roth contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$		Box 4—The total amount of federal income tax withheld, if any, from your monthly payments during the year.	
City or town, state or province, country, and ZIP or foreign postal code		7 Distribution code(s)		8 Other		Box 5—The portion of pre-July 1984 contributions and after-tax purchase payments excluded from taxation during the calendar year.	
10 Amount allocable to IRR within 5 years \$		11 1st year of design. Roth contrib.		12 State tax withheld \$		13 State/Payer's state no.	
Account number (see instructions)		15 Local tax withheld \$		16 Name of locality		17 Local distribution \$	
13 State/Payer's state no.		14 State distribution \$		16 Name of locality		17 Local distribution \$	

Form 1099-R www.irs.gov/form1099r Department of the Treasury - Internal Revenue Service