



2018

IMPORTANT NOTICE

RE: Federal Income Tax Withholding on Pension Payments

Dear Pensioner:

We are required by Federal law to inform you that the payments you receive from the Central Pension Fund may be subject to Federal income tax withholding.

You may elect not to have Federal income tax withheld by electing **Option 1** on the enclosed Election form. If you elect not to have Federal income tax withheld, or if you do not have enough withheld from your monthly pension, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.

If you fail to make an election (or if you elect **Option 2B** below), Federal income tax will be withheld as if you were a married individual claiming three withholding allowances. As a result, no Federal income tax will be withheld if your pension payments are less than \$24,004.80 annually (\$2,000.40 monthly). As explained below, if your pension exceeds those amounts, the amount withheld from your pension will be determined based on the Monthly Deduction Schedule for Option 2B on the enclosed Election Form (which is based on the amount of your monthly pension).

If you want us to withhold a different amount on your behalf, you must elect **Option 2A** (withholding based on IRS Form W-4P) or **Option 2C** (withholding based on a specific dollar amount) on the enclosed Election form. Regardless of the election you choose, it is important to keep in mind that if you have other income that would affect the amount of taxes you owe, you may need to pay additional taxes.

Your election will remain in effect until you revoke it. You may revoke your election at any time by returning a signed and dated revocation form to the Central Pension Fund. Any election or revocation will be effective no later than January 1st, May 1st, July 1st or October 1st, after which it is received, so long as it is received at least 30 days before one of these dates. You may make and revoke elections as often as you wish. Additional election forms may be obtained on our website at www.cpfioe.org, or by contacting the Central Pension Fund.

As a retiree, you must choose one of the following Options regardless of your monthly amount:

Option 1): You elect not to have Federal income tax withheld from your pension (not available if you live outside of the United States).

Option 2): You elect to have Federal income taxes withheld:

- A. Based on the allowances and marital status you select on IRS Form W-4P.
- B. As if you were married and claimed three (3) exemptions.
- C. Based on a specific dollar amount that you specify to us.

(Over)

**PLEASE SELECT ONE OF THE PRECEDING OPTIONS
AND FOLLOW THE INSTRUCTIONS FOR THAT OPTION BELOW**

If you chose Option 1 (elect not to have taxes withheld):

Complete the enclosed form and return it to the Central Pension Fund immediately.

If you chose Option 2A (elect based on IRS Form W-4P):

If you wish to have Federal income tax withheld based on your specific withholding allowances and marital status, please obtain an Internal Revenue Service Form W-4P from your local Internal Revenue Service office, or you can print a copy from the IRS internet site under Forms and Publications at www.IRS.gov. Please complete the form and return it to the Central Pension Fund.

If you chose Option 2B (default election as if married and claiming 3 allowances):

If you wish to have Federal Income tax withheld as if you were married and claiming three exemptions (i.e., no tax will be withheld if your annual pension is less than \$24,004.80 annually or \$2,000.40 monthly) check box 2B, fill in the information, sign, date and return the enclosed form to the Central Pension Fund. The amount that will be deducted from your monthly pension (if any) will be determined based on the Monthly Deduction Schedule for Option 2B on the enclosed Election Form.

If you chose Option 2C (withholding election based on specific dollar amount):

If you wish to have Federal income tax withheld based on a specific dollar amount, check box 2C, specify the amount, fill in the information, sign, and date and return the enclosed form to the Central Pension Fund.

Important: If you have any questions about your pension benefit, please contact the Participant Records Department at the Central Pension Fund at: (202) 362-1000. **If you need assistance in determining the amount of your tax withholding based on your individual circumstances, please contact your tax advisor.**

Sincerely,

Michael A. Crabtree
Chief Executive Officer

Enclosure

**2018 MONTHLY DEDUCTION UNDER OPTION 2B
(default election as if married and claiming 3 allowances)**

Monthly Pension

Amount Withheld

\$ -0- to \$2,000.40 No tax to be withheld unless directed by the recipient.

\$2,000.41 to \$3,587.40 10% of monthly income in excess of \$2,000.40.

\$3,587.41 to \$8,450.40 = \$158.70 plus 12% of monthly income in excess of \$3,587.40.

\$8,450.41 to \$15,750.40 = \$742.26 plus 22% of monthly income in excess of \$8,450.40.

To:

Central Pension Fund
ATTENTION: Participant Records Department
4115 Chesapeake Street, NW
Washington, DC 20016-4665

Options

- 1. I do not wish to have income tax withheld from my pension checks.
- 2A. I will send you IRS Form W-4P.
- 2B. I wish deductions to be made in accordance with the default election.
- 2C. I wish \$_____ withheld monthly from my pension checks.

(Please Print)

Name _____ Social Security No. _____

Address _____

City _____ State _____ Zip _____

Phone _____

Signature _____ Date _____