

# Refund

## Consider the Consequences

Before applying for a refund of the contributions you made to your CalSTRS account, carefully consider the consequences. Even if you think you may not return to teaching, applying for a refund may not be in your best long-term financial interest. The following information can help you make the best choice for your financial future.

### Leaving Your Contributions in Your CalSTRS Account Means. . .

- You will be eligible for a monthly retirement benefit for life when you reach age 55 if you have at least five years of service credit.
- If you have fewer than five years of service credit, you can still receive a lifetime monthly benefit from CalSTRS if you retire from certain other California retirement systems (see reverse).
- Your contributions continue to earn interest. You can designate a beneficiary to receive a lump-sum payment of your account contributions upon your death.

### Taking a Refund of Your CalSTRS Contributions Means. . .

- You forfeit all rights to CalSTRS benefits, including survivor and disability benefits, unless you return to CalSTRS-covered employment.

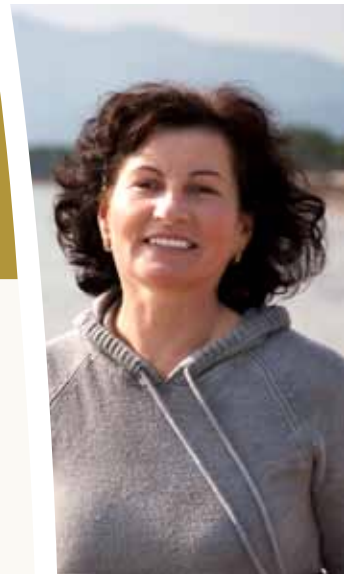
- You must earn one year of CalSTRS service credit since your last refund and have at least five years of service credit before being eligible for a CalSTRS retirement benefit.
- You must also take a refund of your Defined Benefit Supplement account contributions, losing the interest they would earn. You cannot buy back Defined Benefit Supplement contributions.
- Your refund may be taxed as income. CalSTRS is required to withhold 20 percent federal income tax on all payments distributed directly to you. If you choose to have state income tax withheld, CalSTRS will withhold at 10 percent of your federal withholding. You may be subject to an additional 10 percent federal and 2.5 percent state tax if you take a refund before age 59 ½ and do not roll over your account to a qualified retirement plan.

### Keeping Your Contributions Means Keeping Your Service Credit

By not taking a refund, you keep your CalSTRS service credit. We calculate your retirement benefit using a three-part formula, which includes service credit:

**service credit x final compensation x age factor = your retirement benefit**

When you take a refund, you lose the service credit you earned in CalSTRS-covered employment. You can buy back that service credit if you later return to a CalSTRS-covered position, but because you must also pay interest, the cost will increase over time.



## CASE EXAMPLE:

### Educator With Six Years in the Classroom

Paula taught full time for six years after college but now plans to open a kayak rental business. She wants to take a refund of her \$12,720 in CalSTRS contributions to start her business. If Paula keeps her money in CalSTRS until she retires and receives a \$300 monthly retirement benefit for 10 years, she would receive \$23,280 more in retirement benefits than her refund amount of \$12,720.

6 Years of service credit

0.02 X 2 percent age factor if Paula retires at age 60

\$2,500 X Highest average monthly salary over 3 years

\$300 Monthly lifetime retirement benefit

## Your Refund Application

If you decide to take a refund, we encourage you to submit your *Refund Application* no later than November 15 of the calendar year. If we receive your application after November 15, we cannot guarantee you will receive a refund by the end of the calendar year. An incomplete application could further delay the processing of your refund.

A change in how you want your refund paid or a cancellation of your refund may have tax consequences if two tax years are involved. For example, if you receive a refund in December 2011, then return the refund in January 2012, your refund will be reported as income on your IRS Form 1099-R for tax year 2011. You will be responsible for any taxes on those funds.

## Concurrent Retirement

If you leave in or buy back your CalSTRS contributions and later retire from certain other California retirement systems, you can apply for a concurrent retirement from both systems. This is true even if you have fewer than five years of CalSTRS service credit.

The other retirement systems include:

- Legislators' Retirement System
- Public Employees' Retirement System
- San Francisco Employees' Retirement System
- University of California Retirement System
- Systems established under the County Employees' Retirement Law of 1937



## CalSTRS Resources



### WEB

CalSTRS.com  
Click *Contact Us* to email  
403bCompare.com  
Pension2.com  
CalSTRSBenefits.Us



### CALL

800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday  
888-394-2060  
CalSTRS Pension2®  
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855-844-2468 (toll free)  
Pension Abuse Reporting Hotline



### WRITE

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P.O. Box 15275  
Sacramento, CA  
95851-0275



### VISIT

Member Services  
100 Waterfront Place  
West Sacramento, CA 95605



### FAX

916-414-4395

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COM 1494 (rev 10/11)

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