

**FOR RETIREMENTS EFFECTIVE 1/1/07 AND LATER  
PLEASE READ THE ATTACHED INSTRUCTIONS BEFORE COMPLETING THIS FORM**

APPLICANT INFORMATION			
Social Security Number	Last Name	First	Initial
Birthdate (mo/day/yr)	Address		
Telephone Number	City	State	Zip
Retirement Date (mo/day/yr)			

**I. METHOD OF PAYMENT**

PLEASE SELECT ONE OF THE FOLLOWING METHODS OF RETIREMENT BENEFIT PAYMENT:

**I choose to receive my retirement benefit in the form of a one-time lump-sum payment.**  
*I understand that upon distribution of the lump-sum payment, no further benefits are payable from the Cash Balance Benefit Program.*

- You must select one of the following methods of distribution:
  - Mail the payment directly to me at the above address.
    - You must complete, Income Tax Withholding Preference Form, CB584.
  - Process the payment as a complete or partial trustee-to-trustee transfer (rollover).
    - You must complete, Rollover Distribution Form, CB475.

-----OR-----

**I choose to receive my retirement benefit in the form of monthly annuity payments.**  
*I understand that my CB Benefit Program account balance must equal or exceed \$3,500 to receive an annuity retirement benefit.*

- You must select an annuity type:
  - 1) A participant only annuity
  - 2) A 100% beneficiary annuity. (\*)
  - 3) A 75% beneficiary annuity. (\*)
  - 4) A 50 % beneficiary annuity. (\*)
  - 5) A period certain annuity. # Years (choose one) 3 4 5 6 7 8 9 10 (\*)  
*If you selected a period certain annuity with a duration of 3 to 9 years, you may receive the payments as direct trustee-to-trustee transfers (rollover).*
    - Process the period certain annuity payments as complete trustee-to-trustee transfers.
      - You must complete, Rollover Distribution Form, CB475.
      - Skip the mailing options below. Continue to next page.
- For annuity payments that will not be affected by a trustee-to-trustee transfer, choose one of the following mailing options.
  - Mail the payments directly to me at the above address.
    - You must complete, Income Tax Withholding Preference Form, CB584.
  - Mail the payments directly to my financial institution.
    - You must complete, CB Direct Deposit Authorization Form, CB474, *and*,
    - You must complete, Income Tax Withholding Preference Form, CB584.

**(\* Section II. ANNUITY BENEFICIARY INFORMATION must be completed.**



II. ANNUITY BENEFICIARY INFORMATION – If applicable from Section I			
Social Security Number - -	Last Name	First	Initial
Birthdate (mo/day/yr) / /	Address		
Telephone Number ( ) -	City	State	Zip
Relationship <input type="checkbox"/> Spouse/RDP <input type="checkbox"/> Other		Gender <input type="checkbox"/> Male <input type="checkbox"/> Female	

III. DECLARATION		
<input type="checkbox"/> I am not married or registered as a domestic partner (including those who are widowed, divorced, and single; or have a registered domestic partner termination certification).		
<input type="checkbox"/> My spouse or registered domestic partner (RDP) did not sign and I have completed the attached Justification for Non-Signature of Spouse or Registered Domestic Partner (CB535).		
<input type="checkbox"/> I am married. My spouse or RDP has signed below and provided the required information.		
<p>I hereby apply for a retirement benefit from the CalSTRS Cash Balance Benefit Program. I fully understand that the mailing of my termination benefit check will terminate all rights and benefits to which I was entitled prior thereto. <b>Further, I certify under penalty of perjury</b> under the laws of the State of California, that the information submitted here is full, complete and true according to the best of my knowledge, and that no material facts have been concealed or omitted, and that the spousal signature is in fact the true signature of my spouse/partner; or if no spousal or registered domestic partner signature appears, that I have completed and submitted the "Justification of Non-Signature of Spouse or Registered Domestic Partner" (CB535), or I am not married or registered as a domestic partner and have checked the corresponding box above. I understand that perjury is punishable by imprisonment in the State Prison for up to four years; Penal Code Section 126.</p>		
Signature of Spouse or Registered Domestic Partner(RDP)		Date (mo/day/yr)
		/ /
Spouse/RDP Name (Print Legibly)	Spouse/RDP Social Security Number	Spouse/RDP Birthdate (mo/day/yr)
Applicant's Signature		Date (mo/day/yr)
		/ /

Please retain copies for your records and return the completed application and related forms to:

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)**  
**CASH BALANCE BENEFIT PROGRAM**  
 P.O. Box 15275, MS #20,  
 Sacramento, CA 95851-0275  
 Toll Free 800.228.5453

## INSTRUCTIONS FOR COMPLETING FORM CB586

Use a typewriter or print legibly in black ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible. Do not erase or use white-out; erasures will not be accepted and will void the application. If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction.

Any errors or omissions on the Retirement Benefit Application (CB586) will delay the processing of your distribution. Photocopied signatures will not be accepted.

**Retirement Date** - Your benefits begin from your retirement date and cease upon your date of death. You will be officially retired as of the retirement date you specify on the Retirement Benefit Application (CB586), subject to the following conditions:

1. The retirement date you specify cannot exceed six (6) months from the date you sign the application.

2. The application must be received by the California State Teachers' Retirement System (CalSTRS) in Sacramento on or before the last day of the month in which your retirement is to be effective.
3. The earliest permissible retirement date is the day after your last day of work, vacation, or authorized leave of absence, whichever is later, for which you will receive compensation from your employer.

*Example:* If your last day of work is June 13, you may retire as of June 14, even though you will receive a pay check for the month of June. Your Retirement Benefit Application (CB586) must be received by June 30, for a retirement date in June.

**Last Day of Paid Employment** - Your effective date of retirement must be at least one day after the last day you are paid for your employment.

**Telephone Number** - Enter a daytime telephone number.

## Retirement Benefit Distribution Choices

A CB Benefit Program participant may elect to receive a retirement benefit in the form of a lump-sum distribution or an annuity provided the **sum of the employee account and employer account equals or exceeds \$3,500**. Upon distribution of the lump-sum payment to the participant, no further benefits shall be payable from the CB Benefit Program. *A non-member spouse may only elect the annuities shaded below (Annuity choices 1 or 5).* If the participant elects to receive a monthly annuity, they may elect **one** of the following forms of payment:

**NOTE: The annuity names and choices shown on this form reflect changes effective January 1, 2007, designed to simplify the array of options and provide better choices**

1. A participant only annuity, which is the actuarial equivalent of the lump sum payable for the life of the participant with any balance remaining upon the death of the participant payable in a lump sum to the beneficiary.
2. A 100% beneficiary annuity, which is the actuarial equivalent of the lump sum payable for the combined lives of the participant and the beneficiary, with the monthly amount payable to the participant continuing to the surviving beneficiary upon the death of the participant. However, if the option beneficiary predeceases the participant, the annuity without modification for the option shall be payable to the participant.
3. A 75% beneficiary annuity, which is the actuarial equivalent of the lump sum payable for the combined lives of the participant and the beneficiary, with three-quarters of the monthly amount payable to the participant continuing to the surviving beneficiary upon the death of the participant. However, if the option beneficiary predeceases the participant, the annuity without modification for the option shall be payable to the participant.

**NOTE: If your annuity beneficiary is anyone other than your spouse and the beneficiary is more than exactly 19 years younger than the participant, you cannot select this annuity choice.**

4. A 50% beneficiary annuity, which is the actuarial equivalent of the lump sum payable for the combined lives of the participant and the beneficiary, with one-half of the monthly amount payable to the participant continuing to the surviving beneficiary upon the death of the participant. However, if the option beneficiary predeceases the participant, the annuity without modification for the option shall be payable to the participant.
5. A period certain annuity, which is the lump sum payable over a specified number of years, from a minimum of three years to a maximum of 10 years but in any event not to exceed the life expectancy of the participant or the life expectancy of the participant and the participant's option beneficiary, until there is no balance remaining in the participant's employee account and employer account.

**NOTE:** If you receive a payment that can be rolled over to a traditional IRA and it is paid in a series of payments for less than **ten years**, your choice to make or not make a direct trustee-to-trustee transfer (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 a series. A series of payments for ten years or more cannot be rolled over per IRC regulations.

# Cash Balance Benefit Program

## Income Tax Withholding Preference—Information and Instructions

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Read the instructions carefully before completing the form. Print clearly in dark ink or type all information requested. Initial all corrections and sign at the end.

**Purpose:** Use this form to tell CalSTRS the amount of federal and state income tax to withhold from your benefit payments. The method and rate of withholding depends on whether the payment is monthly, a lump sum or an eligible rollover distribution; whether the payment is delivered outside the U.S., or its commonwealths and possessions; and whether the recipient is a nonresident alien individual, a nonresident alien beneficiary or a foreign estate.

The elections you make will take effect within 60 days after CalSTRS receives your form. If valid, your income tax withholding preferences will remain in effect until you change or cancel them.

Under federal law, California cannot tax your benefit payment if you reside outside California. If you do not live in California but think you may be liable for California state income tax, you may request CalSTRS to withhold state income tax.

### **CHOOSING NOT TO HAVE INCOME TAX WITHHELD:**

You (or in the event of death, your beneficiary or estate) can choose not to have federal income tax withheld from your payments that are not eligible for rollover.

**CAUTION:** There are penalties for not paying enough federal and state tax during the year, either through withholding or estimated tax payments. See IRS Publication 505, *Tax Withholding and Estimated Tax*, at [irs.gov](http://irs.gov). It explains your estimated tax requirements and describes penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your benefit payment.

**COMPLETING THIS FORM:** To calculate the proper amount of tax withholding, use IRS Form W-4P (which has a worksheet and instructions) at [irs.gov](http://irs.gov) for your federal withholding, and EDD Form DE 4P at [edd.ca.gov](http://edd.ca.gov) for your state withholding.

### **SECTION 1: MEMBER/PAYEE INFORMATION**

Enter the member's full name and Client ID or Social Security number. If the payee is different from the member, enter the payee's full name and Client ID or Social Security number. Include the payee's address, home and alternate telephone numbers so we can contact you if we have any questions.

### **SECTION 2: DIRECT PAYMENT LUMP SUM AND PERIOD-CERTAIN ANNUITIES OF 3 TO 9 YEARS Rollover Eligible**

Complete this portion only if you elected a lump sum or period-certain annuity of 3 to 9 years and the distribution is rollover eligible. If you do not complete this section, CalSTRS will withhold CA state income tax at 10 percent of your federal income tax. If you do not want state income tax withheld, check the appropriate box.

Distributions that are eligible for rollover but not directly rolled over to another tax-qualified retirement plan or IRA are subject to a flat 20 percent federal withholding. CalSTRS is required to withhold the federal 20 percent—you *cannot* waive federal tax withholding—but the state tax is optional.

CalSTRS will not withhold the 20 percent federal income tax for eligible rollover distributions transferred directly into an IRA or other qualified plan.

Distributions that are not rollover eligible are not subject to the mandatory 20 percent federal income tax withholding. See IRS Publication 505 and the CalSTRS booklet, *Tax Considerations for Rollovers*, for details.

### **One-Time Lump Sum Non-Rollover Eligible**

Complete this portion only if your distribution is a one-time lump sum and non-rollover eligible. This includes one-time distributions paid to an estate or declared successor when no spouse and no designated beneficiary is named.

CA state and federal tax withholding for this type of distribution if optional. If you do not complete this section, CalSTRS will withhold federal taxes at 10 percent of the taxable amount and withhold state taxes at 10 percent of your federal withholding rate. If you do not want taxes withheld, check the appropriate boxes. See IRS Publication 575, *Pension and Annuity Income*, at [irs.gov](http://irs.gov).

### **SECTION 3: LIFETIME MONTHLY ANNUITIES AND PERIOD-CERTAIN ANNUITIES OF 10 YEARS**

Complete this section only if you elected a lifetime monthly annuity or a period-certain annuity of 10 years. If you do not complete this section, CalSTRS must withhold federal and CA state income tax from your monthly benefit payments as married claiming three withholding allowances. If you do not want any federal or CA state income tax withheld, check the appropriate boxes.

## Cash Balance Benefit Program

### Income Tax Withholding Preference—Information and Instructions continued

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You cannot designate a specific dollar amount only to be withheld for federal tax. However, you may designate an additional dollar amount to be withheld. Use the IRS Form W-4P worksheet to calculate your federal tax withholding.

If you want CA state income tax withheld, indicate the number of withholding allowances and your marital status by checking the appropriate box, and specify an additional flat dollar amount, if any. Use the EDD Form DE-4P at [edd.ca.gov/pdf\\_pub\\_ctr/de4p.pdf](http://edd.ca.gov/pdf_pub_ctr/de4p.pdf) to calculate state tax withholding. You may designate a dollar amount to withhold instead of claiming withholding allowances.

#### **SECTION 4: REQUIRED SIGNATURE**

Sign and date the form. Your form will not be accepted without your signature and the date signed.

#### **IMPORTANT INFORMATION**

##### **Payments to Foreign Persons and Payments delivered Outside the U.S.**

For U.S. citizens and residents, federal tax withholding is required on monthly or lump-sum payments delivered to you outside the U.S. or its possessions. You cannot waive federal income tax withholding in this situation. See IRS Publication 505 at [irs.gov](http://irs.gov) for details.

For nonresident aliens, nonresident alien beneficiaries, and foreign estates, in the absence of a tax treaty exemption, monthly or lump-sum payments generally are subject to a 30 percent federal withholding tax on the taxable portion of payments from U.S. sources. See IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, and IRS Publication 519, *U.S. Tax Guide for Aliens*, at [irs.gov](http://irs.gov).

If you are a foreign person, you should submit Form W-8BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, to CalSTRS before receiving any payments.

##### **Annual Statement of Federal Income Tax Withheld**

By January 31 of next year (and each following year), CalSTRS will furnish a statement to you on Form 1099-R showing the total amount of benefit payments and the total federal income tax withheld during the preceding year. If you are a foreign person who has provided CalSTRS with Form W-8BEN, CalSTRS instead will furnish a statement to you on Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, by March 15 of the following year.

#### **QUESTIONS**

For information about federal tax withholding, contact the IRS at 800-829-1040 or visit [irs.gov](http://irs.gov). For information about state tax withholding, contact the California Franchise Tax Board at 888-792-4900 or visit [ftb.ca.gov](http://ftb.ca.gov).

For additional information, see *Tax Considerations for Roll-overs*, available at [CalSTRS.com](http://CalSTRS.com) or by calling 800-228-5453.

Also read IRS Publication 575, *Pension and Annuity Income*, IRS Publication 919, *How Do I Adjust My Tax Withholding*, and FTB Publication 1005, *Pension and Annuity Guidelines*, or contact a qualified tax professional.

Find a tax withholding calculator at [irs.gov/individuals](http://irs.gov/individuals) to help determine your withholding allowances. Also see the allowance worksheets at [irs.gov/pub/irs-pdf/fw4p.pdf](http://irs.gov/pub/irs-pdf/fw4p.pdf) and [edd.ca.gov/pdf\\_pub\\_ctr/de4p.pdf](http://edd.ca.gov/pdf_pub_ctr/de4p.pdf).

# Cash Balance Benefit Program Income Tax Withholding Preference

(CB 584, rev. 10/11)

# CALSTRS

California State Teachers' Retirement System  
P.O. Box 15275, MS 65  
Sacramento, CA 95851-0275  
800-228-5453  
CalSTRS.com

## Section 1: Member or Payee Information

MEMBER NAME (LAST, FIRST, INITIAL)

MEMBER CLIENT ID OR SOCIAL SECURITY NUMBER

PAYEE NAME, IF DIFFERENT FROM MEMBER (LAST, FIRST, INITIAL)

PAYEE CLIENT ID OR SOCIAL SECURITY NUMBER

PAYEE MAILING ADDRESS

CITY

STATE

ZIP CODE

HOME TELEPHONE

ALTERNATE TELEPHONE

## Section 2: Direct Payment Lump Sum and Period Certain Annuities of 3 to 9 Years

### Rollover Eligible

Federal law requires that CalSTRS withhold 20 percent federal income tax for all lump-sum payments and period-certain annuities of three to nine years that are paid directly to you or your designated beneficiary, unless the payment is less than \$200.

If you choose to have CA state tax withholding, CalSTRS will withhold 10 percent of your federal income tax for all lump-sum payments and period-certain annuities of three to nine years.

**Withhold** California state income tax?  Yes  No

### Non-Rollover Eligible

This includes one-time distributions paid to an estate or declared successor when no spouse and no designated beneficiary is named. If you choose to have Federal tax withholding, CalSTRS will withhold 10 percent federal income tax for all one-time lump-sum non-rollover eligible payments.

If you choose to have CA state tax withholding, CalSTRS will withhold 10 percent of your federal income tax.

**Withhold** California state income tax?  Yes  No

**Withhold** Federal income tax?  Yes  No

*Continue on next page*



CB584

**Section 3: Lifetime Monthly Annuity and Period-Certain Annuities of 10 Years**

If you do not complete the section below, CalSTRS must withhold state and federal income tax from your lifetime monthly annuity or period-certain annuity of 10 years based on rates for a married person claiming three withholding allowances.

**CALIFORNIA STATE  
INCOME TAX WITHHOLDING**

Do not withhold California state income tax.

**OR**

Withhold California state income tax.

Withhold only \$ \_\_\_\_\_ from each benefit payment\* (Enter a flat dollar amount only. Do not enter a percentage.)

**OR**

Withhold California state income tax based on the tax tables for (choose one):

Married with \_\_\_\_\_  
(Enter 0 or number of allowances.)

Single with \_\_\_\_\_  
(Enter 0 or number of allowances.)

Head of Household with \_\_\_\_\_  
(Enter 0 or number of allowances.)

**Additional withholding: \$ \_\_\_\_\_**  
from each benefit payment in addition to the amount to be withheld based on state tax tables. (You cannot enter an amount without selecting one of the above options. Enter a dollar amount only.)

**FEDERAL INCOME  
TAX WITHHOLDING**

Do not withhold federal income tax from my monthly benefit payment.

**OR**

Withhold federal income tax based on the tax tables for (choose one):

Married with \_\_\_\_\_  
(Enter 0 or number of allowances.)

Single with \_\_\_\_\_  
(Enter 0 or number of allowances.)

**Additional withholding: \$ \_\_\_\_\_**  
from each benefit payment in addition to the amount to be withheld based on federal tax tables. (You cannot enter an amount without selecting one of the above options. Enter a dollar amount only.)

\*A flat amount cannot be specified for federal income tax.

**Section 4: Required Signature**

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct. I understand that perjury is punishable by imprisonment for up to four years (Penal Code section 126).

I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in penalties, including restitution, up to one year in jail and a fine of up to \$5,000 (Education Code section 22010).



MEMBER OR PAYEE SIGNATURE \_\_\_\_\_

DATE (MM/DD/YYYY) \_\_\_\_\_



CB584

THE APPROPRIATE BENEFIT APPLICATION MUST ACCOMPANY THIS FORM

PLEASE READ THE ATTACHED INSTRUCTIONS BEFORE COMPLETING THIS FORM

**Part A - Payee Information**

Social Security Number - -	Last Name	First	Initial
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**Part B - Account Holder Information**

Social Security Number - -	Last Name	First	Initial
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**Part C- Rollover Options**

Complete Rollover	OR	Partial Rollover
<input type="checkbox"/> I elect a <b>complete</b> transfer of the contributions and interest for a direct trustee-to-trustee transfer. <input checked="" type="checkbox"/> <i>I understand minimum transfer amount is \$200.00</i>		<input type="checkbox"/> I elect a <b>partial</b> transfer of the contributions and interest for a direct trustee-to-trustee transfer. <input checked="" type="checkbox"/> <i>I understand minimum transfer amount is \$200.00</i>
<input type="checkbox"/> Individual Retirement Account (IRA) <b>OR</b> <input type="checkbox"/> Other Qualified Retirement Plan <input checked="" type="checkbox"/> <i>I understand this direct rollover distribution payment is exempt from Federal and State income tax withholding.</i>		<input type="checkbox"/> Individual Retirement Account (IRA) <b>OR</b> <input type="checkbox"/> Other Qualified Retirement Plan <input checked="" type="checkbox"/> <i>I understand that Federal and State income tax will not be withheld from the portion of the payment that is a direct trustee-to-trustee transfer.</i> <input checked="" type="checkbox"/> <i>I understand that I must also complete form CB584, Income Tax Withholding Preference, to designate withholding on the taxable portion of the distribution.</i>

**Part D- Financial Institution Information**



Amount of Transfer \$ _____	OR	Percent of Transfer _____ %
Name of Financial Institution	Account Number	
Institution Address	City	State Zip
Signature of Institution Representative	Representative Telephone Number ( )	Signature Date (mo/day/yr)

**NOTE:** *If you plan to rollover partial account balance amounts to multiple financial institutions, a separate form is required for each financial institution that will receive funds. If the total amount to be transferred is less than 100% of your account balance, the residual will be mailed directly to you as a lump-sum payment.*

**Part F - Declaration** – *Must be completed when submitted with a Termination, Retirement or Disability benefit application*

- I am not married or registered as a domestic partner (This includes those who are widowed, divorced, and single; or have a registered domestic partner termination certification).
- My spouse or registered domestic partner (RDP) did not sign and I have completed the attached Justification for Non-Signature of Spouse or Registered Domestic Partner (CB535).
- I am married and my spouse or registered domestic partner (RDP) has signed below.

I hereby elect a complete or partial trustee-to-trustee transfer of my benefit payment(s) from the CalSTRS Cash Balance Benefit Program. I fully understand that the mailing of my benefit check will terminate all rights and benefits to which I was entitled prior thereto. **Further, I certify under penalty of perjury** under the laws of the State of California, that the information submitted here is full, complete and true according to the best of my knowledge, and that no material facts have been omitted, and that the spousal/partner's signature is in fact the true signature of my spouse/partner; or if no spousal/partner signature appears, that I have completed and submitted the "Justification of Non-Signature of Spouse or Registered Domestic Partner" (CB535); or I am not married or registered as a domestic partner and have checked the corresponding box above. I understand that perjury is punishable by imprisonment in the State Prison for up to four years; Penal Code Section 126.

<b>Signature of Spouse or Registered Domestic Partner</b> 	<b>Date (mo/day/yr)</b> / /
<b>Signature of Payee</b> 	<b>Date (mo/day/yr)</b> / /

Please retain copies for your records and return the completed form with the associated benefit application to:

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)**  
**CASH BALANCE BENEFIT PROGRAM**  
P.O. Box 15275, MS #20,  
Sacramento, CA 95851-0275  
Toll Free 800.228.5453

## INSTRUCTIONS FOR COMPLETING FORM CB475

### FEDERAL AND CALIFORNIA STATE WITHHOLDING REQUIREMENTS

Federal and California State statutes require income tax withholding on distributions from pensions, annuities, and deferred compensation plans unless a payee elects otherwise. The law requires that income tax be withheld from payments based on rates for a married person claiming three withholding allowances. Therefore, the California State Teachers' Retirement System (CalSTRS) must withhold income tax on all benefit payments unless the payee has filed an election not to have withholding apply. CalSTRS benefit recipients who elect to take a distribution in the form of a partial rollover must make their income tax election on the Cash Balance (CB) Benefit Program Income Tax Withholding Preference Certificate (CB584).

### WHEN DO I COMPLETE THIS FORM

This form must be completed if:

- ✓ You are a participant, payee or account holder of a CB Benefit Program account and are requesting a lump-sum distribution;
- ✓ You are a participant, payee or account holder of a CB Benefit Program account and are requesting a direct trustee-to-trustee transfer (rollover);

**NOTE:** Per IRS regulations, a series of payments for ten years or more cannot be rolled over.

- ✓ You a participant who has chosen a period certain annuity with a duration of 3 to 9 years and choose to receive the annuity payment as a direct trustee-to-trustee transfer (rollover);

- ✓ You are a Registered Domestic Partner (RDP) and requesting a lump-sum distribution.

**NOTE:** Per IRS regulations, an RDP is not eligible to take a direct trustee-to-trustee transfer (rollover). You must complete and attach a CB584, Income Tax Withholding Preference form.

- ✓ You are 70-1/2 and requesting a rollover, you must take a required minimum distribution. Because of this IRS requirement, you cannot request to rollover 100% of your account balance. Please contact CB Benefit Program staff at (916) 229-0554 for assistance in determining your minimum distribution;

- ✓ You are the spouse beneficiary recipient of a CB Benefit Program account and requesting a distribution; as a spouse beneficiary, you are eligible to take a rollover distribution. All other beneficiaries must take a lump-sum distribution or annuity.

### COMPLETING THE FORM

Print legibly in black ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible. Do not erase or use white-out; erasures will not be accepted and will void the application.

If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction. Any errors or omissions may delay the processing of your distribution. Photocopied signatures will not be accepted.

### QUESTIONS??

CalSTRS can only provide limited tax information. Contact the CalSTRS Automated Attendant toll free at 1-800-228-5453 and request the pamphlet "Benefit Tax Information." We also suggest you read the IRS publication 575, "Pension and Annuity Income" and the California Franchise Tax Board Publication FTB 1005, "Pension and Annuity Guidelines" or contact a qualified tax professional for advice.

**EMPLOYMENT TERMINATION CERTIFICATION**

There must be a *separate* form completed by *each* employer for whom creditable service was performed.

Please read the instructions before completing this form

**PART A**

*(This section to be completed by member)*

<b>Social Security Number</b>	<b>Last Name</b>	<b>First Name</b>	<b>Middle Initial</b>
<b>Birthdate (mo/day/yr)</b>	<b>Address</b>		
<b>Telephone Number</b>	<b>City</b>	<b>State</b>	<b>Zip</b>

**PART B**

**Employer Certification**

*(This section to be completed by each employer for whom creditable service was performed)*

I certify below that the above individual has terminated all CalSTRS creditable service related employment with this district. Additionally, I certify that all payroll information and contributions reported to date are accurate and complete and no future negative adjustments will be made.

**NOTE: The 'Last Day of Paid Employment' should reflect the last day of classroom instruction. This date should not include any dates of parity payments or payroll salary adjustments.**

<b>Last Day of PAID Employment (mo/day/yr)</b> / /	<b>Last Pay Date (mo/day/yr)</b> / /	<b>County Name/Code</b>	<b>District Name/Code</b>
<b>School Official's Signature</b>	<b>Official's Title</b>	<b>Date(mo/day/yr)</b>	
<b>Contact Name</b>	<b>Contact Telephone Number</b>	<b>Contact Fax Number</b>	

**PART C**

*(This section to be completed by member)*

I have read the 'Employer Certification' instructions and understand that a separate employer certification must be completed for each employer for whom creditable service has been performed. I understand that failure to complete this information constitutes an incomplete application package which will delay payment of benefits.

<b>Member's Signature</b>	<b>Date (mo/day/yr)</b>
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## INSTRUCTIONS FOR COMPLETING FORM CB1822

### COMPLETING THE FORM

Print legibly in black ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible. Do not erase or use white-out; erasures will not be accepted and will void the application. If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction. Any errors or omissions on the Employment Certification (CB1822) could cause a delay in the processing of the participant's benefit application.

The participant completes Parts A and C. Once completed and signed, the participant needs to ensure that all employer(s) for whom the participant has performed any CalSTRS creditable service receives a form and that the employer(s) complete and sign Part B. There must be *one* form for *each* employer for whom the participant has performed CalSTRS creditable service. If the participant has multiple employers, please make a copy of this form before completion.

The employer(s) must complete and sign Part B. Signing Part B lays responsibility on the employer(s) to ensure that all contributions have been reported to CalSTRS by the dates specified and that no negative contribution lines will be reported once the final payroll information has been certified. The employer(s) must complete all requested information.

**NOTE:** The Last Day of Paid Employment should reflect the last day of classroom instruction and not the date of any parity payments or payroll salary adjustments.

### ??QUESTIONS??

Please retain copies for your records and return the completed form and related application to:


**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)**  
**CASH BALANCE BENEFIT PROGRAM**  
P.O. Box 15275, MS #20,  
Sacramento, CA 95851-0275  
Toll Free 800.228.5453

**THIS FORM APPLIES TO MONTHLY ANNUITY PAYMENTS ONLY**  
**This form must be accompanied by the appropriate Benefit Application form.**  
**Please read the instructions on the reverse side before completing this form.**

Please enroll me in direct deposit.                      OR                       I would like to change my direct deposit information.

Social Security Number - -	Last Name	First	Initial
Birthdate (mo/day/yr) / /	Home Mailing Address		
Telephone Number ( ) -	City	State	Zip

ACCOUNT INFORMATION				
<input type="checkbox"/> Checking Account		OR	<input type="checkbox"/> Savings Account	
Routing Number _ _ _ _ _		Payee Account Number		
Financial Institution		Branch Number or Name		
Financial Institution Address	P.O. Box	City	State	Zip

AUTHORIZATION	
<p>I hereby authorize the California State Teachers' Retirement System to transmit any benefits due to me by <b>DIRECT DEPOSIT</b> to the above designated account.</p> <p>If at any time the amount of benefits deposited exceeds the amount of benefits actually due and payable to me, I hereby authorize the California State Teachers' Retirement System to either:</p> <p>(a) Withhold a sum equal to the overpayment from future benefits; OR,</p> <p>(b) Recover such overpayment from the above-designated account.</p> <p>This authorization remains in full force and effect until the California State Teachers' Retirement System receives written notification from me of its termination or when benefits are no longer payable.</p>	
Applicant's Signature 	Date (mo/day/yr) / /

Please attach a **voided** personal check here



## INSTRUCTIONS FOR COMPLETING FORM CB474

### CHECKING ACCOUNT INFORMATION

**Routing Number** - Your financial institution's routing number is printed on the bottom left hand portion of your personal checks (the first 9 digits).

**Account Number** - Your account number is printed on the bottom of your checks following the routing number. It may be the series of numbers followed by your check number (example 2), or it may be the series of numbers which follow your check number (example 1). NOTE: The check number is not part of the account number.

Example 1

Your Name	Check No. 5555
Address	
Pay to the Order of _____	
zxzzx112145678    xzx 5555    xzx 8765432109812	

Routing No.      Ck. No.      Payee Acct No.

Example 2

Your Name	Check No. 5555
Address	
Pay to the Order of _____	
zxzzx112145678    xzx 8765432109812    xzx 5555	

Routing No.      Payee Acct No.      Ck. No.

The number of figures in an account number varies from institution to institution. If you are unsure of which numbers are which on your checks, please contact your financial institution for assistance. ***Attach a voided personal check to the front, lower portion of this authorization. This will aid in verifying your account and routing numbers.***

### SAVINGS ACCOUNT INFORMATION

Obtain your routing and account numbers from your financial institution.

### GENERAL INFORMATION

Use a typewriter or print legibly in black ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible.

Do not erase or use white-out; erasures will not be accepted and will void the application. If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction.

Any errors or omissions on the Direct Deposit Authorization (CB474) will delay the processing of your distribution. Photocopied signatures will not be accepted.

Your first payment will be deposited into your account within 30 to 60 days after the authorization is received by CalSTRS. A DIRECT DEPOSIT Advice will be mailed to your home address each month. ***Please inform CalSTRS of any change in your home mailing address.***

Your DIRECT DEPOSIT will continue to be deposited into your designated account until CalSTRS is notified in writing that you wish to change your account and/or financial institution. ***DO NOT CLOSE YOUR OLD ACCOUNT UNTIL YOUR FIRST PAYMENT IS DEPOSITED INTO YOUR NEW ACCOUNT.***

**OUT-OF-STATE ADDRESS:** If your home address is outside California and you do not submit a new form CB 584 (Tax Withholding Preference Certificate), CalSTRS will discontinue withholding state tax from your benefit. If you are moving from another state to California and do not submit a CB584, CalSTRS will withhold state tax from your benefit at the rate for married persons with three exemptions.

### PRIVACY NOTICE

The information collected on this form will be disclosed to the State Controller's Office, an originating financial institution, and the Federal Reserve Bank for the purpose mentioned. It is mandatory to furnish all information on this form except for financial institution name, address, and branch number or name. Failure to provide the mandatory information may result in non-enrollment of your DIRECT DEPOSIT, or could cause the enrollment to be processed incorrectly. You have the right to review the file maintained on you by this agency upon proper identification. You may contact the Information Practices Coordinator through the CalSTRS Toll Free 1(800) 228-5453, or by writing to: CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

# Cash Balance Benefit Program Justification for Non-Signature of Spouse or Registered Domestic Partner

CB 535 (Rev. 3/10)

**CALSTRS**  
California State Teachers' Retirement System  
P.O. Box 15275, MS 60  
Sacramento, CA 95851-0275  
800-228-5453  
CalSTRS.com

- Use a typewriter or print legibly in black or blue ink. Do not use pencil, felt pen or erasable ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible.
- Do not erase or use white-out; erasures will not be accepted and will void the application. If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction.
- Any errors or omissions on the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form will delay the processing of your distribution. Photocopied signatures will not be accepted.
- Only one *Justification for Non-Signature of Spouse or Registered Domestic Partner* form is needed for a Cash Balance Benefit Program distribution.
- Please retain copies for your records and return the completed form and associated application to:  
CalSTRS  
P.O. Box 15275, MS 60  
Sacramento, CA 95851-0275  
800-228-5453

## Justification for Non-Signature of Spouse or Registered Domestic Partner

As required by Education Code section 22453, any request related to the selection of benefits by a member in which spousal or registered domestic partner interest may be present requires the signature of the spouse or registered domestic partner unless one of the following conditions exist. If you are married or registered as a domestic partner and your spouse or partner does not sign this form, you must check the appropriate box indicating the reason your spouse or partner did not sign.

- I do not know and have taken all reasonable steps to determine the whereabouts of my spouse or registered domestic partner.
- My spouse or registered domestic partner is incapable of executing the acknowledgment because of an incapacitating mental or physical condition.
- My current spouse or registered domestic partner has no identifiable community property interest in the benefits.
- My spouse or registered domestic partner and I have executed a settlement agreement that makes the community property law inapplicable to the marriage or registered domestic partnership.
- My spouse or registered domestic partner has refused to sign the acknowledgment. Court action will be or has been initiated to enforce or waive the signature requirement for my spouse or partner. (CalSTRS must have a certified copy of the court order before any designation can be made. Submit a certified copy of the court order when you receive it.) Education Code section 22454

**I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct. I understand that perjury is punishable by imprisonment for up to four years (Penal Code section 126).**

**I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in penalties, including restitution, up to one year in jail and a fine of up to \$5,000 (Education Code section 22010).**

  
PARTICIPANT'S SIGNATURE

DATE (MM/DD/YYYY)



# Tax Considerations for Rollovers

2012



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The purpose of this notice is to provide general information that may be useful to our members and beneficiaries. This notice summarizes the federal tax rules that may apply to your CalSTRS benefit payment and provides limited information on California state tax rules. The rules are complex and contain many conditions and exceptions that are not included in this booklet. Before you take a CalSTRS benefit payment, consult the Internal Revenue Service, the California Franchise Tax Board or a professional tax adviser. You can find more information in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*, available at [irs.gov](http://irs.gov) or by calling 800-TAX-FORM (800-829-3676).



# Introduction

You are receiving this notice because all or a portion of your CalSTRS Defined Benefit Supplement, Defined Benefit refund or Cash Balance payment may be eligible for a rollover to an IRA or an employer plan. This notice is intended to provide you with general information as you decide whether to do such a rollover.

Rules that apply to most CalSTRS benefit payments 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.

Certain California tax information also is included. In general, California law follows the Internal Revenue Code. However, there are continuing differences between California and federal law. For additional information, visit [ftb.ca.gov](http://ftb.ca.gov) or call 800-852-5711.

## **30-Day Notice Period and Your Right to Waive**

Generally CalSTRS cannot make a direct rollover or a payment to you until at least 30 days after you receive the *Special Tax Notice: Your Rollover Options*. After receiving the notice, which is part of the *Service Retirement, Disability Benefits, Refund and Cash Balance* applications, you have at least 30 days to consider whether or not to have your distribution directly rolled over. If you do not wish to wait until this 30-day notice period ends before your payment is processed, you may waive the notice period by requesting a distribution. Your distribution will then be processed in accordance with your election as soon as practical after CalSTRS receives it.

# General Information About Rollovers

## What Is a Rollover?

A rollover is a distribution of all or part of your payment from a qualified retirement plan, such as CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs, to a qualified IRA or another eligible employer plan. Depending on the type of distribution, you may incur taxes or be required to fulfill certain conditions.

## What Is a Qualified IRA?

An IRA is an individual retirement arrangement. A qualified IRA is a personal savings plan that gives tax advantages for setting aside money for retirement. You may roll over your CalSTRS payments to a Traditional or Roth IRA. Your CalSTRS payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (an education IRA).

## What Is an Eligible Employer Plan?

An eligible employer plan is a plan qualified under the Internal Revenue Code, including sections:

- 401(a): defined benefit, profit-sharing, stock bonus and money purchase plans
- 401(k): profit-sharing, stock bonus and money purchase plans that include qualified cash or deferred compensation
- 403(a): annuity plans
- 403(b): tax-sheltered annuity plans
- 457(b): governmental employer plans

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan:

- Find out if the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover.
- Ask if any documents are required to be completed before the plan will accept a rollover.

## What Payments Can Be Rolled Over?

CalSTRS payments that are rollover-eligible distributions can be rolled over to a qualified IRA or an eligible employer plan that accepts rollovers. CalSTRS will tell you what, if any, portion of your payment is not a rollover-eligible distribution. (See also “What Payments Cannot Be Rolled Over,” page 5.)

## After-Tax Contributions

A plan that accepts rollovers may not accept certain types of distributions such as those from after-tax contributions. If this is the case and your distribution includes after-tax contributions, you may decide to roll over your entire distribution to an IRA, or split your rollover between an employer plan and an IRA. (See also page 9.)

The following rules apply to rollovers of after-tax contributions:

**Rollovers Into a Traditional IRA.** You can roll over your after-tax contributions to a Traditional IRA as a direct rollover or a 60-day rollover (see page 6).

CalSTRS will tell you the amount of your payment that is the taxable portion and the amount that is the after-tax portion.

If you roll over after-tax contributions to a Traditional IRA, you are responsible for keeping track of the after-tax contributions and reporting them on your tax return. By doing so, you can determine the nontaxable amount of future distributions from your Traditional IRA.

Once you roll over your after-tax contributions to a Traditional IRA, they cannot be rolled over later to an employer plan.

**Rollovers Into an Employer Plan.** You can roll over after-tax contributions to an eligible 401(a), 403(a) or 403(b) employer plan using a direct rollover if the plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax contributions and earnings on those contributions.

You cannot roll over after-tax contributions to a 457 plan.

If you want to roll over your after-tax contributions to an employer plan that accepts rollovers of after-tax contributions, you must request that CalSTRS make a direct rollover on your behalf. You cannot have the after-tax contributions paid to you first.

**Rollover Into a Roth IRA.** You can roll over after-tax contributions to a Roth IRA. The after-tax contributions will not be included in your taxable income (see page 10).

## What Payments Cannot Be Rolled Over?

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 (periodic 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. This includes your Defined Benefit monthly payment.

- **Required minimum distributions.** When you reach age 70½ or retire, whichever is later, a certain portion of your CalSTRS payment cannot be rolled over because it is a “required minimum distribution” that must be paid to you under federal law.
- **Corrective distributions of contributions that exceed tax law limitations.**
- **Distributions less than \$200.**

## How Do I Do a Rollover?

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

### Direct Rollover

A direct rollover is a direct payment of your CalSTRS benefit payment to an IRA or an eligible employer plan. If you do a direct rollover, CalSTRS will make the payment directly to your IRA or employer plan. You can choose a direct rollover of all or any portion of your payment that is a rollover-eligible distribution.

Except when making a direct rollover to a Roth IRA, you are not taxed on any portion of your payment for which you choose a direct rollover until you later take it out of a Traditional IRA or employer plan. In addition, no income tax withholding is required for any taxable portion of your CalSTRS payment for which you choose a direct rollover.



You may roll over your payment to a qualified IRA or an eligible employer plan that will accept the rollover.

**Direct Rollover to a Qualified IRA.** You can open a qualified IRA, including a Roth IRA, to receive the direct rollover. If you choose to have your payment made directly to a qualified IRA, contact the IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a qualified IRA at that institution.

If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. If you do this, make sure you can move all or a part of your payment to another qualified IRA at a later date without penalties or other limitations.

Contact the IRA sponsor to learn more. Also see IRS Publication 590, *Individual Retirement Arrangements*, for more information, including limits on how often you can roll over between IRAs.

**Direct Rollover to a Plan.** If you are employed by a new employer that has an eligible employer plan and you want to make a direct rollover to that plan, ask the plan's administrator if it will accept your rollover. An eligible employer plan is not legally required to accept a rollover.

If the employer plan accepts your rollover, the plan may restrict the circumstances under which you may later receive a distribution of the rollover amount or may require spousal

consent before any subsequent distribution. Subsequent distributions of your rollover from the plan also may be subject to different tax rules than CalSTRS payments. Contact the plan's administrator to learn more before making a decision.

If your new employer's plan does not accept a rollover, you can choose a direct rollover to a qualified IRA.

**Direct Rollover of a Series of Payments.**

If you receive a payment that can be rolled over to a qualified IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a direct rollover for the payment will apply to all later payments in the series until you change your election. You may change your election for any later payment in the series at any time.

If you do a direct rollover, your rollover-eligible distributions are not taxed at the time of distribution. You will pay income taxes on the taxable portion you directly roll over when you withdraw your funds.

**60-Day Rollover**

If you receive a CalSTRS payment that is rollover eligible, you can still decide to roll over all or part of it by depositing it into an IRA or employer plan that accepts rollovers. You will



The rules of the IRA or employer plan that holds your rollover determine your investment options, fees and rights to payments from the IRA or plan. For example, no spousal consent rules apply to IRAs, and IRAs cannot provide loans. Also, your rollover is subject to the tax rules that apply to the IRA or plan.

have 60 days after you receive your CalSTRS payment to deposit the amount you received in an IRA or employer plan.

CalSTRS payments made to you are subject to a 20 percent federal income tax and a state income tax withholding at 10 percent of your federal tax withholding unless you request no state income tax withholding. If you do a 60-day rollover and do not make up the taxed portion from other sources (for example, your savings), you may have to pay additional penalties for an early distribution.

A rollover into a Roth IRA is not tax free except to the extent the funds represent after-tax contributions (also see page 9). For CalSTRS payments rolled over to a Roth IRA in 2010, you can spread the taxable amount over a two-year period starting in 2011.

## **How Can a Rollover Affect My Taxes?**

Your taxes will depend on whether you decide to roll over an eligible payment and on whether you decide to do a direct rollover or a 60-day rollover.

### **What Are the Tax Consequences If I Do Not Do a Direct Rollover?**

If you do not do a direct rollover, CalSTRS is required to withhold 20 percent of the payment for federal income tax and, if you

choose, will withhold 10 percent of your federal income tax withholding for state income tax. (For example, if you have 20 percent federal tax withholding, your state withholding will be 2 percent.)

In order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20 percent withheld for federal income tax and any state income tax withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed—and also subject to the 10 percent additional federal income tax (and the 2.5 percent additional state income tax) on early distributions if you are under age 59½, unless an exception applies.

When you prepare your income tax returns for the year, unless you made a rollover within 60 days (see page 6), you must report the full amount of your CalSTRS payment as a taxable payment.

No income tax will be withheld if your CalSTRS payments for the year are less than \$200.

### **If I Do Not Do a Rollover, Will I Have to Pay the Additional Income Taxes on Early Distributions?**

If you are under age 59½, you will have to pay the 10 percent additional federal income tax and 2.5 percent additional state income tax on early distributions of any CalSTRS payment, including

## **How a Rollover Can Affect Your Taxes**

Assume the taxable portion of your payment that can be rolled over is \$10,000, and you choose to have it paid to you. CalSTRS will withhold 20 percent for federal tax and, if you choose, will withhold 10 percent of your federal income tax withholding (2 percent if your federal tax withholding is at 20 percent) for California tax, leaving you with \$7,800. The \$2,200 withheld will be sent to the IRS and the California Franchise Tax Board as income tax withholding.

Within 60 days after receiving the \$7,800, you may roll over the entire \$10,000 to a Traditional IRA or an eligible employer plan. To do this, you would roll over the \$7,800 you received from CalSTRS and add \$2,200 from your out-of-pocket sources (for example, your savings or a loan). In this case, the entire \$10,000 will not be taxed until you withdraw it from the Traditional IRA or employer plan. In addition, if you roll over the entire \$10,000, you may get a refund from the IRS and FTB of part or all of the \$2,200 withheld when you file your income tax return.

Be aware that if you roll over only \$7,800, the \$2,200 you did not roll over will be taxed in the year it was withheld. It also may be subject to a penalty for early distribution. When you file your income tax return, you may still get a refund of part of the \$2,200 withheld. However, any refund may be larger if you roll over the entire \$10,000.

amounts withheld for income tax, that you do not roll over unless one of the exceptions applies. These taxes are in addition to the regular federal and state income taxes on the payment not rolled over.

The 10 percent additional federal income tax and the 2.5 percent additional state income tax do not apply to the following CalSTRS payments:

- Payments made after you separate from service if you will be at least age 55 in the year of the 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 expectancies of you and your beneficiary).
  - Payments made 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.
- The exception for qualified domestic relations orders does not apply. However, 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 had a separation from service.
  - There may be additional exceptions for:
    - » Payments for qualified higher education expenses.
    - » Payments up to \$10,000 used in a qualified first-time home purchase.
    - » 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.

### **If I Do a Rollover to an IRA, Will the Additional Income Taxes Apply to Early Distributions From the IRA?**

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10 percent additional federal income tax and 2.5 percent additional state income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the additional federal and state income taxes for early distributions from an IRA are the same as the exceptions listed 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 from service that are made after age 55.

### **Voluntary Withholding**

If any portion of your payment is taxable but is not rollover eligible (see page 5), the mandatory withholding rules do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, both federal and state income tax withholding will be taken out of this portion of your payment.

### **If You Want to Elect Out-of-State Withholding**

To elect out-of-state California tax withholding if your payment is from the Defined Benefit Program, complete the *Income Tax Withholding Preference Certificate* (form AD 908), available at CalSTRS.com. To elect out-of-state withholding if your payment is from the Cash Balance Benefit Program, complete the *Cash Balance Benefit Program Income Tax Withholding Preference* (form CB 584), which is part of the Retirement Benefit Application and the Termination Benefit Application packages at CalSTRS.com.

# Special Rules and Options

## If Your Payment Includes After-Tax Contributions

After-tax contributions included in a CalSTRS payment are not taxed. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

You may roll over a CalSTRS payment that includes after-tax contributions to an IRA through either a direct rollover or a 60-day rollover (see page 4). You must track the aggregate amount of the after-tax contributions in all of your IRAs in order to determine your taxable income for later payments from the IRAs. If you do a direct rollover of only a portion of the amount paid from CalSTRS and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of your CalSTRS payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit that totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions. However, CalSTRS will still withhold 20 percent for federal income tax and 10 percent of your federal tax withholding for state tax, or 2 percent, if you choose to have state tax withheld on the taxable amount.

You may roll over all of a payment that includes after-tax contributions to an employer plan but only through a direct rollover—and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan. You can do a 60-day rollover for the part of your CalSTRS payment that includes after-tax contributions to an employer plan but only up to the amount of the payment that would be taxable if not rolled over.

## If You Miss the 60-Day Rollover Deadline

Generally the 60-day rollover deadline cannot be extended. However, the IRS has limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevent 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*.

## 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 tax on the payment may apply.

You may elect to have your lump-sum distributions taxed under favorable rates. The election is also available to your beneficiaries, including your current or former spouse who was named as an alternate payee under a qualified domestic relations order. The special tax treatment is not available for any portion of the lump-sum distributions rolled over to another plan. You may choose among the options listed below for computing the tax on your lump-sum distribution:

- 10-year averaging of the entire distribution.
- 10-year averaging of the post-1973 portion of the distribution.
- Having the portion of the distribution attributable to your pre-1974 participation in CalSTRS taxed at a flat 20 percent capital gains rate.

The rules on special tax treatments are complex. For more information, see IRS Publication 575, *Pension and Annuity Income*, and IRS form 4972.

## **If You Roll Over Your Payment to a Roth IRA**

You can roll over a payment from CalSTRS 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 CalSTRS payments made to you after 2009. If you did a rollover to a Traditional IRA because you were not eligible to do a rollover to a Roth IRA until after 2009, you can now elect to convert the Traditional IRA into a Roth IRA.

If you roll over your CalSTRS 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 percent additional federal income tax and 2.5 percent additional state 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 CalSTRS payments 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 your payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed, including earnings after 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 your 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 the 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 percent additional federal income tax and 2.5 percent additional state income tax on early distributions, unless an exception applies. You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, *Individual Retirement Arrangements*.

You cannot roll over a payment from CalSTRS to a designated Roth IRA account in an employer plan.

CalSTRS is not responsible for assuring your eligibility to make a rollover to a Roth IRA. Consult your tax adviser if you are interested in rolling over your payment to a Roth IRA.

## **If You Are Not a CalSTRS Member**

### **Payments After a Member's Death**

If you receive a distribution after a CalSTRS member's death that you do not roll over, the distribution generally will be taxed in the same manner described elsewhere in this notice. However, the 10 percent additional federal income tax and 2.5 percent additional state income tax on early distributions do not apply. The special rules described under the section "If you were born on or before January 1, 1936" applies only if the CalSTRS member was born on or before January 1, 1936.

### **Surviving Spouses**

If you receive a CalSTRS payment as the surviving spouse of a deceased member, you have the same rollover options that the member would have had. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA, so payments made to you before you are age 59½ will be subject to the 10 percent additional federal income tax and 2.5 percent additional state income tax on early distributions, unless an exception applies. In addition, required minimum distributions from your Traditional IRA do not have to start until after you are age 70½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10 percent additional federal income tax and 2.5 percent additional state income tax on early distributions. However, if the member had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the member had not started taking required

minimum distributions, you will not have to start receiving required minimum distributions from the inherited IRA until the year the member would have been age 70½.

### **Surviving Beneficiaries Other Than Spouses**

If you receive a CalSTRS payment because of the member'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 into an inherited IRA. Payments from the inherited IRA will not be subject to the 10 percent additional federal income tax and 2.5 percent additional state 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 a CalSTRS member who receives a payment from CalSTRS under a qualified domestic relations order, you generally have the same options the member 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 percent additional federal income tax or 2.5 percent additional state income tax on early distributions.

### **If You Are a Nonresident Alien**

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or a

U.S. employer plan, CalSTRS is generally required to withhold 30 percent of the payment for federal income tax. 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 IRS Form 1040-NR and attaching your IRS Form 1042-S. See Form W-8BEN to claim 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 10 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, CalSTRS will not do a direct rollover and is not required to withhold federal or state income tax. However, you may do a 60-day rollover.

When electing how to receive a CalSTRS payment that is rollover eligible, any amount you do not designate for a rollover will be mailed directly to you. Any payment made to you is subject to the tax consequences in this notice.

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

### **For More Information**

Find more 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*, and IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, at [irs.gov](http://irs.gov) or by calling 800-829-3676.

For information on state income tax, contact the California Franchise Tax Board at [ftb.ca.gov](http://ftb.ca.gov) or call 800-852-5711 (or 916-845-6500 if calling from outside the U.S.).

**We recommend contacting the IRS or a professional tax adviser before taking a payment from CalSTRS.**

## 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®  
Personal Wealth Plan

855-844-2468 (toll free)  
Pension Abuse  
Reporting Hotline



### WRITE

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



### VISIT

Member Services  
100 Waterfront Place  
West Sacramento, CA 95605



### FAX

916-414-5040

# CALSTRS

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