CalSTRS
HOW WILL YOU SPEND YOUR FUTURE?

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.

Benefits of Leaving Your Contributions With CalSTRS

- You will be eligible for a lifetime monthly retirement benefit 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 CalSTRS lifetime monthly benefit if you retire concurrently from CalSTRS and certain other California public 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.

See the *CalSTRS Member Handbook* at CalSTRS.com to learn more.

Consequences of Taking a Refund of Your CalSTRS Contributions

- You will forfeit all rights to CalSTRS 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 when you refund your Defined Benefit account. You cannot redeposit Defined Benefit Supplement contributions.
- Your refund will be taxed as income if you choose not to roll over your account to a qualified retirement plan. 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 2 percent. You may be subject to an additional 10 percent federal tax and 2.5 percent state tax if you take a refund before age 59½ and do not roll over your funds to a qualified plan.

Keeping Your Contributions With CalSTRS Means Keeping Your Service Credit

By not taking a refund, you keep your CalSTRS service credit. Once you are eligible to retire, your retirement benefit is calculated using the following three-part formula:

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

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

EXAMPLE:

Educator With Six Years in a Public School

Jan has taught full time for six years under the CalSTRS 2% at 60 benefit structure. She recently decided to leave teaching at a public school to take a position at a private school. Since private school teachers aren't CalSTRS members, she wonders if she should take a refund of her $25,000 in CalSTRS member contributions. If Jan keeps her money in CalSTRS until she turns 60 and retires, she would get approximately $175,000 more in benefits than her refund of $25,000.*

Years of service credit		6
2 percent age factor if Jan retires at age 60	x	0.02
Final compensation	x	$4,500
Monthly lifetime retirement benefit		$540

* Calculation includes 2 percent annual benefit adjustment. Lifetime benefits are calculated with 25 years of benefits received after retirement at age 60.

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 will 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 2015, then return the refund in January 2016, your refund will be reported as income on your IRS Form 1099-R for tax year 2015. You will be responsible for any taxes on those funds.

> Submit your *Refund Application* through *my*CalSTRS for faster processing.

Concurrent Retirement

Whether you keep in or redeposit 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 public retirement systems include:

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

Watch the Refund: Consider the Consequences video at CalSTRS.com/videos.

CalSTRS Resources

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