

# Defined Benefit Supplement Application for Retired Members Instructions

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This application is for Defined Benefit members who have retired from service and have a balance in their Defined Benefit Supplement account. Complete this application to receive your balance as a lump-sum payment, a monthly annuity, to change previous Defined Benefit Supplement payment instructions—or to change previous payment instructions you made on your *Service Retirement Application* and it has been more than 30 days since the date your first benefit payment was issued.

## SECTION 1 – MEMBER INFORMATION

Be sure your name on your application matches your name as it appears on your Social Security card. If you know it, include your Client ID instead of your Social Security number. Include your email address and home and alternate telephone numbers so we can contact you if we have questions.

## SECTION 2 – DEFINED BENEFIT SUPPLEMENT ELECTION

### SECTION 2.1: CHOICES IF YOU ELECTED A MEMBER-ONLY BENEFIT ON YOUR SERVICE RETIREMENT APPLICATIONS

If you elected the Member-Only benefit at retirement, elect one of the following three choices:

1. **Lump-sum payment** is a one-time payment of the total amount in your Defined Benefit Supplement account, which can be received as either a direct payment or a rollover to a qualified plan, such as CalSTRS Pension2.
2. **Annuity Payments:**
  - Period-Certain Annuity** provides a monthly payment for any number of whole years from three to 10 years. The monthly amount you receive is based on the number of years over which the annuity is paid—the lower the number of years, the higher the amount you receive. A period-certain annuity of 3 to 9 years is eligible for rollover to another qualified plan; however, a period-certain annuity of 10 years is not eligible for rollover. If you die before the annuity period ends, the remaining payments will be paid to your one-time death benefit recipient.
  - Lifetime Monthly Annuity** provides a monthly payment for your lifetime. Lifetime annuities must be paid directly to you and cannot be rolled over to a qualified plan. Because you elected the Member-Only Benefit for your lifetime monthly retirement benefit, if you would like to receive

lifetime monthly payments from your Defined Benefit Supplement account, you must elect the Member-Only Annuity. Any balance remaining upon your death will be paid to your one-time death benefit recipient.

3. **Combination Lump-Sum and Annuity**

You can receive a portion of your balance as a lump-sum payment and the remaining amount as an annuity. To elect this choice, you must have at least \$3,500 remaining in your Defined Benefit Supplement account after your lump-sum payment is made. If you choose the combination lump-sum and annuity, indicate the amount of your lump-sum payment and one of the annuity choices.

### SECTION 2.2: CHOICES IF YOU ELECTED A MODIFIED BENEFIT- YOU ELECTED AN OPTION BENEFICIARY AT RETIREMENT OR IF YOU ELECTED AN OPTION BENEFICIARY BEFORE RETIREMENT

1. **Lump-sum payment** is a one-time payment of the total amount in your Defined Benefit Supplement account, which can be received as either a direct payment or a rollover to a qualified plan, such as CalSTRS Pension2.
2. **Period-Certain Annuity** provides a monthly payment for any number of whole years from three to 10 years. The monthly amount you receive is based on the number of years over which the annuity is paid—the lower the number of years, the higher the amount you receive. A period-certain annuity of 3 to 9 years is eligible for rollover to another qualified plan; however, a period-certain annuity of 10 years is not eligible for rollover. If you die before the annuity period ends, the remaining payments will be paid to your one-time death benefit recipient. Note that your balance must be \$3,500 or more to make this election.
3. **Lifetime Monthly Annuity** provides a monthly payment for your lifetime and the lifetime of your beneficiaries (if you elected the Modified Benefit for your Defined Benefit account). Lifetime annuities must be paid directly to you and cannot be rolled over to a qualified plan. Because you elected the Modified Benefit for your lifetime monthly retirement benefit, if you would like to receive lifetime monthly payments

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from your Defined Benefit Supplement account, you must elect a beneficiary annuity. The amount of your monthly annuity depends on the percentage of your payment that you choose to have paid to your beneficiaries upon your death.

- 100% Beneficiary Annuity provides all of your monthly annuity payment amount to your beneficiary every month upon your death.
- 75 % Beneficiary Annuity provides 75% of your monthly annuity payment amount to your beneficiary every month upon your death.
- 50 % Beneficiary Annuity provides 50% of your monthly annuity payment amount to your beneficiary every month upon your death.

#### 4. **Combination Lump-Sum and Annuity**

You can receive a portion of your balance as a lump-sum payment and the remaining amount as an annuity. To elect this choice, you must have at least \$3,500 remaining in your Defined Benefit Supplement account after your lump-sum payment is made. If you choose the combination lump-sum and annuity, indicate the amount of your lump-sum payment and one of the annuity choices.

## SECTION 3 – DEFINED BENEFIT SUPPLEMENT PAYMENT INSTRUCTIONS

### Lump-Sum Distribution

1. **Direct Payment** If you elect to have your Defined Benefit Supplement lump-sum payment paid directly to you, check the “Direct Payment” box.
2. **Rollover of Tax-Deferred or After-Tax Contributions and Interest**

All or a portion of your CalSTRS payment may be eligible to be rolled over to a qualified IRA or an eligible employer plan. Please read the Tax Considerations for Rollovers brochure before making your payment distribution choice.

The amount of tax-deferred or after-tax contributions and interest in your Defined Benefit Supplement account is provided on your *Retirement Progress Report*. Your account balance must be \$200 or more to qualify for a rollover to a financial institution. You may elect to roll over a specific dollar amount or a

percentage (1–100%) that you would like to roll over.

For example, if you expect to receive \$4,000 and choose to roll over 75% of it, CalSTRS will distribute \$3,000 directly to the qualified IRA or other eligible plan that you specify. The remaining balance of \$1,000 will be paid directly to you and will be subject to 20% federal income tax withholding.

### Financial Institution Information

If you are rolling over your Defined Benefit Supplement funds to a financial institution other than CalSTRS Pension2, you must get a signature from your financial institution before submitting your application. CalSTRS will accept a Letter of Acceptance from your financial institution in lieu of a signature from your financial institution.

When providing your financial institution information, do not attach transfer documents or list “IRA” as the name of your financial institution. We will mail your funds to the financial institution address you provide. To avoid a delay in rolling over your funds, please make sure the financial institution name, address and account number are correct.

**NOTE:** We are not able to process direct trustee-to-trustee transfers to financial institutions outside the U.S.

### Monthly Annuity Payments

If you would like your payment to be paid directly to you, check the “Direct Payment” box. Your monthly annuity payment will be mailed to the same address or transferred to the same bank account as your monthly retirement benefit. If you would like to roll over your payment to a financial institution, check the “Rollover” box.

### SECTION 3.1 – ANNUITY BENEFICIARY INFORMATION

If you have chosen a beneficiary annuity, you must complete this section with your beneficiary information.

**NOTE:** If you elect an annuity beneficiary, your beneficiary must be a living person or a special needs trust—it cannot be another type of trust, charity, or other entity. If you wish to elect a special needs trust as your annuity beneficiary, the *Certification of a Special Needs Trust* form (SR1854) must accompany this application.

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## SECTION 4: DIRECT PAYMENT LUMP-SUM OR PERIOD-CERTAIN ANNUITY OF 3-9 YEARS

When completing this section, remember that there are penalties for not paying enough tax during the year, either through withholding or estimated tax payments. You may be able to avoid paying quarterly estimated taxes by having enough state and federal tax withheld from your monthly benefit payment.

**Rollover Eligible:** Federal law requires that CalSTRS withhold at least 20% federal income tax for all lump-sum payments and period-certain annuities of 3 to 9 years paid directly to you that are rollover eligible. You may designate a higher percentage if you choose. As a result, CalSTRS will automatically withhold federal tax from these payments.

**Non-rollover Eligible:** CalSTRS must withhold at a default rate of 10% unless you enter a different rate. Choose a different rate by entering a rate between 0% and 100%. You may choose to have no federal income tax withheld.

## SECTION 5: TAX WITHHOLDING FOR A LIFETIME BENEFIT OR ANNUITY OR 10 YEARS

If you are receiving a lifetime monthly benefit or an annuity of 10 years, indicate your federal and state tax withholding preferences. If you do not complete this section, we must withhold federal income tax from your monthly benefit payments as single with no adjustments. We must withhold state income tax as married claiming three withholding allowances (unless you are a nonresident of California, in which case we will not withhold state tax).

### SECTION 5.1: CALIFORNIA INCOME TAX WITHHOLDING

If you want California 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 to calculate state tax withholding. You may designate a dollar amount to withhold instead of claiming withholding allowances.

California does not tax the CalSTRS benefits of nonresidents. To learn more about California residency, see Franchise Tax Board Publication 1031, *Guidelines for Determining Resident Status*, at [ftb.ca.gov](http://ftb.ca.gov).

If you do not want any state income tax withheld, check the "Do not withhold California income tax" box. In absence of an election or other documentation,

CalSTRS will apply state tax withholding based on your address.

### SECTION 5.2: FEDERAL INCOME TAX WITHHOLDING

To elect federal income tax withholding, you must designate your expected filing status and provide additional information regarding your income and that of your spouse. You may adjust the amount to be withheld by providing information regarding dependent credits and other credits you expect to claim on your tax return. You may also elect to have CalSTRS withhold tax for income you receive elsewhere; reduce withholding by reporting expected tax deductions; and designate an additional amount to be withheld from each benefit payment. You cannot designate a specific dollar amount only to be withheld for federal tax.

#### SECTION 5.2.2.1: INCOME FROM YOUR OR A SPOUSE'S JOB, OTHER PENSIONS OR ANNUITIES

Enter income from a job, a pension or annuity income (including a spouse's job, pension or annuity) in Section 5.2.2.1 if you have at least one of the following:

- Income from a job
- Income from more than one pension or annuity
- A spouse (if married filing jointly) who received income from a job, pension or annuity

**TIP:** Submit a separate form for each benefit you receive from CalSTRS. Submit a new Form W-4P for all other pensions or annuities, and a new Form W-4 for each of your jobs if you have not updated your wage withholding since 2019. If you have self-employment income, see IRS Form W-4P instructions at [irs.gov](http://irs.gov).

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## THE FOLLOWING EXAMPLES WILL ASSIST YOU IN COMPLETING SECTIONS 5.2.2.1, 5.2.2.2 AND 5.2.2.3.

**Example 1.** Ricardo, a single filer, is completing this form for a benefit that pays \$50,000 a year. Ricardo also has a job that pays \$25,000 a year. Ricardo has no other pensions or annuities. Ricardo will enter \$25,000 on lines a and c in section 5.2.2.1.

If Ricardo also has \$1,000 of interest income, which he entered on Form W-4, Step 4(a), then he will instead enter \$26,000 on lines a and c. He will make no entries on line a in Section 5.2.2.3 for other income (not from jobs and pension or annuity payments) on this form.

**Example 2.** Carol, a single filer, is completing this form for a pension that pays \$50,000 a year. Carol does not have a job, but she also receives another pension for \$25,000 a year (which pays less annually than the \$50,000 pension). Carol will enter \$25,000 on lines b and c. If Carol also has \$1,000 of interest income, she will enter \$1,000 on line a in Section 5.2.2.3 for other income (not from jobs and pension or annuity payments).

**Example 3.** Mia, a single filer, is completing this form for a pension that pays \$50,000 a year. Mia does not have a job, but she receives another pension for \$75,000 a year

(which pays more annually than the \$50,000 pension). Mia will not enter any amounts in Section 5.2.2.1

If Mia also has \$1,000 of interest income, she won't enter that amount on line a in Section 5.2.2.3 of this form because she entered the \$1,000 on the election form for the higher-paying \$75,000 pension.

**Example 4.** Yvette, a single filer, is completing this form for a pension that pays \$50,000 a year. Yvette also has a job that pays \$25,000 a year and another pension that pays \$20,000 a year. Yvette will enter \$25,000 on line a for job income, \$20,000 on line b for pension or annuity income and \$45,000 on line c in section 5.2.2.1.

If Yvette also has \$1,000 of interest income, which she entered on Form W-4, Step 4(a), she will instead enter \$26,000 on line a for job income, leave the amount for pension and annuity income unchanged, and enter \$46,000 on line c. She will make no entry on line a in Section 5.2.2.3 for other income (not from jobs and pension or annuity payments).

**NOTE:** If you are married filing jointly, the entries described above do not change if your spouse has the job or the other pension or annuity instead of you.

### SECTION 5.2.2.2: CLAIM DEPENDENT AND OTHER CREDITS

This step provides instructions for determining the amount of the child tax credit and the credit for other dependents that you may be able to claim when you file your tax return. To qualify for the child tax credit, the child must be under age 17 as of December 31, must be your dependent who generally lives with you for more than half the year, and must have the required Social Security number. You may be able to claim a credit for other dependents for whom a child tax credit can't be claimed, such as an older child or a qualifying relative. For additional eligibility requirements for these credits, see IRS Publication 501, *Dependents, Standard Deduction, and Filing Information*.

You can also include other tax credits for which you are eligible in this step, such as the foreign tax credit and the education tax credits. Including these credits will increase your payments and reduce the amount of any refund you may receive when you file your tax return.

**CAUTION:** If you (or if married filing jointly, you or your spouse) have a job, do not complete Section 5.2.2.2 of this form. Instead, complete Steps 3 through 4(b) on the Form W-4 for the job. If you (or if married filing jointly, you and your spouse) do not have a job, complete these steps on the *CalSTRS Income Tax Withholding Preference Certificate* or IRS Form W-4P [Steps 3 through 4(b)] for only the pension or annuity that pays the most annually. Leave those sections blank for the other pensions or annuities.

### SECTION 5.2.2.3: OPTIONAL ADJUSTMENTS

**Other income (not from jobs and pension or annuity payments).** Enter on line a the total of your other estimated income for the year, if any. You should NOT include amounts from any jobs or pension and annuity payments. If you complete line a, you likely won't have to make estimated tax payments for that income. If you prefer to pay estimated tax rather than having tax on other income withheld from your pension, see IRS Form 1040-ES, *Estimated Tax for Individuals*.

**Deductions.** Enter on line b the amount from the *Deductions Worksheet*, line 6, on Form W-4P if you expect to claim deductions other than the basic standard deduction on your tax return and want to reduce your

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withholding to account for these deductions. This includes itemized deductions, the additional standard deduction for those 65 and over, and other deductions such as for student loan interest and IRAs.

**Additional withholding.** Enter on line c any additional tax you want withheld from each payment. Entering an amount on line c will reduce your payments and either increase your refund or reduce any amount of tax that you owe.

**NOTE:** For payments that began before 2023, your current withholding election (or your default rate) remains in effect unless you submit a new *Income Tax Withholding Preference Certificate*.

## QUESTIONS

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

For additional information, see the *Tax Considerations for Rollovers* booklet, available at [CalSTRS.com](https://CalSTRS.com) or by calling 800-228-5453 to have a booklet mailed to you.

Also read IRS Publication 575, *Pension and Annuity Income*, and FTB Publication 1005, *Pension and Annuity Guidelines*, or contact a qualified tax professional.

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

## SECTION 6: REQUIRED SIGNATURES

Check all the boxes that apply, then sign and date your application.

If you are married or registered as a domestic partner, your spouse or partner must also sign and date your application. If your spouse or partner does not sign it, you must complete the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form and return it with your application.

If you divorced or terminated a registered domestic partnership and a portion of your CalSTRS benefit was awarded to a former spouse or partner, check the corresponding box. You may need to refer to your settlement agreement to make this determination. In addition, if your court documents have not been reviewed by CalSTRS, you may be asked to provide them. This can delay your application processing.

## SUBMITTING YOUR FORM

### Hand Delivery

Hand-deliver your form to a local CalSTRS office (see the *Your Retirement Guide* booklet or visit [CalSTRS.com/forms-drop](https://CalSTRS.com/forms-drop)).

### Mail Your Form

CalSTRS  
P.O. Box 15275, MS 65  
Sacramento, CA 95851-0275

### Overnight Delivery

If you are using a special mailing service such as UPS or FedEx, send your form to:

### CalSTRS

Member Services  
100 Waterfront Place  
West Sacramento, CA 95605

### Fax Delivery

916-414-5964 or  
916-414-5965

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## SPECIAL TAX NOTICE: YOUR ROLLOVER OPTIONS

### 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 another eligible employer plan. This notice is intended to help you decide whether to do such a rollover.

Rules that apply to most CalSTRS 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.

The following summarizes tax information and is provided in accordance with Section 402(f) of the Internal Revenue Code. CalSTRS does not provide tax information or advice. Consult a tax professional, the Internal Revenue Service or the State Franchise Tax Board for specific information and to confirm that any relevant tax laws have not changed since this notice was released.

Certain California tax information is also provided. In general, California law conforms to federal tax laws. However, there are some differences between California and federal law.

In addition, if you do not meet California residency criteria, your CalSTRS benefits are not subject to state income tax. For additional information, visit [ftb.ca.gov](http://ftb.ca.gov).

### 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 this notice. 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.

### GENERAL INFORMATION ABOUT ROLLOVERS

#### How can a rollover affect my taxes?

You will be taxed on your CalSTRS payment if you do not roll it over. If you are under age 59½ and do not do a rollover, you also will have to pay a 10% additional federal income tax and a 2.5% additional California state income tax on early distributions, unless an exception applies.

If you do a rollover, however, you will not have to pay tax until you receive distributions later and the 10% additional federal income tax and 2.5% additional state

income tax will not apply if those distributions are made after you are age 59½, or if an exception applies.

#### Where may I rollover my CalSTRS payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or another eligible employer plan (a tax-qualified plan, 403(b) plan or 457(b) plan) that will accept the rollover. The rules of the IRA or plan that holds the rollover will determine your investment options, fees and rights to payment from the IRA or employer plan. For example, no spousal consent rules apply to IRAs and IRAs may not provide loans. Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

#### How do I do a rollover?

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

**Direct rollover:** If you do a direct rollover, CalSTRS will make the payment directly to your IRA or another eligible employer plan. You should contact the IRA sponsor or the administrator of the plan for information on how to do a direct rollover.

If you do a direct rollover of only a portion of your CalSTRS payment and a portion is paid to you at the same time, the portion directly rolled over consists first of the amount that would be taxable if not rolled over.

**60-day rollover:** If you do not do a direct rollover, you still may do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive your CalSTRS payment to make the deposit.

**If you do not do a direct rollover, CalSTRS is required to withhold at least 20% of the payment for federal income taxes. You may elect a higher percentage if you choose. Unless you elect to not have state tax withheld or you are a nonresident of California, CalSTRS will withhold at 2%.** This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld for federal taxes and any state tax withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed in the year distributed and will be subject to the 10% additional federal income tax and the 2.5% additional state income tax on early distributions if you are under age 59 ½, unless an exception applies.

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## How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any CalSTRS payment is eligible for rollover, except:

- Benefit payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary).
- Required minimum distributions in the calendar year in which you turn age 72 (age 70 ½ if you were born prior to July 1, 1949) or after death.
- Corrective distributions of contributions that exceed tax law limitations.

CalSTRS can tell you what portion of a payment is eligible for rollover.

## If I don't do a rollover, will I have to pay the 10% additional federal income tax and the 2.5% additional state income tax on early distributions?

If you are under age 59 ½, you will have to pay the 10% additional federal income tax and 2.5% additional state income tax on early distributions for any CalSTRS payment, including amounts withheld for income tax, that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular federal and state income taxes on the payment not rolled over.

The 10% additional federal income tax and the 2.5% 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 expectancy of you and your beneficiary).
- Payments made due to disability.
- Payments made 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 whether or not you itemize deductions for the taxable year.
- Payments for certain distributions related to certain federally declared disasters.
- Certain coronavirus related distributions.

## If I do a rollover to an IRA, will the 10% additional federal income tax and the 2.5% additional state income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59 ½, you will have to pay the 10% additional federal income tax and 2.5% additional state income tax on the part of the distribution that you must include in income 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 above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation does not apply.
- 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 are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

## SPECIAL RULES AND OPTIONS

### If Your Payment Includes After-Tax Contributions

After-tax contributions included in your payment are not taxed upon distribution. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However,

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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. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of 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 your CalSTRS payment and the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of your entire CalSTRS payment to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth 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.

You may roll over to an eligible employer plan all of a payment that includes after-tax contributions, 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 to an eligible employer plan of part of a CalSTRS payment that includes after-tax contributions, 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 the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline.

Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, 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-A, *Contributions to 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 amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

### **If You Roll Over Your Payment to 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% additional income tax and 2.5% 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).

If you roll over the 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 a 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 a 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% additional federal income tax and 2.5% additional state income tax on early distributions, unless an exception applies. Nonqualified Roth IRA distributions are treated as coming first from after-tax contributions. You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publications 590-A, *Contributions to Individual Retirement Arrangements* and 590-B, *Distributions from Individual Retirement Arrangements*.

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.



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## **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 will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional federal income tax and 2.5% additional state income tax on early distributions do not apply. The special rule 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.

**If you are a surviving spouse.** 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, as described elsewhere in this notice. 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 of yours, so that payments made to you before you are age 59 ½ will be subject to the 10% additional federal income tax and 2.5% additional state income tax on early distributions, unless an exception applies. In addition, required minimum distributions from your Traditional IRA don't have to start until after you reach the age at which you are subject to required minimum distributions. If you were born prior to July 1, 1949, you were subject to required minimum distributions beginning in the year you reached age 70 ½. If you were born on or after July 1, 1949, you are subject to required minimum distributions in the year you reach age 72.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional federal income tax and 2.5% 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 72 (age 70 ½ if the member was born before July 1, 1949).

**If you are a surviving beneficiary other than a spouse.** 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 to an inherited IRA. Payments from the inherited IRA will not

be subject to the 10% additional federal income tax and 2.5% additional state income tax on early distributions. The entire balance of the inherited IRA must be distributed by the end of the 10th calendar year following the year of the member's death, unless you are an "eligible designated beneficiary." An eligible designated beneficiary is a beneficiary designated under the terms of CalSTRS who is any of the following:

- The surviving spouse of the member,
- A child of the member who has not reached the age of majority (18 in California and most other states).
- A chronically ill individual as defined in Internal Revenue Code Section 401(a)(9)(E)(ii)(IV).
- Any other individual who is not more than 10 years younger than the member.

Required minimum distributions to an eligible designated beneficiary may be made over a period based on the beneficiary's life expectancy, beginning no later than the year after the member's year of death.

Different rules apply if the member died before January 1, 2020. Consult your tax advisor and your IRA provider about minimum required distributions.

## **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 (QDRO), you generally have the same options and the same tax treatment that 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). However, payments under the QDRO will not be subject to the 10% additional federal income tax or 2.5% 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. eligible employer plan, CalSTRS is generally required to withhold 30% of the payment for federal income taxes. 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 1040NR and attaching your IRS Form 1042-S. See Form W-8BEN for claiming 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*, IRS Publication 515, *Withholding of Tax on Nonresident*

# Defined Benefit Supplement Application for Retired Members Instructions

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*Aliens and Foreign Entities*, and FTB Publication 1100, *Taxation of Nonresidents and Individuals Who Change Residency*.

## 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 is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

When electing how to receive a CalSTRS payment that is rollover eligible, any amount not designated for rollover will be issued directly to you according to the payment preference on file for your account.

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*. You may also have special rollover rights if you were affected by a federally declared disaster or similar event, if you received a distribution on account of a disaster, or if your distribution is or was due to a qualified child birth or adoption. For more information, visit [irs.gov](http://irs.gov).

## FOR MORE INFORMATION

See the *Tax Considerations for Rollovers* booklet at [CalSTRS.com](http://CalSTRS.com). You should also consult a professional tax adviser before taking a payment from CalSTRS.

In addition, you will find more information on the federal tax treatment of payments from employer plans in IRS Publication 575, *Pension and Annuity Income*; Publication 590-A, *Contributions to Individual Retirement Arrangements*; Publication 590-B, *Distributions from Individual Retirement Arrangements*; and 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-TAX-FORM (800-829-3676).

For information on state 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.). Also see FTB Publication 1005, *Pension and Annuity Guidelines*.

## RIGHT TO RECEIVE PAPER DOCUMENT

Contact CalSTRS to receive this *Special Tax Notice: Your Rollover Options* provided as a written paper document at no charge.

## RIGHT TO WITHDRAW YOUR CONSENT

You have the right to withdraw consent to receive electronic delivery of the *Special Tax Notice: Your Rollover Options* at any time. Withdrawal of your consent may delay processing of your application. If you would like to withdraw your consent to receive electronic delivery of the *Special Tax Notice: Your Rollover Options*, contact CalSTRS and request to receive this notice and application as a written paper document at no charge.

## Scope of Your Consent

Consent to receive electronic delivery of the *Special Tax Notice: Your Rollover Options* applies only to the particular transaction.

## CalSTRS Contact Procedures

If you have questions about the procedures for receiving a written paper document or to update your electronic information, contact CalSTRS at 800-228-5453, [CalSTRS.com/contactus](http://CalSTRS.com/contactus) or 916-414-5040 (fax).

## Software Requirements

The software requirements needed to access and retain this *Special Tax Notice: Your Rollover Options* follow:

- Internet Explorer, Version 7.0 and above
- Mozilla Firefox, Version 3.0 and above
- Apple Safari, Version 3.0 and above
- Google Chrome, Version 4.0 and above

Use Adobe® Reader® to view, print and save this notice and other CalSTRS important online documents. If you do not have Adobe Reader installed on your computer, you may download the free program from the Adobe website.

CalSTRS is not responsible for any hardware or software problems resulting from the installation of any third-party tools, including Web browsers, programs or plug-ins listed. Any third-party providers listed here are governed by their own terms of use and privacy policies.

**DEFINED BENEFIT  
SUPPLEMENT  
APPLICATION  
FOR RETIRED MEMBERS**  
DBS 0890 rev. 08/23

[For CalSTRS' Official Use Only]

**CALSTRS**

P.O. Box 15275, MS 65  
Sacramento, CA 95851-  
0275

800-228-5453  
CalSTRS.com

Read the instructions carefully before completing this form.

**Section 1: Member Information**

Client ID OR Social Security Number: \_\_\_\_\_

Last Name: \_\_\_\_\_

First Name: \_\_\_\_\_ MI: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Date of Birth (MM/DD/YYYY): \_\_\_\_\_ Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

Continued on the following page.



DBS0890

## Section 2: Defined Benefit Supplement Election

I have read the attached information describing the available elections, and I elect **ONE** of the following:

### Section 2.1: Choices If You Elected a Member-Only Benefit on Your Service Retirement Application

(See page 1 of instructions)

- Lump-sum payment**
  
- Annuity payment** (Choose one)
  - Period-Certain Annuity of three to 10 years\***  
Number of years (Choose one)  
3   4   5   6   7   8   9   10

**OR**

- Lifetime Monthly Annuity\***
  - Member-Only Annuity
  
- Combination Lump-Sum and Annuity:**  
After your lump-sum payment and annuity, at least \$3500 must remain in your account to fund an annuity.

\$ \_\_\_\_\_ lump-sum amount

**Annuity** (Choose one)

- Period-Certain Annuity of three to 10 years\***  
Number of years (Choose one)  
3   4   5   6   7   8   9   10

**OR**

- Lifetime Monthly Annuity\***
  - Member-Only Annuity

### Section 2.2: Choices If You Elected or Confirmed an Option Beneficiary on Your Service Retirement Application

(See page 1 of instructions)

- Lump-sum payment**
  
- Annuity payment** (Choose one)
  - Period-Certain Annuity of three to 10 years\***  
Number of years (Choose one)  
3   4   5   6   7   8   9   10

**OR**

- Lifetime Monthly Annuity\***
  - 100% Beneficiary Annuity
  - 75% Beneficiary Annuity
  - 50% Beneficiary Annuity
  
- Combination Lump-Sum and Annuity:**  
After your lump-sum payment and annuity, at least \$3500 must remain in your account to fund an annuity.

\$ \_\_\_\_\_ lump-sum amount

**Annuity** (Choose one)

- Period-Certain Annuity of three to 10 years\***  
Number of years (Choose one)  
3   4   5   6   7   8   9   10

**OR**

- Lifetime Monthly Annuity\***
  - 100% Beneficiary Annuity
  - 75% Beneficiary Annuity
  - 50% Beneficiary Annuity

\*Lifetime Monthly annuities and Period-Certain annuities of 10 years are not eligible to rollover.

### Section 3: Defined Benefit Supplement Payment

I have read Tax Considerations for Rollovers and have received the 30-day notification. The 30-day notification period has either been met or I have waived the notification period and hereby apply for a lump-sum distribution. Indicate below if you want to receive your Defined Benefit Supplement distribution as a direct payment or a rollover.

**Direct Payment:** I choose to have my Defined Benefit Supplement distribution paid directly to me.

**OR**

**Rollover:** I choose to rollover all or part of my Defined Benefit Supplement distribution to a financial institution. Only lump-sum payments and period-certain annuities of 3 to 9 years are eligible for a rollover. Complete the information below. If you choose a rollover to CalSTRS Pension2, CalSTRS staff will obtain the financial institution representative's signature on your behalf. *Any amount not designated for transfer will be mailed directly to me.* (See section 4 to indicate your tax withholding preferences.)

#### Rollover of Tax-Deferred Contributions and Interest

I elect to roll over my tax-deferred contributions and interest to one of the plans below.

**Select one:**  Amount to transfer \$ \_\_\_\_\_ **OR**  Percentage to transfer \_\_\_\_\_ % (indicate 1%-100%)

**Select one:**  Traditional, SEP, or SIMPLE IRA  Roth IRA

Other eligible plan (403(b), 457(b), 401(k) or 401(a))

#### Financial Institution Information (All information is required.)

Account Number

Make Check Payable To (Full name of Financial Institution)

Payment Mailing Address

City

State

Zip Code

Name of Financial Institution's Representative

Telephone

*\*Certification: My signature above confirms the account number for the individual named at the top of this page. As a representative of the financial institution or plan named above, I certify that this institution or plan agrees to accept the funds described above as a direct trustee-to-trustee transfer from CalSTRS for deposit into a qualified IRA or other eligible plan as defined in the Internal Revenue Code. I understand that my signature above authorizes the transfer of CalSTRS funds as indicated above.*

Financial Institution Representative's Signature

Signature Date

**Section 4: Direct Payment Lump-Sum and Period Certain Annuities of 3-9 Years****Rollover Eligible**

Federal law requires we withhold at least 20% federal income tax for all lump-sum payments and period-certain annuities of 3 to 9 years that are paid directly to you or your beneficiary unless the payment is less than \$200. You may elect a higher percentage if you choose.

If you choose to have California state tax withheld, we will withhold 2% for state tax, for all lump-sum payments and period-certain annuities of 3 to 9 years.

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

Optional: If you would like more than 20% withheld for federal income tax, you may designate a higher percentage.

Enter a whole number (no decimals): \_\_\_\_\_%

**Note:** See form W-4R at [irs.gov](http://irs.gov) for additional information and instructions.

**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 withheld, CalSTRS will withhold the default 10% rate from the taxable amount for nonperiodic payments unless you enter a different rate on the line below.

If you choose to have California state tax withheld, we will withhold 2% for state tax.

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

**Withhold** Federal income tax?  Yes  No

Complete this line if you would like a rate of withholding that is different from the default withholding rate: \_\_\_\_\_%

**Note:** See [irs.gov](http://irs.gov) for information and instructions on Form W-4R.

## Section 5: Lifetime Monthly Annuity and Period-Certain Annuities of 10 Years

If you do not complete this section, we must withhold federal income tax from your monthly benefit payments as single with no adjustments. We must withhold state income tax as married claiming three withholding allowances (unless you are a nonresident of California, in which case we will not withhold state tax).

### Section 5.1: California State Income Tax Withholding

#### Section 5.1.1: Withholding Instructions

**Do not** withhold California income tax.

**OR**

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

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

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

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

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

**OR**

**Withhold** exactly \$ \_\_\_\_\_ from each benefit payment. (Enter a flat dollar amount only.)

### Section 5.2: Federal Income Tax Withholding

#### Section 5.2.1: Withholding Instructions

**Do not** withhold federal income tax.

**OR**

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

Single or married filing separately

Married filing jointly or qualifying widow(er)

Head of Household (check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual)

**NOTE:** A flat amount cannot be withheld for federal income tax unless you also withhold according to the federal tax tables.

## Section 5.2.2: Additional Income and Other Adjustments

Complete sections 5.2.2.1, 5.2.2.2 and 5.2.2.3 below only if they apply to you. See the instructions for more information.

### Section 5.2.2.1: Income From Your or a Spouse's Job, Other Pensions or Annuities

Complete this step if have income from a job or more than one pension or annuity or are married filing jointly and your spouse receives income from a job or a pension or annuity.

- |  |    |
|--|----|
| <b>a. Job income.</b> If you (or your spouse) have one or more jobs, enter the total taxable annual pay from all jobs, plus any income entered on Form W-4, Step 4(a), for the jobs, less the deductions entered on Form W-4, Step 4(b), for the jobs. Otherwise, enter "-0-."               | \$ |
| <b>b. Pension or annuity income.</b> If you (or your spouse) have any other pensions or annuities (including other CalSTRS benefits) that pay less annually than this one, then enter the total annual taxable payments from all lower-paying pensions or annuities. Otherwise, enter "-0-." | \$ |
| <b>c. Total.</b> Add the amounts above.  | \$ |

### Section 5.2.2.2: Claim Dependent and Other Credits

NOTE: If line a of section 5.2.2.1 is blank and the pension or annuity pays the most annually, complete section 5.2.2.2 through line b in section 5.2.2.3. Otherwise, do not complete section 5.2.2.2 through line b of section 5.2.2.3.

#### If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):

- |   |    |
|---|----|
| Multiply the number of qualifying children under age 17 by \$2,000.                         | \$ |
| Multiply the number of other dependents by \$500.   | \$ |
| Add other credits, such as foreign tax credit and education tax credits.                    | \$ |
| <b>Total.</b> Add the amounts for qualifying children, other dependents, and other credits. | \$ |

### Section 5.2.2.3: Optional Adjustments

- |   |    |
|---|----|
| <b>a. Other income (not from jobs and pension or annuity payments).</b><br>If you want tax withheld on other income you expect this year that won't have withholdings, enter the amount of the other income here. This may include interest, taxable Social Security payments, and dividends. | \$ |
| <b>b. Deductions.</b> If you expect to claim deductions other than the basic standard deduction and want to reduce your withholding, use the Deductions Worksheet on IRS Form W-4 and enter the results.  | \$ |
| <b>c. Extra withholding.</b> Enter any additional tax you want withheld from each payment.  | \$ |



## Section 6: Required Signatures

Check all that apply to your current and previous marital status. (You must check at least one.)

- I am married or registered as a domestic partner and both our signatures are below.
- I am married or registered as a domestic partner and my spouse or registered domestic partner did not sign below. I have completed the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form.
- I have never been married or in a registered domestic partnership **OR** I am widowed, or my domestic partner has died.
- I have been divorced or have terminated a registered domestic partnership and my former spouse or partner was awarded a portion of my CalSTRS benefits.
- I have been divorced or have terminated a registered domestic partnership and my former spouse or partner was not awarded a portion of my CalSTRS benefits.

### Required Signatures

I certify that I have read the *Cash Balance Retirement Benefit Application Change Request* form instructions. I fully understand that if these changes are approved by CalSTRS—and if needed, verified by my employer—I will be officially retired as of the retirement date I requested, provided CalSTRS receives this form no later than 30 days from the date my first benefit payment is issued by CalSTRS.

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, of up to one year in jail and/or a fine of up to \$5,000 (Education Code section 22010).

\_\_\_\_\_  
Member's Signature

\_\_\_\_\_  
Signature Date (MM/DD/YYYY)

\_\_\_\_\_  
Current Spouse's or Registered Domestic Partner's Signature

\_\_\_\_\_  
Signature Date (MM/DD/YYYY)

\_\_\_\_\_  
Current Spouse's or Registered Domestic Partner's Printed Name