



# REQUESTING a REFUND

Knowing When the Time is Right





## **Our Vision**

Earning your trust every day.

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## **Our Mission**

Improving the retirement security of our members by prudently investing and managing the trust assets and delivering benefits that make a positive difference in their lives.

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## ELIGIBILITY

As a TRS member, if you terminate all employment with your TRS-covered employer(s) and have not applied for or received a promise of employment with a TRS-covered employer, you may terminate membership in TRS and withdraw all of the accumulated contributions in your member account. Refunding your account terminates your service credit and waives your right to receive TRS benefits unless you later reinstate your membership with TRS. Partial refunds are not allowed. You must refund the full amount of your accumulated contributions, minus any required withholding for federal income tax. State and employer contributions are not part of your accumulated contributions and are not refundable.



## OPTIONS to CONSIDER

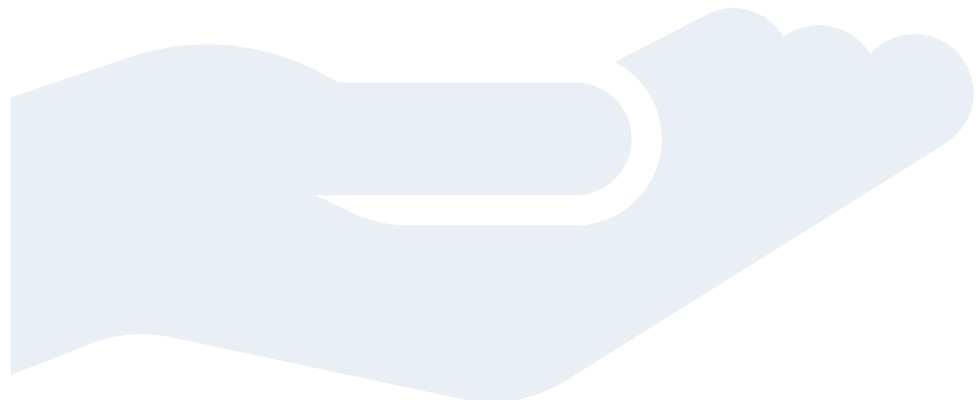
Refunding your accumulated contributions may impact you in a number of ways. **If you return to membership with TRS after refunding your account, you may be subject to different retirement eligibility criteria and early-age retirement reductions.** Therefore, it's important to consider all options available to you if you do not withdraw your accumulated contributions before making a decision. **These options include:**

### IF YOU HAVE LESS THAN FIVE YEARS OF TRS SERVICE CREDIT

You may leave your accumulated contributions with TRS and earn interest at a rate of 2 percent per year for up to five school years while absent from TRS-covered employment. Your TRS membership will be terminated after five consecutive school years without earning TRS service credit, even if you have not refunded your account, unless you qualify for an exception or begin work for a TRS-covered employer. If your membership is terminated, your service credit will be canceled and your accumulated contributions will no longer accrue interest.

### IF YOU HAVE AT LEAST FIVE YEARS OF TRS SERVICE CREDIT

You may leave your accumulated contributions with TRS and earn interest at a rate of 2 percent per year. When you meet necessary age requirements for retirement, you may apply to retire as a TRS member and receive a monthly benefit.





## FEDERAL INCOME TAX IMPLICATIONS

The amount of tax withheld from your refund will depend on your age and whether you elect to rollover your refund to another retirement plan. TRS will send a *Refund Rollover Election* form (TRS 6A) that gives you an opportunity to make a rollover election for your refund.

Refunded amounts that represent pretax contributions are subject to a mandatory 20 percent federal income tax withholding unless you roll over all eligible amounts to another eligible qualified plan or to a traditional Individual Retirement Account (IRA). A 10 percent additional income tax on early distributions may be required by the Internal Revenue Service (IRS) if you are under age 59½.

If you elect to roll over the entire amount of your refund to a traditional IRA or an eligible employer plan, you will not pay tax at the time of the refund.

If you elect to roll over any eligible amounts of your refund to a Roth IRA, any portion representing pretax contributions that is rolled over is taxable. As indicated in the *Special Tax Notice Regarding Rollover Options under TRS*, the 10 percent early withdrawal penalty will not apply if you are under age 59½ at the time of the rollover to a Roth IRA.

If you are not a U.S. citizen or a resident alien, TRS is required to withhold 30 percent for federal income tax unless you qualify for and properly claim benefits under a U.S. tax treaty. If eligible, you must notify TRS of your eligibility for reduced withholding or exemption from withholding and provide a completed W8BEN form. The W8BEN can be found on the IRS website. TRS will review your W8BEN form to determine if you are eligible for a reduced rate of withholding.

For more information on amounts in your TRS account that are eligible for rollover and types of retirement plans eligible to receive rolled over amounts, see the *Special Tax Notice Regarding Rollover Options under TRS* attached to the *Application for Refund* form (TRS 6).

**It is your responsibility to submit the proper tax reports to the IRS and to pay any additional taxes or penalties.**

Contact your tax consultant for specific advice on how requesting a refund may affect your taxes.

## TAX STATEMENTS SENT by TRS

Tax statements (Form 1099-R) are required to be mailed to your address on file with TRS by Jan. 31 of the year following a refund. Form 1099-R includes the total lump-sum distribution, any taxable income for the year paid and the amount of income tax withheld. This information is also provided to the IRS, as required by federal law.

If you elect to roll over all or part of your refund, you will receive a separate Form 1099-R reporting the rollover amount. Tax statements are mailed to the same address, so you must notify TRS in writing if your address changes. TRS must receive your notification before Dec. 10 of the year in which you received your refund. This ensures that the form will be sent to the correct address.

If you are not a U.S. citizen or resident alien, TRS will issue a Form 1042-S for your refund. This information is also provided to the IRS, as required by federal law.





## PAYMENT METHODS

Refund payments not rolled over can be issued as a direct deposit or check. To speed up the process and help ensure security, TRS recommends electing direct deposit.

All rollover payments will be issued as a check and will be mailed to you at the address listed on your *Application for Refund* form (TRS 6).

In some cases, TRS will issue your refund payment as a check even when you select direct deposit. This may happen if the direct deposit information is not fully complete, or if you select a bank that is located outside of the U.S. In addition, if you select direct deposit to a U.S. bank and indicate that 100 percent of the refund will be transferred out of the U.S., you will not be able to receive your refund through direct deposit. In this case, TRS will issue your refund payment as a check.



## RETURNING to TRS MEMBERSHIP *AFTER* a REFUND

If you return to TRS membership after refunding your account, you may reinstate the service credit ended by your withdrawal. To reinstate withdrawn service credit, you must redeposit the eligible amount (determined by TRS) plus pay applicable reinstatement fees. The cost to reinstate service credit increases each year after Aug. 31. This amount may be paid in a lump-sum payment or in monthly installments. If you pay by monthly installments, additional administrative fees are also assessed. If you do not reinstate your withdrawn service, that service will not be considered in calculating your future benefits.



## STEPS to a REFUND

### STEP 1

**Obtain** the *Application for Refund* form (TRS 6) and *Special Tax Notice Regarding Rollover Options under TRS* from the TRS website or by calling the TRS Automated Telephone System at 1-800-223-8778.

### STEP 2

**Read and complete** the *Application for Refund* form (TRS 6), sign the form, and have it notarized. This certifies that you have terminated all employment with your TRS-covered employer(s) and have not applied for or received any promise of employment with another. If your name on the form is different than TRS records, you must send TRS a social security card or a copy of the court order or marriage license documenting your name change. If your agent under a power of attorney signs the request on your behalf, a copy of the power of attorney must be submitted to TRS for review before the refund may be processed.

### STEP 3

**Send the completed application and any required documentation to:**



Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698

Completed applications may also be faxed to **512-542-6597**.

### STEP 4

**TRS may contact your previous employer(s)** to confirm your date(s) of termination and final monthly contributions. Your employer(s) will submit a monthly payroll report, which contains your final salary and deposit to TRS, after the end of the calendar month in which your employer(s) made its final payment(s) to you.

### STEP 5

**If you would like to roll over all or part of your refund**, TRS will send you a *Refund Rollover Election* form (TRS 6A). Also refer to the *Special Tax Notice Regarding Rollover Options under TRS* attached to the *Application for Refund* form (TRS 6). You must complete and sign the *Refund Rollover Election* form (TRS 6A), indicating the amount you wish to roll over. The representative of the retirement plan receiving your rollover must also sign the form to certify that the plan is eligible to receive the rollover of funds.

### STEP 6

**After we receive all required documents** and your account has been reconciled with the last deposits from your employer(s), TRS will issue you a refund payment. The payment will not be processed if records show that you have been re-employed by a TRS-covered employer. Your payment may also be held for other reasons such as owing money to the state for delinquent child support or for owing money on federal or state taxes.



## TIME FRAME for RECEIVING a REFUND

Generally, a refund payment will be issued within 60 days after all required documents have been received and your employer's monthly payroll report has been processed by TRS. **The process can take up to 90 days depending upon your last date(s) of employment.**

### Additional time should also be allowed for processing a refund if any of the following are received by TRS:

- Qualified domestic relations order relating to a divorce between you and your former spouse,
- Temporary restraining order (TRO) that prohibits the member from removing any funds from TRS,
- Child support order that orders a portion of the benefits paid on behalf of a child,
- Child support lien that prohibits distribution of any portion of the TRS account to the member,
- IRS fee for federal taxes owed by you or your spouse,
- IRS lien, or
- Writ of garnishment for criminal restitution involving you or your spouse

There are other circumstances that may delay the processing of a refund. For example, if the name of the account holder on TRS records does not match the name used on the *Application for Refund* form (TRS 6), the refund will be delayed until TRS receives acceptable proof and confirmation of the name change. Also, if the TRS 6 is submitted by an agent under a power of attorney, a copy of the power of attorney will be requested and reviewed by TRS to verify the authority of the agent.

For a complete statement of the laws and administrative rules that pertain to the withdrawal of member contributions, consult Chapters 822 through 825, Texas Government Code and Chapter 27, Title 34, Texas Administrative Code. These statutes and rules are available via the TRS website ([www.trs.texas.gov](http://www.trs.texas.gov)).



## FREQUENTLY ASKED QUESTIONS

### 1

#### How can I qualify to receive a refund of my TRS member contributions?

If you have terminated all employment with your TRS-covered employer(s) and have neither applied for or received a promise of employment with another TRS-covered employer, you are **eligible to request and receive a refund** of your accumulated contributions.

### 2

#### When may I apply for a refund?

If you meet **all requirements** in order to withdraw your account, you may apply for a refund at any time.

### 3

#### How can I initiate the process of requesting a refund?

**Complete and submit** an *Application for Refund* form (TRS 6) to TRS. Your member account will be refunded after TRS receives all completed forms and your employer's monthly report. Your TRS membership will then be terminated and a refund issued to you.

### 4

#### When TRS refunds contributions in my member account, what specifically is refunded?

All of your member contributions submitted to TRS by your TRS-covered employer(s), any voluntary contributions you have made to purchase service credit and any interest credited to the account are refunded. Together, these amounts are known as your **"accumulated contributions."** State and employer contributions are not part of your member account and are not refundable. State and employer contributions remain in the TRS Pension Fund. Also, fees that you paid to purchase or reinstate service credit and amounts you were required to contribute to TRS-Care are not maintained in your member account and are not refundable.

Interest on your accumulated contributions is credited through the end of the month before your TRS membership is terminated. This is generally the date that TRS requests the refund payment. For more information regarding the calculation and crediting of interest on your TRS account, please see the response to question 6 on page 7.



## FREQUENTLY ASKED QUESTIONS *(continued)*

### **5** How long does it take for me to receive a refund of my accumulated contributions after submitting form TRS 6?

Usually, a refund can be issued to you **within 60 days** after all required documents and your final deposit are received by TRS. If you wish to roll over all or a part of your refund, you will need to complete the first page of the *Refund Rollover Election* form (TRS 6A) and send it to the retirement plan that will receive your rollover. Then, the receiving plan must complete the form and return it to TRS. The entire process may take **up to 90 days**, depending on your last date of TRS-covered employment.

### **6** How is current-year interest calculated on a withdrawn account?

TRS calculates **current-year interest on the average balance** in the terminating member's account from Sept. 1 of that fiscal year through the last day of the month before the month that membership is terminated. The average is based on the member's lowest and highest balances.

### **7** Can I withdraw only a portion of my TRS account?

**No.** You may only withdraw all accumulated contributions in your account.

### **8** Can I reinstate only some of the years of service credit that were canceled when I withdrew my account?

**No.** You must reinstate all canceled service credit by depositing with TRS the amount of the withdrawn accumulated contributions plus a reinstatement fee of eight percent, compounded annually, of the amount withdrawn or refunded from the date of withdrawal or refund to the date of redeposit.



## ADDITIONAL INFORMATION

**TRS Website:**

[www.trs.texas.gov](http://www.trs.texas.gov)

**TRS Mailing Address:**

Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698



**TRS Telephone Counseling Center:**

1-800-223-8778

Monday – Friday, 7 a.m. – 6 p.m. Automated information is available day or night, seven days a week.

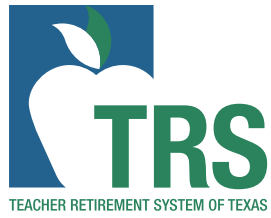
**TRS Benefit Services Fax Number:**

512-542-6597

**Please remember to include your name and Participant ID or social security number on all correspondence mailed to TRS.**

**Follow Us On:**





1000 Red River Street  
Austin, Texas 78701-2698



1-800-223-8778



[www.trs.texas.gov](http://www.trs.texas.gov)