



REQUESTING A REFUND

TEACHER
RETIREMENT
SYSTEM OF
TEXAS



September 2001

TRS Mission Statement

***The mission of the
Teacher Retirement System
of Texas is:***

*to deliver retirement and
related benefits authorized by
law for members and their
beneficiaries; and to prudently
invest and manage the assets
held in trust for members and
beneficiaries in an actuarially
sound system administered in
accordance with applicable
fiduciary principles.*



Eligibility for a Refund

As a TRS member, if you permanently terminate employment in a TRS-covered position and have neither applied for nor received a promise of employment in another TRS-covered position, you may terminate membership in TRS and withdraw your accumulated contributions in your member account.

Options to Consider Before Requesting a Refund

The decision to seek a refund of your member contributions is an important one, and it may significantly impact you in a number of ways, including loss of certain types of credit which must be continuously maintained and cannot be repurchased at a later date. Therefore, it is advisable to consider all options available to you before making a decision. These options include the following:

- If you have *less than five years* of TRS service credit, you may leave your accumulated contributions with TRS, receive interest for up to five years while absent from TRS-covered employment, and then later apply for a refund if you do not return to employment in a TRS-covered position. *Note: After five consecutive years without earning TRS service credit, membership in TRS terminates unless you qualify for an exception or return to work in a TRS-covered position.*
- If you have *at least five years* of TRS service credit, you may leave your accumulated contributions with TRS and earn interest as long as these funds remain with

TRS. Then later, when you have met applicable age requirements, you will qualify for a retirement annuity based upon your service and salary history on file with TRS at the time your employment terminated.

- Apply for a refund and use the funds for any purpose. If you terminate TRS membership and receive a refund of your accumulated contributions, you will forfeit valuable future benefits—eligibility for a retirement annuity, death benefits, and retiree health insurance (provided you have at least 10 years of service credit). However, keep in mind that refunds not rolled over are subject to 20 percent federal tax withholding, and a 10 percent early withdrawal penalty may apply.
- Terminate TRS membership and withdraw your account, but defer receipt of taxable income by rolling your funds over to another qualified plan or traditional Individual Retirement Account (IRA). All or a portion of your account that is eligible for rollover may be rolled over. For more information regarding amounts in your TRS account that are eligible for rollover and types of accounts eligible to receive rolled over amounts, see Section I, “Payments That Can And Cannot Be Rolled Over,” of the Special IRS Tax Notice Regarding TRS Payments (page 1) attached to the form TRS 6.

Federal Income Tax Implications

Terminated accounts are subject to mandatory 20 percent federal income tax withholding unless you elect to roll over all eligible amounts

to another qualified plan or traditional Individual Retirement Account (IRA). *A 10 percent early withdrawal penalty assessed by the IRS may also be applicable.* It is your responsibility



to submit the proper tax reports to IRS and to pay any additional taxes or penalties that may be due. TRS encourages you to contact your tax consultant for specific advice on how this distribution may affect your taxes.

Tax Statements Sent by TRS

Tax statements are required to be mailed to a refund recipient's address on record no later than January 31st of the year following a refund. Form 1099-R reports the total amount of the lump sum distribution, any portion that is taxable income for the year paid, and the amount of income tax withheld. This information is also provided to the Internal Revenue Service as required by federal law.



If you elect to roll over all or a part of your refund, you will receive a separate 1099-R form regarding the rollover amount. Tax statements are mailed to the same address used for refunds, so you must notify TRS in writing if your address changes after you receive your refund. TRS must receive your notification prior to December 10th of the year in which you received your refund in order to ensure that the form will be sent to the correct address.

Ineligible Refunds

If you applied for or accepted a position covered by TRS on or before the date that your refund is mailed, your refund is ineligible under TRS law. If TRS records indicate that the refund was ineligible, TRS will take necessary steps to secure redeposit of the withdrawn account. All required amounts as determined by TRS must be redeposited. Please contact TRS to make payment arrangements if the amount cannot be repaid in a lump sum. If you accrue benefits after your return to TRS-covered employment, no distribution of these benefits may be made by TRS until the ineligible amount is recovered.

Returning to TRS Membership after an Eligible Refund

If you return to TRS membership after receiving an eligible refund, you may elect to reinstate service credit by redepositing the amount that TRS has determined to be eligible* plus applicable reinstatement fees. This amount may be paid in a lump sum payment or in monthly installments, including an extended payment fee.

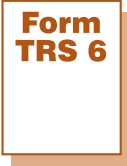
*Note: Not all service credit may be eligible for reinstatement after withdrawal. Some types of service credit must be continuously maintained such as credit earned by a student who must be enrolled as a student at the employing institution of higher education as a condition of employment.



Please review your service credit carefully to avoid loss of valuable benefits resulting from a refund.

How to Apply for a Refund

Step 1 – Contact TRS to request a form TRS 6 (Notice of Final Deposit and Request for Refund) and the Special IRS Tax Notice Regarding TRS Payments. You may request this form and notice by calling the TRS InfoLine, day or night, at 1-888-877-0123. The form and notice are also available from the TRS Web site (www.trs.state.tx.us).



Step 2 – If TRS membership records indicate that you have at least five years of service credit with the system, TRS will send you a form TRS 287 (Waiver of Benefits) which you must sign and return to TRS. By signing this form, you acknowledge that accepting a refund will forfeit your TRS service credit accrued to date and eligibility for all TRS benefits associated with the service credit, including TRS-Care health care coverage. With five years of actual membership service credit, you are eligible to receive a lifetime annuity when you have met the age requirements to begin receiving a distribution. As a service retiree, you are also eligible to participate in TRS-



Care if you either have (1) at least 10 years of service credit in TRS for actual service in Texas public schools *or* (2) at least five years of actual service in Texas public schools as well as five years of purchased out-of-state service credit.

Step 3 – Form TRS 6 requires your notarized signature certifying that you have permanently terminated your employ-



ment in a TRS-covered position and have not applied for or received any promise of employment in a TRS-

covered position. If your name on the TRS 6 is different than the one shown on TRS records, you must send TRS a copy of the court order or marriage license documenting your name change. If your attorney-in-fact signs the request, a copy of the power of attorney must be submitted for review.

Step 4 – If you were employed in a TRS-covered position within six (6) months of the date that you are filing a refund application with TRS, your last TRS-covered employer must certify your last date of employment and indicate the month that your final deposit will be submitted to TRS. Complete your portion of form TRS 6 and then send it to your former TRS-covered employer to complete. If you terminated TRS-covered employment *more* than six months prior to that time, complete

your portion of the form, sign it before a notary public, and then send it to:

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

If you elect to roll over part or all of your contributions, TRS will send you a rollover election form (see Step 6).

Also refer to the Special IRS Tax Notice Regarding TRS Payments attached to form TRS 6.

Step 5 – If your TRS-covered employer has not already done so, it will submit a monthly payroll report that contains your final salary and deposit to TRS. This report is due shortly after the end of the month following the calendar month for which the report is prepared.

Step 6 – If you elect to roll over all or a portion of your contributions that are eligible for rollover, you must complete and sign a form TRS 6A (Refund Rollover Estimate and Election) indicating the amount that you wish to roll over. The representative of the company (plan administrator) accepting the rollover must also sign the form certifying that the plan is eligible to receive funds from your TRS account.

Step 7 – After all required documents have been received by TRS and your account has been reconciled, TRS will request the State Comptroller of Public Accounts to issue you a refund warrant. The warrant will not be processed if

records indicate that you have been reemployed by a TRS-covered employer. Your refund warrant may also be held by the State Comptroller of Public Accounts for other reasons including indebtedness to the state for delinquent child support, for defaulted student loans, or for non-payment of federal or state taxes.

Timeframe for Receiving a Refund

Generally, a refund warrant will be issued within 30 days *after all* required documents have been received by TRS and your employer's monthly payroll report has been processed. *This means that TRS not only must receive your application for refund (and waiver of benefits and rollover election form, if applicable), but it must also receive the member contribution and monthly report from your employing district. The process can take up to 90 days depending upon your last day of TRS-covered employment.*



Receipt during the refund process of a qualified domestic relations order relating to a divorce may significantly delay the refund. Additional time should also be allowed for processing a refund if any of the following are filed with TRS: a temporary restraining order (TRO) which prohibits the member from removing any funds from TRS, a child support order which orders a portion of the benefits paid on behalf of a child, a child support lien which prohibits distribution of any portion of the TRS account to the

member, an IRS levy on the account, or an IRS lien. Also, if the name of the account holder on TRS records does not match the name used on the application for refund, the refund will be delayed until TRS receives satisfactory proof of the name change and the matter is resolved. If the application for refund is submitted by an attorney-in-fact under a power of attorney, a copy of the power of attorney will be requested and reviewed by TRS to verify the attorney-in-fact's authority to terminate the membership and receive a refund of the accumulated contributions in the member account.

The following illustrates the sequence of events that normally occur when a refund is requested: If you resign from your position on January 15, your employer will send in your final deposit by February 10, and the final report will usually clear by the end of February. Then, another two weeks may pass while data is entered into the TRS computer system, accounting records are created and verified, and a warrant is requested from the Comptroller. So, it may be the middle of March before you receive the refund warrant.

TRS endeavors to ensure that the correct amount of benefit is paid in accordance with valid instructions of eligible members. Sufficient time is required to verify employment status, final pay and, if applicable, rollover instructions. If your address has changed, you must send (not fax) TRS a written notice of your new address. You must sign the notice and include your Social Security number.

While this may seem like a lengthy process, TRS endeavors to ensure that the correct

amount of benefit is paid to the right person. These verification and audit processes were implemented to safeguard each member's account and avoid misdirection of funds.

For a complete statement of the laws and administrative rules that pertain to the withdrawal of member contributions, consult TRS Laws & Rules, including Chapters 822 through 825, Texas Government Code and Chapter 27, TRS Rules. TRS Laws & Rules are available via the TRS Web site (www.trs.state.tx.us).

Frequently Asked Questions

- 1. How can members qualify to receive a refund of their TRS member contributions?** Members may terminate TRS membership and apply to withdraw their accumulated contributions if they permanently terminate employment in a TRS-covered position and have neither applied for nor received a promise of employment in any other TRS-covered position.
- 2. When may a member apply for a refund?** Members who meet all requirements in order to withdraw an account may do so at any time and receive interest on their contributions during any month of the year.
- 3. How can members initiate the process of requesting a refund?** Complete and submit form TRS 6 (Notice of Final De-

posit and Request for Refund) to TRS. Membership will then be terminated, and the member's account will be refunded following receipt of the member's final deposit and completed forms.

- 4. When TRS refunds contributions in a member account, what specifically is refunded?** All of the member's contributions plus any interest credited to the account are refunded. State contributions, however, are not part of the member's account and remain in the fund. Interest is credited through the end of the month preceding the month in which your membership in TRS is terminated (generally, the date that TRS requests the State Comptroller of Public Accounts to issue the refund warrant). For further information regarding the calculation and crediting of interest on your TRS account, please see the response to question 7, listed below.
- 5. How is federal withholding handled for terminated member accounts?** Terminated accounts are subject to 20 percent mandatory federal income tax withholding unless the member elects a rollover of eligible amounts to another qualified plan or traditional Individual Retirement Account (IRA). (To initiate a rollover to a qualified plan, submit a completed form TRS 6A as indicated in this brochure.) A 10 percent early withdrawal penalty assessed by the IRS may also apply.
- 6. How long does it take members to receive a refund of their member contributions after submitting form TRS 6?**

Usually, a refund warrant can be issued within 30 days *after all* required documents are received by TRS. Before a refund can be issued, TRS must receive your completed application for refund and a form TRS 287 (Waiver of Benefits), if applicable, as well as the final contribution deposit and monthly report from your TRS-covered employer. If you wish to roll over all or part of your contributions, you will need to ask TRS to send you a form TRS 6A (Refund Rollover Estimate and Election) so that you can complete the upper half of the form and send it to your rollover institution. Your institution must then 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.*

- 7. How is current-year interest calculated on a withdrawn account?** Effective September 1, 1999, TRS computes current-year interest at the rate of five percent on the mean balance in the terminating member's account from September 1 of that fiscal year through the last day of the month prior to termination of membership. (The mean balance is the average of the member's lowest and highest balances.)

- 8. Can a portion of a TRS account be withdrawn?** No. Once a member permanently terminates TRS membership and applies for a refund by following the steps outlined in this brochure, all of the member's eligible accumulated contributions are refunded.



Teacher Retirement System of Texas

1000 Red River Street

Austin, Texas 78701-2698

(512) 397-6400 or 1-800-223-8778

www.trs.state.tx.us