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 and earnings credits. You can designate a recipient to receive a lump-sum payment of your account contributions upon your death.

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

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

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 funds to a qualified retirement plan. CalSTRS is required to withhold at least 20% federal income tax on all payments distributed directly to you. You may elect a higher percentage if you prefer. If you choose to have California state income tax withheld, CalSTRS will withhold 2%. You may be subject to an additional 10% federal tax and 2.5% 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 × age factor × 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 be much higher than the amount of your refund and will increase over time.

EXAMPLE:
Educator with six years in a public school

Alex has taught full time for six years under the CalSTRS 2% at 62 benefit structure. He recently decided to leave teaching at a public school to take a position at a private school. Since private school teachers are not CalSTRS members, he wonders if he should take a refund of his $25,000 in CalSTRS member contributions. If Alex keeps his money in CalSTRS until he turns 62 and retires, he would get approximately $140,000 more in benefits than his refund of $25,000.*

Years of service credit		6
2% age factor if Alex retires at age 62	×	0.02
Final compensation	×	$4,500
Monthly lifetime retirement benefit		**$540**

* Calculation includes 2% annual benefit adjustment. Lifetime benefits for this example are estimated based on an additional 25 years of life following retirement at age 62. Employer contributions are not refunded.

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 in which you would like to receive it. If we receive your application after November 15, we cannot guarantee you will receive a refund by the end of the calendar year, which may have tax implications. 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 this calendar year and then return the refund next calendar year, your refund will be reported as income on your IRS Form 1099-R for the calendar year you received it. You will be responsible for any taxes on those funds. CalSTRS does not provide tax advice. Consult a tax professional for assistance.

Find the *Refund Application* online at **CalSTRS.com/forms**.

Concurrent retirement

If you have service credit with CalSTRS and later service retire from certain other California retirement systems, you can apply for service retirement concurrently from both systems, even if you have fewer than five years of CalSTRS service credit. This is true whether you choose not to refund, or refund and redeposit your CalSTRS contributions.

The other public retirement systems include:

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

See the *Concurrent Retirement fact sheet* at **CalSTRS.com/publications**.

CalSTRS is governed by the Teachers' Retirement Law, available at **CalSTRS.com**, and other governing laws. If there is a conflict between the law and this publication, the law prevails. The example provided is for illustrative purposes only and should not be relied upon for an individual benefit calculation.

CalSTRS resources

WEB

CalSTRS.com
myCalSTRS.com
403bCompare.com
Pension2.com

STAY CONNECTED

CALL

800-228-5453
Calls from within the U.S.

916-414-1099
Calls from outside the U.S.

888-394-2060
CalSTRS Pension2®
Personal wealth plan

844-896-9120
CalSTRS Compliance and Ethics Hotline
CalSTRShotline.ethicspoint.com

WRITE

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

Overnight delivery to CalSTRS Headquarters
100 Waterfront Place
West Sacramento, CA
95605

VISIT

Find your nearest CalSTRS office at **CalSTRS.com/local-offices**.

Call ahead for the hours and services of your local office.

FAX

916-414-5040