CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

Tax Considerations for Rollovers





Contents

General information about rollovers 4
What is a rollover? 4
Which CalSTRS payments can be rolled over? 6
Which CalSTRS payments cannot be rolled over? 7
How do I make a rollover? 8
How can a rollover affect my taxes? 9
What are my direct rollover choices? 13

Special rules and options 15
What if my payment includes after-tax contributions? 15
What if I miss the 60-day rollover deadline? 16
I was born on or before January 1, 1936. What do I need to know? 16
I'm not a CalSTRS member. What do I need to know? 17
If you're a nonresident alien 18
More special rules 18
Additional resources 19

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 booklet, the law prevails. We make reasonable effort to provide accurate information in our publications, but such information is not meant to replace the law or provide legal or financial advice. To stay informed, consult a variety of sources, including **CalSTRS.com**, the California State Legislative Counsel website at **leginfo.legislature.ca.gov**, your union and elected legislative representatives. We can provide information on your benefit choices, but we do not provide legal, financial, tax or other advice. For such advice, consider consulting a professional in the relevant field.



General information about rollovers

This booklet has tax information about rollovers and what happens if you roll over distributions. All or a portion of your CalSTRS Defined Benefit Supplement payment, Defined Benefit refund or Cash Balance Benefit payment may be eligible for a rollover to a qualified plan with a financial institution, such as an IRA or an eligible employer plan. You cannot roll over your CalSTRS Defined Benefit pension, which provides monthly lifetime payments.

You'll see two sections in this publication—one for general information, and one for special rules and options.

The information provided is in accordance with Internal Revenue Code section 402(f), and it also contains California tax information. In general, California law follows the Internal Revenue Code, but there are some differences between California and federal law. For additional information, visit **ftb.ca.gov** or call **800-852-5711**.

CalSTRS does not provide tax advice. Consult a tax or legal 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 booklet was published.

What is a rollover?

Generally, a rollover means the movement of money from one retirement account or plan to another. With CalSTRS, it's the movement of money from certain CalSTRS accounts—like your Defined Benefit Supplement or Cash Balance Benefit account—to an individual retirement arrangement, such as an individual retirement account or another eligible employer plan. Depending on how you move the money, you may have to pay taxes or follow specific rules.



What is an IRA?

An IRA is an individual retirement arrangement. There are several types of IRAs, including individual retirement accounts. Below are descriptions of some common types of IRAs.

- A traditional IRA is a tax-advantaged personal savings plan where contributions may be tax deductible. Depending on your filing status and income, contributions can be fully or partially deductible. Generally, you do not incur income tax liability until you take a withdrawal.
- A Roth IRA is a tax-advantaged personal savings plan in which contributions are not tax deductible but future qualified withdrawals may be tax free.
- A Simplified Employee Pension, known as a SEP IRA, is a savings plan that allows employers, including self-employed individuals, to contribute directly to their IRA. Only employers can contribute to a SEP IRA. For more information, visit **irs.gov**.
- A Savings Incentive Match Plan for Employees, known as a SIMPLE IRA, is a retirement plan for small businesses—fewer than 100 employees—that allows employees to contribute by salary reduction and requires employers to match contributions.

  You may roll over your CalSTRS payments to a traditional IRA—including a SEP IRA, a Roth IRA or a SIMPLE IRA—if it's been at least two years since you first participated in the SIMPLE IRA.

  You cannot roll over your CalSTRS payment to a Coverdell Education Savings Account, formerly known as an education IRA, or to a SIMPLE IRA within the first two years of participating in the SIMPLE IRA.

  Consult a tax or legal professional, the IRS, the Franchise Tax Board or the IRA administrator for more information about the differences between the types of IRAs that may be available to you

What is an employer plan?

An eligible employer plan is a plan qualified under the Internal Revenue Code, including sections:

- 401(a): defined benefit, profit-sharing, stock bonus and money purchase plans.
- 401(k): profit-sharing, stock bonus and money purchase plans that include qualified cash or deferred compensation arrangements.
- 403(a): annuity plans.
- 403(b): tax-sheltered annuity or custodial account plans.
- 457(b): governmental employer plans.

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, confirm with the employer plan that it accepts rollovers. Also, find out the types of distributions the employer plan accepts, and the documents the employer plan requires.

For more information, go to "Direct rollover to an eligible employer plan" on page 14.

Which CalSTRS payments can be rolled over?

Certain CalSTRS payments to you or your spouse from your CalSTRS account balance are distributions that are eligible for rollover. A rollover distribution may include all of your account balance or a portion of it. Eligible CalSTRS accounts include the Defined Benefit Program, Defined Benefit Supplement Program and Cash Balance Benefit Program.

Eligible rollover distributions generally include nonperiodic distributions, such as account refunds, termination benefits and periodic payments for fixed periods of less than 10 years. Death benefits paid to a nonspouse-designated beneficiary may be eligible for a direct rollover but are not eligible for a 60-day rollover. For information on direct rollovers and 60-day rollovers, go to page 8.

Excluded payments—those that cannot be rolled over—are listed on page 7.

After-tax contributions

A plan that accepts rollovers may not accept certain types of distributions, such as those from after-tax contributions. If your distribution includes after-tax contributions, you can decide to roll over your entire distribution to an IRA or split your rollover between an eligible employer plan and an IRA.

For more information, refer to "What if my payment includes after-tax contributions?" on page 15.

Traditional IRA

You can roll over your after-tax contributions to a traditional IRA as a direct rollover or a 60-day rollover. We'll let you know the amount of your payment that is the taxable portion and the amount that is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, you're responsible for keeping track of the after-tax contributions and reporting them on your tax return. By doing so, you can determine the nontaxable amount of future distributions from your traditional IRA.

Once you roll over your after-tax contributions to a traditional IRA, they cannot be rolled over later to an employer plan.

Employer plan

You can directly roll over after-tax contributions to an eligible 401(a), 403(a) or 403(b) employer plan if the plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax contributions and earnings on those contributions.

You cannot roll over after-tax contributions to a 457(b) plan. If you want to roll over your after-tax contributions to an eligible employer plan that accepts rollovers of after-tax contributions, you must request that CalSTRS make a direct rollover on your behalf. You cannot have the after-tax contributions paid to you first.

Roth IRA

You can roll over after-tax contributions to a Roth IRA. The after-tax contributions will not be included in your taxable income.

Find more information in "Direct rollover to a Roth IRA" on page 13.

Which CalSTRS payments cannot be rolled over?

Certain CalSTRS payments are not eligible for rollover under federal and state tax rules.

Payments spread over long periods

You cannot roll over a payment if it's part of a series of equal, or almost equal, periodic payments that are made at least once a year and will last for:

> Your lifetime or a period measured by your life expectancy.
>
> **OR**
>
> Your lifetime and your beneficiary's lifetime, or a period measured by your joint life expectancies.
>
> **OR**
>
> A period of 10 years or more, which includes your Defined Benefit Program lifetime monthly payment—your CalSTRS retirement benefit.

Required minimum distributions

A portion of your CalSTRS payment cannot be rolled over if you receive the payment at a certain age due to the required minimum distribution under federal tax law.

Birthdate	Required minimum distribution age
June 30, 1949, and prior	70½
July 1, 1949–December 31, 1950	72
January 1, 1951, and later	73

Other payments

The following payments cannot be rolled over:

- Corrective distributions of contributions that exceed tax law limitations.
- Distributions less than $200.
- Hardship withdrawals.

Consider combining retirement accounts

By rolling over money from a qualified retirement plan into a CalSTRS Pension2® 403(b), 457(b), Roth 403(b) or Roth 457(b) plan, you can manage your retirement funds in one place. Learn more at **Pension2.com**.

Schedule a virtual or phone appointment with a CalSTRS Pension2 representative:

Call 888-394-2060

Scan the QR code

Email Pension2@CalSTRS.com

Three steps to enroll

1. Go to **Pension2.com** and select "Enroll now."
2. Complete a Pension2 enrollment form at **CalSTRS.com/forms**.
3. Submit a district salary reduction agreement, which is available from your district payroll office.

You can also go to **403bCompare.com** > "My Next Steps"> "Find Employer." Search for your employer, then select the "Salary Reduction Agreement" link in the "Initiate or Change Contributions" box. Select the salary reduction agreement for your applicable plan.



Benefits of Pension2:

Lower costs | **Tax-advantaged contributions** | **Investment options** | **Financial planning**

How do I make a rollover?

If you receive a CalSTRS payment that's eligible for rollover, you can roll over all or part of it in one of two ways—a direct rollover or a 60-day rollover.

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 the *Special Tax Notice: Your Rollover Options* form. After receiving the notice—which is included with CalSTRS applications for service retirement, Cash Balance benefits, refunds, disability benefits and survivor benefits—you have at least 30 days to consider whether to have your distribution directly rolled over. You may waive the waiting period by requesting a distribution. Your distribution will then be processed in accordance with your election as soon as practicable after we receive the election.

Direct rollover

A direct rollover is a trustee-to-trustee transfer in which CalSTRS makes a direct payment of your CalSTRS benefit payment to your IRA or other eligible employer plan. You can choose a direct rollover of all or a portion of your payment that is eligible. Any portion of your CalSTRS payment that cannot be directly rolled over will be paid out to you.

Structure of payment

You can fund a direct rollover in one of two ways.

Lump sum: Lump-sum payments can be directly rolled over in whole or in part to a qualified IRA or an eligible employer plan.

Payment series: If a payment is one in a series of payments for less than 10 years, such as an annuity, your choice to make a direct rollover will apply to all later payments in the series unless you make a different election for later payments. You can change your election for future payments anytime.

Learn more about direct payments to an IRA or an eligible employer plan in "What are my direct rollover choices?" on page 13.

60-day rollover

If you do not opt for a direct rollover, you have 60 days after you receive your CalSTRS payment to deposit it into a qualified IRA or employer plan to avoid or limit potential income tax consequences and penalties.

If you make a 60-day rollover and do not make up the amount withheld for income taxes, you may have to pay additional penalties for an early distribution.

For details, go to "How can a rollover affect my taxes?" on page 9.

Roth IRA

Whether a rollover is a direct rollover or a 60-day rollover, a rollover of a taxable portion of your CalSTRS payment into a Roth IRA will incur tax liability.

For more information, go to "Direct rollover to a Roth IRA" on page 13.

How can a rollover affect my taxes?

Generally, tax consequences of your rollover choice will depend on considerations like your age, the type of rollover and special circumstances.

These factors include, but are not limited to:

- The original nature of the contributions—pretax contributions or after-tax contributions.
- Whether you decide to roll over all or just a portion of an eligible payment.
- If you make a direct rollover or a 60-day rollover.
- Your age at the time of distribution.
- Circumstances at the time of the distribution.
- The type of account or plan the payment is rolled into, such as a traditional IRA or Roth IRA.

Learn more in "What if my payment includes after-tax contributions?" on page 15.

What are the tax consequences if I do not make a direct rollover?

If you do not make a direct rollover of the taxable portion of a payment, CalSTRS is required to withhold 20% for federal income tax, but you can designate a higher percentage. CalSTRS will withhold 2% for California income tax, unless you elect not to have state income tax withheld or you're not a California resident.

To roll over the entire taxable portion of the payment in a 60-day rollover, you must use additional funds to make up for the federal and state income taxes withheld. If you do not roll over the entire amount of the taxable portion of the payment, the amount not rolled over will be taxed as income—and depending on your age, it may also be taxed as an early distribution.

Unless you made a rollover within 60 days of the full taxable portion and met all other requirements, you must report the full amount of your CalSTRS payment as taxable income when filing income taxes.

Example

Let's say you choose to have a $10,000 taxable portion of a payment paid to you. If CalSTRS withholds the mandatory tax rate ($2,200), you'll receive $7,800.

$10,000	—	$2,200	=	$7,800
Taxable portion of your payment		Mandatory tax withholding		Amount remaining for rollover

Within 60 days after receiving the $7,800, you can roll over the $10,000 to a traditional IRA or eligible employer plan. To do this, you would add $2,200 from out-of-pocket sources. Be aware of the tax implications listed to the right.

In this scenario:

- The $10,000 will not be taxed until you withdraw it from a traditional IRA or employer plan.
- You may get a refund from the Internal Revenue Service or Franchise Tax Board for all or part of the $2,200 withheld.
- If you only roll over $7,800, $2,200 will be taxed in the year it was withheld.
- If you roll over $10,000, you may get a larger tax refund.

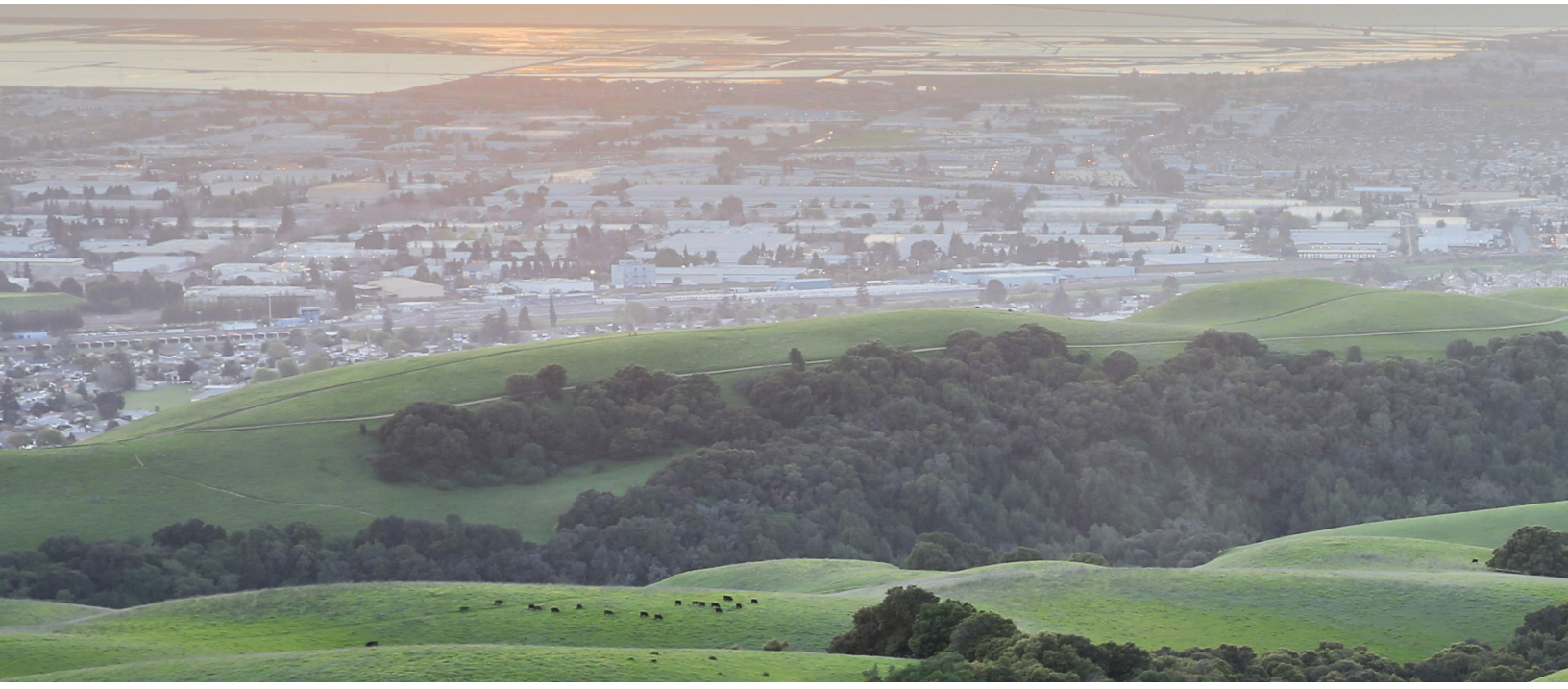
If I do not make a rollover, will I have to pay additional income tax on early distributions?

If you're under age 59½, you'll have to pay the 10% additional federal income tax and 2.5% additional state income tax on early distributions of any CalSTRS payment—including amounts withheld for income tax—that you do not roll over unless an exception applies. Some exceptions are:

- Payments made due to total and permanent disability.
- Payments made due to terminal illness.
- Payments made after your death.
- Payments made under a qualified domestic relations order.
- Payments taken for eligible emergency expenses.
- Payments up to the amount of your deductible medical expenses whether or not you itemize deductions for the taxable year.
- Qualified payments taken by victims of domestic abuse.
- Qualified birth or adoption distributions.
- Corrective distributions of contributions that exceed tax law limitations.
- Payments made directly to the government to satisfy a federal tax levy.
- Payments for certain distributions related to certain federally declared disasters.
- Payments made after you separate from service if you'll be 55 or older 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 expectancies of you and your beneficiary.

> Taxes on early distributions not rolled over apply to the part of the distribution that you must include in income and are in addition to regular federal and state income taxes.

> Separating from service includes, but is not limited to, retirement or other termination of employment.

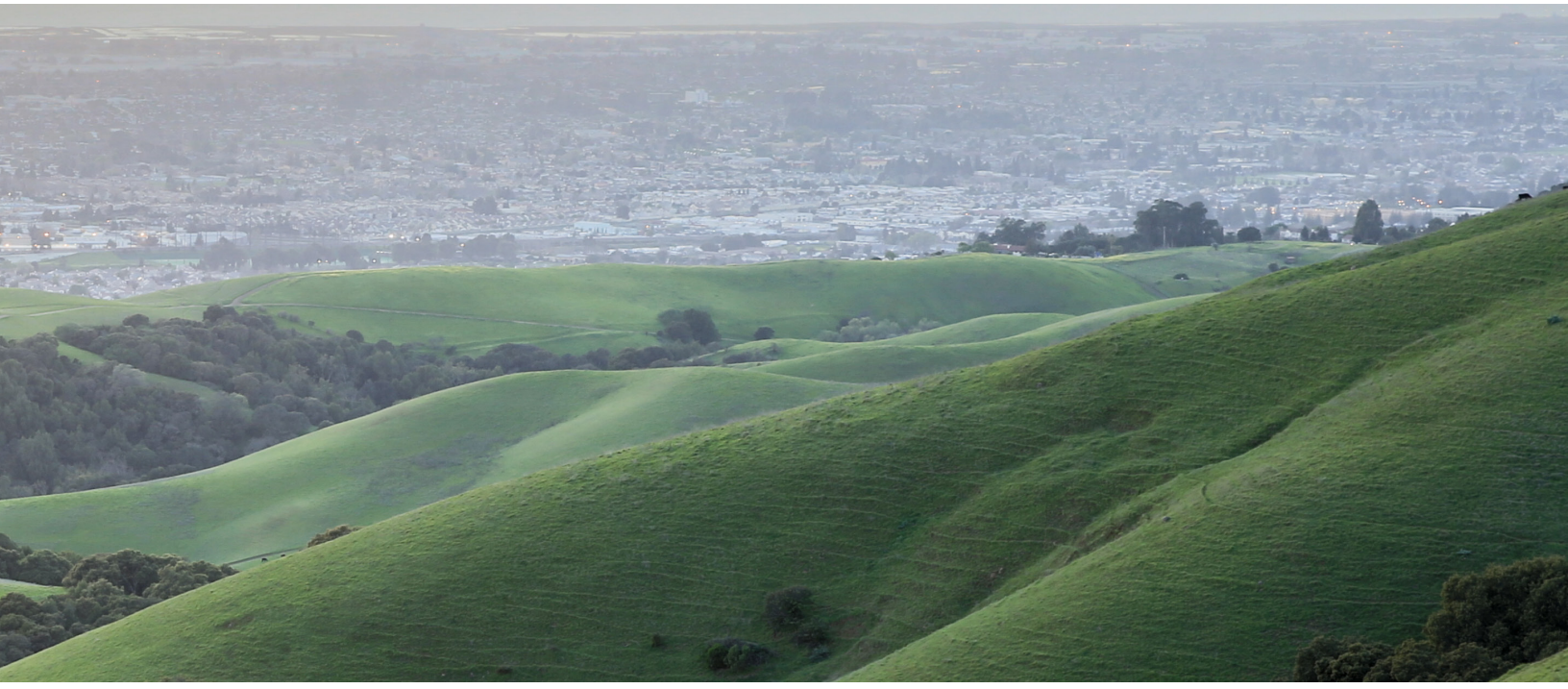


If I roll over to an IRA, will the additional income tax penalties apply to early distributions from the IRA?

If you receive a payment from an IRA when you're under age 59½, you'll have to pay 10% additional federal income tax and 2.5% additional state income tax penalties on the part of the distribution that you must include as income, unless an exception applies. In general, the tax exceptions for early distributions from an IRA are the same as the exceptions listed for early distributions from a plan. However, some differences for IRA payments include:

- The exception for payments made after you separate from service if you will be 55 or older in the year of the separation does not apply.
- The qualified domestic relations order exception does not apply. However, a tax-free transfer may be made directly to an IRA of a spouse or former spouse as part of a divorce or separation agreement.
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies whether or not you've had a separation from service.
- There may be additional exceptions for payments:
  - » For qualified higher education expenses.
  - » Up to $10,000 used in a qualified first-time home purchase.
  - » For health insurance premiums after you've received unemployment compensation for 12 consecutive weeks—or would have been eligible to receive unemployment compensation but for self-employed status.

> Consult a tax or legal professional, the IRS, the Franchise Tax Board or the IRA administrator for more information.



Voluntary withholdings

If any portion of your payment is taxable but not rollover eligible, mandatory withholding rules do not apply. Go to "Which CalSTRS payments cannot be rolled over?" on page 7 for more information. In this case, you may elect not to have withholding apply to that portion. If you do nothing, federal and state income tax withholding will be taken out of this portion of your payment. If you're not a California resident, no California state income tax will be withheld unless you elect California state tax withholding.

What if I want California state income tax withheld?

If you live outside California and would like California state income tax withheld from your Defined Benefit Program payment—your CalSTRS monthly retirement benefit—complete the *Income Tax Withholding Preference Certificate* form (AD0908), available at **CalSTRS.com/forms** or in your *my*CalSTRS account at **myCalSTRS.com**. To withhold California state income tax from your Cash Balance Benefit Program payment, complete the *Cash Balance Income Tax Withholding Preference* form (CB584), available in your *my*CalSTRS account.



*my*CalSTRS offers secure access to your CalSTRS accounts and forms

Register today at **myCalSTRS.com**.

With *my*CalSTRS, you can:

- View your account balances and beneficiary information.
- Update your mailing and email addresses.
- Complete and submit forms, including the *Income Tax Withholding Preference Certificate* and the *Cash Balance Income Tax Withholding Preference* form.
- Link to your Pension2 403(b) or 457(b) account, if you have one.

Once you're retired, you'll also be able to:

- Access your 1099-R form.
- Sign up for direct deposit.
- View and print benefit payment statements.

What are my direct rollover choices?

CalSTRS can make a direct payment to an IRA or other eligible employer plan. You can choose a direct rollover of all or any portion of your payment that is eligible.

Direct rollover to an IRA

If you do not already have a qualified IRA, you can open one. Some types of IRAs are discussed on page 5. The two most common types of qualified IRAs are a traditional IRA and a Roth IRA. CalSTRS is not responsible for assuring you're eligible to make a rollover to a Roth IRA. If you choose to have your payment made directly to a qualified IRA, contact the IRA administrator—usually a financial institution—to find out how to have your payment made as a direct rollover.

If you're unsure how to invest your money, you may be able to temporarily establish an IRA to receive the payment. If you do this, make sure you can move all or a part of your payment to another qualified IRA at a later date without penalties or limitations.

Direct rollover to a traditional IRA

At the time of the rollover, you will not pay income taxes on any portion of your CalSTRS payment that is directly rolled over to a traditional IRA. In addition, you'll avoid the risk of early disbursement tax penalties.

Whether you'll need to pay taxes at the time of the retirement withdrawal will depend on whether or not the contributions were made pretax or after-tax, your age at the time of the withdrawal, and other factors that are listed on page 9. In addition, you'll have no income tax withheld from any taxable portion of your CalSTRS payment that is a direct rollover.

Direct rollover to a Roth IRA

If you roll over your CalSTRS payment to a Roth IRA, the amount of the payment rolled over—reduced by any after-tax amounts—will be taxed. However, the 10% additional federal income tax and 2.5% additional state income tax on early distributions will not apply if you do not withdraw the amount from the Roth IRA within five years, counting from January 1 of the year of the rollover.

If you roll over your 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 reach age 59½. A qualified distribution can also happen:

- After your death or disability.
- As a qualified first-time homebuyer distribution of up to $10,000.
- After you've had your Roth IRA for at least five years.*

*In applying this five-year rule, count from January 1 of the year in which your first contribution was made to the Roth IRA.

Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover. Taxes include 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, refer to IRS Publication 590-A, Contributions to Individual Retirement Arrangements, and IRS Publication 590-B, Distributions From Individual Retirement Arrangements.

Consult a tax or legal professional if you want to roll over your payment to a Roth IRA.

Direct rollover to an eligible employer plan

If you're employed by a new employer that has an eligible employer plan and you want to make a direct rollover to that plan, ask the plan's administrator if it will accept your rollover. An eligible employer plan is not legally required to accept a rollover.

If the employer plan accepts your rollover, the plan may restrict the circumstances under which you may later receive a distribution of the rollover amount. The employer plan may also require spousal consent before any subsequent distribution, and subsequent distributions may be subject to different tax rules than CalSTRS payments.

Contact the plan's administrator to learn more before making a decision. If your new employer's plan does not accept a rollover, you can choose a direct rollover to a qualified IRA.

Direct rollover of a series of payments

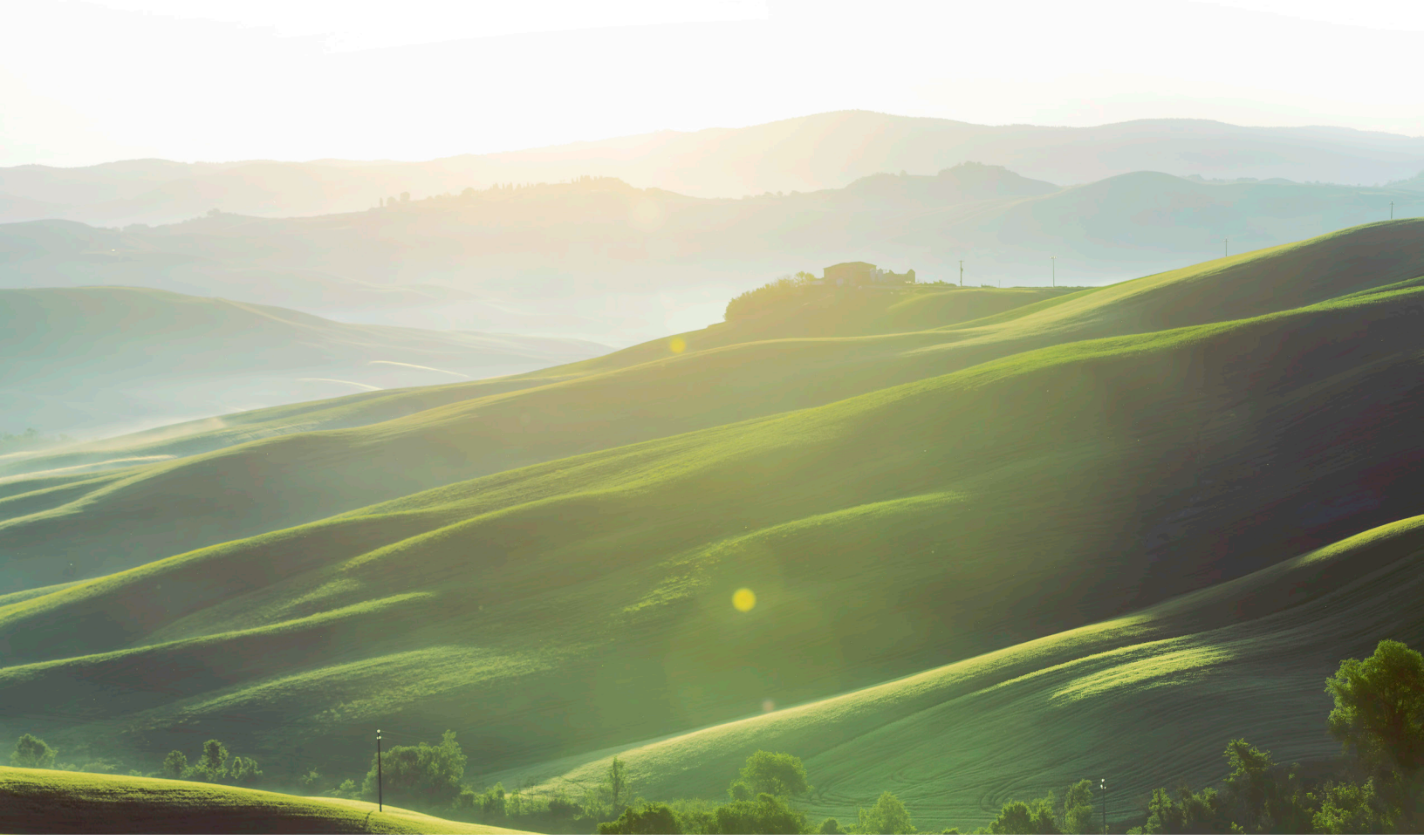
You can also make a direct rollover in multiple payments. All payments in the series will be directly rolled over until you change your election, but only if each of the following three conditions are met:

- You receive a payment that can be rolled over to a qualified IRA or to an eligible employer plan.
- You get paid in a series of payments for less than 10 years.
- You choose a direct rollover.

You may change your election for any payment anytime.

The rules of the IRA or employer plan that holds your rollover determine your investment options, fees and rights to payments from the IRA or plan.

For example, spousal consent is not required for distributions from IRAs, and IRAs cannot provide loans. Also, your rollover is subject to the tax rules that apply to the IRA or plan.



Special rules and options

What if my payment includes after-tax contributions?

After-tax contributions included in your CalSTRS payment are not taxed when distributed. If a payment is only part of your benefit, a portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions.

However, 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 make a rollover, as described below.

You can use a direct rollover or a 60-day rollover to roll over a payment that includes after-tax contributions to an IRA. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs to determine your taxable income for later payments from the IRAs.

If you make 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.

Direct rollover with after-tax contributions example

Gordon received a distribution of $10,000, of which $2,000 is after-tax contributions. If Gordon rolled over $8,000 to an IRA that's not a Roth IRA, no amount is taxable because the $2,000 not rolled over is treated as after-tax contributions.

If Gordon made a direct rollover of his entire CalSTRS payment to two or more different plans at the same time, he could choose which destination receives the after-tax contributions.

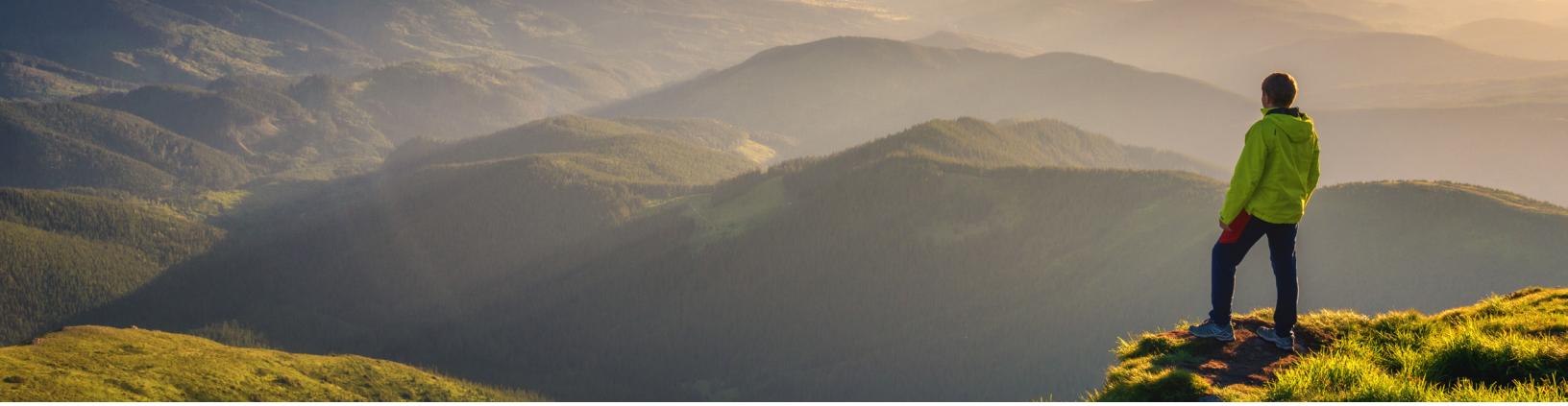
$10,000
Total distribution

$8,000
Rolled over into an IRA that's not a Roth IRA

$2,000
After-tax contributions

No amount of the $10,000 total distribution is taxable.

You may roll over all of a payment that includes after-tax contributions to an employer plan but only through a direct rollover—and only if the receiving plan separately accounts for after-tax contributions and is not a 457(b) plan. You can take the part of your CalSTRS payment that includes after-tax contributions and make a 60-day rollover to an employer plan. However, your payment is limited to the amount that would be taxed if the payment was not rolled over.



What if I miss the 60-day rollover deadline?

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevent 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, refer to IRS Publication 590-A, Contributions to Individual Retirement Arrangements.
- You can also review "Retirement Plan FAQs Relating to Waivers of the 60-Day Rollover Requirement" at **irs.gov**. Enter "60-day waiver" in the search box to access more information.

I was born on or before January 1, 1936. What do I need to know?

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 tax on the payment may apply.

You may elect to have your lump-sum distributions taxed under favorable rates. The election is also available to your beneficiaries, including your current or former spouse who was named as an alternate payee under a qualified domestic relations order. The special tax treatment is not available for any portion of the lump-sum distributions rolled over to another plan. You may choose among the following options for computing the tax on your lump-sum distribution:

- 10-year averaging of the entire distribution.
- 10-year averaging of the post-1973 portion of the distribution.
- Making the portion of the distribution attributable to your pre-1974 participation in CalSTRS taxed at a flat 20% capital gains rate.

- The rules on special tax treatments are complex. For more information, access IRS Publication 575, Pension and Annuity Income, and IRS Form 4972, Tax on Lump-Sum Distributions, or consult a tax or legal professional.

I'm not a CalSTRS member. What do I need to know?

Spouses of deceased members generally have the same rollover options as members, and payments are taxed. Surviving beneficiaries who are not the spouse must roll over funds into an inherited IRA.

Payments after a member's death are subject to taxes

If you receive a distribution after a CalSTRS member's death that you do not roll over, the distribution generally will be taxed in the same manner described in this booklet. However, the 10% additional federal income tax and 2.5% additional state income tax on early distributions do not apply.

Surviving spouses have rollover options

If you receive a CalSTRS payment as the surviving spouse of a deceased member, you have the same rollover options the member would have had. In addition, if you choose to make 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 handled like any other IRA, so payments made to you before you reach age 59½ 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 do not have to start until after you reach the required minimum distribution age.

Birthdate	Required minimum distribution age
June 30, 1949, and prior	70½
July 1, 1949–December 31, 1950	72
January 1, 1951, and later	73

If you treat the IRA as an inherited IRA, payments from the IRA will neither be subject to the 10% additional federal income tax nor the 2.5% additional state income tax on early distributions. However, if the member had started taking required minimum distributions, you'll have to receive required minimum distributions from the inherited IRA. If the member had not started taking required minimum distributions, you'll receive them the year the member would have reached their required minimum distribution age.

Payments under a qualified domestic relations order

If you're the spouse or former spouse of a CalSTRS member and you receive a payment from CalSTRS under a qualified domestic relations order, 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. Payments under the qualified domestic relations order will not be subject to the 10% additional federal income tax or the 2.5% additional state income tax on early distributions.

Surviving beneficiaries other than spouses have one rollover option

If you receive a CalSTRS payment after a member dies and you're a beneficiary who is not the spouse, you can only roll the money into an inherited IRA. Money you take from an inherited IRA is not charged the extra 10% federal or the 2.5% state tax for early withdrawals.

You must take out all the money in the inherited IRA within 10 years after the member's death, unless you're an eligible designated beneficiary. An eligible designated beneficiary is one of these:

- Member's surviving spouse.
- Member's child who has not reached the age of majority, which is age 18 in California and most other states.
- Chronically ill individual, as defined in Internal Revenue Code section 401(a)(9)(E)(ii)(IV).
- Any other individual who is 10 years or 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 or your IRA provider about minimum required distributions.

If you're a nonresident alien

A nonresident alien is a legal classification for a person who is not a U.S. citizen and does not meet either of the IRS residency tests—the green card test or the substantial presence test.

If you're a nonresident alien and you do not make a direct rollover to a U.S. IRA or a U.S. employer plan, CalSTRS is generally required to withhold 30% of the payment for federal income tax. If the amount withheld exceeds the amount of tax you owe, which may happen if you choose a 60-day rollover, you may request an income tax refund by filing IRS Form 1040-NR and attaching your IRS Form 1042-S. File IRS Form W-8BEN to claim that you're entitled to a reduced rate of withholding under an income tax treaty.

For more information, refer to:

- IRS Publication 519, U.S. Tax Guide for Aliens.
- IRS Publication 515, Withholding of Tax on Nonresident Aliens Foreign Entities.
- FTB Publication 1100, Taxation of Nonresidents and Individuals Who Change Residency.



More special rules

Other special rules may apply to rollovers from CalSTRS payments:

- If you recently served in the U.S. Armed Forces, you may have special rollover rights. For more information, access 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 childbirth or adoption. For more information, visit **irs.gov**.

Additional resources

Below you'll find a directory of CalSTRS, IRS, and Franchise Tax Board forms and resources that are referenced throughout this booklet.

IRS forms and publications are available at your local IRS office, at **irs.gov** or by calling **800-829-3676**. FTB publications are available at **ftb.ca.gov** or by calling **800-852-5711**.

Form name	Purpose	Reason to use form/publication	Available at
Required			
Income Tax Withholding Preference Certificate AD0908	Update federal and state tax withholdings for ongoing payments.	Confirm that the proper federal and state tax elections are applied to benefit payments.	**CalSTRS.com**
Cash Balance Income Tax Withholding Preference CB584	Update state tax withholdings for ongoing payments.	Make sure the proper state tax elections are applied to benefit payments.	**myCalSTRS.com**
Tax on Lump-Sum Distributions IRS Form 4972	Determine the tax on a qualified lump-sum distribution.	Find out if a separate tax on a distribution is less than if you reported the taxable distribution amount as ordinary income.	**irs.gov**
Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals) IRS Form W-8BEN	Establish eligibility of foreign status for tax purposes.	Establish foreign status, claim lower tax rates on U.S. investment income, avoid the standard 30% withholding rate and show you're the actual owner of the income.	**irs.gov**
Recommended			
Contributions to Individual Retirement Arrangements IRS Publication 590-A	Find information about contributions and rollovers to a qualified IRA.	Discover the limits about how often you can roll over between IRAs.	**irs.gov**
Pension and Annuity Income IRS Publication 575	Learn about tax implications on distributions you receive from pension and annuity plans.	Determine how distributions are taxed, based on how often payments are made.	**irs.gov**
Distributions From Individual Retirement Arrangements IRS Publication 590-B	Get details about distributions from a qualified IRA as well as taxes and special rules.	Find the rules for handling an inherited IRA and receiving distributions.	**irs.gov**
U.S. Tax Guide for Aliens IRS Publication 519	Determine if you're a U.S. resident alien or nonresident alien so you can file accurately.	Understand different tax rules for U.S. resident aliens and nonresident aliens.	**irs.gov**
Withholding of Tax on Nonresident Aliens and Foreign Entities IRS Publication 515	Discover the withholding rules for payments made to nonresident aliens and foreign entities.	Identify tax withholding and reporting rules for agents who pay income from U.S. sources to foreign persons or groups.	**irs.gov**
Taxation of Nonresidents and Individuals Who Change Residency FTB Publication 1100	Find the specific California tax rules for nonresidents and part-year residents.	Learn how taxes are calculated for nonresidents and part-year residents, and how special circumstances may affect tax returns.	**ftb.ca.gov**
Armed Forces' Tax Guide IRS Publication 3	Learn about unique situations that might affect tax deductions and credits for U.S. military members.	Clarify how circumstances, such as combat pay and reenlistment bonuses, can impact tax returns and filing extensions.	**irs.gov**
Tax-Sheltered Annuity Plans IRS Publication 571	Find tax rules for public school employees who participate in 403(b) retirement plans.	Learn how rules regarding contributions, distributions, rollovers and saver's credits can impact a 403(b) account.	**irs.gov**
Pension and Annuity Guidelines FTB Publication 1005	Explore tax rules for California residents who receive distributions from pensions, annuities and IRAs.	Determine how to apply state-specific rules and report distributions on state taxes, including for former nonresidents.	**ftb.ca.gov**

CalSTRS resources

WEB

CalSTRS.com

myCalSTRS.com

403bCompare.com

Pension2.com

STAY CONNECTED

CALL

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

+1 916-414-1099
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
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 to find out the hours and services available at your local office.

FAX

916-414-5040

CALSTRS

California State Teachers' Retirement System
COM 1357 (rev 10/26)