

# 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'll 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, which are listed on the next page.
  - 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.
- To learn more, find the *CalSTRS Member Handbook* at [CalSTRS.com/member-handbook](https://www.calstrs.com/member-handbook).
- 📺 Check out the *Refund: Consider the Consequences* video at [CalSTRS.com/videos](https://www.calstrs.com/videos).

### Consequences of taking a refund of your CalSTRS contributions

- You'll 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.
- If you do not roll over your funds to a qualified retirement plan, the Internal Revenue Service taxes your refund as income. Federal law requires CalSTRS to withhold 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 owe 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 holding on to your service credit

By not taking a refund, you keep your CalSTRS service credit. Once you're eligible to retire, your Member-Only retirement benefit is calculated using the following three-part formula:

$$\text{age factor} \times \text{service credit} \times \text{final compensation} = \text{your retirement benefit}$$

When you take a refund, you lose your service credit. You can purchase that service credit by redepositing your refunded contributions if you later return to a CalSTRS-covered position, but you must also pay interest. That means 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

Mary has taught full time for six years under the CalSTRS 2% at 62 benefit structure. She 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, she wonders if she should take a refund of her \$25,000 in CalSTRS member contributions. If Mary keeps her money in CalSTRS until she turns 62 and retires, she would get approximately \$140,000 more in benefits than her refund of \$25,000.\*

2% age factor if Mary retires at age 62		Years of service credit		Final monthly compensation		Monthly lifetime retirement benefit
<b>0.02</b>	<b>×</b>	<b>6</b>	<b>×</b>	<b>\$4,500</b>	<b>=</b>	<b>\$540</b>

\* 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.

## Tax considerations when receiving a refund

There may be tax consequences if you change how you want your refund paid or if you cancel your refund and it involves two tax years. For example, if you receive a refund this calendar year and then return the refund next calendar year, you must report your refund as income on your IRS Form 1099-R for the calendar year you received it. You'll be responsible for any taxes on those funds. For more information, refer to the *Refund Application* at [CalSTRS.com/forms](https://www.calstrs.com/forms). CalSTRS does not provide tax advice. Consult a tax professional for assistance.

### Concurrent retirement

If you have service credit with CalSTRS and later 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 keep your contributions with CalSTRS or choose to refund and redeposit them.

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

► Check out the *Concurrent Retirement* fact sheet at [CalSTRS.com/publications](https://www.calstrs.com/publications).



CalSTRS is governed by the Teachers' Retirement Law, available at [CalSTRS.com](https://www.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](https://www.calstrs.com)  
[myCalSTRS.com](https://www.myCalSTRS.com)  
[403bCompare.com](https://www.403bCompare.com)  
[Pension2.com](https://www.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](https://www.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](https://www.calstrs.com/local-offices).  
Call ahead to find out the  
hours and services available  
at your local office.



### FAX

916-414-5040