



# URS

Utah Retirement Systems



# Refund of Member Contributions

in the Defined Benefit  
Retirement Pension Plan

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# Refund of Member Contributions

## in the Defined Benefit Retirement Pension Plan

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If you have member contributions<sup>1</sup> in a contributory defined benefit retirement system, whether paid by you or on your behalf, you have two choices as to how to manage them:

- » You may leave your member contributions with URS and retain your service credit;

OR

- » If you qualify, you may initiate a refund of your member contributions and forfeit your service credit. Refunds are not mandatory.

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<sup>1</sup> *Internal Revenue Code Section 414(h)*  
*("Member Contributions")*

## **Leaving Your Member Contributions with URS Retains Your Service Credit**

If you leave your member contributions with URS, you'll retain your service credit. Should you later be employed in a URS-covered position you may combine your eligible service credit. You'll also qualify for a lifetime monthly retirement benefit when you meet corresponding age and service requirements. To learn when you may qualify for a monthly retirement benefit, call the URS Retirement Benefits Department.

## **Keeping Your Address Current**

We need to know if your address changes in order to keep you informed about your retirement benefits. Our having your current address ensures that you receive your URS Annual Retirement Statement, your URS Savings Plans Quarterly Statement (401(k), 457(b), IRAs), informative publications, and information you request on your account. Change your address by logging in to myURS at [www.urs.org](http://www.urs.org) or request a form by contacting URS. You may also view your annual statement online at myURS.

## **Death Benefits**

If your member contributions remain intact with URS, the financial settlement your beneficiary(ies) will receive in the event of your death is determined by your service record and the balance of member contributions in your retirement account.

## **Withdrawing Your URS Member Contributions Forfeits Your Service Credit**

If you choose to take a refund, your service credit for any period of coverage under a contributory retirement system is forfeited. A refund from the URS Defined Benefit Plan

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<sup>2</sup> You may leave funds with URS until age 73 and retain membership.

includes all of your member contributions and any applicable interest in your account. URS does not pay partial refunds.

**Additional 3% Payment** — Members enrolled with URS before January 1, 1989, were granted an additional 3% payment. If you take a refund, then return to a URS-covered position and thereafter reinstate your withdrawn contributions, you forfeit this 3% increase when you retire.

**Noncontributory Retirement Systems** — If you were covered by a noncontributory retirement system, all contributions are made by the employer and are nonrefundable. These contributions are not credited to your account and are not reflected in your defined benefit annual retirement statement.

### **Refunding and Remaining Eligible for a Retirement Benefit**

If you transferred from a URS contributory to a URS noncontributory retirement system and you take a refund, service credit attached to the contributory system is forfeited; however, eligible service credit in the noncontributory system is not. This means you may still have service credited to your account after your refund is processed. If you have four or more years of qualifying service, you'll be eligible for a monthly retirement benefit when corresponding age and service requirements are met.

## Establishing Eligibility for a Refund

*To qualify for a refund of your member contributions you must have a bona fide termination from all URS participating employers.*

### **Situations That Do Not Constitute Eligibility:**

- » You transfer from one URS participating employer to another.
- » You terminate employment with one participating employer and are subsequently rehired by the same or a different participating employer, despite a break in service.
- » You terminate employment, apply for a refund, and subsequently accept employment with another participating employer before the disbursement of your refund payment.
- » You're on a leave of absence from a position covered by URS.
- » You officially exempt from retirement coverage.
- » You become ineligible for URS coverage, including:
  - Your hours drop below an average of 20 per week;
  - You don't receive your employer's normal benefits;
  - As a teacher your hours drop below teaching half time.
- » You apply for or receive long-term disability benefits through a participating employer that has a URS benefit protection contract.

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<sup>3</sup> A transfer of employment is not a termination.

*If you're exempt from or are ineligible for URS coverage, you may request a direct transfer of your member contributions, if applicable, to a qualified defined contribution plan.*

**If we learn a refund was made under false pretenses, you may be required to return the money plus interest and may be subject to criminal penalties.**

### **Required Minimum Distribution (RMD)**

Once you reach age 73 and are no longer employed by a URS participating employer, a certain portion of your refund cannot be rolled over because it is an RMD that must be paid to you. Call our office for the specific application for this type of refund.

## **The Refund Application Process**

Obtain an Application for REFUND/TRANSFER OF MEMBER CONTRIBUTIONS by contacting the Retirement Benefits Department at 801-366-7770 or 800-695-4877. Employers do not have this form. Once you've completed the form and had your signature notarized, return the form to URS.

### **Waiting Period Before Release of Member Contributions**

Your refund cannot be processed until after 60 days from the last date of the pay period for which contributions are paid.

## Lifetime Monthly Retirement Benefit Waiver

If you choose to relinquish your rights to a monthly retirement benefit by withdrawing your member contributions, you must complete a LIFETIME MONTHLY RETIREMENT BENEFIT WAIVER.

## Domestic Relations Orders (DRO)

A domestic relations order on file with URS may affect the amount of the distribution and the tax implications of your refund.

## Refund Payment Options

You may receive your refund by any of the following methods:

- » Directly to you;
- » As a direct rollover to a URS 401(k) or other qualified plan, a 403(b), 457(b), a traditional IRA, a Roth IRA; or
- » A combination of the above.

The payout method you select will affect your taxes.

## Taxes

*Because tax rules that apply to refunds are complex, we recommend you consult a professional tax advisor before completing a refund application.*

The tax-deferred portion of your refund is considered taxable income in the year you receive it, unless you make a direct rollover of the *eligible distribution*. An *eligible distribution* means all member contributions in your retirement account except any after-tax contributions.

A URS statement of your member contribution account will accompany your refund application. The statement will show an untaxed amount, and



interest balance, if applicable, which constitute your eligible distribution. Any contributions made from your own paycheck are noted as taxed contributions on your URS statement.

## URS Reporting to the IRS

We'll report your refund payment to the IRS on a 1099R by January 31 of the calendar year following the year the refund was paid. To make sure you receive this important information, please inform us if your address changes after your refund check is issued.

## Payout Methods and Tax Withholding

When you complete the refund application, you'll select a payout method to either receive direct payment of the full balance or to defer paying tax by choosing a direct rollover. You'll also complete the STATE OF UTAH INCOME TAX WITHHOLDING STATEMENT and the *Additional Tax Withholding sections* of the form.

**If the refund is paid directly to you,** it will be subject to:

- » A 20% federal income tax withholding on the eligible portion of your refund distribution, if your refund is \$200 or more.
- » Possible taxes of the state where you reside.
- » A 10% IRS early withdrawal tax penalty, if your refund is taken before age 59½ or your employment ends before you reach age 55.

**Note:** If you're a qualified public safety employee<sup>4</sup> who separated from service after age 50, you won't be subject to the 10% early withdrawal tax imposed by the IRS.

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<sup>4</sup> A qualified public safety employee provides police protection, firefighting, or emergency medical services within the jurisdiction of the employing state or political subdivision.

**If the refund is paid as a direct rollover** (see *Refund Payment Options* on Page 6) you'll defer paying taxes and avoid:

- » The 20% withholding;
- » State of Utah income tax;
- » Possible taxes of the state where you reside if other than Utah;
- » The 10% IRS early withdrawal tax penalty.

**Caution:** A subsequent distribution from the plan that accepts your rollover may be subject to *different tax treatment* than distributions from this plan. Check with the administrator of the plan that is to receive your rollover before you request the rollover. Contact a tax advisor or the IRS for specific tax information.

### **Special Tax Notice Regarding Plan Payments**

For important information you'll need before you decide how to receive your refund, see *Special Tax Notice Regarding Plan Payments* accompanying your refund application.

## **Reinstating Your Refund**

If you return to work for a URS participating employer or you retained membership under a URS Noncontributory Retirement System, you or your employer may reinstate a previous refund, if it represents eligible service. The cost is based on the amount you withdrew plus interest from the date of withdrawal to the date of repayment.

If you choose to reinstate your account, payment must be completed before your retirement date. Reinstating a refund will increase your monthly benefit at retirement and may provide an increased death benefit.

## URS Savings Plans

You won't lose service credit if you withdraw your URS Savings Plans (401(k), 457(b), IRAs), balances. For information about your URS Savings Plans, call the Defined Contribution Department at 801-366-7720 or 800-688-401k.

### **A Final Word**

This publication is intended to provide general information and does not constitute legal, tax, financial or investment advice and should not be construed as such or relied upon for those purposes. Nothing herein should be construed to establish, amend, enlarge, reduce, or otherwise affect any benefits, rights, responsibilities, or privileges. If there is a conflict between any applicable law, rule, regulation, plan provision, or contract and the contents of this publication, the law, rule, regulation, plan provision, or contract shall prevail. For specific information on your account, contact our office in Salt Lake City or St. George.

For more information regarding 401(k), 457(b), IRAs, contact the URS Savings Plans Department at 801-366-7720 or 800-688-401k

### **Your Right to Privacy is Protected**

Information will be given over the telephone to members only if they can demonstrate their identity through knowledge of personal information. If such knowledge cannot be demonstrated, account information will not be discussed over the telephone. Because your file is confidential, we cannot release information to your spouse, relatives, or group representative. Information provided through the URS website is permitted only with a valid user identification (ID) and password.



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