PERA

APPLYING FOR A REFUND

As a member of PERA, you have options when you leave public employment. If you are not vested and remain out of PERA service, you should apply for a refund within five years after your last member contribution was made. If you are vested, you may leave your money in PERA for a present or future lifetime monthly benefit. Your options depend on your age and years of participation in PERA.

THE REFUND PROCESS

PERA offers a simple process to receive a refund.

1. After you terminate PERA-covered employment, you may apply for a refund.
2. Print and complete the *Application for Refund*, available at mnpera.org.
3. Mail in or drop off your completed notarized application at PERA. Only applications with original notarized signatures will be processed. PERA will not accept photocopied applications, or applications received via fax or email.
4. A refund is payable as a lump sum between 30 and 120 days after PERA receives your completed application. The length of time may vary depending on when PERA receives your remaining payroll transactions. Your refund can be paid:
   - directly to you, or
   - as a direct rollover to another tax-qualified plan

The refund consists of your member contributions plus interest, compounded annually. Should you elect to receive a refund, your employer's matching contributions are not refundable. They remain with PERA and are used for retirement, disability, and survivor benefits provided by the association. By taking a refund, you forfeit all future PERA benefits. You are not eligible for a refund if you are in another PERA-covered position with the same employer or are working for a different employer covered by the same PERA plan.

If you leave PERA-covered employment, your account becomes inactive. If you remain out of PERA service, are not vested, and do not apply for a refund within five years after your last member contribution was made, you will forfeit your member contributions and interest from PERA. The forfeited funds can only be restored if you return to PERA-covered employment or apply for a retirement benefit with another Minnesota public pension plan.

DO I HAVE OTHER BENEFIT OPTIONS?

If you are vested, you have enough service to qualify for a monthly benefit. Instead of applying for a refund, you can leave your money with PERA for a present or future lifetime monthly benefit. PERA calculates your benefit based upon your age at retirement, service, and salary. It can be in the form of a single-life option, or one of four survivor options. A survivor option, while reducing your monthly benefit amount, provides continuing payments to your survivor upon your death.

- **Start your monthly benefit today**
  If you meet the age and service requirements, you may begin a lifetime monthly benefit upon leaving public service.
- **Defer your monthly benefit**
  If you are vested in your retirement plan, you can leave your contributions with PERA and receive a lifetime monthly benefit any time after you reach the minimum retirement age for your plan.
- **Not vested but returning to Minnesota public service?**
  If you have at least six months of service with PERA and accept a position covered by another Minnesota public pension plan, you may be eligible for a lifetime monthly benefit under combined service provisions. Other Minnesota public pension plans include:
  - Minnesota State Retirement System (MSRS)
  - Teachers Retirement Association (TRA)
  - St. Paul Teachers Retirement Fund Association (SPTRFA)

To learn more about your other benefit options, visit mnpera.org or contact a PERA Service Representative.

What about a Defined Contribution Plan (DCP) Refund?

You are eligible for a refund upon termination of public employment, disability, or death. If you are age 65 or older, stay employed by a public employer, and have an account balance of at least $5,000, you are also eligible for a refund. Your refund will include member and employer contributions plus investment earnings based on the date we process your application. To receive the proper forms and more information about DCP refunds, visit mnpera.org or contact a PERA Service Representative.

All of PERA's plans are qualified plans under chapter 401(a) of the U.S. Internal Revenue Code. As a qualified plan, your PERA pension plan comes under the jurisdiction of the U.S. Internal Revenue Service (IRS) and must comply with rules the IRS issues with regard to such plans. A refund from PERA must comply with IRS requirements.

After-Tax versus Tax-Deferred
Member contributions made on or before December 31, 1982, were already taxed and are not subject to income taxes. Member contributions made after December 31, 1982, have not been taxed and are considered taxable income. All interest paid with your refund is considered taxable income. PERA will send you a Form 1099-R the January following the year you receive your refund. This will reflect your taxable amounts.

IS MY REFUND TAXABLE?

You may owe taxes in the year you receive the refund or in the future, depending on your refund payment method:

If you choose to have your refund paid directly to you.

- **Federal Taxes.** PERA is required by the IRS to withhold 20 percent of your tax-deferred refund portion. PERA sends this amount to the IRS as federal income tax withholding.
- **State Taxes.** PERA does not withhold state tax from your refund. You may owe state tax on your PERA refund.
- **Early Withdrawal Tax.** If you receive the refund before age 59½, you may be subject to an additional 10 percent federal early withdrawal tax. The tax penalty may not be applicable if you terminate public service and receive your refund during or after the year you reach age 55 (age 50 for qualified public safety employees).
- **Sixty-Day Rollover Option.** You can still transfer all or part of the refund to a qualified plan that accepts rollovers within 60 days of the date on the refund payment from PERA. The portion of your refund that is rolled over will not be taxed until you take it out of the qualified plan.

Other Helpful Tips:
You may want to consult with a professional tax advisor and/or review IRS Publications before you take a refund from PERA.

If you choose a direct rollover your refund will be sent directly to your tax-qualified plan.

- **Taxes.** If you transfer your refund to a tax-deferred qualified plan that accepts rollovers, your refund will not be taxed at the time of the transfer. However, the funds will be taxed later when you take it out of the qualified plan. If you have made after-tax contributions to PERA, these contributions will be non-taxable and cannot be rolled over to a tax-deferred qualified plan.
- **Roth IRA.** After-tax contributions may be transferred to a Roth IRA (an after-tax qualified plan). This can be done by PERA as a direct rollover, or PERA can send you the after-tax amount and you can complete the rollover on your own. If you wish to have PERA transfer any or all of the tax-deferred portion of your refund to a Roth IRA, be aware that this is a taxable event and will be reflected in the Form 1099-R you receive from PERA. While this is a taxable event, the early withdrawal penalty does not apply. It is your responsibility to determine your ultimate tax liability and qualification for a Roth rollover.
- **Required Minimum Distribution (RMD).** If you are over age 70½ at the time you receive a refund, a portion of your refund may be an RMD and cannot be transferred to a qualified plan.

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