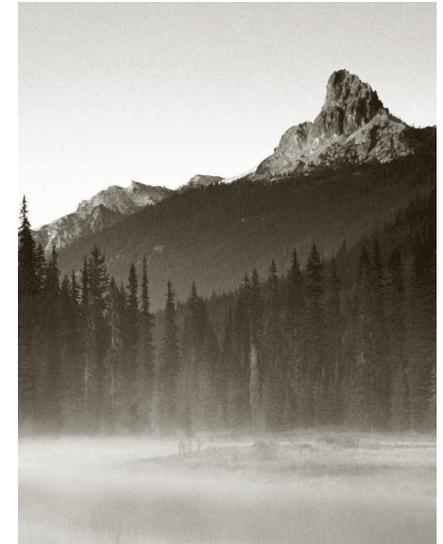


# Refunding Your Retirement Contributions

Understanding what happens when you take a refund



Alaska Division of Retirement and Benefits

The information in this brochure is not intended to replace the Alaska Statutes or the Alaska Administrative Code. Language in the Alaska Statutes and the Alaska Administrative Code governs the plans.

## What Tier am I?

Members who first entered a PERS position and were making contributions:

- Before 7/1/86—**Tier I.**
- On or after 7/1/1986, but before 7/1/1996—**Tier II.**
- On or after July 1, 1996, but before 7/1/2006—**Tier III.**

Members who first entered a TRS position and were making contributions:

- Before 7/1/90—**Tier I.**
- On or after 7/1/1990, but before 7/1/2006—**Tier II.**

This brochure only applies to PERS Tiers I, II, and III, and TRS Tiers I and II. If you entered a PERS position on or after 7/1/2006 or received a full refund on or after July 1, 2010, refer to a PERS Tier IV Defined Contribution Retirement Plan brochure. If you entered a TRS position on or after 7/1/2006, or received a full refund on or after July 1, 2010, refer to a TRS Tier III Defined Contribution Retirement Plan brochure.

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After you receive a refund, if you were reemployed in a PERS or TRS position before July 1, 2010, you must pay back your refund plus interest, and you may become eligible for retirement benefits under the PERS or TRS Defined Benefit Plans.

## Interest and Your Refund

For PERS refunds issued before July 1, 1977, interest accrues at a rate of 7 percent from the first of the month following the date of your return to PERS employment.

For TRS refunds issued before July 1, 1977, interest accrues at a rate of 7 percent beginning July 1 following the date of your return to TRS employment.

For both PERS and TRS refunds issued July 1, 1977 and after, interest will accrue at a rate of 7 percent beginning the date of the refund.

## IMPORTANT NOTICE

*Remember, if you receive a refund and are no longer vested, you will not be eligible for a retirement benefit when you reach retirement age. You will forfeit your tier status and if reemployed in a PERS or TRS position you will be under the PERS Tier IV or TRS Tier III Defined Contribution Retirement Plan.*

For questions on refunds, please contact the Division's Retirement Customer Service Center or email them at [doa.drb.rcsc@alaska.gov](mailto:drb.rcsc@alaska.gov)

Division employees do not give tax advice. You may want to contact the Internal Revenue Service or a tax expert about the effects of a refund of contributions.

For more information read the following publications:

- Taxes and Your Benefits
- TRS Information Handbook
- PERS Information Handbook
- Refund Election form (GEN008)

## What you should know before you take a refund

**When you leave employment, you may ask for a refund of your employee contributions. If you choose to refund, you will forfeit your tier status and you will no longer have benefits when you reach retirement age. This includes pension benefits and medical coverage.**

When you end employment, you may request a refund by filling out the *Refund Election* form (GEN008) available on the Division of Retirement and Benefits website.

If you are married and your account balance is more than \$5,000, you **must** have your spouse fill out section C of the form. Their signature must be witnessed by a DRB representative, postmaster, or notary. If you are divorced, the Division must have proof that your ex-spouse doesn't have a right to part of your retirement account. Send court-certified copies of the divorce decree and property settlement to the Division, if you have not already done so.

If the court has assigned a portion of your future monthly benefit to your former spouse by a Qualified Domestic Relations Order (QDRO), the QDRO must be amended to allow for a lump sum payment. Contact the Division for more information.

You will be eligible for your refund payment when you have ended your employment for at least 60 days or 30 days after the *Refund Election* form has been received, whichever is later.

You may only refund your **employee contributions**. This includes:

- required contributions from your paycheck
- indebtedness payments (if any were made)
- mandatory interest earned

A refund will not include any contributions made by your employer to the retirement system or any income earned on employer contributions.

### Two Forms of Payment

There are two ways to receive a refund payment; a one-time payment or a direct rollover. You may rollover your refund only into a qualifying plan. Please read the refund election form instructions about your choices for payment or rollover. You may want to speak to a tax advisor before making a decision. The Division of Retirement and Benefits does not give tax advice.

### Taxes and Your Refund

If your contributions have already been taxed, no more taxes or penalties will be taken from them. This includes indebtedness payments you may have made with after-tax dollars.

Your contributions which have already had taxes paid on them may not be rolled over into an Individual Retirement Arrangement (IRA).

The federal government may charge a penalty when untaxed PERS and TRS contributions and interest are refunded in one lump-sum before age 59-1/2.

The PERS and TRS must withhold 20 percent federal income tax on all untaxed, lump-sum accounts directly refunded to members. The 20 percent tax does NOT apply to PERS or TRS refunds that are rolled DIRECTLY into an IRA, or other qualified plans.

*The following have NOT been taxed at the time of contribution:*

- **PERS Members**—Mandatory employee contributions made after December 31, 1986; and all interest earned on those employee contribution accounts.
- **TRS Members**—Mandatory employee contributions made after December 31, 1990; and all interest earned on those employee contribution accounts.

*Please direct your questions about taxes to the IRS or a tax expert. The Division of Retirement and Benefits cannot give tax advice.*

