



# Withdrawing Your Retirement Service Credit and Contributions

North Carolina Retirement Systems

Please print or type in black ink.

## Section A. Tell us about yourself.

FIRST NAME	MI	LAST NAME		SSN
MAILING ADDRESS				MEMBER ID
CITY	STATE	ZIP CODE	TELEPHONE NO.	DATE OF BIRTH

## Section B. Please check the retirement system from which to withdraw contributions and service.

If more than one, you must fill out a separate form for each retirement system account.

- Teachers' and State Employees' Retirement System
  Consolidated Judicial Retirement System  
 Local Governmental Employees' Retirement System
  Legislative Retirement System

## Section C. Please review and choose the tax withholdings on any refunded contributions.

How do you choose to treat your withdrawn contributions? (See Guide C)

- I want the entire amount paid to me.** I understand that federal laws require the Retirement System to withhold 20% of the taxable portion of withdrawn contributions for federal income taxes. I understand that additional federal taxes may also apply to this refund of contributions. If I am a resident of North Carolina, I understand that North Carolina income tax laws generally require the Retirement System to withhold 4% of the remaining taxable portion after a \$4000 exclusion. If I am *not* a resident of North Carolina, I understand I have a choice to have North Carolina income taxes withheld by the same formula by checking the YES box below. (Skip Section D.)

If you are *not* a resident of North Carolina, do you want North Carolina income tax withheld?  YES  NO

- I want the entire taxable portion directly rolled over to my eligible IRA or other eligible qualified employer plan.** I will submit a rollover acceptance letter with this application (see Guide D). I understand that if I have a previously taxed portion, it will be paid to me. (Skip Section D).
- I want my refund split between my primary eligible IRA (or other qualified employer plan) and either myself or another eligible plan.** I will designate the secondary payee in Section D. I will submit a rollover acceptance letter with this application (see Guide D) for any IRA(s) or plan(s) given.

## Section D. If you chose a split refund in Section C, please specify the primary eligible plan.

What is the name of the rollover company of your primary eligible IRA or other qualified employer plan?

What is the dollar amount you want paid to your primary eligible IRA or other qualified employer plan?

The remainder of your withdrawn contributions should be paid to whom (yourself or another eligible plan)?

- I want the remainder paid to me.** I understand that the Retirement System must withhold taxes according to federal and state laws described in Section C.

If you are *not* a resident of North Carolina, do you want North Carolina income tax withheld?  YES  NO

- I want the remainder paid to my secondary eligible IRA or other qualified employer plan.** I will submit a rollover acceptance letter for this payee with this application (see Guide D.)

What is the name of your secondary payee?

## Please continue to the next page.

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**Section E. Please authorize with your signature.**

I certify the following:

I have read, or had read to me, the information contained in this application, including the Special Federal Tax Notice (Guide G).

I am not now employed in a job requiring me to make contributions to the Retirement System, and if I should become reemployed in such a job before I receive my refund, I will notify the Retirement System to cancel this application;

I am not currently receiving any Worker's Compensation benefits;

I am not currently receiving any disability benefits from the Disability Income Plan of North Carolina;

I understand that my refund cannot be paid until this application has been completed, and all necessary information has been received.

I understand that it is my responsibility to notify the Retirement System of any address changes, and failing to do so might cancel or delay my refund.

**I understand that upon receiving my refund, I forfeit all rights to my retirement service credit and any pending or accrued benefits provided by the Retirement System and/or Disability Income Plan of North Carolina.**

Signature \_\_\_\_\_ Date \_\_\_\_\_

**By law, NO refund checks can be issued until 60 days after your effective date of termination (G.S. 135-5(f), TSERS; 128-27(f), LGERS; 135-62, CJRS; 120-4.25, LRS)**

**Section F. Please have this form notarized. Improperly notarized forms will not be accepted.**

**Notary Public Certification**

State of \_\_\_\_\_ County of \_\_\_\_\_

I, \_\_\_\_\_, a notary public for said State and County,

do hereby certify that \_\_\_\_\_ personally appeared

INK SEAL  
HERE

before me this date and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

Signature of Notary \_\_\_\_\_

My commission expires \_\_\_\_\_

**Section G. Have your employer complete this section if the circumstances below are applicable.**

Employer, please complete this section if the employee terminated employment within three months prior to the application date, or if the employee was terminated by the employer.

1 What was the effective date of the employee's termination?

2 Was employment terminated by the employer?

YES  NO

**Employer Certification:** I hereby certify that the information provided about the employee named in Section A is true and correct to the best of my knowledge, and that this employee is now not employed, nor is under contract for employment in a job that requires membership in the Retirement System.

Employer Contact's Signature \_\_\_\_\_ Date \_\_\_\_\_

CONTACT FIRST NAME	CONTACT LAST NAME	POSITION TITLE	
EMPLOYER/AGENCY			UNIT NO.
E-MAIL ADDRESS		TELEPHONE NO.	FAX NO.

**Section H. Please submit this form by mail or fax.**

You may mail this form to the address below, or you may fax this form to (919) 508-5350.

**Thank you.**

**N.C. Department of State Treasurer, Retirement Systems Division**  
325 North Salisbury Street, Raleigh, North Carolina 27603-1385  
(919) 733-4191 in the Raleigh area or (877) 627-3287 toll free  
[www.myncretirement.com](http://www.myncretirement.com)

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MEMBERS LAST NAME	MEMBERS SSN
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# Guides for Withdrawing Your Retirement Service Credit and Contributions

North Carolina Retirement Systems

Information on this form is subject to and governed by federal law and by the General Statutes of the State of North Carolina.

## Guide A. When is a refund available to me? What is the process?

As a member of a Retirement System, 6% of your pay has been withheld as contributions to the Retirement System. A refund of these contributions is available to you **60 days** after your effective date of resignation or termination.

**The sixty-day waiting period is required by the General Statutes of North Carolina.**

If you are receiving short-term disability benefits or Worker's Compensation benefits, you are not eligible for a refund.

Your refund may be delayed if:

- You change addresses and do not inform us
- Your last employer in the Retirement System does not report your final earnings
- You do not complete this form properly
- You do not provide additional documents which may be necessary if you wish to rollover your contributions.

When we have received your Form 5, we will send you a letter that gives the date we expect to mail the refund check(s). The stub of the check will disclose the amount of the refund reported for federal and North Carolina income tax purposes. By January 31 of the following year, the Retirement Systems Division will mail you a 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, which will also show the following:

- the gross distribution
- the taxable amount
- the federal income tax withheld
- the non-taxable amount, and
- the State of North Carolina income tax withheld,

If you change your address after you have received your refund, but do not notify the Retirement Systems Division, this vital tax document may be delayed when sent to you.

## Guide B. What will happen to my eligibility for retirement benefits if I withdraw?

If the amount of creditable service you currently have is greater than five years, you will be eligible for a monthly retirement benefit as soon as your age qualifies you. (You may be eligible for additional benefits, including retiree health insurance, in connection with your retirement as well.)

**But if you proceed with this refund, you will be withdrawing your retirement service credit, as well as your retirement contributions. You will no longer be eligible for a monthly retirement benefit from this system.**

## Guide C. How is the amount of my refund calculated?

**Gross refund.** The amount of your refund is the amount of contributions and interest you have in the Retirement System. Interest on your contributions is included in your refund if:

- You have participated in the Retirement System for more than 5 years
- Your employer rather than you terminated your employment
- You participated in the Retirement System prior to July 1, 1981.

**Previously taxed contributions.** Any previously taxed contributions are not eligible for a rollover and will not be taxed if they are paid to you. Any contributions made to the Retirement System prior to the following dates were previously taxed:

- Teachers' and State Employees' Retirement System: July 1, 1982
- Local Governmental Employees' Retirement System: Various, depending on your employer. See your employer for details.
- Consolidated Judicial Retirement System: August 1, 1983
- Legislative Retirement System: November 1, 1986

**Federal tax.** The Retirement Systems Division will withhold 20% of the taxable amount for federal income tax if your refund is paid directly to you.

**North Carolina tax for residents.** If you had five or more years of maintained creditable service in the Retirement System as of August 12, 1989, you are completely exempt from North Carolina income tax. Otherwise, if you are a resident of North Carolina, or if you chose to have North Carolina taxes withheld, the Retirement System will withhold 4% of the taxable amount over \$4000. (The \$4000 exclusion is permitted only once per year.) Be aware that properly estimated tax withholdings do not assure that the withholdings were sufficient to avoid penalty. For further information regarding penalties for failure to properly pay your income tax, please contact the North Carolina Department of Revenue.

**Rollover.** However, you can avoid paying income taxes by rolling over your refund to a traditional IRA (individual retirement account) or other eligible employer plan. See Guide D. The Retirement System will withhold no income taxes on the part of your refund that you roll over. By rolling over your refund, you may also avoid an additional penalty assessed by the Internal Revenue Service for withdrawing your retirement contributions at too young an age. Please see Guides F and G, or contact the Internal Revenue Service and the Department of Revenue, or seek advice from a tax consultant on possible penalties.

Please continue to the next page.



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## Guide D. How do I rollover?

You may roll over your refund to an eligible individual retirement account (IRA) or other eligible qualified employer plan. See Guides F through G for more information on eligible accounts. The NC 401k plan and the NC Public Employee Deferred Compensation Plan (457 plan) offered to public employees in North Carolina are eligible plans.

If you choose to proceed with a rollover, please advise your plan administrator that our plan is a 401(a) defined benefit plan under the Internal Revenue Code.

You must also provide the Retirement Systems Division with a letter from your financial institution that manages your eligible plan. This letter should accompany this form. The purpose of

this letter is to assure the Division that the institution will accept the rollover of your refund (financial institutions are not legally required to accept rollovers of refunds). This letter must meet the following requirements:

- Be from the financial institution (on its letterhead)
- Give your name and your account number of the eligible IRA or employer plan
- Give the name of type of retirement plan, such as IRA or other qualified employer plan
- Clearly state that the institution will accept a rollover
- Clearly state how to make the check payable
- Have an authorized signature of an agent of the institution.

## Guide E. What are the consequences of proceeding with a refund?

If you choose to proceed with your refund, you are forfeiting any future benefits.

- If your years of retirement service credit is greater than 5, you are forfeiting a monthly retirement benefit available as early as age 60.
- If your Retirement System offers individual paid health insurance, you are forfeiting that benefit as well.
- You are forfeiting any benefit for any beneficiaries.

If you are specifically forfeiting long-term disability benefits, you will be asked to sign a waiver letter to confirm that you understand that you are forfeiting those benefits as well (if you

are receiving short-term disability benefits, you are not eligible for a refund).

If you again become employed with an employer who participates in one of North Carolina's retirement systems, you may be interested in purchasing your service and contributions that you are withdrawing when you receive this refund. However, you will not be eligible to purchase withdrawn service until you return to service and contribute to a retirement system for another five years. Even if you are eligible to purchase the service, you may find the cost of the purchase to be prohibitive and dramatically higher than the refund you are about to receive. The cost of such purchases is determined by the General Assembly of North Carolina.

## Guide F. Summary of Federal Tax Rules for Refunded Retirement Contributions

A payment from the Retirement System that is eligible for rollover can be taken in two ways. You can have *all or any portion* of the payment either (1) paid in a **direct rollover** or (2) paid **to you**.

A **rollover** is a payment of the accumulated employee contributions to an eligible IRA or eligible employer plan. An eligible IRA does not include a Roth IRA, SIMPLE IRA, Education IRA, or Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under Section 401 (a) of the Internal Revenue Code, including a 401 (k) plan, profit sharing plan, defined benefit plan, stock bonus or money purchase plan; a Section 403(a) annuity; a Section 403(b) tax sheltered annuity; and an eligible Section 457(b) deferred compensation plan maintained by a governmental employer. This choice will affect the tax you owe.

**If you choose a direct rollover:**

- Your payment will not be taxed in the current year and no income tax will be withheld.

- Your payment will be made directly to an eligible IRA or eligible employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the eligible IRA or eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from the Retirement System.

**If you choose to have the accumulated contribution PAID TO YOU:**

- The Retirement Systems Division is required to withhold 20% of the taxable portion and send it to the IRS as income tax withholding.
- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 ½, you also may have to pay an additional 10% tax.

**Please continue to the next page.**



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## Guide F. (Continued)

• You can roll over the payment to an eligible IRA or eligible employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the eligible IRA or eligible employer plan.

• Within this 60-day period, if you want to roll over 100% of the payment to an eligible IRA or eligible employer plan, *you must find other money to replace the amount that was withheld*. If you roll over only the portion that you receive, you will be taxed on the amount that was withheld and not rolled over.

## Guide G. Special Federal Tax Notice Regarding Retirement System Lump Sum Distributions

### I. Payments That Can and Cannot Be Rolled Over

*General.* Payments from the Retirement System may be "eligible rollover distributions." This means that they can be rolled over to an eligible IRA or eligible employer plan that accepts rollovers. Payments from our System **cannot** be rolled over to a Roth IRA, a SIMPLE IRA, an Education IRA or a Coverdell Education Savings Account.

The following types of payments cannot be rolled over:

*Non-taxable Payments.* In general, only the taxable portion of your payment can be rolled over. If you have made "after-tax" employee contributions to the Retirement System, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over. (After-tax employee contributions generally are contributions you made from your own pay that were already taxed.)

*Payments Spread Over Long Periods.* You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or your life expectancy), or
- your lifetime and your beneficiary's lifetime (or joint life expectancies), or
- a period of ten years or more.

*Required Minimum Payments.* Beginning in the year you reach age 70 1/2, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you under the Internal Revenue Service regulations.

### II. Direct Rollover

*General.* You can choose a direct rollover of all or any portion of your payment that is an eligible rollover distribution, as described above. In a direct rollover, the eligible distribution is paid directly from the Retirement System to an eligible IRA or eligible employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the eligible IRA or eligible employer plan.

*Direct Rollover to an IRA.* You can open an eligible IRA to receive the direct rollover. If you choose to have your payment made directly to an eligible IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your

payment made in a direct rollover to an eligible IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an eligible IRA to receive the payment. However, in choosing an eligible IRA, you may wish to consider whether the IRA you choose will allow you to move all or a part of your payment to another eligible IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

*Direct Rollover to a Plan.* If you are employed by an employer that has an eligible plan, and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. If your new employer's plan does not accept a rollover, you can choose a Direct Rollover to an eligible IRA.

If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

### III. Payment Paid To You

If you have your refund paid to you, it is subject to 20% federal income tax withholding on the taxable portion. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an eligible IRA or eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply. Note the following scenarios that may apply to your federal income tax withholding:

*Mandatory Withholding.* If any portion of the payment to you is an eligible rollover distribution, the Retirement System is required by law to withhold 20% of that amount. This amount is sent to the IRS as federal income tax withholding. For example, if your eligible rollover distribution is \$10,000, the Retirement System must withhold \$2,000 as federal income tax. However, when you prepare your federal income tax return for the year, you will report the full \$10,000 as a payment from the Retirement System. You will report the \$2,000 as tax withheld, and it will be credited against any

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## Guide G. (Continued)

federal income tax you owe for the year.

**Sixty-Day Rollover Option.** If you have your refund paid to you, you can still decide to roll over all of the taxable portion or part of it to an eligible IRA or eligible employer plan that accepts rollovers. If you decide to roll over, you must make the rollover within 60 days after you receive that payment. The portion of your payment that is rolled over will not be taxed until you take it out of the eligible IRA or eligible employer plan. You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the eligible IRA or eligible employer plan to replace the amount that was withheld. On the other hand, if you roll over only the portion that you receive, you will be taxed on the amount that was withheld.

**For example,** if your eligible rollover distribution is \$10,000, and it is only taxable for federal income tax, and you choose to have it paid to you, you will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or employer plan. To do this, you roll over the \$8,000 you received from the Retirement System, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return you may get a refund of part of the \$2,000 withheld.

**Additional 10% Tax If You Are Under Age 59 ½.** If you receive a refund before you reach age 59 ½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the refund. The additional 10% tax does **not** apply to your payment **if** it is (1) paid to you because you separate from service with your employer during or after the year you reach age 55, (2) paid because you retire due to disability, (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiaries' lives or

expectancies), or (4) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

**Special Tax Treatment Available Only If You Were Born Before January 1, 1936.** If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Retirement System that is payable to you because you have reached age 59½ or because you have separated from service with your employer. For a payment to qualify as a lump sum distribution, you must have been a participant in the Retirement System for at least 5 years. The special tax treatment for lump sum distributions is described below.

**Ten-Year Averaging If You Were Born Before January 1, 1936.** If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

**Capital Gain Treatment If You Were Born Before January 1, 1936.** In addition, if you receive a lump sum distribution and you were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Retirement System (if any) taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If you have previously rolled over a payment, you cannot use this special tax treatment for later payments. If you roll over your payment to an eligible IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an eligible IRA, this special tax treatment is not available for the rest of the payment. Additional restrictions are described in IRS Form 4972, which has more information on lump sum distributions and how you elect the special tax treatment.

## Guide H. How To Obtain Additional Information

The Special Federal Tax Notice (*Guide G*) summarizes only the federal (not state or local) tax rules that might apply to your refund. The rules described are complex and contain many conditions and exceptions that are not included in this guide. Therefore, you may want to consult with a professional tax advisor before you apply for your refund from the Retirement System.

Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at [www.irs.ustreas.gov](http://www.irs.ustreas.gov), or by calling 1-800-TAX-FORMS.

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N.C. Department of State Treasurer, Retirement Systems Division  
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