

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 *Refund Application*, available at mnpera.org.
3. Mail or drop off your completed, notarized application at our office. Only applications with original ink signatures will be accepted. PERA cannot accept a copied, faxed, or emailed application.
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, email us at benefits@mnpera.org or call the Member Service Center.

All of PERA's plans are qualified plans under chapter 401(a) of the U.S. Internal Revenue Code and must comply with rules the Internal Revenue Service (IRS) issues with regard to such plans. **PERA cannot provide tax advice or assistance. You may want to consult with a tax professional and/or review IRS Publications before taking a refund from PERA.**



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 Form 1099-R federal tax document 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, your refund will be mailed to your address.

- **Federal Taxes.** PERA will automatically withhold 20%. You can withhold more than 20% by completing the W-4R tax form and sending it with your refund application.
- **Minnesota (MN) State Taxes.** PERA will automatically withhold the default tax rate of 6.25% (MN residents only). You can elect any tax selection, including no withholding, by completing the W-4MNP tax form and sending it with your refund application. We are unable to withhold non-MN state taxes.
- **Early Withdrawal Tax.** If you receive the refund before age 59½, you may be subject to an additional 10% 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 within 60 days from the payment date. The refund portion that is rolled over will not be taxed until you take it out of the qualified plan.

If you choose a direct rollover, your refund will be mailed to you but issued to your tax-qualified plan.

- **Taxes.** If you transfer your refund to a 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 qualified plan.
- **Roth IRA or Designated Roth Account.** First, check with your financial entity to see if they accept a direct Roth rollover (some will not). If you wish to have PERA transfer tax-deferred contributions to a Roth, we will not withhold taxes. However, this will be a taxable event and reflected as income on your Form 1099-R federal tax document from PERA. The 10% early withdrawal tax does not apply. It is your responsibility to determine your ultimate tax liability and qualification for a Roth rollover.
- **Required Minimum Distribution (RMD).** In 2023, the required age to take a refund or start your monthly benefit increased to 73. Please check RMD rules if you reached 72 prior to 2023. In 2033, the RMD age will increase to 75.

What about a Defined Contribution Plan (DCP) Refund?

You are eligible for a full refund upon termination of public employment, disability, or death. Or, if you are age 65 or older, have at least \$5,000 in your DCP account, and stay publicly employed, you are eligible for a partial or full distribution. Your refund will include member and employer contributions, plus investment earnings, based on the date we process your application. For more information about DCP refunds, visit mnpera.org, email us at benefits@mnpera.org or call the Member Service Center.

This publication is intended to provide general information; the rights and obligations of PERA members are governed by state and federal laws, rules, and regulations. The Minnesota Legislature or the federal government may change the statutes, rules, and regulations governing PERA at any time. If there is a discrepancy between the law governing PERA and the information contained in this publication, the statutes and regulations will govern. This document can be made available in alternative formats to individuals with disabilities by calling 651-296-7460 or 1-800-652-9026, or through the Minnesota Relay Service at 1-800-627-3529.