Plans 1 and 2
Withdrawal of Retirement Contributions

Washington State Department of Retirement Systems

WASHINGTON STATE Department of Retirement Systems

As a member of one of the Washington state retirement systems named below, you may withdraw your employee contributions plus interest if you leave employment. The Internal Revenue Service (IRS) calls these systems 401(a) defined benefit plans:

- Public Employees' Retirement System (PERS) Plans 1 and 2
- Teachers' Retirement System (TRS) Plans 1 and 2
- School Employees' Retirement System (SERS) Plan 2
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2
- Public Safety Employees' Retirement System (PSERS) Plan 2
- Washington State Patrol Retirement System (WSPRS) Plans 1 and 2

This publication is not intended for Plan 3 members. Find out more about Plan 3 investment options at *drs.wa.gov/plan3* or contact the DRS record keeper at 888-327-5596.

When can I withdraw or roll over my retirement contributions?

You must be separated from your DRS-covered employer to withdraw or roll over your employee contributions plus interest. You can withdraw your contributions plus the interest they earned. Employer and state contributions remain in the trust fund and aren't eligible for withdrawal.

Questions answered inside

If I leave my job, what can I do with my contributions?

If I choose to roll over funds, what do I need to know?

If I return to public service, can I restore my withdrawn service credit?

I want to withdraw my contributions. What should I do now?

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Are you vested?

Do you have five years of service credit in your plan? If so, you're vested! That means you have earned a lifetime monthly benefit at retirement age — unless you withdraw your contributions.

Points to consider before withdrawing

1. **Taxes:** The law requires DRS withhold 20% federal income tax on all tax-deferred contributions and interest paid directly to you. If you are younger than age 59½, you might also have to pay an additional 10% for withdrawing early when you file your taxes. The IRS can tell you whether this would apply to you. Taxes aren't withheld on qualified rollovers.

2. **Service credit:** When you withdraw your funds, you are also withdrawing your service credit. For vested members of all systems, this means forfeiting a monthly benefit at retirement age.

3. **Employer notification:** Before DRS can release your funds, your employer must report your separation date to us.

4. **Waiting period:** The IRS requires a 30-day waiting period before your funds are distributed to ensure you have time to review the options in this booklet. You can check the box on the *Request for Refund of Retirement Contributions* form to waive the 30-day waiting period.

5. **Voluntary action:** Withdrawing your funds is voluntary. You don't have to withdraw just because you are leaving an eligible position or terminating employment. If you choose to keep your money in your account, it will continue to earn interest.

6. **Disability:** If you ended employment because of an illness or disability, contact DRS before withdrawing. You might be eligible for a disability retirement.

7. **Restoring withdrawn service credit:** If you return to membership with a DRS-covered employer, you can recover your withdrawn service credit. Payment deadlines do apply. Contact DRS or review our publication *Recovery of Withdrawn or Optional Service Credit* for *Plan 1* or *Plan 2*, available on the DRS website at *www.drs.wa.gov*.

If I leave my job, what can I do with my contributions?

You have four paths to choose from. If you choose to withdraw or roll over your contributions plus interest, you cancel all rights to service credit and any potential benefit you have earned in your retirement system.

Path 1
Leave your contributions in the plan

As a member, you don't have to withdraw your employee contributions when you leave your job. Regardless of your employment status, DRS currently pays 5.5% annual interest compounded quarterly on employee contributions that remain in the retirement fund. This rate could change. If you leave your contributions in the plan, you will keep your service credit and any right to a potential retirement benefit.

Path 2
Withdraw your money

You can withdraw your employee contributions plus interest any time you leave DRS-covered employment. If you do, the IRS requires a 20% withholding on all tax-deferred funds. If you are younger than age 59½, the IRS might require you to pay an additional 10% for withdrawing early. A withdrawal is treated as income for the year in which you receive payment. DRS will mail you *Form 1099-R* for your tax filing purposes. See page 4 for more federal tax information.

Path 3
Roll over all your money to an IRA or eligible retirement plan

You can roll over your employee contributions plus interest to any qualified account that accepts rollovers. Taxes aren't withheld when you roll over funds.

Path 4
Roll over a portion of your money to an IRA or eligible retirement plan

You can ask DRS to roll over a specific portion of your employee contributions plus interest to any qualified account that accepts rollovers and have the remainder paid directly to you as described in Path 2. The portion you receive will be subject to the IRS withholding(s).

Tax tip

You might want to talk with a professional tax advisor before making a decision about withdrawing your contributions.

If I choose to roll over funds, what do I need to know?

You can choose a direct rollover of all or any portion of your payment. In a direct rollover, the distribution is transferred directly from DRS to a traditional IRA or another eligible retirement plan that accepts rollovers. It is your responsibility to confirm whether your chosen institution will accept rollover funds.

If you roll over your funds into a traditional IRA or eligible retirement plan, the portion of your payment that is rolled over won't be taxed until you later take it out. If you roll over into a Roth IRA, the rules could be different. Check with the IRS to learn how this choice will impact you.

Taxes on withdrawals
Only federal taxes are withheld from cash withdrawals. Any tax-deferred contributions and interest paid directly to you will automatically have 20% income tax withheld.

The payment is taxed in the year you receive it unless you roll it over within 60 days into a traditional IRA or another plan that accepts rollovers. No taxes will be withheld on the portion you roll over until you later take it out.

The IRS requires that any after-tax funds be tracked separately within your account. This ensures you aren't taxed again when you withdraw them from the IRA or retirement plan.

We encourage you to talk with a professional tax advisor before making a choice. More information about taxes on retirement contributions is available on the IRS website at *www.irs.gov* or by calling 800-TAX-FORMS.

Sixty-day rollover option
Your cash withdrawal is taxed in the year you receive it. You have 60 days from the date the check was received to deposit the funds into a traditional IRA or another eligible plan that accepts rollovers. Doing so could allow you to recover the taxes that were withheld and avoid the 10% early withdrawal penalty when you file your annual taxes with the IRS.

Definitions

Transfer or roll over

A way to send your withdrawal to an IRA or another eligible retirement plan that accepts rollovers.

Individual Retirement Account

Known as an IRA, this can be composed of individual retirement accounts or annuities. An IRA can be classified as traditional or Roth.

Tax-deferred contributions

Contributions deducted from your paycheck that haven't been taxed.

After-tax contributions

Contributions deducted from your paycheck that have been taxed.

You can deposit up to 100% of your withdrawal into an eligible account, including an amount equal to the 20% already withheld for taxes. However, you will need to find other funds to replace the amount already withheld for taxes (see example below).

Contact your tax advisor to learn more about this option.

Example
Sixty-day rollover

If you have $10,000 that's tax deferred paid to you, you will receive $8,000 and $2,000 will be sent to the IRS as income tax withholding.

Within 60 days of receiving the $8,000, you can roll over the entire $10,000 into a traditional IRA or eligible retirement plan. To do this, you deposit $8,000 and find $2,000 from other sources (for example, your savings or a loan). So when you file your income tax return, you might receive a refund of the $2,000 withheld.

The entire amount of your deposit into the eligible account isn't taxed until you later take it out. For example, if you roll over only $7,000, the $3,000 you didn't roll over is taxed in the year it was withheld.

If I return to public service, can I restore withdrawn service credit?

Yes, but payment deadlines do apply and can affect the cost. If you return to membership in Washington state, you have the right to recover your previously withdrawn service credit.

To learn more, read the DRS publication *Recovery of Withdrawn or Optional Service Credit* for *Plan 1* or *Plan 2*, available at *www.drs.wa.gov*.

I want to withdraw my contributions. What should I do now?

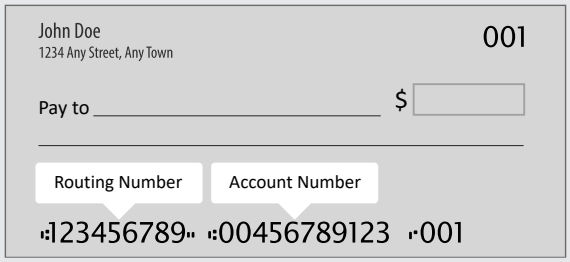
Follow the steps below.

1. Fully separate from DRS-covered employment in the system (such as PERS) you plan to withdraw from. You can't withdraw from a system you still work in or are on a leave of absence from.
2. Fill in and have notarized the *Request for Refund of Retirement Contributions* form at the end of this publication.
3. Send the completed form to DRS at the address listed on the top right of the form. If your form is incomplete or not notarized, you'll be asked to fill it out again.
4. DRS will process your request. This step can take up to 90 days from the date your employment ended. Your payment cannot be sent to you until your employer sends DRS your separation information. That usually occurs about the time you receive your final paycheck.
5. DRS sends any portion of a cash withdrawal to you and any portion of a rollover to your chosen financial institution.
6. It's important to keep your address up to date with DRS. We will send you a 1099-R form in January of the following year.

How to find your routing and account numbers:

On your checks, the routing number is on the bottom left. The next numbers are your account. Optional: You can also attach a voided check with your application.

If you don't have checks, contact your financial institution and ask for the numbers.



General information

This is your legal notice
This document constitutes legal notification of your rights for recovery of service credit. By signing the form attached to this booklet, you acknowledge receiving this information.

If you want more information, it is your responsibility to contact DRS. For more detailed information, read the DRS publication *Recovery of Withdrawn or Optional Service Credit* for *Plan 1* or *Plan 2*, available on the DRS website at *www.drs.wa.gov*.

DRS can't offer tax advice
DRS team members aren't allowed to give tax advice. Please consult your tax advisor or the IRS before deciding how to take payment of your tax-deferred funds.

Mandatory federal withholding
Federal law requires DRS to withhold 20% of the tax-deferred portion of withdrawal payments unless you request that DRS transfer the funds directly to another eligible retirement plan.

To contact DRS

Call	Write	Email
360.664.7000 800.547.6657 TTY 711	Department of Retirement Systems PO Box 48380 Olympia, WA 98504	General inquiries: *drs.contact@drs.wa.gov* Send a secure message through your online account: *drs.wa.gov/oaa*
Visit	**Hours**	**Website**
6835 Capitol Blvd. SE Tumwater, WA 98501 See the DRS website for directions.	Monday - Friday 8 am to 5 pm Pacific Time	*drs.wa.gov* You can also send email through the Contact Us page on the DRS website.

This document is a summary. It is not a complete description of withdrawing contributions. State retirement laws govern your benefit. If a conflict exists between the information in this document and what is contained in current law, the law governs.

Clear Form

WASHINGTON STATE Department of Retirement Systems

Request for Refund of Retirement Contributions

This form is for Plan 1 and Plan 2 members to use to withdraw their retirement contributions.

Send completed form to:
Department of Retirement Systems
PO Box 48380 • Olympia, WA 98504-8380

www.drs.wa.gov • 800.547.6657
360.664.7000 • TTY: 711

Member Information

Name (Last, First, Middle)			Social Security Number	
Mailing Address		City	State	ZIP
Phone Number	Date Employment Ended (mm/dd/yyyy)		Employer	
Email Address				

Retirement System

- ☐ Public Employees' Retirement System (PERS)
- ☐ School Employees' Retirement System (SERS)
- ☐ Teachers' Retirement System (TRS)
- ☐ Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
- ☐ Public Safety Employees' Retirement System (PSERS)
- ☐ Washington State Patrol Retirement System (WSPRS)

Instructions

Withdrawal Options: Choose only one of the withdrawal options in the box below. To read more about your options, review the previous pages in this booklet.

If you withdraw tax-deferred contributions and interest and do not roll the funds into a qualified pension plan, DRS withholds 20% for income tax. If you are younger than 59½ when you cash out tax-deferred contributions, the IRS could require you to pay an additional 10% for withdrawing early.

Consult a tax advisor for more information.

Withdrawal Options

Choose only one of the options in this box.

☐ **Roll Over 100% of Eligible Funds:** I choose to transfer ALL of my contributions and interest to the account I name on the back of this form.

☐ **Roll Over Designated Portion of Eligible Funds:** I choose to transfer $_____ of my tax-deferred contributions and interest and/or $_____ of my after-tax contributions to the account I name on the back of this form. Pay the remaining balance, minus the 20% IRS tax withholding (if applicable), directly to me. The amount sent to me will include any required minimum distribution amount.

☐ **Cash Payment:** I choose to have my contributions and interest paid directly to me, minus the 20% IRS tax withholding for tax-deferred contributions. (If you choose not to use direct deposit, we'll mail a check to the address you provide.)

Waiver of 30-Day Notice Period

The IRS requires us to give you 30 days from the date of notarization to review the options outlined in this document. If you don't want to wait 30 days and would like DRS to proceed with your withdrawal, check the box below.

☐ I waive my right to have 30 days to review the withdrawal options.

Please complete the other side of this form as well.

Rollover Instructions

Rollover Institution: You are responsible for making sure the rollover institution you name will accept the funds. DRS doesn't confirm whether the funds will be accepted before transferring them. If your rollover institution rejects the funds, your distribution will be delayed.

Rollover Institution (only fill in if you're rolling over funds)

Name of Rollover Institution			Phone Number
Account Type (check one) ☐ Traditional IRA ☐ Inherited IRA ☐ Eligible Retirement Plan ☐ Nonspouse Roth IRA ☐ Nonspouse Inherited Roth IRA			Account Number
Financial Institution Branch Mailing Address	City	State	ZIP

Direct Deposit Authorization (optional)

Due to federal restrictions, we cannot transfer funds electronically if the funds will be immediately credited to an account outside the United States.

By completing the Direct Deposit section, you authorize that: DRS will transfer the full amount of your withdrawal, after required IRS withholding, to the designated financial institution for deposit. Additionally, you authorize the designated financial institution to refund DRS any payments made in error.

Instructions for Direct Deposit: This is usually your personal bank or credit union. Your financial institution's representative can help you use the correct routing and account numbers for your direct deposit. These are two different numbers. The routing number is a nine-digit bank code.

Direct Deposit Financial Institution

Name of Financial Institution	Routing Number (see example check on page 6)
Account Type ☐ Checking ☐ Savings	Account Number (see example check on page 6)

Applicant Signature (notarization required)

This document creates a permanent agreement between DRS and me. I have read the booklet attached to this document. By signing below, I state all information on this form, including my full name and Social Security number, is correct.

Applicant Signature		Date
State of	County of	Seal or Stamp
Date Signed or Attested Before Me	Date My Appointment Expires	
Notary Signature		
Notary Name		Notary Title

Your Social Security number is needed so DRS can report to the IRS any funds paid to you. DRS will not disclose your Social Security number unless required to do so by law. See IRC sections 6041(a) and 6109.