

FOR BENEFITS PAYABLE 1/1/07 AND LATER

PLEASE READ THE ATTACHED INSTRUCTIONS BEFORE COMPLETING THIS FORM

DECEDENT'S INFORMATION

Social Security Number	Last Name	First	Initial	Date of Death (mo/day/yr)
Please submit a certified copy of the death certificate with the completed Beneficiary Application				

I. MARRIAGE/REGISTRATION INFORMATION – Spouse/Registered Domestic Partner History

Social Security Number	Last Name	First	Initial	Date of Marriage or Registration (mo/day/yr)
Was the deceased participant previously married/registered as a domestic partner? <input type="checkbox"/> NO <input type="checkbox"/> YES				
Name of Spouse/Domestic Partner	Date of Marriage/Registration	Date Marriage/Registration Ended	Reason (Death/Annulment/Divorce/Terminated)	
1st				
2nd				
3rd				

II. DESIGNATED BENEFICIARY INFORMATION

If you are in possession of the deceased participant's most recent valid Beneficiary Designation form CB 534 (original must have been received by CalSTRS *prior to* the participant's death), please enclose a copy along with the completed Beneficiary Application.

III. ESTATE INFORMATION

Will the Estate of the deceased be probated?

NO If the estate is the Designated Beneficiary and will not be probated, benefits may be paid in accordance with Section 13101 of the California Probate Code upon receipt of the required declaration(s). Please complete Section IV. SURVIVOR INFORMATION – IF ESTATE IS NOT TO BE PROBATED.

YES If the estate is the beneficiary and will be probated, Certified Letters of Testamentary or Administration is required. Complete the following information for Executor/Administrator.

EXECUTOR/ADMINISTRATOR

Last Name	First	Initial	Telephone ()
Street Address	State	Zip	Estate ID Number



IV. SURVIVOR INFORMATION – If Estate is not to be Probated

If the decedent's estate is the beneficiary and will not be probated, CalSTRS may pay benefits to the beneficiaries named under the decedent's will, or, if none, to successors as defined in Sections 13006, 6401, and 6402 of the California Probate Code. An affidavit must be submitted in accordance with Section 13101 of the California Probate Code.

List the beneficiary (ies) entitled to CalSTRS benefits under the decedent's Last Will and Testament or the successor(s) to the decedent's estate as defined in Sections 13006, 6401, and 6402 of the California Probate Code below.

CalSTRS will forward a Declaration under Probate Section 13101 (CB 473) to each person listed below, if applicable. If additional space is needed, attach a separate sheet of paper that includes the beneficiary (ies) name, Social Security Number, and the date of death of the participant.

Social Security Number	Last Name	First	Initial	Birthdate (mo/day/yr)	Primary
					Contingent
Relationship	Address	City	State	Zip	
Social Security Number	Last Name	First	Initial	Birthdate (mo/day/yr)	Primary
					Contingent
Relationship	Address	City	State	Zip	
Social Security Number	Last Name	First	Initial	Birthdate (mo/day/yr)	Primary
					Contingent
Relationship	Address	City	State	Zip	

V. METHOD OF PAYMENT

PLEASE SELECT ONE OF THE FOLLOWING METHODS OF DEATH BENEFIT PAYMENT:

I choose to receive my death benefit in the form of a one-time lump-sum payment.

I understand that upon distribution of the lump-sum payment, no further benefits are payable from the Cash Balance Benefit Program

-----OR-----

I choose to receive my death benefit in the form of monthly annuity payments.

I understand that my portion of the participant's account balance must equal or exceed \$3,500 to receive an annuity benefit.

▪ You must select an annuity type:

5) A period certain annuity. # Years (check one) 3 4 5 6 7 8 9 10 (*)

If you are not the surviving spouse, this includes registered domestic partners, of the participant account holder; your death benefit payment (lump-sum or annuity) will be mailed to you at the address in Section VII.

▪ You must complete an Income Tax Withholding Preference Form, CB584

▪ Skip the surviving spouse directions below. Continue to next page

If you are the surviving spouse of the participant account holder, you must choose one of the following methods of distribution/ mailing. (If you selected a one-time lump-sum payment or period certain annuity payments with a duration of 3 to 9 years, you may receive the payments as a direct trustee-to-trustee transfer.)

Process the payment(s) as a complete or partial trustee-to-trustee transfer (rollover).

▪ You must complete the Rollover Distribution form, CB475

Mail the payment(s) directly to me at the address in Section VII.

▪ You must complete the Income Tax Withholding Preference form, CB584.

Mail the payment(s) directly to my financial institution. (Annuity payments only)

▪ You must complete the CB Direct Deposit Authorization form, CB474, **and**

▪ You must complete the Income Tax Withholding Preference form, CB584

(*) You must complete the beneficiary information in Section VI.

VI. DEATH BENEFIT ANNUITY BENEFICIARY - If applicable from Section V			
Social Security Number - -	Last Name	First	Initial
Birthdate (mo/day/yr) / /	Address		
Telephone Number () -	City	State	Zip
Relationship <input type="checkbox"/> Spouse/RDP <input type="checkbox"/> Other		Gender <input type="checkbox"/> Male <input type="checkbox"/> Female	

VII. PAYMENTS ISSUED AFTER THE DATE OF DEATH	
If the participant was receiving an annuity on the date of death all payment(s) issued after the date of death must be returned to CalSTRS. Please check the appropriate box (es) below:	
<input type="checkbox"/>	As beneficiary, I hereby authorize CalSTRS to deduct the total amount due from the benefits payable. (If a beneficiary is not signing this application, he-she must submit a separate statement for authorization to deduct).
<input type="checkbox"/>	Original payment(s) have been: <input type="checkbox"/> Included with application \$ _____ <input type="checkbox"/> Previously returned \$ _____ Date _____
<input type="checkbox"/>	A personal check payable to CalSTRS, for the total amount due has been: <input type="checkbox"/> Included with application \$ _____ <input type="checkbox"/> Previously returned \$ _____ Date _____

VIII. DECLARATION AND SIGNATURE		
I declare under penalty of perjury under the laws of the State of California that the information provided is complete, true and accurate. Perjury is punishable in State prison for up to four (4) years (Penal Code Section 126).		
I hereby make a claim for payment of the benefits payable on behalf of the beneficiary (ies) entitled under Part 14 of the Education Code. If payment is to be made according to Section 13101 of the California Probate Code, a declaration will be required from each beneficiary.		
I further understand that submission of this application does not necessarily entitle me to benefits.		
Applicant's Signature	Social Security Number	Date (mo/day/yr)
Street Address	City State Zip	Telephone ()

Please retain copies for your records and return the completed application with associated forms to:

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)

CASH BALANCE BENEFIT PROGRAM

P.O. Box 15275, MS #20
Sacramento, CA 95851-0275

Toll Free 800.228.5453
Or 916.229.0554
TTY Hearing Impaired – 916.229.3541

INSTRUCTIONS FOR COMPLETING CB 472

This application serves as the claim for payment of benefits to the designated beneficiary (ies). It is essential that all Social Security Numbers, names and addresses on the application are complete. Benefit payments will be mailed to the address (es) as indicated on the application. If any of the beneficiary (ies) named are under the age of 18, please provide the name of the guardian with whom the minor resides.

Please attach a certified copy of the death certificate to the application. Read each section carefully. Complete all sections that are applicable, sign, date, and return the application along with any other required documentation to CalSTRS. Payment will be made only after all required documentation has been received and reviewed by CalSTRS. If you do not understand the information requested, contact the Cash Balance Benefit Program at (916) 229-0554. The original death certificate will be returned to the sender once the documents are verified and a copy is taken for the member's record.

I. Marriage/Registration Domestic Partner Information - The information provided will help determine the benefits payable. Please enclose a certified copy of the marriage/registered domestic partnership registration certificate and surviving spouse/partner's birth certificate with this application.

II. Designated Beneficiary - Benefits will be paid to the participant's designated beneficiary(ies). The designated beneficiary (ies) is the person(s) named on the Beneficiary Designation Form (CB534) to share and share alike any benefits payable under the CalSTRS Cash Balance Benefit Program Law at the time of the participant's death. Any beneficiary designation is invalidated by a previous termination of benefits *or* the receipt of a new Beneficiary Designation Form (CB534).

If the designated beneficiary is a Trust, give the name and tax identification number of the Trust, and trustee's name and address. The deceased participant's Social Security Number cannot be used to pay benefits. If the designated beneficiary is deceased, submit a certified death certificate for that person.

III. Estate Information - If the estate was designated as beneficiary, *or* there is no valid beneficiary designation in effect at the time of death, benefits will be paid to the participant's estate.

If the estate is the beneficiary and will be probated, submit a certified Letter of Testamentary *or* Administration with the estate tax identification number. CalSTRS will not accept photocopies of; Letters of Testamentary, or Administration; and CalSTRS can not use the deceased participant's Social Security Number to pay benefits to the estate.

If the estate of the participant will not be probated, benefits may be paid according to Section 13101 of the California Probate Code. CalSTRS will forward the required Successor Declaration (CB473) to each survivor listed in Section VI on the Beneficiary Application.

IV. Survivor Information – Estate – If the decedent's estate is the beneficiary and will not be probated, CalSTRS may pay benefits according to Section 13101 of the California Probate Code.

The code states that benefits can be paid to the beneficiaries named under the decedent's will, or, if none, to the successors as defined in Sections 13006, 6401, and 6402 of the California Probate Code.

CalSTRS will forward a Successor Declaration (CB473) under Probate Section 13101 to each person listed on a Beneficiary Application (CB472) if applicable. If additional space is needed, attach a separate sheet of paper and include the name, Social Security Number, and the date of death of the deceased.

V. Method of Payment – Normal distribution of death benefits are in the form of a Lump Sum payment; however, under certain circumstances a beneficiary may elect to receive the final benefit in the form of an annuity payable in monthly installments. Please refer to this section on the application for clarification.

NOTE: The annuity names and choices on this form reflect changes effective January 1, 2007, designed to simplify the array of options and provide better choices.

VI. Death Benefit Annuity Beneficiary – If you are a death benefit beneficiary and chose to receive your death benefit in the form of a period certain annuity, you can name a beneficiary who, upon your death, will receive the remaining balance of payments.

VII. Payments Issued After Date of Death - If the participant was receiving an annuity on the date of death; all payments issued after the date of death of the participant must be returned to CalSTRS.

VIII. Declaration and Signature - Please read each statement carefully. Sign, date, and include your Social Security Number, address, and telephone number.

Tax Information – Whether the method of payment requested is in the form of a Lump Sum or an annuity the recipient must complete Income Tax Withholding Preference Form (CB 584). Additionally the beneficiary/recipient must designate the distribution method on the Distribution Election Form (CB475). If a beneficiary does not return a completed withholding preference with this application, CalSTRS will withhold tax in accordance with the current withholding schedules published by the Internal Revenue Service and the California Franchise Tax Board. If additional withholding preference forms are needed, photocopies are acceptable or call CalSTRS to request additional copies.



Cash Balance Benefit Program
SUCCESSOR DECLARATION

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
P.O. Box 15275, MS#20, Sacramento, CA 95851-0275
916.229.0554 or toll free 800.228.5453
TTY Hearing Impaired 916.229.3541

Form with fields: Payee Name, Participant's Name, Payee Social Security Number, Participant's Social Security Number

Read declaration carefully and complete all blanks before signing. Please print or type in black ink. If more than one successor, each should file a separate form. All successors' percentages must total 100% combined. Return completed declaration to CalSTRS and the above address, MS#20.

SUCCESSOR DECLARATION UNDER SECTION 13101 OF THE CALIFORNIA PROBATE LAW

I, a participant of the California State Teachers' Retirement System's (CalSTRS) Cash Balance Benefit Program, whose Social Security Number is, died in the city of, State of, on the day of, 20. At least forty (40) days have elapsed since the death of the decedent, as shown in a certified copy of the decedent's death certificate previously submitted to CalSTRS or attached to this declaration.

No probate proceeding is now being or has been conducted in California for administration of the decedent's estate.

The current gross fair market value of the decedent's real and personal property in California, (including CalSTRS benefits, but excluding property described in Section 13050 of the California Probate Code, e.g., revocable trusts) does not exceed one hundred thousand dollars (\$100,000.00).

I understand the funds payable to me as a result of the death of the above decedent may include one or more of the following: a) remaining contribution and interest paid as a lump sum payment and/or; b) accrued and unpaid annuity payment. As no other person has superior right to the interest of the decedent in the CalSTRS benefits, I request that CalSTRS distribute said benefits as I specify below.

There being a Will, I am the successor of the decedent named to inherit the benefits payable by CalSTRS Cash Balance Benefit Program under the Will in accordance with California Probate Code Section 13006. Under the Will I am entitled to % of the benefits payable by CalSTRS. Attached is a declaration by the decedent's personal representative consenting to the payment transfer, or delivery to me of the CalSTRS benefit.

-OR-

There being no Will, I am successor to the decedent's interest to the CalSTRS Cash Balance Benefit Program benefits under Probate Code Section 6401 and 6402 and am entitled to % of the benefits payable by CalSTRS Cash Balance Benefit Program.

Form with fields: Social Security/Trust Number, Telephone, Percentage portion/amount, Street Address, City, State, Zip

This document must be signed in the presence of a Notary who will then complete the Certificate of Acknowledgment below. I declare under penalty of perjury, under the laws of the State of California, that the forgoing is true and correct:

Signature Date

We recommend you consult a legal advisor if you have questions regarding the above. CalSTRS developed this legal form for the purpose of paying benefits to the successor of a decedent's estate.

Certificate of Acknowledgment

State of, County of. On this day of, 20, before me, a Notary Public, personally appeared, personally known to me/proved on the basis of satisfactory evidence, to be the person whose name is subscribed to the within instrument and acknowledged to me that she/he executed the same in her/his authorized capacity, and that by signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the said instrument.

WITNESS MY HAND AND OFFICIAL SEAL

Notary Seal

Notary's Name

Notary's Signature

Please read the instructions prior to completing this form.

All Benefit Applications must be accompanied by this form, unless a complete trustee-to-trustee transfer (rollover) takes place.

- ✓ **Part A** ~ required;
- ✓ **Part B** ~ complete if you are the participant or surviving spouse beneficiary and are requesting a one-time lump-sum payment;
- ✓ **Part C** ~ complete if you are a beneficiary, other than the surviving spouse, and are requesting a lump-sum death benefit;
 - This includes a beneficiary who is a registered domestic partner (RDP).
- ✓ **Part D** ~ complete only if you are requesting monthly annuity payments;
- ✓ **Part E** ~ complete only if submitted with a Termination, Retirement or Disability benefit application.

Part A – Payee Information			
Social Security Number	Last Name	First	Initial
- -			

Part B – Participant or Surviving Spouse Income Tax Withholding Information – Lump-Sum payments	
California State Income Tax Withholding	Federal Income Tax Withholding
6% California State income tax will be withheld from the taxable portion of this distribution unless I specify below that NO California State Income Tax is to be withheld.	I understand that 20% Federal Income Tax will automatically be withheld from the taxable portion of this distribution unless that portion is under \$200.
<input type="checkbox"/> Do not withhold California State Income Tax.	<input checked="" type="checkbox"/> Federal Income Tax Withholding

Part C – Beneficiary Income Tax Withholding Information – Lump-Sum payments	
California State Income Tax Withholding	Federal Income Tax Withholding
The California withholding rate for non-periodic distributions is 6% of the taxable amount.	The Federal withholding rate for non-periodic distributions is 10% of the taxable amount.
<u>Check one of the following:</u> <input type="checkbox"/> Withhold California State Income Tax <input type="checkbox"/> Do not withhold California State Income Tax	<u>Check one of the following:</u> <input type="checkbox"/> Withhold Federal Income Tax <input type="checkbox"/> Do not withhold Federal Income Tax





Part D – Monthly Income Tax Withholding Information – All Annuity Payment Types

California Income Tax Withholding	Federal Income Tax Withholding
<input type="checkbox"/> Do not withhold California State Income Tax	<input type="checkbox"/> Do not withhold Federal Income Tax
<input type="checkbox"/> Calculate withholding from the California State tables using the marital status and number of allowances shown. <u>Check one of the following:</u> <input type="checkbox"/> Single _____ Number of Allowances <input type="checkbox"/> Married _____ Number of Allowances <input type="checkbox"/> Head of Household _____ Number of Allowances Withhold \$ _____ in addition to the amount to be withheld based on the tax tables.	<input type="checkbox"/> Calculate withholding from the Federal tables using the marital status and number of allowances shown. <u>Check one of the following:</u> <input type="checkbox"/> Single _____ Number of Allowances <input type="checkbox"/> Married _____ Number of Allowances Withhold \$ _____ in addition to the amount to be withheld based on the tax tables.
<input type="checkbox"/> Withhold only \$ _____ (Enter a flat dollar amount only)	<input type="checkbox"/> Withhold only \$ _____ (Enter a flat dollar amount only)

Part E – Declaration – Must be completed when submitted with a Termination, Retirement or Disability benefit application

- I am not married or registered as a domestic partner (This includes those who are widowed, divorced, and single; or have a registered domestic partner termination certification).
- My spouse or registered domestic partner (RDP) did not sign and I have completed the attached Justification for Non-Signature of Spouse or Registered Domestic Partner (CB535).
- I am married and my spouse or register domestic partner (RDP) has signed below.

I hereby submit a Tax Withholding Preference on behalf of my CalSTRS Cash Balance Benefit Program payment. I fully understand that the mailing of my benefit check will terminate all rights and benefits to which I was entitled prior thereto. **Further, I certify under penalty of perjury** under the laws of the State of California, that the information submitted here is full, complete and true according to the best of my knowledge, and that no material facts have been omitted, and that the spousal/partner's signature is in fact the true signature of my spouse/partner; or if no spousal/partner signature appears, that I have completed and submitted the "Justification of Non-Signature of Spouse or Registered Domestic Partner" (CB535); or I am not married or registered as a domestic partner and have checked the corresponding box above. I understand that perjury is punishable by imprisonment in the State Prison for up to four years; Penal Code Section 126.

Signature of Spouse or Registered Domestic Partner 	Date (mo/day/yr)
Applicant's Signature 	Date (mo/day/yr) / /

Please retain copies for your records and return the completed form to:

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)
CASH BALANCE BENEFIT PROGRAM
 P.O. Box 15275, MS #20,
 Sacramento, CA 95851-0275

Toll Free 800.228.5453
 Or 916.229.0554

TTY Hearing Impaired – 916.229.3541

INSTRUCTIONS FOR COMPLETING CB584

COMPLETING THE FORM

Print legibly in black ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible. Do not erase or use white-out; erasures will not be accepted and will void the application.

If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction. Any errors or omissions on the Income Tax Withholding Preference (CB584) will delay the processing of your distribution. Photocopied signatures will not be accepted.

If you do not return this form, CalSTRS will withhold income tax from an ongoing payment in accordance with the established rate for a married individual claiming three withholding allowances. If your home address is **outside** California, CalSTRS will not withhold California State tax unless you complete this form and instruct us to do so.

If you do not want withholding applied, you must return the form with the "Do not withhold" boxes checked. However, recipients who have payments delivered outside the United States or its possessions **may not** elect "NO" as a withholding choice. (See Payments Delivered Outside the United States)

The number of state withholding allowances you claim may be different from the number of allowances you claim for federal withholding. **Note:** If you previously submitted Federal and State withholding instructions to CalSTRS and you now wish to change one or the other **-but not both** - complete **only** the section which pertains to the change you wish to make at this time. Withholding for the other will remain the same.

If you are receiving different types of ongoing payments from CalSTRS, you may elect a different withholding amount for each type of payment. Please indicate the type of payment that you want this withholding election applied to in the space provided. Please complete a separate form, if you want a different withholding for different types of payments.

The election you submit on this form will take effect within 60 days after the form is received by CalSTRS. Usually, if the form is received by the first of the month, the changes will take effect by the next payment. Your tax withholding preference will remain in effect until you change or cancel it. A change or cancellation may be made at any time by completing and submitting a new Income Tax Withholding Preference (CB584).

NOTE: Remember there may be penalties for not paying enough tax during the year, either through withholding or estimated tax payments.

If you are a not a U.S citizen **and** also a non-resident alien, you must complete the IRS form W-8 and 30% Federal Tax will automatically be withheld. California State Tax is optional and will not be withheld unless you complete this form and tell us to do so.

FEDERAL AND CALIFORNIA STATE WITHHOLDING REQUIREMENTS

Federal and California State statutes require income tax withholding on distributions from pensions, annuities, and deferred compensation plans unless a payee elects otherwise. The law requires that income tax be withheld from payments based on rates for a married person claiming three withholding allowances. Therefore, the California State Teachers' Retirement System (CalSTRS) must withhold income tax on all benefit payments unless the payee has filed an election not to have withholding apply. CalSTRS benefit recipients must make their election on the Cash Balance (CB) Benefit Program Income Tax Withholding Preference Form (CB584).

PAYMENTS DELIVERED OUTSIDE THE UNITED STATES

The option not to have federal income tax withheld **does not** apply to any payment that is delivered outside the United States or its possessions to a U.S. citizen, or non-U.S. resident alien, as well as payments made to a U.S. resident alien.

If you are a U.S. citizen and you do not want to have tax withheld from your benefit payment, you must give CalSTRS a home address in the United States or a U.S. possession. For example, CalSTRS would have to withhold tax if you provide a U.S. address for a nominee, trustee, or agent to whom the benefits are to be delivered, but do not provide your own home address in the United States or U.S. possession.

U.S. citizens who have payments delivered outside the United States or its possession, and U.S. resident aliens, may elect any withholding status (married, single, or head of household) and **one or more** withholding allowances.

A non-U.S. resident alien may use either the federal tax tables with single, and one withholding allowance (S-1), or the flat rate of 30%, or lower treaty rate payments, if applicable. For more information, see IRS Publication 519, "U.S. Tax Guide for Aliens".

NONRESIDENTS OF CALIFORNIA RECEIVING A CALIFORNIA PENSION

Federal law prohibits California from taxing pension benefits paid to recipients who reside outside the state. However, if you reside outside California and you feel you still may be liable for California State tax, then you may still request state tax withholding from CalSTRS.

??QUESTIONS??

CalSTRS can only provide limited tax information. Contact the CalSTRS Automated Attendant toll free at 1-800-228-5453 and request the pamphlet "Benefit Tax Information." We also suggest you read the IRS publication 575, "Pension and Annuity Income" and the California Franchise Tax Board Publication FTB 1005, "Pension and Annuity Guidelines" or contact a qualified tax professional for advice.

THE APPROPRIATE BENEFIT APPLICATION MUST ACCOMPANY THIS FORM

PLEASE READ THE ATTACHED INSTRUCTIONS BEFORE COMPLETING THIS FORM

Part A - Payee Information

Social Security Number - -	Last Name	First	Initial
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Part B - Account Holder Information

Social Security Number - -	Last Name	First	Initial
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Part C- Rollover Options

Complete Rollover	OR	Partial Rollover
<input type="checkbox"/> I elect a complete transfer of the contributions and interest for a direct trustee-to-trustee transfer. <input checked="" type="checkbox"/> <i>I understand minimum transfer amount is \$200.00</i>		<input type="checkbox"/> I elect a partial transfer of the contributions and interest for a direct trustee-to-trustee transfer. <input checked="" type="checkbox"/> <i>I understand minimum transfer amount is \$200.00</i>
<input type="checkbox"/> Individual Retirement Account (IRA) OR <input type="checkbox"/> Other Qualified Retirement Plan <input checked="" type="checkbox"/> <i>I understand this direct rollover distribution payment is exempt from Federal and State income tax withholding.</i>		<input type="checkbox"/> Individual Retirement Account (IRA) OR <input type="checkbox"/> Other Qualified Retirement Plan <input checked="" type="checkbox"/> <i>I understand that Federal and State income tax will not be withheld from the portion of the payment that is a direct trustee-to-trustee transfer.</i> <input checked="" type="checkbox"/> <i>I understand that I must also complete form CB584, Income Tax Withholding Preference, to designate withholding on the taxable portion of the distribution.</i>

Part D- Financial Institution Information



Amount of Transfer \$ _____	OR	Percent of Transfer _____ %
Name of Financial Institution	Account Number	
Institution Address	City	State Zip
Signature of Institution Representative	Representative Telephone Number ()	Signature Date (mo/day/yr)

NOTE: If you plan to rollover partial account balance amounts to multiple financial institutions, a separate form is required for each financial institution that will receive funds. If the total amount to be transferred is less than 100% of your account balance, the residual will be mailed directly to you as a lump-sum payment.

Part F - Declaration – *Must be completed when submitted with a Termination, Retirement or Disability benefit application*

- I am not married or registered as a domestic partner (This includes those who are widowed, divorced, and single; or have a registered domestic partner termination certification).
- My spouse or registered domestic partner (RDP) did not sign and I have completed the attached Justification for Non-Signature of Spouse or Registered Domestic Partner (CB535).
- I am married and my spouse or registered domestic partner (RDP) has signed below.

I hereby elect a complete or partial trustee-to-trustee transfer of my benefit payment(s) from the CalSTRS Cash Balance Benefit Program. I fully understand that the mailing of my benefit check will terminate all rights and benefits to which I was entitled prior thereto. **Further, I certify under penalty of perjury** under the laws of the State of California, that the information submitted here is full, complete and true according to the best of my knowledge, and that no material facts have been omitted, and that the spousal/partner's signature is in fact the true signature of my spouse/partner; or if no spousal/partner signature appears, that I have completed and submitted the "Justification of Non-Signature of Spouse or Registered Domestic Partner" (CB535); or I am not married or registered as a domestic partner and have checked the corresponding box above. I understand that perjury is punishable by imprisonment in the State Prison for up to four years; Penal Code Section 126.

Signature of Spouse or Registered Domestic Partner 	Date (mo/day/yr) / /
Signature of Payee 	Date (mo/day/yr) / /

Please retain copies for your records and return the completed form with the associated benefit application to:

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS)
CASH BALANCE BENEFIT PROGRAM
 P.O. Box 15275, MS #20,
 Sacramento, CA 95851-0275

Toll Free 800.228.5453
 Or 916.229.0554
 TTY Hearing Impaired – 916.229.3541

INSTRUCTIONS FOR COMPLETING FORM CB475

FEDERAL AND CALIFORNIA STATE WITHHOLDING REQUIREMENTS

Federal and California State statutes require income tax withholding on distributions from pensions, annuities, and deferred compensation plans unless a payee elects otherwise. The law requires that income tax be withheld from payments based on rates for a married person claiming three withholding allowances. Therefore, the California State Teachers' Retirement System (CalSTRS) must withhold income tax on all benefit payments unless the payee has filed an election not to have withholding apply. CalSTRS benefit recipients who elect to take a distribution in the form of a partial rollover must make their income tax election on the Cash Balance (CB) Benefit Program Income Tax Withholding Preference Certificate (CB584).

WHEN DO I COMPLETE THIS FORM

This form must be completed if:

- ✓ You are a participant, payee or account holder of a CB Benefit Program account and are requesting a lump-sum distribution;
- ✓ You are a participant, payee or account holder of a CB Benefit Program account and are requesting a direct trustee-to-trustee transfer (rollover);

NOTE: Per IRS regulations, a series of payments for ten years or more cannot be rolled over.

- ✓ You a participant who has chosen a period certain annuity with a duration of 3 to 9 years and choose to receive the annuity payment as a direct trustee-to-trustee transfer (rollover);

- ✓ You are a Registered Domestic Partner (RDP) and requesting a lump-sum distribution.

NOTE: Per IRS regulations, an RDP is not eligible to take a direct trustee-to-trustee transfer (rollover). You must complete and attach a CB584, Income Tax Withholding Preference form.

- ✓ You are 70-1/2 and requesting a rollover, you must take a required minimum distribution. Because of this IRS requirement, you cannot request to rollover 100% of your account balance. Please contact CB Benefit Program staff at (916) 229-0554 for assistance in determining your minimum distribution;

- ✓ You are the spouse beneficiary recipient of a CB Benefit Program account and requesting a distribution; as a spouse beneficiary, you are eligible to take a rollover distribution. All other beneficiaries must take a lump-sum distribution or annuity.

COMPLETING THE FORM

Print legibly in black ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible. Do not erase or use white-out; erasures will not be accepted and will void the application.

If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction. Any errors or omissions may delay the processing of your distribution. Photocopied signatures will not be accepted.

QUESTIONS??


CalSTRS can only provide limited tax information. Contact the CalSTRS Automated Attendant toll free at 1-800-228-5453 and request the pamphlet "Benefit Tax Information." We also suggest you read the IRS publication 575, "Pension and Annuity Income" and the California Franchise Tax Board Publication FTB 1005, "Pension and Annuity Guidelines" or contact a qualified tax professional for advice.

THIS FORM APPLIES TO MONTHLY ANNUITY PAYMENTS ONLY
This form must be accompanied by the appropriate Benefit Application form.
Please read the instructions on the reverse side before completing this form.

Please enroll me in direct deposit. OR I would like to change my direct deposit information.

Social Security Number - -	Last Name	First	Initial
Birthdate (mo/day/yr) / /	Home Mailing Address		
Telephone Number () -	City	State	Zip

ACCOUNT INFORMATION				
<input type="checkbox"/> Checking Account		OR	<input type="checkbox"/> Savings Account	
Routing Number - - - - -		Payee Account Number		
Financial Institution		Branch Number or Name		
Financial Institution Address	P.O. Box	City	State	Zip

AUTHORIZATION	
<p>I hereby authorize the California State Teachers' Retirement System to transmit any benefits due to me by DIRECT DEPOSIT to the above designated account.</p> <p>If at any time the amount of benefits deposited exceeds the amount of benefits actually due and payable to me, I hereby authorize the California State Teachers' Retirement System to either:</p> <p>(a) Withhold a sum equal to the overpayment from future benefits; OR,</p> <p>(b) Recover such overpayment from the above-designated account.</p> <p>This authorization remains in full force and effect until the California State Teachers' Retirement System receives written notification from me of its termination or when benefits are no longer payable.</p>	
Applicant's Signature 	Date (mo/day/yr) / /

Please attach a **voided** personal check here



INSTRUCTIONS FOR COMPLETING FORM CB474

CHECKING ACCOUNT INFORMATION

Routing Number - Your financial institution's routing number is printed on the bottom left hand portion of your personal checks (the first 9 digits).

Account Number - Your account number is printed on the bottom of your checks following the routing number. It may be the series of numbers followed by your check number (example 2), or it may be the series of numbers which follow your check number (example 1). NOTE: The check number is not part of the account number.

Example 1

Your Name	Check No. 5555
Address	
Pay to the Order of _____	
zxzzx112145678 xzx 5555 xzx 8765432109812	

Routing No. Ck. No. Payee Acct No.

Example 2

Your Name	Check No. 5555
Address	
Pay to the Order of _____	
zxzzx112145678 xzx 8765432109812 xzx 5555	

Routing No. Payee Acct No. Ck. No.

The number of figures in an account number varies from institution to institution. If you are unsure of which numbers are which on your checks, please contact your financial institution for assistance. ***Attach a voided personal check to the front, lower portion of this authorization. This will aid in verifying your account and routing numbers.***

SAVINGS ACCOUNT INFORMATION

Obtain your routing and account numbers from your financial institution.

GENERAL INFORMATION

Use a typewriter or print legibly in black ink. A delay may occur or your check may be misdirected if the information provided is incorrect or not legible.

Do not erase or use white-out; erasures will not be accepted and will void the application. If you make a mistake, obtain a new form or line through the error, make the appropriate correction and initial the correction.

Any errors or omissions on the Direct Deposit Authorization (CB474) will delay the processing of your distribution. Photocopied signatures will not be accepted.

Your first payment will be deposited into your account within 30 to 60 days after the authorization is received by CalSTRS. A DIRECT DEPOSIT Advice will be mailed to your home address each month. ***Please inform CalSTRS of any change in your home mailing address.***

Your DIRECT DEPOSIT will continue to be deposited into your designated account until CalSTRS is notified in writing that you wish to change your account and/or financial institution. ***DO NOT CLOSE YOUR OLD ACCOUNT UNTIL YOUR FIRST PAYMENT IS DEPOSITED INTO YOUR NEW ACCOUNT.***

OUT-OF-STATE ADDRESS: If your home address is outside California and you do not submit a new form CB 584 (Tax Withholding Preference Certificate), CalSTRS will discontinue withholding state tax from your benefit. If you are moving from another state to California and do not submit a CB584, CalSTRS will withhold state tax from your benefit at the rate for married persons with three exemptions.

PRIVACY NOTICE

The information collected on this form will be disclosed to the State Controller's Office, an originating financial institution, and the Federal Reserve Bank for the purpose mentioned. It is mandatory to furnish all information on this form except for financial institution name, address, and branch number or name. Failure to provide the mandatory information may result in non-enrollment of your DIRECT DEPOSIT, or could cause the enrollment to be processed incorrectly. You have the right to review the file maintained on you by this agency upon proper identification. You may contact the Information Practices Coordinator through the CalSTRS Customer Call Center at (916) 229-3870 or Toll Free 1(800) 228-5453, or by writing to: CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

HOW TO REPORT A DEATH TO CalSTRS

CalSTRS should be notified as soon as possible when a **Cash Balance (CB) Benefit Program** participant dies. This can be done by either writing to CalSTRS, CB Benefit Program, **MS #20**, P.O. Box 15275, Sacramento, CA 95851-0275 or by calling the Customer Call Center at 800.228.5453 or 916.229.3870 or 916.229.3541 for TTY Hearing Impaired.

When notifying CalSTRS of a death, please provide the following information:

- Deceased person's name and Social Security number
- Date of death
- Status of the participant on the date of death, i.e., retired and receiving a CB Benefit Program annuity, disabled, a participant in active teaching status, or a participant who is no longer teaching
- Name and address of contact person to whom the CalSTRS CB Benefit Program beneficiary application is to be sent

A beneficiary application will be sent to the contact person within five days of the date CalSTRS receives the notification of death. The application may be completed by anyone with current information on the designated beneficiary(ies) or the participant's estate.

REQUIREMENTS FOR PAYMENT

A lump-sum payment will be paid to the beneficiary(ies) as listed on the most current Cash Balance Beneficiary Designation form (**CB534**) on file on the date of death. If there is no valid Beneficiary Designation form on file, the benefits will be paid to the participant's estate (see Section 27101 of the California Education Code).

The following is required to pay the benefit:

- A certified death certificate of the deceased participant and any deceased beneficiaries
- A Cash Balance Beneficiary Application (**CB472**), which identifies the name(s), Social Security number(s), and complete mailing address(es) of the designated beneficiary(ies)
- Benefits will be paid to the estate of the deceased participant if all beneficiaries predeceased the participant, if there is no valid Cash Balance Beneficiary Designation form on file or the deceased's estate was designated as beneficiary. If the estate will be probated, certified Letters Testamentary or Administration, as well as the executor's name and address and the estate's identification number are needed. If the estate will not be probated, CalSTRS will pay benefits pursuant to Probate Code Section 13101. Beneficiaries eligible under the probate code will need to submit a declaration under Probate Code Section 13101 to apply for any benefits due.
- If a trust was designated, the trust's name, the successor trustee's name and address and trust's identification number are needed.

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

Tax Considerations for Rollovers

INCOME TAX WITHHOLDING INFORMATION WHEN RECEIVING:

- Refunds · Defined Benefit Supplement Payments · Partial Lump-Sum Payments
- Survivor Benefits · Cash Balance Benefits

2005–2006

Purpose

This notice explains how you can continue to defer federal income tax liability on your contributions in the California State Teachers' Retirement Plan (the "plan") and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the California State Teachers' Retirement System (CalSTRS) (your "plan administrator") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover to a traditional IRA or an eligible employer plan. A rollover is a payment by you or a plan administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA).

An "eligible employer plan" means a plan qualified under Section 401(a) of the Internal Revenue Code, including a Section 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a Section 403(a) annuity plan; a Section 403(b) tax-sheltered annuity; and an eligible Section 457(b) plan maintained by a governmental employer (governmental Section 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll over your distribution to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover also may be subject to different tax treatment than distributions from CalSTRS. Check with the administrator of the plan that is to receive your rollover prior to requesting a rollover.

If you have additional questions after reading this notice, you may contact us at 1-800-228-5453.

CalSTRS strongly suggests that you consult the Internal Revenue Service and the California Franchise Tax Board or a professional tax advisor before you take a payment of your benefits from your Plan.

If there is a conflict between this publication and the law, the law takes precedence.

See back cover for more information.

Summary

There are two ways you may be able to receive a plan payment that is eligible for rollover:

1. Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit (“DIRECT ROLLOVER”); or
2. The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the year it is rolled over and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that will accept your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- The taxable portion of your payment will be taxed later when you receive it from the traditional IRA or the 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 CalSTRS.

If you choose to have a plan payment that is eligible for rollover PAID TO YOU:

- You will not receive all of the taxable amount of the payment, because the plan administrator is required to withhold 20% of that amount and forward it to the IRS as income tax withholding to be credited against your federal tax liability. CalSTRS also will withhold 6% of the taxable amount and forward it to the California Franchise Tax Board to be credited against your California tax liability unless you request not to have state withholding. Combined, 26% would be withheld. While California tax withholding is optional, federal withholding is mandatory.
- The taxable amount of your payment will be taxed in the year it is paid unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% federal and an additional 2.5% California tax for early distribution. Combined, the additional tax would be 12.5%.

The early distribution tax does not apply to distributions from a qualified retirement plan (like CalSTRS) if you separate from service in or after the year you reach age 55 even if you take a distribution before reaching age 59½. However, if you separate from service with your employer prior to age 55, the early distribution tax would apply if you take a distribution prior to age 59½.

- You can roll over all or part of the payment to your traditional IRA or to an eligible employer plan that will accept your rollover within 60 days after you receive the payment. You will not have a tax liability on the amount rolled over until you receive it from the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, *you must find other money to replace the 20% (or 26%, whichever is applicable) of the taxable portion that was withheld.* If you roll over only the 80% (or 74%) that you received, you will be taxed on the amount that was withheld and was not rolled over.

30-DAY NOTICE PERIOD

Generally, neither a direct rollover nor a payment to you can be made from the plan until at least 30 days after you receive this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your distribution directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by requesting a direct rollover. Your distribution will then be processed in accordance with your election as soon as practical after it is received by CalSTRS.

More Information

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Some payments from CalSTRS are “eligible rollover distributions.” This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account.

After-Tax Contributions

If you made after-tax contributions to CalSTRS, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of after-tax contributions. The following rules apply:

- a. **Rollover into a Traditional IRA.** You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. CalSTRS will tell you how much of your payment is the taxable portion and how much is the after-tax portion. If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Internal Revenue Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined. Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.
- b. **Rollover into an Employer Plan.** You can roll over after-tax contributions from an employer plan that is qualified under Internal Revenue Code Section 401(a) or a Section 403(a) annuity plan to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can also roll over after-tax contributions from a Section 403(b) tax-sheltered annuity to another Section 403(b) tax-sheltered annuity using a direct rollover if the other tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental Section 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You

must instruct CalSTRS to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

The following types of payments cannot be rolled over:

Payments Spread over Long Periods

You cannot roll over a payment if it is part of a series of equal (or almost equal) payments (“periodic payments”) that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary’s lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

Required Minimum Distribution

Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a “required minimum distribution” that must be paid to you pursuant to federal law.

CalSTRS will tell you if your payment includes amounts that cannot be rolled over.

II. DIRECT ROLLOVER

A DIRECT ROLLOVER is the direct payment of the amount of your plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your plan benefits for which you choose a DIRECT ROLLOVER. A plan is not required to let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

Direct Rollover to a Traditional IRA

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

payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional 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 a new employer that has an eligible employer 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 the employer plan accepts your rollover, the plan may impose restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent before any subsequent distribution. Check with the administrator of that plan before making your decision. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA.

Direct Rollover of a Series of Payments

If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a Direct Rollover

The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from CalSTRS. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a Section 403(b) tax-sheltered annuity, a governmental Section 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See

the sections below entitled “Additional 10% Tax on Early Distributions” and “Special Tax Treatment if You Were Born before January 1, 1936.”

III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion. California state income tax of 6% will also be withheld unless you tell CalSTRS not to withhold state tax. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll over the payment, special tax rules may apply.

INCOME TAX WITHHOLDING:

Mandatory Withholding

If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, CalSTRS is required by law to withhold 20% of the taxable amount of the payment. The withheld amount is sent to the IRS to be applied to your federal income tax liability. For example, if you can roll over a taxable payment of \$10,000, CalSTRS must withhold \$2,000 as federal income tax. In addition, CalSTRS will withhold 6% of the taxable amount and forward it to the California Franchise Tax Board to be credited against your California income tax liability unless you request that state withholding not be applied. However, when you prepare your income tax returns for the year, unless you make a rollover within 60 days (see “Sixty-Day Rollover Option” below), you must report the full \$10,000 as a taxable payment from CalSTRS. You must report \$2,000 as federal tax withheld and \$600 as state tax withheld, and the amounts withheld will be credited against any income tax you owe for the year. While federal withholding is required, you may elect not to have California tax withheld. No income tax will be withheld if your payments from CalSTRS for the year are less than \$200.

Voluntary Withholding

If any portion of your payment is taxable but cannot be rolled over as described in Part I above, the mandatory withholding rules stated above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, both federal and state

income tax withholding will be taken out of this portion of your payment. To elect out of state withholding if your distribution will be made from the Defined Benefit (DB) Program, ask CalSTRS for the *Income Tax Withholding Preference Certificate*. To elect out-of-state withholding if your distribution will be made from the Cash Balance (CB) Benefit Program, ask for form CB 584.

Sixty-Day Rollover Option

If you receive a payment that could have been rolled over, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over the payment, *you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you received the payment*. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of your eligible rollover distribution, including an amount equal to the taxable 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 traditional IRA or the eligible employer plan, to replace the amount that was withheld. If you roll over only the amount of the taxable portion that you received, you will be taxed on the amount that was withheld.

Example: Assume the taxable portion of your payment that can be rolled over is \$10,000, and you choose to have it paid to you. After 20% is withheld for federal tax and 6% is withheld for California tax, you will receive \$7,400. The amount withheld (\$2,600) will be sent to the IRS and the California Franchise Tax Board as income tax withholding. Within 60 days after receiving the \$7,400, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you would roll over the \$7,400 you received from CalSTRS, and you would add \$2,600 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 traditional IRA or the eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,600 withheld.

If, on the other hand, you roll over only \$7,400, the \$2,600 you did not roll over will be taxed in the year it was withheld. When you file your income tax return, you may still get a refund of part of the \$2,600 withheld. However, any refund is likely to be larger if you roll over the entire \$10,000.

Additional Tax on Early Distributions

An early distribution is subject to an additional federal tax of 10% as well as an additional California tax of 2.5% of the taxable portion of the distribution if the distribution is eligible for rollover and is not rolled over. An “early distribution” is a payment made before you reach age 59½. However, payments from a qualified plan (such as CalSTRS) that are made after you separate from service with your employer if the separation from service occurs during or after the year in which you reach age 55 are not subject to an early distribution tax.

Other exceptions to the early distribution tax include the following types of payments:

- payments that are made because you retire due to disability
- payments that are made as equal (or almost equal) payments over your life or life expectancy (or, the lives of you and your beneficiary or the life expectancies of you and your beneficiary)
- dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Section 404(k) of the Internal Revenue Code
- amounts that are paid directly to the government to satisfy a federal tax levy
- amounts that are paid to an alternate payee under a qualified domestic relations order
- payments that do not exceed the amount of your deductible medical expenses.

Refer to IRS Publication 575 and IRS Form 5329 for more information on the additional 10% federal tax.

The additional tax on early distributions will not apply to distributions from a governmental Section 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental Section 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 12.5% combined tax if it is distributed to you before you reach age 59½, unless one of the exceptions above applies.

Special Tax Treatment if You Were Born before January 1, 1936

If you receive a payment from a plan qualified under Section 401(a) or a Section 403(a) annuity plan that can be rolled over and you do not roll it over to a traditional IRA or an

eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment 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 plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59½ or have become disabled). For a payment to be treated as a lump-sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump-sum distributions that may be available to you is described below.

Ten-Year Averaging

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 receive a lump-sum distribution and you were born before January 1, 1936, and you were a participant in the plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment of 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. You may not elect this special tax treatment if you rolled amounts into CalSTRS from a Section 403(b) tax-sheltered annuity contract, a governmental Section 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from CalSTRS, you cannot use this special averaging treatment for later payments from CalSTRS. If you roll over your payment to a traditional IRA, governmental Section 457 plan, or Section 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to a traditional IRA, governmental

Section 457 plan, or Section 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in the plan results from a “qualified domestic relations order,” which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 12.5% combined federal and California tax that applies to early distributions, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump-sum distributions as described in Part III above. If you receive a payment because of the employee’s death, you may be able to treat the payment as a lump-sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the plan.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice only summarizes the federal tax rules that might apply to your payment and provides limited information on California state tax rules. The rules described herein are complex and contain many conditions and exceptions that are not included in this brochure. CalSTRS strongly suggests that you consult the Internal Revenue Service and the California Franchise Tax Board or a professional tax advisor before you take a payment of your benefits from your plan. Also, you can find more specific information on the tax treatment of payments from qualified employer 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.gov, or by calling 1-800-TAX-FORMS.



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