

Nonmember Spouse Refund Application - Information and Instructions

for Former Spouse or Former Registered Domestic Partner

GENERAL INFORMATION

Choosing to refund your contributions and interest terminates your Nonmember Spouse account and will forfeit your rights to all CalSTRS benefits. If you have a Defined Benefit and a Defined Benefit Supplement account, all accumulated contributions and interest in both accounts must be refunded at the same time.

Distribution Information Specific to Former Registered Domestic Partners: Former registered domestic partners (RDP) who have an account created as a result of a segregation of community property interest are not eligible to roll over a lump sum payment according to federal law. If this applies to your account, you must select direct payment.

Payment Time Frame: Your Defined Benefit and Defined Benefit Supplement refund payments will include contributions and interest posted to your account as of the date your refund was processed. Payment time frames can vary according to volume. Contact CalSTRS for the most current time frames.

Cancellation of a Refund: You may not cancel your refund of the Defined Benefit and Defined Benefit Supplement funds after the refund becomes effective.

COMPLETING THE REFUND APPLICATION

Fill out your application form in black or blue ink and keep a copy for your records. If the information is not correct and legible, your refund payments will be delayed and your application will be returned to you for correction. If you make a mistake completing the application, line through the error, make your correction and initial the change.

SECTION 1: NONMEMBER SPOUSE INFORMATION

Provide your full name, Client ID or Social Security number, complete mailing address, date of birth, telephone number and email address. Also provide the full name and Client ID or Social Security number of your former spouse or RDP for account verification.

SECTION 2: DEFINED BENEFIT PAYMENT INSTRUCTIONS

Be sure to read the *Special Tax Notice: Your Rollover Options*, which is included with this application.

2.1 Defined Benefit Refund Election: Elect a direct payment or rollover to a financial institution.

2.2 Defined Benefit Rollover: If you elect a rollover (trustee-to-trustee transfer) of your Defined Benefit funds, this section must be completed. If you choose to roll over less than the full amount of your Defined Benefit account, the remaining balance will be distributed directly to you, with applicable taxes withheld, at the address listed in Section 1. Your account balance must be \$200 or more to qualify for a rollover to a financial institution.

Financial Institution Information

Indicate the plan type into which your refund is being rolled, the amount or percentage to be rolled over, the account number, the complete name and mailing address of the financial institution, the name and signature of the financial institution's representative and his or her telephone number. If the information is not complete and correct, your rollover will be delayed. CalSTRS is not able to process rollovers to financial institutions outside the U.S.

SECTION 3: DEFINED BENEFIT SUPPLEMENT PAYMENT INSTRUCTIONS

Be sure to read the *Special Tax Notice: Your Rollover Options*, which is included with this application.

3.1 Defined Benefit Supplement Refund Election: Elect a direct payment or a rollover to a financial institution.

3.2 Defined Benefit Supplement Rollover: If you elect a rollover (trustee-to-trustee transfer) of your Defined Benefit Supplement funds, this section must be completed. If you choose to roll over less than the full amount of your Defined Benefit Supplement account, the remaining balance will be distributed directly to you, with applicable taxes withheld, at the address listed in Section 1 of this form. Your account balance must be \$200 or more to qualify for a rollover to a financial institution.

Financial Institution Information

Indicate the plan type into which your refund is being rolled, the amount or percentage to be rolled over, the account number, the complete name and mailing address of the financial institution's representative and his or her telephone number. If the information is not complete and correct, your rollover will be delayed. CalSTRS is not able to process rollovers to financial institutions outside the U.S.

SECTION 4: TAX WITHHOLDING PREFERENCES

CalSTRS is required to withhold 20% federal tax on all taxable payments distributed directly to you, but you may designate a higher percentage if you choose. We will withhold 2% California state tax if your address is in California unless you elect to not have state tax withheld.

Addresses Outside California: In compliance with federal law, California does not tax the CalSTRS benefits of nonresidents. If you think you may be liable for California state income tax, complete Section 4 to request California state income tax withholding. CalSTRS does not withhold income tax for states other than California.

CalSTRS may be required to withhold federal income tax from distributions mailed to a foreign country.

After-tax contributions are not taxable but are eligible for rollover. All interest is taxable and is eligible for rollover. Separate payments will be issued for the taxable and nontaxable portions of the distribution. In addition, CalSTRS does not roll over or withhold federal or state income tax from refunds that are less than \$200.

SECTION 5: REQUIRED SIGNATURE

Sign and date your *Nonmember Spouse Refund Application*. Your signature date is the date you sign your application. Your signature must be within six months of the date CalSTRS receives your application. You are signing your *Nonmember Spouse Refund Application* under penalty of perjury.

SPECIAL TAX NOTICE: YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of your CalSTRS payment is eligible to be rolled over to a qualified IRA or an eligible employer plan. Read this notice to help you decide whether to do a rollover.

SUBMITTING YOUR APPLICATION

Return your completed form to CalSTRS:

Mailing Address

CalSTRS
P.O. Box 15275, MS 65
Sacramento, CA 95851-0275

Overnight

If you are using a special mailing service such as UPS or FedEx, send your application to:

CalSTRS
100 Waterfront Place
West Sacramento, CA 95605

Fax Delivery

916-414-5964

QUESTIONS

Email your questions using CalSTRS.com/contact, or call 800-228-5453.

Nonmember Spouse Refund Application

for Former Spouse or Former Registered Domestic Partner

RF 1356 (Rev. 12/22)

CALSTRS

California State Teachers' Retirement System
P.O. Box 15275, MS 65
Sacramento, CA 95851-0275
800-228-5453
CalSTRS.com

This form is used by CalSTRS to refund contributions and interest from your Nonmember Spouse Defined Benefit and Defined Benefit Supplement accounts. When you refund your contributions and interest, you terminate your Nonmember Spouse account and forfeit your rights to all CalSTRS benefits.

Section 1: Nonmember Spouse Account Holder Information

NAME (LAST, FIRST, INITIAL)

YOUR CLIENT ID OR SOCIAL SECURITY NUMBER

MAILING ADDRESS

DATE OF BIRTH (MM/DD/YYYY)

CITY

STATE

ZIP CODE

HOME TELEPHONE

EMAIL ADDRESS

MEMBER CLIENT ID OR SOCIAL SECURITY NUMBER FOR VERIFICATION

MEMBER NAME (YOUR FORMER SPOUSE OR REGISTERED DOMESTIC PARTNER)

Section 2: Defined Benefit Payment Instructions

I have received and read the *Special Tax Notice: Your Rollover Options* which is included with this application. **I understand I have at least 30 days before distribution to consider the information provided in this notice and decide whether to elect a direct rollover to another retirement plan or have the amount distributed to me.** The 30-day waiting period has been met or I waive the 30-day period.

Indicate below if you want to receive your Defined Benefit distribution as a **direct payment** or a **rollover**.

If you were **only** awarded a portion of your former spouse's or former registered domestic partner's Defined Benefit Supplement (DBS) account, continue to Section 3, *Defined Benefit Supplement Payment Instructions*.

Section 2.1: Defined Benefit Refund Election

I elect the following distribution choice for my CalSTRS Defined Benefit refund. Choose one:

Direct Payment to you

I choose to have my Defined Benefit refund mailed directly to me at the address listed in Section 1 of this application. Continue to Section 3, *Defined Benefit Supplement Payment Instructions* (if applicable).

OR

Rollover to a Financial Institution

I choose to roll over all or part of my eligible Defined Benefit contributions and interest to the financial institution listed below in Section 2.2. The designated amount of my Defined Benefit refund distribution will be mailed directly to the financial institution address listed. Any amount not designated for transfer will be mailed to me directly at the address listed in Section 1. Continue to Section 2.2 *Defined Benefit Rollover*. See the Nonmember Spouse Refund Application instructions for more information.



Nonmember Spouse Refund Application *continued*



Name _____ Client ID or SSN _____

Section 2.2: Defined Benefit Rollover

Provide financial institution account information for tax-deferred and after-tax rollovers (if applicable). Any amount not designated for rollover will be mailed directly to the address listed in Section 1, with federal tax withheld. Complete Section 4, *Tax Withholding Preferences*, if you elect to receive any portion of your Defined Benefit refund as a direct payment.

Rollover of Tax-Deferred Contributions and Interest

Select one: Other eligible plan such as 403(b), 457(b), 401(k) or 401(a)
 Traditional, SEP or SIMPLE IRA Roth account (taxable rollover)

Select one: Amount to Transfer: \$ _____ OR Percentage to Transfer (1–100%): _____ %

MAKE CHECK PAYABLE TO (FULL NAME OF FINANCIAL INSTITUTION) _____ ACCOUNT NUMBER _____

PAYMENT MAILING ADDRESS _____ CITY _____ STATE _____ ZIP CODE _____

FINANCIAL INSTITUTION REPRESENTATIVE'S NAME _____ TELEPHONE _____

FINANCIAL INSTITUTION REPRESENTATIVE'S SIGNATURE* _____ SIGNATURE DATE (MM/DD/YYYY) _____

Rollover of After-Tax Contributions (if applicable)

Select one: Other eligible plan such as 403(b), 457(b), 401(k) or 401(a)
 Traditional, SEP or SIMPLE IRA Roth account

Select one: Amount to Transfer: \$ _____ OR Percentage to Transfer (1–100%): _____ %

MAKE CHECK PAYABLE TO (FULL NAME OF FINANCIAL INSTITUTION) _____ ACCOUNT NUMBER _____

PAYMENT MAILING ADDRESS _____ CITY _____ STATE _____ ZIP CODE _____

FINANCIAL INSTITUTION REPRESENTATIVE'S NAME _____ TELEPHONE _____

FINANCIAL INSTITUTION REPRESENTATIVE'S SIGNATURE* _____ SIGNATURE DATE (MM/DD/YYYY) _____

***Certification:** My signature above confirms the account number for the individual named at the top of this page. As a representative of the financial institution or plan named above, I certify that this institution or plan agrees to accept the funds described above as a direct trustee-to-trustee transfer from CalSTRS for deposit into a qualified IRA or an eligible plan as defined in the Internal Revenue Code. I understand that my signature above authorizes the transfer of the funds as indicated above.

Nonmember Spouse Refund Application continued



Name _____ Client ID or SSN _____

Section 3: Defined Benefit Supplement Payment Instructions

If you were awarded a portion of your former spouse's or former registered domestic partner's Defined Benefit Supplement (DBS) account, complete the information below. **If you do not have a DBS account, continue to Section 4, Tax Withholding Preferences.**

I have received and read the *Special Tax Notice: Your Rollover Options* which is included with this application. **I understand I have at least 30 days before distribution to consider the information provided in this notice and decide whether to elect a direct rollover to another retirement plan or have the amount distributed to me.** The 30-day waiting period has been met or I waive the 30-day period.

Indicate below if you want to receive your Defined Benefit Supplement distribution as a **direct payment** or a **rollover**.

Section 3.1: Defined Benefit Supplement Refund Election

I elect the following distribution choice for my CalSTRS Defined Benefit Supplement refund. Choose one:

Direct Payment to you
I choose to have my Defined Benefit Supplement refund mailed directly to me at the address listed in Section 1 of this application. Continue to Section 4, *Tax Withholding Preferences*.

OR

Rollover to a Financial Institution
I choose to roll over all or part of my eligible Defined Benefit Supplement contributions and interest to the financial institution listed below in Section 3.2. The designated amount of my Defined Benefit Supplement refund distribution will be mailed directly to the financial institution address listed. Any amount not designated for transfer will be mailed to me directly at the address listed in Section 1. Continue to Section 3.2 *Defined Benefit Supplement Rollover*. See the Nonmember Spouse Refund Application instructions for more information.

Section 3.2: Defined Benefit Supplement Rollover

Provide financial institution account information for tax-deferred and after-tax rollovers (if applicable). Any amount not designated for rollover will be mailed directly to the address listed in Section 1, with federal tax withheld. Complete Section 4, *Tax Withholding Preferences*, if you elect to receive any portion of your Defined Benefit Supplement refund as a direct payment.

Rollover of Tax-Deferred Contributions and Interest

Select one: Other eligible plan such as 403(b), 457(b), 401(k) or 401(a)
 Traditional, SEP or SIMPLE IRA Roth account (taxable rollover)

Select one: Amount to Transfer: \$ _____ OR Percentage to Transfer (1–100%): _____%

MAKE CHECK PAYABLE TO (FULL NAME OF FINANCIAL INSTITUTION) _____ ACCOUNT NUMBER _____

PAYMENT MAILING ADDRESS _____ CITY _____ STATE _____ ZIP CODE _____

FINANCIAL INSTITUTION REPRESENTATIVE'S NAME _____ TELEPHONE _____



FINANCIAL INSTITUTION REPRESENTATIVE'S SIGNATURE* _____ SIGNATURE DATE (MM/DD/YYYY) _____

***Certification:** My signature above confirms the account number for the individual named at the top of this page. As a representative of the financial institution or plan named above, I certify that this institution or plan agrees to accept the funds described above as a direct trustee-to-trustee transfer from CalSTRS for deposit into a qualified IRA or an eligible plan as defined in the Internal Revenue Code. I understand that my signature above authorizes the transfer of the funds as indicated above.

Nonmember Spouse Refund Application continued



Name _____ Client ID or SSN _____

Section 3.2: Defined Benefit Supplement Rollover continued

Rollover of After-Tax Contributions (if applicable)

Select one: Other eligible plan such as 403(b), 457(b), 401(k) or 401(a)
 Traditional, SEP or SIMPLE IRA Roth account

Select one: Amount to Transfer: \$ _____ OR Percentage to Transfer (1–100%): _____ %

MAKE CHECK PAYABLE TO (FULL NAME OF FINANCIAL INSTITUTION) _____ ACCOUNT NUMBER _____

PAYMENT MAILING ADDRESS _____ CITY _____ STATE _____ ZIP CODE _____

FINANCIAL INSTITUTION REPRESENTATIVE'S NAME _____ TELEPHONE _____

FINANCIAL INSTITUTION REPRESENTATIVE'S SIGNATURE* _____ SIGNATURE DATE (MM/DD/YYYY) _____

***Certification:** My signature above confirms the account number for the individual named at the top of this page. As a representative of the financial institution or plan named above, I certify that this institution or plan agrees to accept the funds described above as a direct trustee-to-trustee transfer from CalSTRS for deposit into a qualified IRA or an eligible plan as defined in the Internal Revenue Code. I understand that my signature above authorizes the transfer of the funds as indicated above.

Section 4: Tax Withholding Preferences

Complete this section if you choose to receive any portion of your Defined Benefit refund or Defined Benefit Supplement refund as a direct payment. CalSTRS must withhold 20% federal income tax from the taxable portion of this distribution, but you may designate a higher percentage if you choose. If you elect to have California state income tax withheld, CalSTRS will withhold at 2%.

CALIFORNIA STATE INCOME TAX WITHHOLDING

If I leave this section blank, CalSTRS will withhold California state income tax. However, if I reside outside California, CalSTRS will not withhold California state income tax unless I choose Yes.

Defined Benefit Refund

Withhold California state income tax? Yes No

Defined Benefit Supplement Refund

Withhold California state income tax? Yes No

FEDERAL INCOME TAX WITHHOLDING

CalSTRS must withhold 20% federal income tax.

Defined Benefit Refund

Optional: If you would like more than 20% withheld for federal income tax, you may designate a higher percentage. Enter a whole number (no decimals): _____ %

Defined Benefit Supplement Refund

Optional: If you would like more than 20% withheld for federal income tax, you may designate a higher percentage. Enter a whole number (no decimals): _____ %

Note: See irs.gov for information and instructions on Form W-4R.

Section 5: Required Signature

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct. I understand that perjury is punishable by imprisonment for up to four years (Penal Code section 126).

I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in penalties, including restitution, up to one year in jail and a fine of up to \$5,000 (Education Code section 22010).

NONMEMBER SPOUSE ACCOUNT HOLDER'S SIGNATURE _____ SIGNATURE DATE (MM/DD/YYYY) _____

Special Tax Notice: Your Rollover Options

INTRODUCTION

You are receiving this notice because all or a portion of your CalSTRS Defined Benefit Supplement, Defined Benefit refund or Cash Balance payment may be eligible for a rollover to an IRA or another eligible employer plan. This notice is intended to help you decide whether to do such a rollover.

Rules that apply to most CalSTRS payments are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

The following summarizes tax information and is provided in accordance with Section 402(f) of the Internal Revenue Code. CalSTRS does not provide tax information or advice. Consult a tax professional, the Internal Revenue Service or the State Franchise Tax Board for specific information and to confirm that any relevant tax laws have not changed since this notice was released.

Certain California tax information is also provided. In general, California law conforms to federal tax law. However, there are some differences between California and federal law. In addition, if you do not meet California residency criteria, your CalSTRS benefits are not subject to state income tax. For additional information, visit ftb.ca.gov.

30-Day Notice Period and Your Right to Waive

Generally, CalSTRS cannot make a direct rollover or a payment to you until at least 30 days after you receive this notice. If you do not wish to wait until this 30-day notice period ends before your payment is processed, you may waive the notice period.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

You will be taxed on your CalSTRS payment if you do not roll it over. If you are under age 59½ and do not do a rollover, you also will have to pay a 10% additional federal income tax and a 2.5% additional California state income tax on early distributions, unless an exception applies.

If you do a rollover, however, you will not have to pay tax until you receive distributions later and the 10% additional federal income tax and 2.5% additional state income tax will not apply if those distributions are made after you are age 59½, or if an exception applies.

Where may I roll over my CalSTRS payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or another eligible employer plan (a tax-qualified plan, 403(b) plan or 457(b) plan) that will accept the rollover. The rules of the IRA or plan that hold the rollover will determine your investment options, fees and rights to

payment from the IRA or employer plan. For example, no spousal consent rules apply to IRAs and IRAs may not provide loans. Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?

There are two ways to do a rollover. You can choose either a direct rollover or a 60-day rollover.

Direct rollover: If you do a direct rollover, CalSTRS will make the payment directly to your IRA or another eligible employer plan. You should contact the IRA sponsor or the administrator of the plan for information on how to do a direct rollover.

If you do a direct rollover of only a portion of your CalSTRS payment and a portion is paid to you at the same time, the portion directly rolled over consists first of the amount that would be taxable if not rolled over.

60-day rollover: If you do not do a direct rollover, you still may do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive your CalSTRS payment to make the deposit.

If you do not do a direct rollover, CalSTRS is required to withhold at least 20% of the payment for federal income taxes. Unless you elect to not have state tax withheld or you are a nonresident of California, CalSTRS will withhold at 2%. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% (or optional higher percentage) withheld for federal taxes and any state tax withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed in the year distributed and will be subject to the 10% additional federal income tax and the 2.5% additional state income tax on early distributions if you are under age 59½, unless an exception applies.

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any CalSTRS payment is eligible for rollover, except:

- Benefit payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary).
- Required minimum distributions in the calendar year in which you turn age 72 (age 70½ if you were born prior to July 1, 1949) or after death.
- Corrective distributions of contributions that exceed tax law limitations.

Nonmember Spouse Refund Application *continued*

If I don't do a rollover, will I have to pay the 10% additional federal income tax and the 2.5% additional state income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional federal income tax and 2.5% additional state income tax on early distributions for any CalSTRS payment, including amounts withheld for income tax, that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular federal and state income taxes on the payment not rolled over.

The 10% additional federal income tax and the 2.5% additional state income tax do not apply to the following CalSTRS payments:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation.
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary).
- Payments made due to disability.
- Payments after your death.
- Corrective distributions of contributions that exceed tax law limitations.
- Payments made directly to the government to satisfy a federal tax levy.
- Payments made under a qualified domestic relations order (QDRO).
- Payments up to the amount of your deductible medical expenses whether or not you itemize deductions for the taxable year.
- Payments for certain distributions related to certain federally declared disasters.
- Certain coronavirus related distributions.

If I do a rollover to an IRA, will the 10% additional federal income tax and the 2.5% additional state income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional federal income tax and 2.5% additional state income tax on the part of the distribution that you must include in income unless an exception applies. In general, the exceptions to the additional federal and state income taxes for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation does not apply.
- The exception for qualified domestic relations orders

does not apply. However, a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse.

- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

SPECIAL RULES AND OPTIONS

If Your Payment Includes After-Tax Contributions

After-tax contributions included in your payment are not taxed upon distribution. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of your CalSTRS payment and the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions. In this case, if you directly roll over \$10,000 to an IRA that is not a Roth IRA, no amount is taxable because the \$2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of your entire CalSTRS payment to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of \$12,000, of which \$2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over \$10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

Nonmember Spouse Refund Application *continued*

You may roll over to an eligible employer plan all of a payment that includes after-tax contributions, but only through a direct rollover—and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan. You can do a 60-day rollover to an eligible employer plan of part of a CalSTRS payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If You Miss the 60-Day Rollover Deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline.

Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements*.

If You Were Born On or Before January 1, 1936

If you were born on or before January 1, 1936, and receive a lump-sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

If You Roll Over Your Payment to a Roth IRA

If you roll over your CalSTRS payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax and 2.5% additional state income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed, including earnings after the rollover. A qualified distribution from a Roth IRA is a payment made after you are age 59½ or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000—and after you have had a Roth IRA for at least five years. In applying this five-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional federal income tax and 2.5% additional state income tax on early

distributions, unless an exception applies. Nonqualified Roth IRA distributions are treated as coming first from after-tax contributions. You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publications 590-A, *Contributions to Individual Retirement Arrangements* and 590-B, *Distributions From Individual Retirement Arrangements*.

CalSTRS is not responsible for assuring your eligibility to make a rollover to a Roth IRA. Consult your tax adviser if you are interested in rolling over your payment to a Roth IRA.

If You Are Not a CalSTRS Member

Payments after a member's death. If you receive a distribution after a CalSTRS member's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional federal income tax and 2.5% additional state income tax on early distributions do not apply. The special rule described under the section "If you were born on or before January 1, 1936" applies only if the CalSTRS member was born on or before January 1, 1936.

If you are a surviving spouse. If you receive a CalSTRS payment as the surviving spouse of a deceased member, you have the same rollover options that the member would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional federal income tax and 2.5% additional state income tax on early distributions, unless an exception applies. In addition, required minimum distributions from your Traditional IRA don't have to start until after you reach the age at which you are subject to required minimum distributions. If you were born prior to July 1, 1949, you were subject to required minimum distributions beginning in the year you reached age 70½. If you were born on or after July 1, 1949, you are subject to required minimum distributions in the year you reach age 72.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional federal income tax and 2.5% additional state income tax on early distributions. However, if the member had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the member had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited IRA until the year the member would have

Nonmember Spouse Refund Application *continued*



been age 72 (age 70½ if the member was born before July 1, 1949).

If you are a surviving beneficiary other than a spouse. If you receive a CalSTRS payment because of the member's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional federal income tax and 2.5% additional state income tax on early distributions. The entire balance of the inherited IRA must be distributed by the end of the 10th calendar year following the year of the member's death, unless you are an "eligible designated beneficiary." An eligible designated beneficiary is a beneficiary designated under the terms of CalSTRS who is any of the following:

- The surviving spouse of the member.
- A child of the member who has not reached the age of majority (18 in California and most other states).
- A chronically ill individual as defined in Internal Revenue Code Section 401(a)(9)(E)(ii)(IV).
- Any other individual who is not more than 10 years younger than the member.

Required minimum distributions to an eligible designated beneficiary may be made over a period based on the beneficiary's life expectancy, beginning no later than the year after the member's year of death. Different rules apply if the member died before January 1, 2020. Consult your tax advisor and your IRA provider about minimum required distributions.

Payments under a qualified domestic relations order.

If you are the spouse or former spouse of a CalSTRS member who receives a payment from CalSTRS under a qualified domestic relations order (QDRO), you generally have the same options and the same tax treatment that the member would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). However, payments under the QDRO will not be subject to the 10% additional federal income tax or 2.5% additional state income tax on early distributions.

If You are a Nonresident Alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or a U.S. eligible employer plan, CalSTRS is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing IRS Form 1040NR and attaching your IRS Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, IRS

Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, and FTB Publication 1100, *Taxation of Nonresidents and Individuals Who Change Residency*.

OTHER SPECIAL RULES

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series, unless you make a different choice for later payments.

If your payments for the year are less than \$200, CalSTRS is not required to allow you to do a direct rollover and is not required to withhold federal income taxes. However, you may do a 60-day rollover.

When electing how to receive a CalSTRS payment that is rollover eligible, any amount not designated for rollover will be issued directly to you according to the payment preference on file for your account.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, *Armed Forces' Tax Guide*. You also may have special rollover rights if you were affected by a federally declared disaster or similar event, or if you received a distribution on account of a disaster. For more information, visit irs.gov.

FOR MORE INFORMATION

See the *Tax Considerations for Rollovers* booklet at CalSTRS.com. You should also consult a professional tax adviser before taking a payment from CalSTRS.

In addition, you will find more information on the federal tax treatment of payments from employer plans in IRS Publication 575, *Pension and Annuity Income*; Publication 590-A, *Contributions to Individual Retirement Arrangements*; Publication 590-B, *Distributions From Individual Retirement Arrangements*; and Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, at irs.gov, or by calling 800-TAX-FORM (800-829-3676).

For information on state tax, contact the California Franchise Tax Board at ftb.ca.gov or call 800-852-5711 (or 916-845-6500 if calling from outside the U.S.). Also see FTB Publication 1005, *Pension and Annuity Guidelines*.

RIGHT TO RECEIVE PAPER DOCUMENT

Contact CalSTRS to receive this *Special Tax Notice: Your Rollover Options* provided as a written paper document at no charge.