

Refund/Lump Sum Distribution

A member who terminates covered employment is eligible for a refund (lump-sum distribution) of the account value. This consists of employee contributions paid plus 6% interest. The refundable balance does not include employer contributions or investment earnings which are used in paying retirement benefits and reducing TFFR's unfunded liability.

A refund closes your account and all service credit earned to that point is forfeited. By selecting a refund, you are waiving all rights to a lifetime annuity at retirement. If you are a Tier 1 member, you are also waiving Tier 1 membership status, and if you return to TFFR covered employment, you will become a Tier 2 member. Tier 1 and Tier 2 members may repurchase refunded service credit upon return to covered employment.

Waiting Period

There is a 120-day statutory waiting period from your last month of TFFR employment before a refund will be issued. The waiting period may be waived if you provide all of the following:

- * Written proof of your resignation or non-renewal.
- * Written proof of your employer's acceptance of your resignation.
- * Written proof that you have either accepted non-covered employment or have permanently moved out-of-state OR a statement from a medical doctor attesting to non-employment during the upcoming school year for medical reasons.
- * TFFR Certification of Employment form completed by your last employer.

A refund cannot be issued until your employer has submitted all retirement contributions and reported the necessary information to close your account. A refund cannot be issued if you have ceased teaching for the summer months only, or are on a leave of absence.

Tax Considerations

A refund may either be paid in a direct rollover to an IRA or another qualified plan or paid to you. The choice you make will affect the tax you owe.

If the taxable portion of your refund is rolled over, no tax or penalty will be due and no income tax will be withheld.

If your refund is paid to you, TFFR is required to withhold federal income tax at 20 percent of the taxable portion of your refund. North Dakota state tax withholding is optional. A 1099-R tax form will be sent to you the following January. This tax information will need to be disclosed on your tax return. If you separate from service before age 55 and receive a taxable refund payment from TFFR before age 59 1/2, you may have to pay an extra 10 percent penalty calculated on IRS Form 5329 in addition to the regular income tax.

Any previously taxed contributions will be paid to you unless you request that these contributions be rolled to an IRA or to certain employer plans that accept after-tax contributions.

See the special tax notice regarding TFFR refund benefits. Personal income tax questions should be directed to your accountant, tax advisor, or Internal Revenue Service Center.

Application

Contact the administrative office for a refund/rollover application and important tax information. Refunds are issued on the first working day of each month. However, your refund application and waiver documentation (if applicable) must be received by our office no later than ten working days before the end of the previous month.