



## CERTIFYING THE DEFINED BENEFIT PLAN REQUEST FOR REFUND

***Please read this before you complete and sign the form.***

**Note:** If you are completing this form as a participant of an Optional Retirement Plan (ORP) and you want to transfer the funds to your ORP, please use the Request for Transfer of Funds to ORP (VRS-3ORP). This applies to transfers to VRS-administered ORPs and also plans administered by Virginia Tech, Virginia Commonwealth University, University of Virginia, or George Mason.

### **Member Certification:**

By signing the VRS-3, you certify the following:

1. You have read and understand the information provided with this form.
2. You understand a 20 percent federal tax is withheld from the **taxable** portion of the refund and, if you are a resident of Virginia, that an additional 4 percent state tax is withheld.
3. You may be subject to an additional 10 percent federal tax penalty on the taxable portion of the refund.
4. You have selected the payment of funds as shown on the form and understand you are no longer eligible for future retirement benefits for this service time including a future health insurance credit; if you return to a VRS-covered position you will be rehired under the plan provisions available at that time even if you purchase this refunded service.
5. You understand that you will no longer be eligible for group life insurance or optional group life insurance. Refer to your member handbook for information about converting life insurance and long term care coverage as applicable.
6. You understand that any disability coverage under the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP), or another comparable plan will cease.
7. You are not returning to work in a part-time position with the same employer for at least one full calendar month.
8. You understand that any willful falsification of facts presented may result in prosecution as provided by law.
9. You understand this is a request for a refund of your defined benefit plan contributions only.
10. For VRS Hybrid Retirement Plan members taking a refund of the defined benefit:
  - a) You understand you will forfeit any non-vested employer-contributed funds associated with your VRS Hybrid 401(a) Cash Match Plan account balance.
  - b) If you return to covered employment, you will be rehired under the plan provisions available at that time. If you are rehired under the Hybrid Retirement Plan, vesting for any new employer contributions made to your Hybrid 401(a) Cash Match Plan will restart at 0 percent upon your rehire.

**Note:** Your refund cannot be paid while you are actively employed. Your employer must update your record in the VRS system by entering your last date of employment before your refund can be paid.

# INSTRUCTIONS FOR COMPLETING THE DEFINED BENEFIT PLAN REQUEST FOR REFUND

## Are you sure you want to take a refund?

If you have five or more years of VRS service credit in the defined benefit plan, you are considered to be vested and may be eligible for a monthly retirement benefit in the future. Use *myVRS* on the VRS Web site at [www.varetire.org](http://www.varetire.org) under the member tab to see an estimate of the monthly retirement benefit you lose by taking a refund.

If you have less than five years of service credit in the defined benefit plan, you are eligible for a refund of the balance of your member contribution account prior to July 1, 2010 in addition to any funds you contribute to your account after July 1, 2010. If your employer paid the member contribution on your behalf and you were involuntarily separated for causes other than job performance or misconduct, you may be eligible for these additional funds. In this case, your employer will be notified to certify your termination before your refund is paid.

Regardless of your years of VRS service credit, once you take a refund you are no longer eligible for a monthly retirement benefit from your defined benefit plan based on the refunded service period or for related benefits, such as group life insurance or the health insurance credit. If you subsequently return to work in a covered position, you will be hired under the plan provisions in place at that time.

## Are you eligible for a refund?

If all statements below are true, you may be eligible for a refund.

- I have terminated all VRS-covered employment.
- I do not receive Short-Term Disability (STD) or Long-Term Disability (LTD) benefits under the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP) or your employer's comparable disability plan offered in lieu of VLDP.
- I am not on unpaid leave.
- I am not an educator on summer break, who will return to employment at the beginning of the next contract period.
- I incurred a break in service of at least one full calendar month. (For those who left covered employment and returned to a non-covered position with the same employer.)
- I have not moved from a VRS-covered position to a position covered by an Optional Retirement Plan (ORP) without a break in service of at least one full calendar month.

**What is a break in service?** A break in service is a period of at least one full calendar month during which the employment relationship has ended and you are not working in any capacity with the employer who last reported you to VRS for retirement purposes, nor are you working in a covered position with any VRS participating employer.

*For State Employees:* The Commonwealth of Virginia is considered one employer. Moving from one employer to another within the Commonwealth is not considered a break in service unless there was at least one full calendar month between the two positions.

## How do you want your refund paid?

Once you determine you are eligible, you need to decide how the refund should be paid. Your refund may be: 1) paid directly to you by direct deposit into the account of your choice, or 2) paid in a rollover to a traditional individual retirement account (IRA) or another eligible plan that accepts rollovers. A rollover into another eligible plan or IRA allows you to continue to postpone taxation of the funds until they are paid to you.

## Consider these questions if you are thinking about a rollover:

- *Does your refund contain both taxable and non-taxable funds?* This could affect your ability to roll over the funds. Ask your employer what portion of your refund is taxable (the portion on which taxes have not yet been paid) and what portion is after-tax (the portion on which taxes have already been paid). If you left your VRS-covered position more than six months ago, contact VRS for this information.
- *Does the employer plan accept rollovers?* An eligible employer plan is not legally required to accept a rollover. Verify that the recipient plan is a qualified retirement plan that can accept a direct rollover before you request a refund.
- *Do you have the necessary documents needed by your financial institution to process your rollover?*
- *Do you know if your plan will accept funds from VRS?* Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. You may want to roll your distribution over to a traditional IRA or split your rollover amount between an employer plan in which you will participate and a traditional IRA.
- *Have you verified if your plan restricts subsequent distributions of the rollover amount?* Your spouse's consent may be required for a distribution from the new plan. A distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this plan.
- *Did you know you may roll after-tax contributions to your new employer's qualified retirement plan?* You may do this if they provide separate accounting for amounts rolled over, including separate accounts for the after-tax employee contributions and earnings on those contributions. If you want to roll after-tax employee contributions to an employer plan, you must have the funds rolled over on your behalf; these funds cannot be paid to you first. After-tax contributions cannot be rolled into a governmental 457 plan, including the VRS Hybrid 457 Deferred Compensation Plan.

## Consider the taxes you will pay if the refund is paid to you:

Taking a refund can affect the amount of taxes you pay. Read the enclosed IRS 402(f) – Special Tax Notice to learn more. You may also contact the IRS at 800/TAX-FORMS or visit the IRS Web site at [www.irs.gov](http://www.irs.gov).

Certain types of income taxes that may be withheld include the following:

- **Mandatory federal withholding:** VRS withholds 20 percent of the taxable portion of the payment and sends it to the IRS as federal income tax for members who are U.S. citizens or resident aliens; VRS withholds 30 percent for members who are of non-resident alien status.
- **State tax withholding:** If you live in Virginia at the time your refund is paid, VRS withholds an additional 4 percent of the taxable portion of the payment and sends it to the Virginia Department of Taxation as state income tax.
- **Additional tax penalty:** If you receive the refund before reaching age 59-1/2, you may also be required to pay an additional 10 percent tax penalty imposed by the IRS. You must report and pay this amount directly to the IRS.
- **60-Day Rollover Option:** If VRS pays you the refund directly, you have 60 days to roll the pre-tax funds into a traditional IRA or another qualified plan that accepts rollovers. Taxes are withheld as listed above. You may replace federal and state tax withholdings with personal funds to roll over 100 percent of the refund. Otherwise, the tax withholding portion is subject to taxation in the year it is withheld. The amount rolled over is not taxable until you receive the funds.

## Additional Information for Hybrid Retirement Plan Members Taking a Defined Benefit Refund

- You will forfeit any non-vested employer-contributed funds associated with your VRS Hybrid 401(a) Cash Match Plan account balance.
- If you return to covered employment, you will be rehired under the plan provisions available at that time. If you are rehired under the Hybrid Retirement Plan, vesting for any new employer contributions made to your Hybrid 401(a) Cash Match Plan will restart at 0 percent upon your rehire.
- For distributions from your VRS Hybrid 401(a) Cash Match Plan or the VRS Hybrid 457 Deferred Compensation Plan, contact the plan provider, ICMA-RC, at 1-VRS-DCPLAN1 (877-327-5261). You may choose to leave any balance(s) in either plan.
- You may choose to roll over taxable funds from your VRS Hybrid Retirement Plan defined benefit contributions into your VRS Hybrid 457 Deferred Compensation Plan.

## Other Important Information

- The refund process takes 45-60 days after your employer last reports you to VRS or after the date VRS receives your request, whichever is later.
- If your refund of taxable funds is less than \$200, it is paid directly to you by direct deposit to the account of your choice and no taxes are withheld.
- If you roll over your refund into another qualified plan or traditional IRA and then return to a VRS-covered position, the funds may be returned to VRS, tax-deferred, if you purchase the refunded service using those funds.
- Attachments such as child support, bankruptcy claims or approved domestic relations orders (ADRO) may also affect the taxes you pay and the amount of time needed to process your request.
- If you take a refund, you are no longer covered by group life insurance. You can convert your VRS basic group coverage to an individual policy within 31 days of the end of the month in which you left employment.
- Optional life insurance coverage ceases at termination of employment. It can be converted to an individual policy within 31 days of the end of the month in which you left employment.
- Once you take a refund of your contributions you cannot apply for regular disability retirement. If you believe that you are eligible for VRS disability benefits, apply for disability retirement within 90 days of leaving your covered position and do not process a Defined Benefit Plan Request for Refund (VRS-3).

## Completing the Form

**Box 1-6:** Enter your Social Security number and personal information. If this information is not provided, processing of your refund will be delayed.

**Boxes 7 and 8:** Enter your citizenship status and Virginia residency. Taxes are withheld from any funds paid directly to you based on your citizenship and Virginia state residency.

**Box 9:** If you currently participate in a VRS Optional Retirement Plan, check yes; if you are a member of a VRS defined benefit plan, check no.

**Box 10 (after-tax contributions):** After-tax contributions are those funds on which taxes have already been paid. Choose a percentage of the after-tax contributions to be paid to you or rolled into an eligible plan. Enter the percent of the *after-tax* portion that you want paid directly to you on the first line and the percent to be paid to your financial institution as a rollover on the second line. Your choices must total 100 percent. For any funds being rolled over, provide the necessary financial institution information including the name, address, account number, and phone number. Indicate type of plan into which the funds will be deposited.

**Box 11 (taxable contributions):** Taxable contributions are those funds on which taxes have not yet been paid. Choose a percentage of each amount to be paid to you or rolled into an eligible plan. Enter the percentage of the *taxable* portion that you want paid directly to you on the first line and the percentage to be paid to your financial institution as a rollover on the second line. Your choices must total 100 percent. For any funds being rolled over, provide the necessary financial institution information including the name, address, account number, and phone number. Indicate type of plan into which the funds will be deposited.

**Box 12 (for payments made directly to you):** Provide the financial institution information for the portion of your refund that is payable to you. Any funds paid directly to you will be deposited into the account you choose.



**Box 13:** Read the instructions for "Certifying the Defined Benefit Plan Request for Refund" accompanying this form. If you agree to the terms and conditions of the certification, sign and date the form. Your signature must be notarized.