



TEACHER RETIREMENT SYSTEM OF TEXAS
1000 Red River Street
Austin, TX 78701-2698
(800) 223-8778
www.trs.texas.gov

Requesting a Refund Instructions

TRS6IN (09-17)

Eligibility for a Refund

If you permanently terminate employment with your TRS-covered employer(s) and have neither applied for nor received a promise of employment with a TRS-covered employer, you may terminate membership in TRS and withdraw all of the accumulated contributions in your member account. Terminating your TRS account also terminates all service credit with TRS.

Exception: If you are serving as a substitute and are not employed in any other capacity with a TRS-covered employer, you may withdraw your accumulated contributions.

Options to Consider Before Requesting a Refund

The decision to seek a refund of your member contributions is an important one. If you resume TRS membership at a later date, you may be subject to new retirement eligibility criteria. It is advisable to consider all options available to you before making a decision. These options include the following:

- If you have less than five years of TRS service credit, you may leave your accumulated contributions with TRS, receive interest for up to five years while absent from TRS-covered employment and then later apply for a refund if you do not return to employment in a TRS-covered position.
Note: If you have less than five years of service credit, after five consecutive years without earning TRS service credit, your membership is terminated unless you qualify for an exception or return to work in a TRS-covered position. Refer to the *TRS Benefits Handbook* for additional information.
- If you have at least five years of TRS service credit, you may leave your accumulated contributions with TRS and earn interest as long as these funds remain with TRS. If you do not take a refund, then when you meet applicable retirement eligibility requirements, you may apply for a lifetime retirement annuity based upon your service and salary history on file with TRS.
- You may terminate your membership in TRS by applying for a refund and withdrawing your accumulated contributions. See the *Federal Income Tax Implications* section below for more information. If you terminate TRS membership and receive a refund of your accumulated contributions, you will terminate all service credit with TRS and forfeit valuable future benefits associated with the service credit such as eligibility for a retirement annuity, death benefits, and retiree health insurance.
- You may terminate TRS membership by applying for a refund and withdrawing your accumulated contributions, but defer receipt of taxable income by rolling your funds over to another eligible retirement plan. For more information regarding the types of eligible retirement plans that may receive a rollover of your withdrawn funds, see Section 4 of the *Refund Rollover Election* form (TRS6A).

Forms Used to Request a Refund

Application for Refund form (TRS6) – required

Refund Rollover Election form (TRS6A) – optional; only required if you are requesting a rollover to another eligible retirement plan



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Federal Income Tax Implications

Refunded amounts that represent tax-sheltered contributions are subject to a mandatory 20 percent federal income tax withholding unless you elect to roll over all eligible amounts to another eligible retirement plan. The amount withheld may not be sufficient to cover your income tax liability for the refund. A 10 percent early withdrawal penalty assessed by the Internal Revenue Service (IRS) may also be applicable. All or a portion of your refund that is eligible for rollover may be rolled over. For more information regarding amounts in your TRS account that are eligible for rollover and types of retirement plans that are eligible to receive rolled over amounts, see the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas*.

If you are a non-U.S. citizen and a non-resident alien, TRS is required to withhold 30 percent for federal income tax unless you qualify for benefits under a U.S. tax treaty. If so, you must notify TRS of your eligibility for reduced withholding or exemption from withholding and provide TRS with a completed IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding) and any other required documentation. The W8-BEN can be obtained on the IRS' website, www.irs.gov, or from TRS upon request. TRS recommends that you submit the completed Form W-8BEN with your TRS 6 in order to expedite the processing of your refund.

It is your responsibility to submit the proper tax returns to the IRS and to pay any additional taxes or penalties that may be due. TRS encourages you to contact your professional tax advisor for specific advice on how this distribution may affect your taxes.

Additional Information about Rollovers

If you elect either a full or partial rollover, TRS will make the treasury warrant for the rollover payable to the trustee of the eligible retirement plan named on the *Refund Rollover Election* form (TRS6A). **TRS will mail the treasury warrant for the rollover to the address listed on your TRS 6. You are responsible for forwarding the treasury warrant to the plan receiving the rollover in order to complete the rollover.**

If the amount you elect to roll over is less than the total amount in your account at the time of distribution, TRS will pay any balance to you through a second payment, which will be payable to you and issued as either a direct deposit or paper treasury warrant.

If the amount you elect to roll over is less than your account total, TRS will roll over your tax-sheltered funds first, then your non tax-sheltered funds to reach the total dollar amount you chose to roll over. If the amount you wish to roll over is less than your tax-sheltered amount, TRS will pay you the remaining tax-sheltered amount minus 20% for federal income tax withholding, plus any non tax-sheltered amount in your account.

Roth IRAs: A rollover to a Roth IRA results in a taxable distribution in the year in which it is paid by TRS. If you choose to rollover to a Roth IRA, you must complete Section 3 of the TRS 6A regarding your withholding preference. TRS recommends that you consult with a professional tax advisor about whether the tax-sheltered amount of your refund is subject to the 10% additional tax on early distributions described in the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas*.

Foreign Trusts: A direct rollover may be made to a foreign trust that is part of a stock bonus, pension, or profit sharing plan established outside the U.S., if the receiving foreign trust would qualify for exemption from tax under Internal Revenue Code (IRC) §§ 401(a) and 501(a), except for the fact that it is a trust created or organized outside the U.S. To claim this exemption, in addition to any other information required by TRS, the distributee must furnish a written statement by an authorized official of the foreign trust stating that the foreign trust is a trust described under IRC § 402(d). TRS will not make a transfer to a foreign trust without this statement.



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Tax Statements Sent by TRS

Tax statements (Form 1099-R) are required to be mailed to your address on record no later than January 31 of the year following a refund. Form 1099-R includes the total amount of the lump sum distribution, any portion that is taxable income for the year paid, and the amount of income tax withheld. This information is also provided to the IRS as required by federal law. If you are a non-U.S. citizen and non-resident alien, TRS will report your distribution on a Form 1042-S instead of on a Form 1099-R.

If you elect to roll over all or a part of your refund you will receive a separate Form 1099-R regarding the rollover amount. Tax statements are mailed to the same address used for refunds. You must notify TRS in writing if your address changes after you receive your refund. TRS must receive your notification prior to December 10 of the year in which you received your refund in order to ensure that the form will be sent to the correct address.

Returning to TRS Membership After a Refund

If you return to TRS membership after receiving a refund, you may elect to reinstate service credit terminated by your withdrawal by re-depositing the amount that TRS has determined to be eligible* plus applicable reinstatement fees. This amount may be paid in a lump sum payment, by a rollover or direct trustee-to-trustee transfer of eligible funds from another eligible retirement plan, or in monthly installments. If you pay by monthly installments, additional administrative fees are also assessed.

***Note:** *Not all service credit may be eligible for reinstatement after withdrawal. Some types of service credit must be continuously maintained such as credit earned by a student who was required to be enrolled as a student at the employing institution of higher education as a condition of employment when that type of service was eligible for membership in TRS.*



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Requesting a Refund Instructions

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How to Apply for a Refund

Step 1: Read and complete the *Application for Refund* form (TRS6) and sign the form in front of a notary. Form TRS6 requires your notarized signature certifying that you have permanently terminated your employment with your TRS-covered employer(s) and have not applied for or received any promise of employment with a TRS-covered employer. If your name on the TRS6 is different than the one shown on TRS records, you must send TRS a copy of the court order or marriage license documenting your name change. If your attorney-in-fact signs the request, a copy of the power of attorney must be submitted for review.

Please note that in some cases, TRS will issue your refund payment as a paper treasury warrant even when you have selected direct deposit. This may occur if the direct deposit information was not completed in its entirety. In addition, if you elect direct deposit and indicate that 100% of the refund will be transferred out of the United States, you will not be able to receive your refund through direct deposit and TRS will issue your refund payment as a paper treasury warrant mailed to the address listed on your TRS 6 form.

Be sure to include your name and Social Security Number on both pages of the form.

Step 2: Send the completed application to: **Teacher Retirement System of Texas
1000 Red River St.
Austin, TX 78701-2698**

Step 3: Prior to issuing a refund, TRS will confirm that all of your TRS-covered employment has terminated. TRS will contact your previous employer(s) to confirm your date(s) of termination and final monthly contributions. **TRS recommends that you do not submit an *Application for Refund* form (TRS6) until your TRS-covered employment has terminated.**

Step 4: If you would like to roll over all or a portion of your accumulated contributions that are eligible for rollover, a *Refund Rollover Election* form (TRS6A) must be submitted to our office. You must complete and sign the form TRS 6A indicating the amount that you wish to roll over. The representative of the retirement plan (plan administrator or trustee) accepting the rollover must also sign the form certifying that the plan is eligible to receive the funds being rolled over from your TRS account. Refer to the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas* included with the *Requesting a Refund* packet for additional information as you consider whether to roll over your refund.

Step 5: Once TRS has confirmed that all of your TRS-covered employment has been terminated and all required documents have been received, TRS will request that the State Comptroller of Public Accounts issue you a refund payment. The initial payment will represent the balance in your account at that time, less any required amounts withheld for federal income taxes. If additional deposits are reported by your TRS-covered employer and you have not returned to a TRS-eligible position, you will receive a second refund payment.

The refund will not be processed if records indicate that you have been re-employed by a TRS-covered employer. Your refund payment may be held by the State Comptroller of Public Accounts for other reasons including indebtedness to the state for delinquent child support or for nonpayment of federal or state taxes.



Special Tax Notice Regarding Rollover Options under TRS

TRS 6PG1 (09-17)

You are receiving this notice because all or a portion of a payment you are receiving from the Teacher Retirement System of Texas ("TRS"), a governmental 401(a) pension plan, is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover. IF YOU RECEIVE OR ACCESS THIS NOTICE ELECTRONICALLY, YOU MAY REQUEST A PAPER COPY OF THIS NOTICE FROM TRS AT NO CHARGE TO YOU.

Rules that apply to most payments from a retirement plan 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.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

You will be taxed on a payment from TRS if you do not roll it over. If you are under age 59 ½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies, as determined under federal tax laws by the IRS).

If you do a rollover to a traditional IRA or an eligible employer plan, you will not have to pay tax until you receive payments later from the IRA or plan, and the 10% additional income tax will not apply if those payments are made after you are age 59 ½ (or if an exception applies).

If you do a rollover to a Roth IRA, you will be taxed on the amount rolled over (reduced by any after-tax amount). However, if you are under age 59 ½ at the time of the rollover, the 10% additional income tax will not apply. See the section below titled "If you roll over your payment to a Roth IRA" for more details.

Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified section 401(a) plan, section 403(b) plan, or governmental section 457(b) deferred compensation plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment of the rolled over amount in the future. Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.



Special Tax Notice Regarding Rollover Options under TRS

TRS 6PG1 (09-17)

How do I do a rollover?

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

If you do a direct roll over, TRS will make the check payable directly to your IRA or an employer plan. TRS then will mail the check to you for you to deposit it with your IRA or employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, TRS is required to withhold 20% of the payment for federal income taxes. If you do not do a direct rollover, you may still 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 the payment to make the deposit. 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% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to 10% additional income tax on early distributions if you are under age 59 ½ (unless an exception applies, as determined under federal tax laws by the IRS).

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 payment from TRS is eligible for rollover, except:

- Certain 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) (This means that your lifetime monthly benefits are not eligible for rollover).
- Required minimum distributions after age 70 ½ (or after death)
- Corrective distributions of contributions that exceed tax law limitations

TRS can tell you what portion of a payment is eligible for rollover.

If any portion of your payment is taxable but cannot be rolled over, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask TRS for the election form and related information.

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

If you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions for any payment from TRS (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.



Special Tax Notice Regarding Rollover Options under TRS

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The 10% additional income tax does not apply to the following payments from TRS:

- 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 from TRS made after you separate from service if you are a public safety employee and you are at least age 50 in the year of separation
- 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

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

If you receive a payment from an IRA when you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax 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:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for qualified domestic relations orders (QDROs) does not apply (although 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).

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules).



Special Tax Notice Regarding Rollover Options under TRS

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SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. 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 the amount paid from TRS and at the same time 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 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.

You may roll over to an 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 employer plan of part of a 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. To apply for a waiver, 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, Individual Retirement Arrangements (IRAs).



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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 a payment from TRS 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 on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 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 59 $\frac{1}{2}$ (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 5 years. In applying this 5-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 income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime.

For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs). You should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA.

If you are an eligible retired public safety officer and your pension payment is used to pay for health coverage or qualified long-term care insurance

If you retired as a public safety officer and your retirement was by reason of disability or was after normal retirement age, you can exclude from your taxable income plan payments paid directly as premiums to an accident or health plan (or a qualified long-term care insurance contract) that your employer maintains for you, your spouse, or your dependents, up to a maximum of \$3,000 annually. For this purpose, a public safety officer is a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew.

The Form 1099-R that you receive from TRS will report the deducted insurance premium as taxable. If you want to take advantage of this \$3,000 exclusion, you must report the amount claimed on Form 1040. The instructions to Form 1040 explain that the taxable amount received from the retirement plan, reduced by the amount of qualified premiums deducted and paid by the retirement plan (not to exceed \$3,000), must be entered on line 16b of the Form 1040. Next



Special Tax Notice Regarding Rollover Options under TRS

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to the entry, in the margin, you must write the letters "PSO." This is an annual election - you will need to report the exclusion for each year in which you want to claim the exclusion.

If you are not a TRS member, or if you are a member but are receiving a TRS payment as a beneficiary or alternate payee of another member

Payments after death of the member. If you receive a distribution after the 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 income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the member was born on or before January 1, 1936.

If you are a surviving spouse. If you receive a payment from TRS 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 59 ½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70 ½.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional 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 from TRS, you will not have to start receiving required minimum distributions from the inherited IRA until the year the member would have been age 70 ½.

If you are a surviving beneficiary other than a spouse. If you receive a payment from TRS 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 a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the member who receives a payment from TRS under a qualified domestic relations order (QDRO), you generally have the same options the member would have (for example, you may roll over the payment to your own IRA or another eligible employer plan that will accept it). If you are an alternate payee other than the spouse or former spouse of the member, you generally have the same options as a surviving beneficiary other than the spouse, so that the only rollover option you have is to do a direct rollover to an inherited IRA. Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.



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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 U.S. employer plan, instead of withholding 20%, TRS 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 Form 1040NR and attaching your 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, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

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, TRS is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

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.

NOTICE PERIOD

Generally, payment cannot be made from TRS until at least 30 days after you receive this notice. Thus, you have at least 30 days to consider whether or not to have your payment 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 making an affirmative election indicating whether or not you wish to make a direct rollover. Your payment will then be processed in accordance with your election as soon as practical after it is received by TRS.

FOR MORE INFORMATION

You may wish to consult with TRS, or a professional tax advisor, before taking a payment from TRS. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income, IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs), and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.