

What are My Options?

If you have less than three years of contributory service, you are a non-vested member. You may elect to:

- Receive eligible funds paid directly to you, less Federal income tax withholding;
- Directly roll over all eligible funds to a qualified retirement plan or IRA; or
- Leave on account with SDRS for up to 10 years from your termination date.

Non-vested members are entitled to 100% of their contributions and 50% of their employer contributions plus credited interest.*

If you decide to leave your account with SDRS and have not returned to SDRS covered employment after 10 years, your accumulated contributions must be withdrawn during the 11th year or you will forfeit your accumulated contributions.

If you have three or more years of contributory service, you are a vested member of SDRS. You may:

- Receive eligible funds paid directly to you, less Federal income tax withholding;
- Directly roll over all eligible funds to a qualified retirement plan or IRA; or
- Take a monthly lifetime retirement benefit when you reach retirement age.

Vested members are entitled to 100% of their contributions and 85% of their employer contributions plus credited interest.*

* For members who terminated employment prior to July 1, 2010: your refund amount may be different. Contact SDRS for more information.

Fee Disclosure

SDRS does not charge fees. SDRS maintains member accounts at no charge. Additionally, SDRS does not assess fees or charges for withdrawals or rollovers to members who decide to refund their SDRS accounts.

However, it should be noted that members who roll their SDRS funds over to another qualified retirement plan may experience fees and other charges from that plan. If you are planning to rollover your SDRS funds, you should request a complete fee disclosure from the accepting plan so you are aware of any charges that might be applied to your funds.



Refunding Your SDRS Retirement Funds

For Foundation Members
Joining SDRS Prior to July 1, 2017



South Dakota Retirement System
222 East Capitol Avenue • Pierre, SD 57501
(888) 605-SDRS • www.sdrs.sd.gov



July 2017

South Dakota Retirement System
222 East Capitol Avenue • Pierre, SD 57501
(888) 605-SDRS • (605) 773-3731
www.sdrs.sd.gov

Refunds

A refund is a lump-sum payment of your account balance plus interest. It is only available if you terminate employment. For most vested members, the SDRS retirement benefit payments will have a greater value than the refund amount. By taking a refund, you make an irrevocable decision to forfeit your lifetime SDRS retirement benefit, forfeit your spouse's lifetime survivor benefit, and forfeit your right to share in future benefit improvements.

Payment Options

For detailed information regarding your refund payment options and tax implications, consult the IRS Tax Notice Regarding SDRS Member Refunds and Rollover Options.

Direct Payment: If you decide to have the eligible funds paid directly to you, you will be subject to:

- A 20% federal income tax withholding on the eligible portion of your distribution.
- Possible taxes of the state where you reside, if other than South Dakota.
- A possible 10% early withdrawal penalty if taken before age 59 ½ or if employment ends before you reach age 55.

Direct Rollover: If you decide to directly roll over the eligible funds to a qualified retirement plan or IRA, the payment will be sent directly to the receiving plan. The 20% federal tax withholding and 10% penalty for early withdrawal will not apply if you have the payment directly rolled over from SDRS to a qualified retirement plan or IRA.

Combination Payment: You may also decide to have a portion of the eligible funds paid directly to you and roll over the remaining balance to a qualified retirement plan or IRA. The portion payable directly to you will be subject to the 20% federal tax withholding, and 10% penalty, if applicable.

60-day Rollover: If you have any of the eligible funds paid directly to you and later decide to roll the funds over, you may do so within 60 days of receiving the payment. Because SDRS is required to withhold 20% of the payment for federal income taxes, you must use other funds to make up that portion in order to roll over the entire payment in a 60-day rollover. If you do not roll over the entire payment, the portion not rolled over will be subject to the 10% penalty, if applicable.

Note: If you plan to roll over any portion of your refund, you should contact the receiving plan to make sure they will accept your SDRS refund proceeds; SDRS is a 401(a) defined benefit plan.

Refund Application Process

SDRS needs to receive three things before payment(s) can be made:

- SDRS Form B-1 "Termination of Contributory Service," which your employer completes and sends to SDRS,
- Your completed SDRS Form B-4 "Applying for an SDRS Refund Benefit;" and
- Your final contributions.

Please allow a 4-6 week processing period from your last pay check for payment(s) to be made.

Surrender of Service & Benefits

By taking a refund, you will surrender all credited service with SDRS. No future retirement or survivor benefits will be payable based on the surrendered service.

Tax Reporting

SDRS will mail you an IRS Form 1099-R in January of the year following your refund. The 1099-R will show the amount of your refund and any taxes withheld. You will need this form to complete your federal income taxes and state income taxes (if applicable).

Returning to SDRS Covered Employment

As a Foundation member, if you take a refund under the Foundation benefit design and are later hired with an SDRS employer on a permanent, full-time basis, you will be a Generational member under the Generational benefit design. As a Generational member, you may purchase back the refunded service; however, you will be treated as a new employee in establishing eligibility for and determining the amount of your SDRS benefits.

Divorce

Your retirement benefit from SDRS is "marital property." If you have been married at any time while an active member of SDRS, your spouse may be legally entitled to receive a percentage of your retirement benefit accrued during marriage. If you are in a divorce situation that involves your SDRS account, please contact SDRS for additional information.