

REFUNDS

General Information

A vested member who ends covered employment other than by death or retirement is eligible for a refund or direct rollover of their accumulated contributions (employee contributions plus interest).

Be sure to report both vested and non-vested employees as 'terminated' on payroll reports when they leave your employment.

When a member with five years or more of membership service (vested) terminates all employment covered by the retirement system, we do not automatically refund the member's account. Because the member is vested, he or she has the right to maintain membership and can request retirement benefits when becoming eligible. The member may request a distribution (refund) of his or her account.

When a member with less than five years of membership service (non-vested) terminate all employment covered by the retirement system, refunds are required under the following conditions:

- Members with less than \$200 in accumulated contributions will automatically receive a lump-sum refund
- Members with \$200—\$1000 in accumulated contributions must receive a refund, but may request how they wish to receive it.

We will automatically send refunds or refund applications to non-vested members when they are terminated on their final payroll report.

Refunds for all defined benefit retirement plan members include the accumulated employee contributions (contributions and interest). **Employer contributions are not part of the member's account and are never refunded.**

Employer contributions are never refunded to a Defined Benefit Retirement Plan member.

Refunds for PERS Defined Contribution Retirement Plan (DCRP) members will include all accumulated employee contributions and, if the member is vested, a portion of the employer contributions. Non-vested members forfeit the employer contributions. DCRP members must contact us to receive additional refund paperwork.

Upon receiving a refund, the employee is no longer a retirement system members and gives up all rights to any future benefit.

Upon receipt of all necessary paperwork and final contributions, MPERA will process the refund. Any errors in the payroll report or the application will delay the refund process.

Refund Application Process

MPERA will not accept photocopied refund applications.

The member may request a lump-sum payment of the refund or a direct roll-over to an IRA or a eligible plan. If requesting a direct rollover, the financial institution must also complete Section A of the refund application.

We process defined benefit refund applications each week. Before a refund will be processed, a member must be terminated from all covered employment for 30 days or more, and we must receive the final payroll information, including all accumulated sick and annual leave and any severance pay.

When a member terminates, contributions from **all** compensation paid to the member must be withheld. Except in MPORS and FURS, compensation includes payout of vacation and sick leave. Though the member may be applying for a refund, the contributions must still be withheld. If the employer does not withhold the contributions, we will not process the refund.

It may take **up to four weeks** from when the member receives the final paycheck to process the refund. Any errors in the payroll report or the application will delay the process. If the member accepts a position covered by the same retirement system during the refund process, we will cancel the refund.

Please do not provide a Defined Benefit Refund Application to terminating members. Instead, give them a Retirement Fund Information for Terminating Employees form. The form may be found on our website under Employer Forms. We recommend that you check the website occasionally for the most current version.

A member can choose one of three options to withdraw money from his or her retirement account. The following paragraphs describe the three options.

1. **Direct Roll-Over.** This option avoids the mandatory 20% withholding for federal taxes on the untaxed portion and any penalty for early withdrawal. MPERA will disburse the pre-tax contributions and tax-deferred interest directly to an IRA, a Roth IRA* or other eligible plan the member selects.
2. **Lump-sum Payment.** A member may elect to receive direct payment of the refund. Under this option, MPERA must withhold 20% of the pre-tax contributions and tax-deferred interest for federal tax purposes. **State taxes will not be withheld.** Depending on the member's tax status, the IRS may require the member to pay a 10% penalty for early withdrawal. The penalty is paid when the member files their annual or quarterly tax return.
3. **Lump-sum Payment of Taxed Contributions/Direct Rollover of Pre-Tax Contributions and Tax-Deferred Interest.** Under this option, MPERA will disburse taxed contributions directly to the member in a lump-sum payment. MPERA will roll a member's pre-tax contributions and tax-deferred interest directly into an IRA, Roth IRA* or another

	<p>eligible retirement plan. The member is not required to pay federal and state taxes or a penalty on the pre-tax contributions and tax-deferred interest at this time.</p> <p>*Roth IRAs have specific rules. MPERA encourages the member to consult with a tax professional regarding Roth IRAs.</p>
<p>Reduction in Force (RIF)</p>	<p>A member whose covered employment with the State ends due to a reduction in force (RIF) is eligible for a refund (MCA, 19-2-706). Other than the reason for terminating, the refund method will be the same as previously stated.</p> <p>Rather than requesting a refund, RIF'd employees may be eligible for benefits in accordance with the Employee Protection Act (MCA, 2-18-208).</p>
<p>Seasonal & School District Employees</p>	<p>A seasonal or school district employee is an employee who may not work the entire year. These employees do not receive a refund at the end of each season or school year. The employee must be coded as seasonal on the payroll report. If the employee has no intention of returning to work for the next season or school year, the payroll report must show the employee as terminated and the employee must receive a payout of vacation and sick leave. This employee may then be eligible for a refund. The procedures for requesting a refund are the same as previously stated.</p>
<p>Service Purchase Contributions</p>	<p>When a member receives a refund, MPERA will refund any additional service purchase contributions the member has made.</p>