



# RICHMOND RETIREMENT SYSTEM

## Defined Benefit Plan Refund Options Fact Sheet

### Eligibility for a Refund

To be eligible for a refund of Defined Benefit Plan contributions, one of the following criteria must be met: (1) you must be a former non-vested member (less than five years of service) of the System, (2) you must be a beneficiary of a deceased vested member of the System who was not eligible for retirement, (3) you must be a beneficiary of a deceased vested member of the System, eligible for retirement with no spouse or (4) you must be a beneficiary of a deceased retiree or a designated survivor whose contributions were not paid back in full through receipt of his/her monthly pension.

### Payment Information

A notarized **Request for Refund of Defined Benefit Plan Contributions Form** must be completed and returned to the Retirement Office. Refund requests received by the 15<sup>th</sup> of the month will be paid on the last working day of that month. Forms received after the 15<sup>th</sup> will be paid on the last working day of the following month. All refunds are paid by check. (NOTE: Refund requests will not be processed until the System receives official notification of the member's separation from the City or a participating employer.)

### Disbursement Options

You must elect to receive your refund by one of the following two options:

- Lump-Sum Distribution paid to you
- Direct Rollover to a qualified plan

We recommend that you review the **“Special Tax Notice Regarding Plan Payments”** on our website and/or consult with a professional tax advisor prior to making your election.

### Lump Sum Distribution

If you choose a lump-sum distribution paid to you, you will receive 80% of the taxable amount of the payment because the System is required to withhold 20% of that amount and send it to the Internal Revenue Service (IRS) as income tax withholding to be credited against your taxes. An additional 4% may be withheld to send to the Virginia Department of Taxation. If you receive the payment before age 59 ½, you may have to pay an additional 10% to the IRS, upon filing your federal tax return.

### Direct Rollover

If you choose a direct rollover, your refund will not be taxed in the current year and no income tax will be withheld. Your direct rollover must be to an eligible retirement plan as defined in Section 401(a), 401(k), 403(b) or 457 of the IRS Code, a traditional individual retirement account (IRA) or an individual retirement annuity.

### Tax Reporting

All refund payments, including interest, will be reported on IRS Form 1099R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. The Form 1099R will be mailed by January 31<sup>st</sup>.

### Death of a Terminated Member

Should your death occur prior to a refund being paid, your contribution account will be paid to your designated beneficiary on file with the Retirement Office. The designated beneficiary will have the same distribution options cited above.

### No Named Beneficiary

In the event there is no named beneficiary(ies), the refund will be paid to the first person qualifying based on the following order of precedence in accordance with the Code of the City of Richmond:

- To a spouse;
- If no surviving spouse, to the children and descendants of deceased children; per stirpes
- If none of the above, to the parents equally or to the surviving parent;
- If none of the above, to the duly appointed executor or administrator of the estate;
- If none of the above, to other next of kin entitled under the law of the State of Virginia.

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