

STATE UNIVERSITIES RETIREMENT SYSTEM
 P.O. Box 2710
 Champaign IL 61825-2710

SEPARATION REFUND FACT SHEET

Once you have read the information contained in this fact sheet, please contact SURS at **1-800-275-7877 (or 378-8800 in the Champaign-Urbana area)** to begin the processing of your separation refund.

General Information: You are entitled to a retirement annuity if you have at least five years of service credit in the State Universities Retirement System (SURS). You should contact SURS for specific information regarding the retirement annuity and the date it can begin. If you have at least one year of service credit with another Illinois retirement system (even if you have less than five years of service credit with SURS), it may still be to your advantage to leave your funds on deposit with SURS and retire under the Reciprocal Act. **For further information, contact SURS.**

If you do not qualify for a retirement annuity or you do not wish to leave your funds on deposit with SURS, you may apply for a separation refund. However, by accepting a separation refund, your claim to future benefits is forfeited.

To receive a separation refund, you must have terminated your employment from all SURS-covered employers, or you must have been on layoff for a period exceeding 120 days. It is your responsibility to make sure you have properly notified your department or Human Resources and followed any necessary resignation procedures required by your employer. You will not be eligible if you have received a separation refund within the past year.

Here's How It Works: For your convenience, the refund application process is initiated by telephone. However, before you contact SURS to start this process, you should first gather some information and make some decisions about your refund. Be prepared to provide SURS with your Social Security number and the date your employment terminated.

You should also be prepared to inform SURS of your citizenship status when you call. SURS must enforce special withholding requirements for members who are not U.S. citizens or Resident Aliens. It is SURS's understanding that you are a Resident Alien if you are not a citizen of the United States, and you possess a green card or can meet the IRS substantial presence test. If you are not a citizen of the United States and you do not qualify as a Resident Alien, you are a Non-Resident Alien.

You will also need to decide if you wish to receive a lump sum distribution and have it sent to your home address or savings/checking account, or if you are rolling funds into a Traditional IRA or other eligible employer plan. For more information regarding rollovers, please visit the IRS website at www.irs.gov or view the Special Tax Notice on the SURS website at www.surs.org/forms/taxnotice.pdf.

Once you have made your decision, you should **call SURS at 1-800-275-7877 (or 378-8800 in the Champaign-Urbana area)** to initiate your separation refund claim. A SURS Member Service Representative (MSR) will send you an application to complete and assist you with the application

process. When you return the completed application to SURS, it must include your notarized signature.

Note: If you are in the **Self-Managed Plan**, you should contact your employer and request that a Termination Report be submitted to SURS as soon as possible. Once SURS receives this notification from your employer, along with any of your remaining contributions or the State's, we will forward a "Termination Package" to you.

Taxability: If your refund is \$200 or over, and you do not elect a direct rollover to a Traditional IRA or other eligible employer plan, SURS is required by law to withhold a minimum of 20% for federal income tax.

If your refund is *less than \$200*, and you do not elect a direct rollover, SURS is not required to withhold any federal income tax. However, you may request to have federal income tax withheld at a percentage of your choice (Minimum of 5%).

If you have not yet attained the age of 59 ½, or you are less than age 55 at termination date, your refund may be subject to an IRS early distribution tax of 10% of the taxable portion. The 10% tax is not withheld by SURS. The tax is calculated on Form 5329 to be filed with your federal tax return for the taxable year in which you receive your refund.

If you have reached age 70 ½, SURS is required to withhold a minimum distribution, based on IRS guidelines. This payment must be made to you in the form of a cash distribution, with federal income tax withheld.

In the January following your refund, you will receive a 1099R to file with your federal income tax return. Your refund is not subject to Illinois income tax.

This Fact Sheet provides only a summary of the taxability information. For more detailed information, visit the IRS website at www.irs.gov or view the Special Tax Notice on the SURS website at www.surs.org/forms/taxnotice.pdf.

Processing Information: SURS will request a certification of employment, date of termination, and last payroll information from your employer, if not already on file.

It is SURS policy to process refunds no sooner than 30 days after the last payroll is received, in order to ensure that all contributions will be refunded. Therefore, our average processing time for separation refunds is 45 to 60 days from the date the completed application is received in our office.

Reinstating Separation Refunds: If you take a separation refund and then return to become an active member of SURS or another Illinois public retirement system covered under the Reciprocal Act, you may reinstate your service credit after contributing for at least two years. You will need to repay the amount of your refund plus interest.