

Richmond Retirement System

RRS

Building your financial future.

Refund Options Tip Sheet

a RRS planning tool for members and beneficiaries in the Defined Benefit or Enhanced Defined Benefit Plan

Eligibility for a Refund

To be eligible for a refund of your contribution account plus interest, you must be a former employee of a participating employer who has paid contributions to the RRS.

The beneficiary(ies) of deceased members may also be entitled to a refund of their loved one's contribution account plus interest.

The current interest rate is 3%.

Payment Information

A notarized *Request for a Refund of Defined Benefit Plan Contributions Form* must be completed. These are available at www.richmondgov.com/retirement and are processed monthly.

Refund requests received by the 15th of the month will be paid on the last working day of the month; forms received after the 15th will be paid on the last working day of the following month. All refunds are paid by check.

Contribution Account Balance

To obtain your contribution account balance you must submit a *Benefit Information Request Form*, which may take up to 5 business days to process. A *Benefit Information Request Form* may be obtained at www.richmondgov.com/retirement.

You may submit a refund request without obtaining your contribution account balance.

Disbursement Options

You must elect to receive your refund by one of the following options: (a) lump-sum distribution paid to you, or (b) direct rollover to a qualified plan.

All balances of less than \$1,000 are paid as a lump sum distribution.

Lump Sum Distribution - If you choose a lump –sum distribution paid to you, you will receive 76% of the

taxable amount of payment because the RRS is required to withhold 20% by the Internal Revenue Service and 4% by the Virginia Department of Taxation. Additionally, those receiving the distribution before age 59 ½ may have to pay the 10% penalty for early distributions from a retirement plan. In general, this penalty does not apply to qualified public safety employees who are age 50 or older or general employees age 55 or older.

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 will be reported on *IRS Form 1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*

We recommend that you review the provided “Your Rollover Options,” a *IRS Safe Harbor Explanation*, and/or consult with a professional tax advisor prior to making your election.

Death of a Retiree

Upon the death of the retiree and/or the designated survivor, a refund of the total contributions less the amount paid to the retiree will be payable.

Death of a Terminated Member

Upon the death of a terminated member, a refund of the total contributions will be payable provided the terminated member had not previously received a refund.

Death of a Active Member

Upon the death of an active member, a refund of total contributions will be payable provided that no spouse or minor children are eligible to receive a monthly allowance.

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 Sec. 78-313: (a) spouse; (b) if no surviving spouse, to the children and descendants of deceased children, per stirpes; (c)

if none of the above, to the parents equally or to the surviving parent; (d) if none of the above, to the duly appointed executor or administrator of the estate; and (e) if none of the above, to other next of kin entitled under the law of the Commonwealth of Virginia