

Leaving Covered Employment

What to Do With Your IPERS Benefits



IPERS[®]

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If you leave IPERS-covered employment but you aren't ready to start receiving retirement benefits, you can choose from several alternatives when deciding what to do with your IPERS benefits in the meantime. With IPERS, you have the flexibility to make the best decision for you.



This booklet briefly explains certain rights and benefits of IPERS membership. It is not a substitute for federal and state laws governing IPERS, which provide complete information and are subject to change. Although IPERS makes every attempt to ensure its materials are accurate and up to date, any conflict between the contents of the booklet and law must be resolved in favor of the law. The Member Handbook provides a more detailed description of IPERS benefits. It is available on the IPERS website.

About IPERS Benefits

IPERS was established to help Iowa public employees have financially secure retirements. IPERS retirement benefits are meant to be a portion of your overall retirement savings.

IPERS is a defined benefit pension plan, which means the retirement benefits members receive from IPERS are predictable and stable because they are calculated using a formula.

Make Sure This Booklet Applies to You

If you change jobs or employers, but your new job is still IPERS-covered employment, your IPERS participation will continue automatically and you cannot take your money out of IPERS at this time. Most Iowa public employees are IPERS members.

If you have left an IPERS-covered *position* but are still working for an IPERS-covered *employer*, you must leave your money in IPERS. You will be eligible to take your money out of IPERS *only* after you have left all employment with an IPERS-covered employer.

IPERS-COVERED EMPLOYERS INCLUDE:

- Schools
- State agencies
- Counties
- Cities
- Townships
- Other public employers

DID YOU KNOW?

One in ten Iowans is an IPERS member.



Your Contributions to IPERS

You and your employer contribute to IPERS throughout your IPERS-covered employment, and once you leave employment, you are always entitled to 100 percent of your own contributions and interest earnings.

However, when you become a vested IPERS member, you have a right to more than your own contributions and interest – you gain a right to a portion of your employer’s investment based on your years of service. Vesting also entitles you to other rights under IPERS; see the “Vested Members” booklet for more information.

MOST MEMBERS CURRENTLY BECOME VESTED WHEN YOU MEET ONE OF THESE CONDITIONS:

- You complete **seven years of service.**
- You reach **age 65 while in IPERS-covered employment.**

There is a separate set of vesting rules for Regular members who vested before July 1, 2012, and all Special service members (sheriffs, deputies, and members in the protection occupations). These members can vest with four years of service or at age 55 while in covered employment.

NOT SURE WHETHER YOU ARE VESTED?

You can register and log in to My Account at www.ipers.org to see your personalized benefits statement. Your benefits statement shows how many years of service you have completed as of the date of the statement. You can also call or email IPERS to find out whether you are a vested member.

Alternatives When You Leave IPERS-Covered Employment

IF YOU LEAVE IPERS-COVERED EMPLOYMENT AND YOU ARE NOT ELIGIBLE — OR READY — TO RETIRE, YOU CAN:

- **Leave your money in IPERS** until you can start receiving retirement benefits, return to IPERS-covered employment, or choose another alternative.
- **Roll your money over** to another retirement plan (while taking a refund from IPERS).
- **Take a refund.***



**If you worked in IPERS-covered employment for less than six months, your former employer may file a wage adjustment with IPERS and return your contributions to you. The employer may make this decision even if you are a vested member.*

Leaving Your Money in IPERS

YOU MAY LEAVE YOUR MONEY IN IPERS UNTIL YOU ARE READY TO:

- **Roll your money over** to another retirement plan.
- **Take a refund.**
- **Begin retirement benefits,** if eligible.

If you decide to leave your money in IPERS, it will continue to earn interest.

What You Need to Do

If you want to leave your money in IPERS, you do not need to do anything. Your money will automatically remain in IPERS. If you later decide to roll over your

money to another retirement plan or take a refund, you can apply anytime.

Applying for Retirement Benefits

If you are vested, you may become eligible for monthly retirement benefits in the future. If you want to receive these benefits someday, keep your money in IPERS until you are eligible and ready to begin receiving them. Benefits may begin as early as age 55, or before age 55 if you are awarded Social Security disability benefits or Railroad Retirement disability benefits. (Certain sheriffs and deputies may become eligible earlier.) To apply for benefits, contact IPERS.

IF YOU LEAVE YOUR MONEY IN IPERS, KEEP THESE THINGS IN MIND:

- **Get benefit estimates.** If you are vested, you may contact IPERS anytime to request a benefit estimate.
- **Keep your address updated** with IPERS to ensure you receive important benefit information.
- **Update your IPERS beneficiary designation when necessary.** To change your beneficiary, call IPERS or visit www.ipers.org for an *Enrollment/Beneficiary Designation* form.

Special Considerations

Each member's situation is different. While we cannot tell you what to do with your money if you leave IPERS-covered employment, here are some times when it might make sense to leave your money in IPERS:

- **You plan to return to IPERS-covered employment in the future.** If you decide to return to IPERS-covered employment, the service credits you earned before you left employment will remain on file if you keep your money in IPERS.
- **Your new employer's retirement plan has a waiting period before you are eligible to participate.** Consequently, you cannot roll your money from IPERS into your new employer's plan until the waiting period ends.
- **You do not have another retirement plan** to roll your contributions over to.
- **You aren't sure what to do.** While you decide, you can leave your money in IPERS and let it earn interest. If you decide later that you want to take a refund, you may apply for it then.
- **You don't want to worry about managing your investment.** IPERS manages how assets are invested so you don't have to worry about making investment decisions.
- **You want to keep access to IPERS death and disability benefits.** By leaving your money in IPERS, you continue to provide your beneficiary with protection if you die. If you are vested and become eligible for Social Security disability or Railroad Retirement disability benefits, you will also become eligible for IPERS disability benefits if you leave your money in IPERS.

Rolling Over Your Refund

Rolling over your IPERS money requires you to take a refund, which ends your IPERS membership. Making a rollover transfers your IPERS refund to another eligible retirement plan.

THERE ARE TWO WAYS TO MAKE A ROLLOVER:

- Have IPERS transfer the refund money directly to the other qualified retirement plan (a *direct rollover*).
- Send the money to another retirement plan yourself after taking the refund from IPERS.

If you make a direct rollover, you can avoid mandatory income tax withholding, defer income tax liability, and, if applicable, avoid a 10 percent early-distribution tax.

Consider This Before Taking Your IPERS Refund

IPERS provides lifetime, monthly benefits to vested members whose monthly benefit is \$50 or more. When you make a rollover or take a cash refund, you give up your IPERS membership rights for that period of employment.

If you choose to make a rollover, it is necessary to withdraw 100 percent of your funds. However, you do not need to roll over 100 percent. You may choose to roll over a portion and take the rest as a cash refund.

You will receive detailed tax information when you apply for a rollover or a cash refund. See page 11 for more information. IPERS will send you an IRS Form 1099-R in January, the year following your rollover or refund. Read more on how to apply on page 12.

Eligible Retirement Plans

IPERS is a qualified Section 401(a) plan. The following types of retirement plans accept funds from IPERS.

- A traditional IRA (not a SIMPLE IRA or Coverdell Education Savings Account, formerly known as an Education IRA)
- A Roth IRA
- An eligible employer plan, such as a:
 - Section 401(a) plan
 - Section 401(k) plan
 - Profit-sharing plan
 - Defined benefit plan
 - Stock bonus plan
 - Money purchase plan
 - Section 403(a) retirement plan
 - Section 403(b) tax-sheltered annuity
 - Section 457(b) plan maintained by a governmental employer



If you decide to make a direct rollover, confirm that the plan you're rolling your money over to is an eligible plan and find out whom the rollover check should be made payable to. You must

include this information, and the type of plan you are rolling your money into, on your *Application for IPERS Refund*. IPERS will send your rollover check directly to that institution on your behalf.

Taking a Refund Without Rollover

When you take a refund, you terminate your IPERS membership, which could mean giving up a right to lifetime monthly benefits and IPERS disability and death benefits. If you receive a refund, you forfeit all service credits and wage records.

If you decide to take a refund, you must withdraw 100% of your available money. You cannot leave any of your money in IPERS.

The Refund Value of Your IPERS Account

The refund value of your IPERS account includes your contributions, any employer contributions you are entitled to, and interest earnings. You must be vested to receive any of your employer's contributions.

To calculate how much of your employer's contributions and interest you can receive, divide your years of service by 30 if you are a Regular member or 22 if you are a Special service member. If you have more than 30

years of service (or 22 if you are a Special service member), you will receive 100% of your employer's contributions and interest.

EXAMPLE:

Jenny, a Regular member, has 12 years of service when she leaves employment. She is eligible to receive 40% of her employer's investment [12 years ÷ 30].

If You Become an IPERS Member Later

If you later return to covered employment, you will be enrolled as a new member without credit for any service before the refund. Service purchases can be completed only by vested members who have started the retirement process.

See the "Purchasing Service" booklet for more information. Limited exceptions may apply if you are reinstated following an employment dispute or you qualify for Social Security disability or Railroad Retirement disability benefits.

Once you file for a refund, you cannot work in IPERS-covered employment for 30 days after leaving employment or your refund will be revoked. If you return to IPERS-covered employment before 30 days have passed, you must pay back your refund within 30 days of notification from IPERS. After the 30-day period, you must pay the actuarial buy-back cost to restore service credit for the period covered by the refund. See how to apply for a refund on page 12.

About Taxes

Your IPERS refund is taxable income if it is paid directly to you (instead of being rolled over). IPERS will automatically withhold 20% of the taxable portion for federal income taxes, plus an additional 5% for state income taxes if you are an Iowa resident.

Depending on your personal situation, you may be subject to additional withholding at tax time. Your cash refund is considered taxable income in the year in which you receive it.

In addition to income tax withholding, you may be responsible for an additional 10% early-withdrawal tax penalty if you receive your refund before age 59½. This is in addition to your regular federal income taxes and any applicable state income taxes. However, if you leave IPERS-covered employment after age 55 (age 50 if you are a Special service member), the additional 10% tax may not apply. See your tax adviser before applying for a refund.

You will receive detailed tax information when you apply for a rollover or a cash refund. IPERS will send you an IRS Form 1099-R in January, the year following your rollover or refund.



Applying for a Rollover or Cash Refund

Before applying for a rollover or cash refund, you should contact your tax adviser to discuss the tax consequences of your choice. Contact an IPERS representative to ensure you understand how your decision impacts your IPERS membership.

TO APPLY FOR A ROLLOVER OR CASH REFUND:

- Get an *Application for IPERS Refund* by registering for and logging in to My Account through www.ipers.org or calling IPERS at 515-281-0020 or toll-free at 1-800-622-3849.
- Complete the application and return it to IPERS.
- IPERS will generally issue your rollover payment or cash refund within two to three weeks of receiving of your completed application. In some situations, such as a divorce settlement, it may take longer.

KEEP YOUR ADDRESS UP TO DATE

To make sure you receive important information from IPERS—including important tax forms—keep your home address current with IPERS.



Automatically Receiving Your Money

If you leave your money in IPERS, do not make any contributions for five years, and have an account balance less than the maximum set by the IRS (\$1,000 in 2017), IPERS will automatically send you your money and end your membership. The gross amount of the payment will consist of your contributions plus interest and, if you are vested, a portion of your employer's contributions and interest.

If, in five years, you are eligible for this payment, IPERS will notify you by mail that you will receive it soon.

IF YOU RECEIVE THE NOTICE FROM IPERS, YOU MAY:

- **Do nothing.** You will soon receive your payment. You may keep the payment or roll it over to an eligible retirement plan. If you are under age 59½, you may be subject to early-withdrawal tax penalties. The penalties may not apply if you left employment after age 55 (age 50 if you are a Special service member).
- **Restore your IPERS account** by following the instructions on the letter within 30 days.
- **Have IPERS make a direct rollover** of your money to an eligible retirement plan by following the instructions on the letter within 30 days.

For more information about restoring your account or rolling over an automatic payment, contact IPERS. If you have an account balance less than the IRS maximum and IPERS cannot locate you, your account will stop earning interest.

Questions? *Contact us.*

www.ipers.org

info@ipers.org

515-281-0020

1-800-622-3849 (toll-free)

7:30 a.m.–5 p.m. Central Time

Monday–Friday

Fax: 515-281-0053

MAILING ADDRESS

Iowa Public Employees'

Retirement System

P.O. Box 9117

Des Moines, IA 50306-9117

OFFICE HOURS

Monday–Friday

8 a.m.–4:30 p.m. Central Time

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Des Moines, IA 50321



Working Today for Your Tomorrow

Alternative formats of this publication are available on request.