



Information on Rollover or Transfer of Funds to TRS

PO Box 149676
Austin, Texas 78714-0185
(800) 223-8778
www.trs.texas.gov

TRS611 (09-16)

IMPORTANT: Read this form in its entirety before taking any action.

TRS 551 MUST BE APPROVED BEFORE FUNDS ARE ACCEPTED AS AN ELIGIBLE TRANSACTION.

This form provides important information for members regarding Teacher Retirement System of Texas (TRS) acceptance of **rollovers** or **direct trustee-to-trustee transfers** of funds as payment for TRS service credit. TRS may accept rollovers or transfers from a member entitled to purchase TRS service credit if the amount rolled over or transferred does not exceed the cost of the years of service credit. The rollover from another eligible retirement plan or direct trustee-to-trustee transfer from a governmental 403(b) plan or governmental 457(b) plan must meet the requirements described below.

The federal Internal Revenue Code (IRC) and TRS rules permit TRS to accept both rollovers and direct trustee-to-trustee transfers, but there are different requirements for each. Members who wish to move funds from a governmental 403(b) or governmental 457(b) plan but have not terminated employment should read the information below on "Direct Trustee-to-Trustee Transfers" carefully.

To initiate a rollover or transfer, a member should contact the current retirement plan administrator, company holding the retirement account, or financial institution acting as the IRA custodian to determine whether the funds are eligible for rollover or transfer. **TRS cannot determine whether another retirement plan, financial account, or IRA is an eligible retirement plan. TRS also cannot determine whether a member is entitled to an eligible rollover distribution or to transfer from the member's other retirement plan or IRA account.**

Next, the member must obtain a bill from TRS for the service credit and an *Eligible Rollover or Direct Trustee-to-Trustee Transfer to Purchase TRS Service Credit* form (TRS 551). On the TRS 551, TRS will show the amount that is eligible to be rolled over or transferred to TRS for the member's service credit purchase. The form requires both the member and the retirement plan administrator, company holding the retirement account, or IRA custodian to provide information that TRS needs in order to accept the funds. Upon completion of all parts, the form and a check for the rollover or transferred amount, should be sent to the Teacher Retirement System of Texas, Attn: Cashier, PO Box 149676, Austin, Texas 78714-0185.

You may use multiple accounts to pay for TRS service credit; however, you must fill out a separate TRS 551 for each plan. The total of all amounts you are directing your plans to rollover or transfer to TRS must not exceed the total amount indicated in Part A of the TRS 551 as the amount eligible to be rolled over and/or transferred into TRS.

ROLLOVERS

A rollover from another eligible retirement plan to TRS must satisfy federal tax law requirements, including the following:

- The rollover amount must be an "eligible rollover distribution" from an "eligible retirement plan."
- "Eligible rollover distribution" has a specific meaning under federal tax law. Generally, it means that the funds are available because of a "distributable event" under the distributing plan, most commonly termination of employment with the employer through which you participated in the distributing plan. (A distributable event under the distributing IRA is not required for you to roll over funds from an IRA.) Also, you must receive the distribution either as the named participant in the distributing plan, as a spouse or former spouse receiving the distribution under a qualified domestic relations order (**QDRO**), or as a surviving spouse of the participant in the distributing plan.

The distributing plan must determine whether there is a "distributable event" that will qualify the TRS member for an eligible rollover distribution. TRS cannot make that determination.



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- An "eligible rollover distribution" does not include the following types of distributions, and you should not attempt a rollover to TRS if you receive one of the following:
 - any distribution that is one of a series of substantially equal periodic payments, (not less frequently than annually) made for the life (or life expectancy) of the member or the joint lives (or joint life expectancies) of the member and the member's designated beneficiary, or for a specified period of ten (10) years or more;
 - any distribution to the extent such distribution is a required minimum distribution under IRC §401(a)(9); or
 - any distribution which is made upon hardship of the member.
- An "eligible retirement plan" is one of the following:
 - A **traditional individual retirement account (IRA)** or individual retirement annuity (other than an endowment contract) under IRC §408(a) or §408(b). This includes a SEP IRA but does NOT include a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). A rollover from a traditional IRA may include funds previously rolled over from another eligible retirement plan, including a §403(b) tax-sheltered annuity account;
 - A **plan qualified under IRC §401(a)**, including a defined benefit plan, defined contribution plan (including employee stock option plan (ESOP), profit-sharing plan, and money purchase plan), §401(k) plan (but not including a designated Roth account), and Keogh plan;
 - A **qualified annuity plan under IRC §403(a)**;
 - A **governmental IRC §403(b) plan ("tax-sheltered annuity" or "tax-sheltered account")**, (but not including a designated Roth account);
 - A **non-governmental IRC §403(b) plan ("tax-sheltered annuity" or "tax-sheltered account")**; or
 - An **eligible governmental deferred compensation plan under IRC §457(b)** (but not including a designated Roth account).

The distributing plan or IRA must determine whether the distribution is from an "eligible retirement plan" and must certify the type of plan on the TRS 551. TRS will not determine plan eligibility or the type of plan from which the funds are being distributed .

- You may have your distribution rolled over directly to TRS from the other eligible retirement plan in a "direct rollover." A "direct rollover" means that your eligible rollover distribution is made payable to TRS rather than to you, even if the check is sent to you. A direct rollover avoids the 20% tax withholding applicable if the payment is made payable to you.
- You may have the payment paid to you, and then you may make a rollover to TRS. **If the distribution was made payable to you, you have sixty (60) days from the date you received the distribution to roll the payment over to TRS.** The Internal Revenue Service (IRS) may waive the sixty-day rule in certain hardship circumstances. Contact the IRS for more information if you would like to seek a waiver. TRS cannot grant this waiver; only the IRS can. Additionally, if you are making a rollover of a payment paid to you, you may roll over to TRS the total of the amount paid to you by the distributing plan and the 20% of the taxable portion that was withheld by the distributing plan for federal income tax. However, because you received only 80% of the total amount from the distributing plan, you must find other money (e.g., a savings account, a loan, or other source of funds) within the 60-day period to replace the 20% withheld by the distributing plan. Your check to TRS must not exceed the amount of the rollover/transfer indicated on Part A of the TRS 551. Note: You may not roll over after-tax amounts paid to you; any rollover of after-tax amounts must be made as a direct rollover.



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DIRECT TRUSTEE-TO-TRUSTEE TRANSFER

A direct trustee-to-trustee transfer from a governmental 403(b) plan or governmental 457(b) plan to TRS is similar to a rollover but does not require a "distributable event" under the transferring plan. This means, for example, that you may be able to use certain funds before severance of employment. However, a direct trustee-to-trustee transfer must satisfy federal tax law requirements, including the following:

- A transfer is limited to a governmental 403(b) plan or a governmental §457(b) deferred compensation plan (but not including a designated Roth account).
- TRS may accept a direct trustee-to-trustee transfer of funds from a governmental 403(b) plan or governmental 457(b) deferred compensation plan in payment of all as part of any type of TRS special service that you are eligible to purchase.
- The transfer may include after-tax amounts, but the after-tax amounts must not be from a designated Roth account and the after-tax amounts must be identified on Part B of the TRS 551.
- Transferred funds will become subject to TRS distribution rules.
- Even though a "distributable event" is not required for a trustee-to-trustee transfer, the plan or company holding your funds may have other requirements that apply. You should check with the plan or company holding your funds about any conditions, fees, or requirements for transfer of funds.

IMPORTANT INFORMATION

To determine whether you may obtain an eligible rollover distribution from your other eligible retirement plan or if your governmental §403(b) or governmental §457(b) plan will permit a direct trustee-to-trustee transfer, contact your plan representative, IRA custodian, or tax advisor, such as an attorney or accountant. TRS cannot make this determination for you. An ineligible rollover or transfer may result in adverse tax consequences to you, including tax liabilities and/or penalties. If the IRS determines, or if TRS learns, that you made an ineligible rollover or transfer to TRS, TRS will distribute to you the amount of the rollover or transfer, plus interest, if applicable. You will be taxed on any such distribution, and any service credit purchased with such a distribution will be cancelled by TRS.

Cancellation of TRS service credit purchased with an ineligible rollover or transfer may affect your eligibility for retirement or the amount of any benefit that you may receive or have received. Upon cancellation of TRS service credit, you will be required to re-pay to TRS any amounts you were ineligible to receive. This would include the full amount of any retirement benefits, if cancellation of credit makes you ineligible for retirement, or the amount of the retirement payment attributable to the credit, if you were eligible for retirement without the purchased service credit but were receiving a higher benefit amount attributable to the purchased service credit.

If your funds are eligible for capital gains or ten-year income averaging treatment, eligibility for such tax treatment may be adversely affected by rollovers or transfers you elect to make that would not have been permitted under the law in effect before January 1, 2002.

The IRS may issue regulations or rulings that may result in changes to eligibility of funds for rollover distribution or direct trustee-to-trustee transfer. TRS reserves the right to administer its retirement plan in accordance with any such changes.

You may contact the IRS for additional information at www.irs.gov or 1-800-TAX-FORMS. The following IRS publications may provide you with helpful information:

IRS Publication 575	Pension and Annuity Income
IRS Publication 590-A	Contributions to Individual Retirement Arrangements (IRAs)
IRS Publication 590-B	Distributions from Individual Retirement Arrangements (IRAs)
IRS Publication 571	Tax-Sheltered Annuity Plans (403(b) Plans)
IRS Publication 554	Tax Guide for Seniors
IRS Publication 553	Highlights of 2009 Tax Changes
IRS Publication 17	Your Federal Income Tax (For Individuals)