

Refund of Contributions: Know Your Options

Hi, my name is Lynn Paatalo, and I'm a retirement counselor here at TRA.

We are going to spend a couple of minutes talking about taking a refund of your service and the options that you may have.

If you have terminated your employment with your employer for at least a minimum of 30 days, you would be eligible to receive a refund of your contributions, plus interest.

You can apply for those benefits either in your online account or by contacting TRA and requesting a refund application.

Now, when you take a refund of your benefits, what you are doing is you are eligible to receive the contributions from payroll deduction, plus interest, up through the point that we refund the money to you. Prior to July 1, 2011, we were paying 6 percent interest. From July 1 forward, we pay 4 percent interest.

Now, the employer contributions that have been contributed on your behalf, you are not entitled to have those, according to state statute. Those funds would just simply stay in the general fund.

Now, when you take a refund of your money, you are going to have a couple of choices.

You can choose to have the money directly paid to yourself, or you can choose to roll it over into either a Roth IRA, traditional IRA, or possibly another tax-deferred employer qualified account. We would recommend at this time you may want to consult with your financial representative, your financial consultant, to see which may be best for you.

Now, when you take a refund, what you essentially are doing is you are forfeiting all of your TRA service and any future benefit that you may have.

If you are vested for a benefit, you may want to consider leaving the funds with TRA and then collecting the benefit at the point that you would be eligible to receive a monthly amount. Remember that you can take a benefit as early as age 55. The longer that you leave the funds in, the later that you collect, the greater the benefit would be.

But, also, you want to consider where possibly receiving a pension benefit for a lifetime would greatly outweigh what you would receive in a short-term refund of your benefits.

Now, if you are on a leave of absence, you cannot take a refund at that time. Because, a leave of absence protects the employee/employer relationship. You would actually have to terminate the leave, have a 30 day separation of service, and then at that point you could apply for the benefit.

Now, when you are looking at taking a refund out, it is very common for members to have at some point taken some service out if they were early in their career and found themselves in between positions.

After you have come back into state service, whether it be with TRA or another Minnesota state pension employer, after a period of two years, you would have the option to repay the service to TRA.

Now, when you repay the service, you would be looking at paying back the principle, plus 8.5 percent interest. And what that will do is that will restore that service to your personal account.

You can repay the money with out-of-pocket funds, you can roll the money over from either a Roth IRA, traditional IRA, 403(b), or 457. Again, we would recommend that you consult with your financial consultant to see which would be most beneficial for you.

When you are repaying service to us, and if you are repaying more than two years, you would have an option then to pay that service back in one-third, one-third at a time.

You simply would then contact TRA. We would provide you with the cost to pay that refund, and also provide you with any rollover forms that you may need, and certainly we would also provide you with estimates and how repaying that refund may benefit you.

You can contact us by calling our Member Service Center. You can contact us locally at 651-296-2409 or, we have a toll free number of 1-800-657-3669.

Now, our website is minnesotatra.org. You can also contact us via email that way. And, you can also follow up on Facebook.