

## Separation Refund FAQs

[How do I apply for a Separation Refund?](#)

[How much will I receive if I take a Separation Refund?](#)

[Am I required to take a Separation Refund if I terminate my employment?](#)

[How long does it take to receive a Separation Refund?](#)

[Can I take a partial Separation Refund or borrow from my SURS account?](#)

[Can I "roll over" my Separation Refund?](#)

[What does "vesting" mean in relation to my Separation Refund?](#)

[Is a Separation Refund taxable?](#)

[Is it possible to repay my Separation Refund at a later date?](#)

### How do I apply for a Separation Refund?

For your convenience, you may apply by phone by contacting SURS at 800-275-7877 or 217-378-8800 in the Champaign-Urbana area. You will speak to a SURS Member Service Representative who will be happy to assist you in initiating the refund application process. For more details, view the [Separation Refund Fact Sheet](#) [1].

[\[Top of Page](#) [2]

### How much will I receive if I take a Separation Refund?

If you are in the [Traditional plan](#) [3]:

Your refund is a return of your contributions and includes interest credited, but not in excess of 4.5%. Any interest previously credited to your account in excess of that amount will be forfeited.

If you are in the [Portable plan](#) [4] and have fulfilled all the eligibility requirements:

If you have less than five years of qualified service credit, you will receive your contributions plus the full interest that has accumulated on those contributions.

If you have five or more years of qualified service credit, you will receive all your contributions and the full interest that has accumulated on those contributions, plus an equal match from the employer (the [State of Illinois](#) [5]).

If eligibility requirements for the [Portable plan](#) [4] have not been met, your refund will be paid under the rules of the [Traditional plan](#) [3].

If you are in the Self-Managed plan (SMP) [6] and have fulfilled all SMP eligibility requirements:

If you have less than five years of service credit, you will be eligible for your member contributions and investment return on them.

If you have five or more years of service credit, you will be eligible for the employer contributions and investment return on them, as well as your member contributions and investment return on them.

[[Top of Page](#) [2]]

### **Am I required to take a Separation Refund if I terminate my employment?**

No, you may leave your funds with SURS. However, if you are terminated with all SURS-covered employers [7] and all Illinois Retirement Reciprocal Systems [8] upon the April 1st following the year you attain age 70½, SURS is required to distribute your funds, based on IRS guidelines. This payment must be made to you, either as a lump sum distribution or a monthly annuity, whichever you qualify for, with federal income tax withheld.

[[Top of Page](#) [2]]

### **How long does it take to receive a Separation Refund?**

If you are in the Traditional [3] or Portable plans [4]:

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 30-45 days from the date all required information is received in our office.

If you are in the Self-Managed plan (SMP) [6]:

Member Distribution packets are automatically sent to you the day after termination information has been sent to the SMP Providers. SURS must have your termination report from your employer, your last payroll information, and the state matching funds before sending the termination information to the Provider(s). After your completed Distribution Election form has been received by SURS, your Separation Refund will be sent within one to two weeks.

[[Top of Page](#) [2]]

### **Can I take a partial Separation Refund or borrow from my SURS account?**

No. If you are an active employee, you cannot access your account in either of these ways. If you have terminated your employment, you may take a Separation Refund, but it will be for

the full eligible refund amount.

[\[Top of Page\]](#) <sup>[2]</sup>

### **Can I "roll over" my Separation Refund?**

Yes, all or part of the payment that you will receive from your SURS account may be eligible for rollover by you or your Plan Administrator (SURS or your Self-Managed Plan (SMP) Service Providers) to a Traditional IRA or other eligible employer plan. For more information regarding rollovers, please visit the [IRS website \(www.irs.gov\)](http://www.irs.gov) <sup>[9]</sup> or view the [Special Tax Notice](#) <sup>[10]</sup> on this website.

[\[Top of Page\]](#) <sup>[2]</sup>

### **What does "vesting" mean in relation to my Separation Refund?**

You are entitled to (vested in) a SURS retirement annuity if you have been credited with the minimum number of service credit years required for vesting.

- If you first began participation prior to January 1, 2011, you are vested with at least five years of service credit.
- If you first began participation on or after January 1, 2011, you are vested with at least ten years of service credit.

By accepting a separation refund, your claim to these future benefits is forfeited. 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 SURS service credit than is required for you to be vested for a SURS retirement annuity), it may still be to your advantage to leave your funds on deposit with SURS and retire under the [Reciprocal Act](#) <sup>[11]</sup>. For further information, [contact SURS](#) <sup>[12]</sup>.

[\[Top of Page\]](#) <sup>[2]</sup>

### **Is a Separation Refund taxable?**

It is likely that all or a portion of your separation refund will be taxable. SURS is required by the IRS to withhold federal income tax on cash distributions of \$200.00 or more.

In addition, if you have not yet attained the age of 59½, 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 tax year in which you receive your refund.

For more detailed information, visit the [IRS website](#) <sup>[9]</sup> or view the [Special Tax Notice](#) <sup>[10]</sup> on this website.

[\[Top of Page\]](#) <sup>[2]</sup>

### **Is it possible to repay my Separation Refund at a later date?**

For [Traditional](#) <sup>[3]</sup> or [Portable](#) <sup>[4]</sup> plans:

If you take a Separation Refund and then return to become an active member of SURS or a [reciprocal system](#) [13], 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.

For [Self-Managed Plan](#) [6] :

If you take a Separation Refund and then return to become an active member of SURS or a [reciprocal system](#) [13], you may reinstate your service credit after contributing for at least two years. You will need to repay the amount of the original refund.

[\[Top of Page](#) [2]

**Tags:**

[FAQs](#) [14]

[Help](#) [15]

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**Source URL:** <http://www.surs.com/separation-refund-faqs>

#### **Links**

[1] <http://www.surs.com/sites/default/files/pdfsx/RefundFacts.pdf>

[2] <http://www.surs.com/separation-refund-faqs>

[3] <http://www.surs.com/traditional-plan>

[4] <http://www.surs.com/portable-plan>

[5] <http://www.illinois.gov/>

[6] <http://www.surs.com/self-managed-plan>

[7] <http://www.surs.com/participating-employers>

[8] <http://www.surs.com/reciprocal-systems-listing>

[9] <http://www.irs.gov>

[10] <http://www.surs.com/sites/default/files/pdfsx/TaxNotice.pdf>

[11] <http://www.surs.com/illinois-retirement-systems-reciprocal-act>

[12] <http://www.surs.com/contact-us>

[13] <http://www.surs.com/access-reciprocal-systems>

[14] <http://www.surs.com/tags/faqs>

[15] <http://www.surs.com/tags/help>