

Tax-Sheltered Annuity - 403(b) Plan
Oklahoma Teachers' Retirement System

Distribution Options Upon Retirement

There are many distribution options available to our participants upon retiring, and they are listed below.

If you retire during the year you are age 55 or older, you may:

1. Do nothing. The account will remain as it is and earnings will continue to accrue. The only time you have to begin taking distributions from your annuity account is when you reach age 70½. At that time, you will begin taking a “minimum distribution” each year.
2. Take a lump-sum distribution to close the account. The entire distribution will be taxable income, but there will be no early distribution penalty of 10%.
3. Take partial lump-sum distributions as you need or want. Again, any amount you withdraw will be added to your taxable income for the year, but no early distribution penalty will be imposed.
4. Take a monthly distribution. You may select an amount, or we can run an annuity schedule for you over a certain period of time (i.e. your life expectancy, five, ten, or fifteen years, etc). If you take a monthly distribution, the amount you withdraw from your tax-sheltered annuity account will automatically be added to your monthly retirement check and one check will be mailed to you, or directly deposited into your bank account. At any time, the monthly distribution amount may be increased, decreased, or discontinued.
5. Transfer your 403(b) tax-sheltered account to another annuity company. To do so, you will need to complete a TRS Request to Transfer form and return it to our office along with a Letter of Acceptance from the receiving annuity company.
6. Rollover your 403(b) tax-sheltered annuity to an IRA. Again, you will need to complete a TRS Request to Rollover form and return it to our office along with a Letter of Acceptance from the receiving company or financial institution.

If you retire prior to age 55, you may:

1. Do nothing. The account will remain as it is and earnings will continue to accrue. The only time you have to begin taking distributions from your annuity account is when you reach age 70½. At that time, you will begin taking a “minimum distribution” each year.

2. Take a lump-sum distribution to close the account. The entire distribution will be taxable income, and **there will be an early distribution penalty of 10% imposed by the IRS** (upon filing your income taxes the following year).
3. Take partial lump-sum distributions as you need or want. Again, any amount you withdraw will be added to your taxable income for the year, and **the early distribution penalty of 10% will be imposed by the IRS on each distribution you take until you reach age 59½.**
4. Take a monthly distribution. We will determine how much you may withdraw each month by running an annuity schedule based on your account balance, your life expectancy (according to IRS tables) and an assumed annual rate of return. This amount will automatically be added to your monthly retirement check and one check will be mailed to you, or directly deposited into your bank account. However, once you begin receiving a monthly distribution from your annuity account, you must continue on this same payout schedule until you are 59½ or for five years, whichever period of time is longer. As long as you continue on this payout schedule, the early distribution penalty of 10% **will not** be imposed.
5. Transfer your 403(b) tax-sheltered account to another annuity company. To do so, you will need to complete a TRS Request to Transfer form and return it to our office along with a Letter of Acceptance from the receiving annuity company.
6. Rollover your 403(b) tax-sheltered annuity to an IRA. Again, you will need to complete a TRS Request to Rollover form and return it to our office along with a Letter of Acceptance from the receiving company or financial institution.

For more detailed information about 403(b) tax-sheltered annuities, we advise that you consult IRS Publications 571 and 575, your tax preparer, or financial consultant. If we can be of further assistance, write or call...

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