



CT TEACHERS' RETIREMENT BOARD
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 "An Affirmative Action/Equal Opportunity Employer"
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TAXABILITY OF YOUR RETIREMENT BENEFIT

Shortly after you retire, you will be notified of the amount that you contributed to the retirement plan on an "after-tax" basis. This amount will also appear on your initial IRS Form 1099R issued from this office at the end of the calendar year.

The amount of money that you contributed to the plan that was subject to tax in the year in which the contributions were made is known as "**investment in contract**". This amount will include any after-tax payments that you have made towards the purchase of additional service credit.

Starting September 1, 1991, the contributions that you have made into this plan were on a pre-tax basis.

The Simplified Method and the General Rule are the two methods to determine the tax-free portion of each payment.

Using the **Simplified Method**, you may recover your investment in contract over a specified number of payments. The recovery table that you will need to use will depend on your effective retirement date. To determine the tax-free portion of your monthly benefit, divide your investment in contract by the number of monthly payments from the appropriate IRS table.

Simplified Method:
Investment in Contract / Number of Payments from Table = Tax Free Portion of Monthly Benefit.

Retirement date before December 1, 1996	
Age at retirement	Number of payments
55 or under	300
56-60	260
61-65	240
66-70	170
71 or older	120

Mary Smith retired on July 1, 1996 at age 62. Her investment in contract was \$39,000. The tax-free portion of her benefit will be calculated as follows: \$39,000/240 = \$162.50 tax-free portion of monthly benefit.

Retirement date on or after December 1, 1996	
Age at retirement	Number of payments
55 or under	360
56-60	310
61-65	260
66-70	210
71 or older	160

Connie Teacher retired on July 1, 2003 at age 66. Her investment in contract was \$40,000.00. The tax-free portion of her benefit will be calculated as follows: \$40,000/210 = \$190.47 tax-free portion of monthly benefit.

Retirement date on or after January 1, 1998 with Plan D	
Combine both ages	Number of payments
110 or under	410
111-120	360
121-130	310
131-140	260
141 or older	210

Bob Jones retired July 1, 2003 at age 60 with a Plan D. His spouse's age was 58. His investment in contract was \$67,000. Their combined ages equal 118. The tax-free portion will be calculated as follows: \$67,000/360 = \$186.11 tax-free portion of monthly benefit.

You must use the General Rule if a) your annuity starting date is before November 19, 1996 (and after July 1, 1986) and you do not qualify to use or choose not to use the Simplified Method, or b) you are 75 or over and the annuity payments are guaranteed for at least five years (regardless of your annuity starting date).

If you retire on disability, pension payments you receive are taxable as wages until you reach minimum retirement age. Minimum retirement age is the age at which you could first receive a pension or annuity were you not disabled. You may, however, be entitled to a credit for elderly or the disabled if you meet certain requirements. Once you reach minimum retirement age, your payments are treated as a pension or annuity. At that time you begin to recover the cost of the annuity under the rules discussed earlier.

We recommend that you contact your local Internal Revenue Service office for additional information regarding your tax obligation. You may call the IRS toll-free at 1-800-829-1040 or visit their website at www.irs.gov.

FREQUENTLY ASKED QUESTIONS

When will you mail my end of year tax form (IRS Form 1099R)?

Your IRS Form 1099R will be mailed by the end of January to the home mailing address on our files.

How do I obtain a duplicate or replacement IRS Form 1099R?

To request a duplicate or replacement IRS Form 1099R, you must contact this office in writing. The [Request for a Duplicate IRS 1099R](#) form is available on our website. We begin processing requests no earlier than the middle of February. Duplicate or replacement forms are generated on a weekly basis and are mailed at the end of each week.

Box 2b on my IRS Form 1099R reads "taxable amount not determined". How do I calculate this?

In order to determine the taxable amount of your pension benefit, refer to the IRS 1040 Booklet (Pensions & Annuities Section) for specific instructions. Using the Simplified Method you will arrive at the tax-free portion of your monthly benefit. For further information, contact the IRS directly at 1-800-829-1040 or visit their website at www.irs.gov.

I just retired this past year and received a lump sum of my 1% account. Will I receive an IRS Form 1099R for this lump sum distribution?

If the entire distribution was issued to you directly, you will receive one IRS Form 1099R with the taxable amount of this lump sum payment indicated in Box 2b. If, however, the taxable portion was rolled over into a Qualified Plan, you will receive one IRS Form 1099R for the amount rolled over. This amount is coded as "G" in Box 7 and is non-taxable but must be reported on the IRS 1040 Form. If you also received a refund for after-tax contributions, you will receive a second 1099R for this gross distribution with the taxable amount indicated as zero in Box 2a.

I retired two years ago. Does the tax-free portion of my monthly benefit remain the same as last year?

Since the Simplified Method is carried over from year to year, the tax-free portion of your monthly benefit remains constant throughout the period of recovery. Simply refer to last year's tax return for your original calculation.

What should I do if I have been incorrectly reporting my pension income as fully taxable?

If you made an error in reporting your pension income for prior years, we recommend that you contact the Internal Revenue Service for assistance and further instructions.

I retired prior to 1986. Is my pension benefit fully taxable?

Your benefit is fully taxable. Under the "old" tax laws, you were allowed to recover your previously taxed contributions during the first year or two of retirement.

I had health insurance premiums deducted from my pension payment so why is Box 5 on my IRS Form 1099R blank?

This box does not pertain in any way to health or life insurance premiums paid by you or your former employer.

Do I have a Connecticut state tax obligation on my pension income?

If you are a resident of the State of Connecticut, your benefit is subject to State of Connecticut income tax. If you change your residence to another state, your Connecticut withholding will not stop automatically. You must notify this office in writing of any changes to your withholding. At this time, CTRB is unable to withhold state taxes for any other state. If you are a non-resident or plan to become one, you should contact the Department of Revenue Services at 1-800-382-9463 (CT) or 1-860-297-5962 or you may visit their website @ www.ct.gov/drs for further information

How do I change my tax withholding amount(s)?

Members may change their federal withholding tax by submitting a [Federal Tax Withholding Change Form](#). Members may change their state withholding tax by submitting a [Connecticut Withholding Change Form](#).