

Reminder

A monthly guide about IMRF topics of interest.

Do you know what a member's options are when they leave IMRF employment?

Route to:

- Authorized Agent
- Asst. to AA
- Personnel/HR
- Data Processing
- Payroll Dept.
- Accounting/Finance
- Other

When a member leaves IMRF employment, there are several options when it comes to IMRF contributions and service. We understand that some employers provide members with a separation refund form for IMRF when an employee resigns. However, it may not always be the best choice for a member to take a refund of his or her IMRF contributions.

With some exceptions, when a member leaves IMRF participation he or she can:

Leave contributions on deposit

Leave their contributions on file with IMRF. This is the best choice for an employee who is vested (has eight or more years service credit). It is also a good choice if the member thinks he or she might ever work for another IMRF employer or participate in an Illinois reciprocal system in the future.

Contribution Rollover

Take a rollover of contributions into a traditional individual retirement account (IRA) or other eligible retirement plan. This is the most prudent option for members who are not vested and who do not think they will go back to work for another IMRF or Illinois Reciprocal system. In an IRA (not Roth) or other eligible plan, the refunded contributions will remain sheltered from taxes until withdrawn.

Take a refund of contributions

Take a refund of their contributions. A member might want to do this if he or she has less than eight years of service credit, and does not plan to go to work for another IMRF or Reciprocal System employer. When a member takes a refund, IMRF is required by federal law to withhold 20% of the taxable portion of a refund unless it is rolled over into another eligible retirement plan. Depending on the member's age there may be an additional tax of 10% of the taxable amount.

If the member is vested, over age 55, and would receive a pension of at least \$30 from IMRF, he or she cannot take a refund, but will receive contributions as part of a future pension. The exception to this is if the member rolls it over into another defined benefit retirement plan to purchase qualifying service credit.

With refund or rollover, service is forfeited

If a member takes a rollover or refund of contributions, he or she forfeits—gives up—all IMRF benefits and is no longer eligible for any retirement or disability benefit, and his or her beneficiary(ies) will not be entitled to any death benefit.

Members can take time to make a decision

There is no charge or penalty for leaving contributions on deposit with IMRF, and there is no amount of time in which a member has to make a decision about contributions before age 70 1/2. However, it is important to understand that a member does not receive interest when he or she applies for a separation refund.

This is only a brief overview of the options available to members. For more detailed information, visit the "Member" section of www.imrf.org and read the "Leaving IMRF employment" page at http://www.imrf.org/members/leaving_employment.htm

