

# Reminder

A monthly guide about IMRF topics of interest.

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

## Do you know the options available to members when they leave employment?

We understand that some employers provide members with an IMRF separation refund form when their employees leave employment. However, **a refund of IMRF contributions may not always be the best choice for a member.**

With some exceptions, a member who stops working for his or her IMRF employer can:

**Leave contributions on deposit** This is the best choice for an employee who is vested. It is also a good choice if the member thinks he or she might work for an IMRF employer or participate in a reciprocal Illinois retirement system in the future.

**Rollover to eligible plan** A rollover 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 work for another IMRF or Illinois Reciprocal system employer. In an IRA (not a Roth IRA) or other eligible plan, the refunded contributions will remain sheltered from taxes until the member withdraws them.

**Take a refund** A member might want to take a refund if he or she is not vested and does not plan 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, he or she may be required to pay an additional tax of 10% of the taxable amount.

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

**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 beneficiaries 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 a member does not have to make a decision about contributions before age 70-1/2. However, a member does not receive interest on contributions when he or she receives a separation refund.

**More information** This is a brief overview of members options. For more information, visit the "Member" section of [www.imrf.org](http://www.imrf.org) and read the "Leaving IMRF employment" page at [http://www.imrf.org/members/leaving\\_employment.htm](http://www.imrf.org/members/leaving_employment.htm)

