

Can I afford to retire?

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1-800-ASK-IMRF (1-800-275-4673)

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Message from the Executive Director

The IMRF Early Retirement Incentive (ERI) was designed as an employer benefit—a tool employers could use to cut costs. If you are eligible to retire under ERI, it is our goal that it benefit you as well.

We've designed this booklet around that goal. In it we explain how the IMRF ERI works, how much it costs, and how you can pay for it. We ask you to consider various aspects of retirement, such as retirement income vs. retirement expenses, health insurance, and reciprocal pensions.

We offer practical exercises for determining monthly income after you retire. We've included budget worksheets from IMRF's *Planning for Retirement Workbook*. We suggest that you complete the worksheets, if you haven't done so previously.

Regardless of *when* you retire, you have many decisions to make and actions to take. We hope this publication offers some assistance.



Louis W. Kosiba
Executive Director

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Introduction

Whether you are married or single, retirement can be a major change in your life. You will have adjustments to make as you begin to focus your lifestyle on factors other than work. It will benefit you if you think about your retirement goals, ideas for retirement activities, and your financial assets and their eventual disposition.

No matter how much you prepared for it, retirement is a time in which you continue to face challenges, choices, and opportunities.

One challenge we all face is financial planning. A recent survey of employees retiring under an early retirement incentive revealed an uncomfortable truth: too many early retirees didn't consider the financial impact of an early retirement. And most educational programs didn't help employees answer the big question: Can I afford to retire?

This booklet was designed specifically to answer that question. And although it was created for members retiring under ERI, we believe the information provided can be useful to anyone planning for retirement.

If you retire under ERI and you are considering returning to work for an IMRF employer, please read page 5 carefully. The ERI statute includes severe financial penalties for a member who retires under ERI and returns to work for any IMRF employer in any position.

If you retire under ERI and plan to retire under the Reciprocal Act, please read pages 41 and 42 carefully. You will not be eligible to receive a pension from the reciprocal system until you meet its age requirements without the IMRF ERI age/service enhancements.

IMRF Early Retirement Incentive

Eligible members

To be eligible to retire under the IMRF ERI, your employer must adopt the program. Also, you must be participating in IMRF on the effective date of your employer's ERI program. You would still be considered participating in IMRF if you are:

- on layoff status with right of re-employment,
- on IMRF Benefit Protection Leave of Absence, or
- receiving IMRF disability benefits for less than two years.

You **must be at least age 50 and have at least 20 years of service credit** by your date of retirement. The 20 years of service credit can include reciprocal service and service with another IMRF employer. Please note that unused, unpaid sick leave **cannot** be used to meet the 20-year service requirement.

Your date of retirement must be no later than 12 months from your employer's ERI program effective date, and you cannot have previously received a pension using IMRF service credit.

Member benefits under the IMRF ERI

Eligible members may purchase from one month up to five years of additional service credit. For each period of service established, your age at retirement will be increased accordingly. If you are age 50, you **must** purchase five years of age and service credit enhancement in order to meet IMRF's minimum age for retirement of 55. Members age 60 and older may also purchase up to 5 years of additional service. Although age enhancement is no longer necessary, the additional service credit will result in a larger pension.

Example:

Your actual age	56 yrs. 5 mos.	Your actual service	22 yrs. 3 mos.
You purchase	3 yrs. 7 mos.		3 yrs. 7 mos.
Your ERI age	60 yrs. 0 mo.	Your ERI service	25 yrs. 10 mos.

Please note: Although you can use reciprocal service credit to meet the service requirement for the IMRF ERI, **you will not be eligible to receive a pension from the reciprocal system unless you meet its age requirement without the IMRF ERI age/service enhancements.** Please refer to page 41 for more information on reciprocal pensions.

How your ERI cost is calculated

For each year of service credit you purchase, you will pay 4.5 percent (7.5 percent for Sheriff’s Law Enforcement Personnel [SLEP], 7.5 percent for Elected County Official [ECO] plan members) of your highest 12 consecutive months of salary within your final rate of earnings period.

Example:

Your highest 12 months of salary	\$27,000
x member contribution	x <u>4.5%</u>
Subtotal	\$ 1,215
x 3 years 7 months*	x <u>3.583</u>
Member ERI Cost	\$ 4,353

If you do not have an eligible surviving spouse when you retire, your contribution is reduced to 3.75 percent (6.75 percent for SLEP and ECO).

The maximum payment a member would make would be 22.5 percent (37.5% for SLEP and ECO) for five years of service credit and age enhancement.

If you want to estimate your future pension and ERI costs, we’ve provided charts and worksheets for your use. Charts to estimate an IMRF pension and member cost for ERI can be found on pages 8 through 13; worksheets are provided on pages 14 and 15. You can also request an ERI pension estimate, which will include your ERI costs, from an IMRF Service Representative.

Members participating in the Elected County Official (ECO) plan

The maximum ECO pension (80% of final rate of earnings) is earned after 20 years of ECO service credit. Age 55 is the minimum age to retire under the ECO plan. An ECO member who retires under ERI with 20 years of ECO service will have his or her age enhanced for benefit calculation purposes, but the pension amount will **not** be increased (because it is already at the maximum amount).

Example: An ECO member at age 50 with 20 years of ECO service can purchase five years of ECO service allowing him or her to retire at age 50 (instead of the minimum age of 55). However, the **amount** of the pension will not increase.

***Months of service conversion chart**

Example:

1 year 6 months =	1.500		
3 years 4 months =	3.333		
4 years 9 months =	4.750		
.083 = 1 month	.417 = 5 months	.750 = 9 months	2.00 = 2 years
.167 = 2 months	.500 = 6 months	.833 = 10 months	3.00 = 3 years
.250 = 3 months	.583 = 7 months	.917 = 11 months	4.00 = 4 years
.333 = 4 months	.667 = 8 months	1.00 = 1 year	5.00 = 5 years

Paying member costs for the ERI

Tax-deferred Payroll Deduction Program

Recent legislation allows IMRF members to purchase optional service credit, such as ERI, on a tax-deferred basis by having the cost deducted from your lump sum termination payment. The Tax-deferred Payroll Deduction Program (TPDP) allows you to take advantage of tax-deferred contributions. These contributions are “tax-deferred” because you do not pay federal or state income taxes on the money used to make them. These contributions will be taxed when you or your beneficiary(ies) receive them as a benefit.

If you are interested in the Tax-deferred Payroll Deduction Program, contact IMRF and ask for the TPDP information sheet and application.

Lump sum payments from employer

If you receive any lump sum payments for vacation, sick leave and/or personal leave, your employer must forward the net payment (gross amount less federal and state taxes, IMRF member contributions, etc.) to IMRF. The net payment will be applied toward your ERI cost.

If the net payment for sick, vacation, and/or personal time is greater than your ERI cost, your employer would forward to IMRF an amount required to pay your cost. Your employer would forward to you any remaining balance of the net payment. If the net payment is less than your ERI cost, you will be billed separately by IMRF. Please do not send a payment until you receive an invoice from IMRF.

This payment must be remitted to IMRF even if the payment is spread over several months. As long as the payment for vacation, sick leave and/or personal leave is due to your retirement, it is payable to IMRF.

Refunds from IMRF

If you are entitled to a refund from IMRF for surviving spouse, SLEP, or voluntary additional contributions, you may request that the refund be applied toward your ERI cost. If the refund is greater than your ERI cost, IMRF will refund the balance to you.

Rollover from conduit IRA

You may roll over funds from a conduit IRA to pay your ERI cost. Funds from a regular IRA cannot be used to pay for the ERI. A conduit IRA is one which holds a rollover from a qualified pension plan (like IMRF) and to which other money has not been added.

24 equal installments

Your contributions for the ERI can be paid in a single sum or deducted from your pension in 24 equal monthly installments. Interest is not charged during the 24 months. The 24-month payment period is fixed by law and cannot be extended.

Additional member payments

Once deductions for the 24 equal monthly installments begin, you can forward additional payments or pay off the balance of your ERI cost at any time.

If you return to work

If you retire under the ERI and you return to work for any IMRF employer in any position (even in a position that does not require you to participate in IMRF), you will **lose the ERI enhancements and be required to pay IMRF the difference between the ERI enhanced pension and the pension you would have received without the ERI—less the amount you paid for the ERI.**

Exception: you can hold an elected position and continue to receive your ERI pension if you choose to not participate in IMRF and your pension is not based on any service earned in that position during any term of office.

If you would not have been entitled to a pension without an ERI, i.e., you were less than age 55 at retirement, you would be required to repay IMRF for all pension payments received less the amount you paid for the ERI. When you again retired, your pension would be recalculated without the enhancements.

You may retire under ERI only once. For example, you retire under ERI and return to work for any IMRF employer. If that employer adopted ERI, you would not be eligible to retire under it.

If death occurs

If a surviving spouse pension is payable, your spouse would receive approximately one-half of your enhanced ERI pension. If you are receiving a level option pension, your surviving spouse would receive approximately one-half of the pension you would have received had you not chosen level option.

continued...

If you die and a balance for your ERI cost remains, the remainder will be deducted from the IMRF death benefit. If a surviving spouse pension is payable, the remainder of the 24 equal installments will be deducted from the surviving spouse pension. If a surviving spouse pension is not payable, the balance will be deducted from the lump sum death benefit payment.

If you paid more for the ERI than you received in an enhanced pension, the amount not paid out as a benefit will be refunded to your beneficiary or to your estate.

Multiple plans

If you have both regular IMRF and SLEP service credit, the type of service credit you can purchase under the ERI will be determined by your current employer. If your current employer is:

- SLEP, you would purchase SLEP service credit.
- regular IMRF, you would purchase regular IMRF service credit.

If you are currently participating under two IMRF employers, one SLEP and one regular IMRF, the type of service credit purchased under the ERI will be determined by which employer adopts the ERI.

If both employers adopt the program and **of your 20 years of service credit** you have:

- less than 15 years of SLEP service credit, you will purchase regular service credit.
- 15 or more years of SLEP service credit, you would purchase the number of years desired, and your cost would be calculated as follows:

7.5% per year purchased	x	SLEP ERI final rate of earnings
	plus	
4.5% per year purchased	x	Regular ERI final rate of earnings

Pension reduction for under age 60/less than 35 years of service

The IMRF ERI does not alter the existing IMRF benefit formula. The current benefit formula calls for a pension reduction if you retire before age 60. (This reduction does not apply to SLEP pensions.) This reduction will apply if your ERI enhanced age is less than 60.

If when you retire your ERI enhanced age is:

- between 55 and 60 and your ERI enhanced service is:
 - less than 30 years, your pension will be reduced by 1/4% for each month your ERI enhanced age is under age 60.
 - at least 30 but less than 35 years, your pension will be reduced by the **lesser** of 1/4% for each month your ERI enhanced age is less than 60 **or** 1/4% for each month your ERI enhanced service is less than 35 years.

If when you retire your

- ERI enhanced age is 60 or older **or**
- ERI enhanced service is 35 years or more

the full amount of the pension is paid.

If your actual age is 55 or greater, you can avoid the reduction by purchasing sufficient service to reach an enhanced age of 60 or 35 years of service credit. If your actual age is less than 55, the pension reduction will be calculated using your enhanced age and service credit.

Example:

Actual Age	51 yrs. 4 mos.	Actual Service	22 yrs. 3 mos.
You purchase	5 yrs. 0 mo.		5 yrs. 0 mo.
ERI age	56 yrs. 4 mos.	ERI service	27 yrs. 3 mos.

Months ERI enhanced age less than 60: 44

Pension would be reduced 1/4% for each month under age 60:	44 months
	x .25%
	11%

The amount of your ERI enhanced pension would be permanently reduced by 11%.

Estimating your future pension and cost for ERI

Your exact final rate of earnings, years of service credit, and years and months of ERI service credit purchased will be used to calculate your pension when you retire. You can also request an ERI pension estimate from IMRF by calling 1-800-ASK-IMRF (1-800-275-4673) 7:30 a.m. to 5:30 p.m. Monday through Friday. The estimate will include your cost for the ERI.

The charts on the following pages will help you estimate your future pension and ERI costs.

Social Security benefits are in addition to the figures shown.

Chart to estimate member ERI cost for Regular service credit

Monthly Final Rate of Earnings	MONTHS OF REGULAR SERVICE CREDIT PURCHASED															
	1	2	3	4	5	6	7	8	9	10	11	12	24	36	48	60
MEMBER'S COST FOR REGULAR ERI SERVICE PURCHASED (IN DOLLARS)																
300	14	27	41	54	68	81	95	108	122	135	149	162	324	486	648	810
400	18	36	54	72	90	108	126	144	162	180	198	216	432	648	864	1,080
500	23	45	68	90	113	135	158	180	203	225	248	270	540	810	1,080	1,350
600	27	54	81	108	135	162	189	216	243	270	297	324	648	972	1,296	1,620
700	32	63	95	126	158	189	221	252	284	315	347	378	756	1,134	1,512	1,890
800	36	72	108	144	180	216	252	288	324	360	396	432	864	1,296	1,728	2,160
900	41	81	122	162	203	243	284	324	365	405	446	486	972	1,458	1,944	2,430
1000	45	90	135	180	225	270	315	360	405	450	495	540	1,080	1,620	2,160	2,700
1100	50	99	149	198	248	297	347	396	446	495	545	594	1,188	1,782	2,376	2,970
1200	54	108	162	216	270	324	378	432	486	540	594	648	1,296	1,944	2,592	3,240
1300	59	117	176	234	293	351	410	468	527	585	644	702	1,404	2,106	2,808	3,510
1400	63	126	189	252	315	378	441	504	567	630	693	756	1,512	2,268	3,024	3,780
1500	68	135	203	270	338	405	473	540	608	675	743	810	1,620	2,430	3,240	4,050
1600	72	144	216	288	360	432	504	576	648	720	792	864	1,728	2,592	3,456	4,320
1700	77	153	230	306	383	459	536	612	689	765	842	918	1,836	2,754	3,672	4,590
1800	81	162	243	324	405	486	567	648	729	810	891	972	1,944	2,916	3,888	4,860
1900	86	171	257	342	428	513	599	684	770	855	941	1,026	2,052	3,078	4,104	5,130
2000	90	180	270	360	450	540	630	720	810	900	990	1,080	2,160	3,240	4,320	5,400
2100	95	189	284	378	473	567	662	756	851	945	1,040	1,134	2,268	3,402	4,536	5,670
2200	99	198	297	396	495	594	693	792	891	990	1,089	1,188	2,376	3,564	4,752	5,940
2300	104	207	311	414	518	621	725	828	932	1,035	1,139	1,242	2,484	3,726	4,968	6,210
2400	108	216	324	432	540	648	756	864	972	1,080	1,188	1,296	2,592	3,888	5,184	6,480
2500	113	225	338	450	563	675	788	900	1,013	1,125	1,238	1,350	2,700	4,050	5,400	6,750
2750	124	248	371	495	619	743	866	990	1,114	1,238	1,361	1,485	2,970	4,455	5,940	7,425
3000	135	270	405	540	675	810	945	1,080	1,215	1,350	1,485	1,620	3,240	4,860	6,480	8,100
3250	146	293	439	585	731	878	1,024	1,170	1,316	1,463	1,609	1,755	3,510	5,265	7,020	8,775
3500	158	315	473	630	788	945	1,103	1,260	1,418	1,575	1,733	1,890	3,780	5,670	7,560	9,450
3750	169	338	506	675	844	1,013	1,181	1,350	1,519	1,688	1,856	2,025	4,050	6,075	8,100	10,145
4000	180	360	540	720	900	1,080	1,260	1,440	1,620	1,800	1,980	2,160	4,320	6,480	8,640	10,800

To use this table

1. Find your monthly rate of earnings in the first column. (For estimating purposes, divide your highest one year's salary by 12.)
2. Find the months of service credit (top line) you wish to purchase.
3. Your approximate ERI cost will be the amount shown at the point where the earnings lines and service columns intersect.

For example:

You wish to purchase 3 years, 6 months of service
and have a final rate of earnings of \$900:

36 months	\$1,458
6 months	<u>\$ 243</u>
Total estimated cost	\$1,701

Chart to estimate a future Regular pension

Social Security benefits are in addition to the figures shown.

Monthly Final Rate of Earnings	YEARS OF SERVICE CREDIT																				
	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
300	105	111	117	123	129	135	141	147	153	159	165	171	177	183	189	195	201	207	213	219	225
400	140	148	156	164	172	180	188	196	204	212	220	228	236	244	252	260	268	276	284	292	300
500	175	185	195	205	215	225	235	245	255	265	275	285	295	305	315	325	335	345	355	365	375
600	210	222	234	246	258	270	282	294	306	318	330	342	354	366	378	390	402	414	426	438	450
700	245	259	273	287	301	315	329	343	357	371	385	399	413	427	441	455	469	483	497	511	525
800	280	296	312	328	344	360	376	392	408	424	440	456	472	488	504	520	536	552	568	584	600
900	315	333	351	369	387	405	423	441	459	477	495	513	531	549	567	585	603	621	639	657	675
1000	350	370	390	410	430	450	470	490	510	530	550	570	590	610	630	650	670	690	710	730	750
1100	385	407	429	451	473	495	517	539	561	583	605	627	649	671	693	715	737	759	781	803	825
1200	420	444	468	492	516	540	564	588	612	636	660	684	708	732	756	780	804	828	852	876	900
1300	455	481	507	533	559	585	611	637	663	689	715	741	767	793	819	845	871	897	923	949	975
1400	490	518	546	574	602	630	658	686	714	742	770	798	826	854	882	910	938	966	994	1,022	1,050
1500	525	555	585	615	645	675	705	735	765	795	825	855	885	915	945	975	1,005	1,035	1,065	1,095	1,125
1600	560	592	624	656	688	720	752	784	816	848	880	912	944	976	1,008	1,040	1,072	1,104	1,136	1,168	1,200
1700	595	629	663	697	731	765	799	833	867	901	935	969	1,003	1,037	1,071	1,105	1,139	1,173	1,207	1,241	1,275
1800	630	666	702	738	774	810	846	882	918	954	990	1,026	1,062	1,098	1,134	1,170	1,206	1,242	1,278	1,314	1,350
1900	665	703	741	779	817	855	893	931	969	1,007	1,045	1,083	1,121	1,159	1,197	1,235	1,273	1,311	1,349	1,387	1,425
2000	700	740	780	820	860	900	940	980	1,020	1,060	1,100	1,140	1,180	1,220	1,260	1,300	1,340	1,380	1,420	1,460	1,500
2100	735	777	819	861	903	945	987	1,029	1,071	1,113	1,155	1,197	1,239	1,281	1,323	1,365	1,407	1,449	1,491	1,533	1,575
2200	770	814	858	902	946	990	1,034	1,078	1,122	1,166	1,210	1,254	1,298	1,342	1,386	1,430	1,474	1,518	1,562	1,606	1,650
2300	805	851	897	943	989	1,035	1,081	1,127	1,173	1,219	1,265	1,311	1,357	1,403	1,449	1,495	1,541	1,587	1,633	1,679	1,725
2400	840	888	936	984	1,032	1,080	1,128	1,176	1,224	1,272	1,320	1,368	1,416	1,464	1,512	1,560	1,608	1,656	1,704	1,752	1,800
2500	875	925	975	1,025	1,075	1,125	1,175	1,225	1,275	1,325	1,375	1,425	1,475	1,525	1,575	1,625	1,675	1,725	1,775	1,825	1,875
2750	962	1,017	1,072	1,127	1,182	1,237	1,292	1,347	1,402	1,457	1,512	1,568	1,623	1,678	1,733	1,788	1,843	1,898	1,953	2,008	2,062
3000	1,050	1,110	1,170	1,230	1,290	1,350	1,410	1,470	1,530	1,590	1,650	1,710	1,770	1,830	1,890	1,950	2,010	2,070	2,130	2,190	2,250
3250	1,137	1,202	1,267	1,332	1,397	1,462	1,527	1,592	1,657	1,722	1,787	1,853	1,918	1,983	2,048	2,113	2,178	2,243	2,308	2,373	2,437
3500	1,225	1,295	1,365	1,435	1,505	1,575	1,645	1,715	1,785	1,855	1,925	1,995	2,065	2,135	2,205	2,275	2,345	2,415	2,485	2,555	2,625
3750	1,313	1,388	1,463	1,538	1,613	1,688	1,763	1,838	1,913	1,988	2,063	2,138	2,213	2,288	2,363	2,438	2,513	2,588	2,663	2,738	2,813
4000	1,400	1,480	1,560	1,640	1,720	1,800	1,880	1,960	2,040	2,120	2,200	2,280	2,360	2,440	2,520	2,600	2,680	2,760	2,840	2,920	3,000

To use this table

1. Find your monthly rate of earnings in the first column. (For estimating purposes, divide the last four years of your salary by 48.)
2. Find your years of service credit (top line) *including the ERI service credit*.
3. The approximate monthly pension at age 60 or older (ERI enhanced age) will be the amount shown at the point where your earnings line and service column intersect. If your ERI enhanced age is less than 60, please refer to page 15 to determine the pension reduction.
4. Enter the amount found on the chart above in line A on the worksheet on page 15.

For example:

25 years of service credit and final rate of earnings of \$1,500 a month will provide an IMRF pension of \$675 per month at age 60 or older.

Chart to estimate member ERI cost for SLEP service credit

Monthly Final Rate of Earnings	MONTHS OF SLEP SERVICE CREDIT PURCHASED															
	1	2	3	4	5	6	7	8	9	10	11	12	24	36	48	60
	MEMBER'S COST FOR SLEP SERVICE CREDIT PURCHASED (IN DOLLARS)															
1000	75	150	225	300	375	450	525	600	675	750	825	900	1800	2700	3600	4500
1100	83	165	248	330	413	495	578	660	743	825	908	990	1980	2970	3960	4950
1200	90	180	270	360	450	540	630	720	810	900	990	1080	2160	3240	4320	5400
1300	98	195	293	390	488	585	683	780	878	975	1073	1170	2340	3510	4680	5850
1400	105	210	315	420	525	630	735	840	945	1050	1155	1260	2520	3780	5040	6300
1500	113	225	338	450	563	675	788	900	1013	1125	1238	1350	2700	4050	5400	6750
1600	120	240	360	480	600	720	840	960	1080	1200	1320	1440	2880	4320	5760	7200
1700	128	255	383	510	638	765	893	1020	1148	1275	1403	1530	3060	4590	6120	7650
1800	135	270	405	540	675	810	945	1080	1215	1350	1485	1620	3240	4860	6480	8100
1900	143	285	428	570	713	855	998	1140	1283	1425	1568	1710	3420	5130	6840	8550
2000	150	300	450	600	750	900	1050	1200	1350	1500	1650	1800	3600	5400	7200	9000
2500	188	375	563	750	938	1125	1313	1500	1688	1875	2063	2250	4500	6750	9000	11250
3000	225	450	675	900	1125	1350	1575	1800	2025	2250	2475	2700	5400	8100	10800	13500
3500	263	525	788	1050	1313	1575	1838	2100	2363	2625	2888	3150	6300	9450	12600	15750
4000	300	600	900	1200	1500	1800	2100	2400	2700	3000	3300	3600	7200	10800	14400	18000
4500	338	675	1013	1350	1688	2025	2363	2700	3038	3375	3713	4050	8100	12150	16200	20250
5000	375	750	1125	1500	1875	2250	2625	3000	3375	3750	4125	4500	9000	13500	18000	22500
5500	413	825	1238	1650	2063	2475	2888	3300	3713	4125	4538	4950	9900	14850	19800	24750
6000	450	900	1350	1800	2250	2700	3150	3600	4050	4500	4950	5400	10800	16200	21600	27000
6500	488	975	1463	1950	2438	2925	3413	3900	4388	4875	5363	5850	11700	17550	23400	29250
7000	525	1050	1575	2100	2625	3150	3675	4200	4725	5250	5775	6300	12600	18900	25200	31500

To use this table

1. Find your monthly rate of earnings in the first column. (For estimating purposes, divide your highest one year's salary by 12.)
2. Find the months of service credit (top line) you wish to purchase.
3. Your approximate ERI cost will be the amount shown at the point where the earnings line and service column intersects.

For example:

You wish to purchase 3 years, 6 months of service and have a final rate of earnings of \$1400:

36 months	\$3,780
6 months	\$ 630
Total estimated cost	\$4,410

Chart to estimate a future SLEP pension

Social Security benefits are in addition to the figures shown.

Monthly Final Rate of Earnings	YEARS OF SLEP SERVICE CREDIT												
	20	21	22	23	24	25	26	27	28	29	30	31	32
	AMOUNT OF MONTHLY SLEP PENSION (IN DOLLARS)												
1,000	500	525	550	575	600	625	650	675	700	725	750	775	800
1,100	550	578	605	633	660	688	715	743	770	798	825	853	880
1,200	600	630	660	690	720	750	780	810	840	870	900	930	960
1,300	650	683	715	748	780	813	845	878	910	943	975	1,008	1,040
1,400	700	735	770	805	840	875	910	945	980	1,015	1,050	1,085	1,120
1,500	750	788	825	863	900	938	975	1,013	1,050	1,088	1,125	1,163	1,200
1,600	800	840	880	920	960	1,000	1,040	1,080	1,120	1,160	1,200	1,240	1,280
1,700	850	893	935	978	1,020	1,063	1,105	1,148	1,190	1,233	1,275	1,318	1,360
1,800	900	945	990	1,035	1,080	1,125	1,170	1,215	1,260	1,305	1,350	1,395	1,440
1,900	950	998	1,045	1,093	1,140	1,188	1,235	1,283	1,330	1,378	1,425	1,473	1,520
2,000	1,000	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	1,500	1,550	1,600
2,500	1,250	1,313	1,375	1,438	1,500	1,563	1,625	1,688	1,750	1,813	1,875	1,938	2,000
3,000	1,500	1,575	1,650	1,725	1,800	1,875	1,950	2,025	2,100	2,175	2,250	2,325	2,400
3,500	1,750	1,838	1,925	2,013	2,100	2,188	2,275	2,363	2,450	2,538	2,625	2,713	2,800
4,000	2,000	2,100	2,200	2,300	2,400	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200
4,500	2,250	2,363	2,475	2,588	2,700	2,813	2,925	3,038	3,150	3,263	3,375	3,488	3,600
5,000	2,500	2,625	2,750	2,875	3,000	3,125	3,250	3,375	3,500	3,625	3,750	3,875	4,000
5,500	2,750	2,888	3,025	3,163	3,300	3,438	3,575	3,713	3,850	3,988	4,125	4,263	4,400
6,000	3,000	3,150	3,300	3,450	3,600	3,750	3,900	4,050	4,200	4,350	4,500	4,650	4,800
6,500	3,250	3,413	3,575	3,738	3,900	4,063	4,225	4,388	4,550	4,713	4,875	5,038	5,200
7,000	3,500	3,675	3,850	4,025	4,200	4,375	4,550	4,725	4,900	5,075	5,250	5,425	5,600

To use this table

1. Find your final monthly rate of earnings in the first column. (For estimating purposes, divide the last four years of your salary by 48.)
2. Find your years of service credit (top line) *including the ERI service credit*.
3. Your approximate monthly pension at age 50 or older will be the amount shown at the point where your earnings line and service column intersect.
4. Enter the amount found on the chart above in line A on page 15.

For example:

25 years of service credit and final rate of earnings of \$1,500 a month will provide a SLEP pension of \$938 per month at age 50 or older.

Chart to estimate member ERI cost for ECO service credit

Monthly Final Rate of Earnings	MONTHS OF ECO SERVICE CREDIT PURCHASED															
	1	2	3	4	5	6	7	8	9	10	11	12	24	36	48	60
	MEMBER'S COST FOR ECO SERVICE CREDIT PURCHASED (IN DOLLARS)															
300	23	45	68	90	113	135	158	180	203	225	248	270	540	810	1,080	1,350
400	30	60	90	120	150	180	210	240	270	300	330	360	720	1,080	1,440	1,800
500	38	75	113	150	188	225	263	300	338	375	413	450	900	1,350	1,800	2,250
600	45	90	135	180	225	270	315	360	405	450	495	540	1,080	1,620	2,160	2,700
700	53	105	158	210	263	315	368	420	473	525	578	630	1,260	1,890	2,520	3,150
800	60	120	180	240	300	360	420	480	540	600	660	720	1,440	2,160	2,880	3,600
900	68	135	203	270	338	405	473	540	608	675	743	810	1,620	2,430	3,240	4,050
1000	75	150	225	300	375	450	525	600	675	750	825	900	1,800	2,700	3,600	4,500
1100	83	165	248	330	413	495	578	660	743	825	908	990	1,980	2,970	3,960	4,950
1200	90	180	270	360	450	540	630	720	810	900	990	1,080	2,160	3,240	4,320	5,400
1300	98	195	293	390	488	585	683	780	878	975	1,073	1,170	2,340	3,510	4,680	5,850
1400	105	210	315	420	525	630	735	840	945	1,050	1,155	1,260	2,520	3,780	5,040	6,300
1500	113	225	338	450	563	675	788	900	1,013	1,125	1,238	1,350	2,700	4,050	5,400	6,750
1600	120	240	360	480	600	720	840	960	1,080	1,200	1,320	1,440	2,880	4,320	5,760	7,200
1700	128	255	383	510	638	765	893	1,020	1,148	1,275	1,403	1,530	3,060	4,590	6,120	7,650
1800	135	270	405	540	675	810	945	1,080	1,215	1,350	1,485	1,620	3,240	4,860	6,480	8,100
1900	143	285	428	570	713	855	998	1,140	1,283	1,425	1,568	1,710	3,420	5,130	6,840	8,550
2000	150	300	450	600	750	900	1,050	1,200	1,350	1,500	1,650	1,800	3,600	5,400	7,200	9,000
2100	158	315	473	630	788	945	1,103	1,260	1,418	1,575	1,733	1,890	3,780	5,670	7,560	9,450
2200	165	330	495	660	825	990	1,155	1,320	1,485	1,650	1,815	1,980	3,960	5,940	7,920	9,900
2300	173	345	518	690	863	1,035	1,208	1,380	1,553	1,725	1,898	2,070	4,140	6,210	8,280	10,350
2400	180	360	540	720	900	1,080	1,260	1,440	1,620	1,800	1,980	2,160	4,320	6,480	8,640	10,800
2500	188	375	563	750	938	1,125	1,313	1,500	1,688	1,875	2,063	2,250	4,500	6,750	9,000	11,250
2750	206	413	619	825	1,031	1,238	1,444	1,650	1,856	2,063	2,269	2,475	4,950	7,425	9,900	12,375
3000	225	450	675	900	1,125	1,350	1,575	1,800	2,025	2,250	2,475	2,700	5,400	8,100	10,800	13,500
3250	244	488	731	975	1,219	1,463	1,706	1,950	2,194	2,438	2,681	2,925	5,850	8,775	11,700	14,625
3500	263	525	788	1,050	1,313	1,575	1,838	2,100	2,363	2,625	2,888	3,150	6,300	9,450	12,600	15,750
3750	281	563	844	1,125	1,406	1,688	1,969	2,250	2,531	2,813	3,094	3,375	6,750	10,125	13,500	16,875
4000	300	600	900	1,200	1,500	1,800	2,100	2,400	2,700	3,000	3,300	3,600	7,200	10,800	14,400	18,000

To use this table

1. Find your monthly rate of earnings in the first column. (For estimating purposes, divide your current year's salary by 12.)
2. Find the months of service credit (top line) you wish to purchase.
3. Your approximate ERI cost will be the amount shown at the point where the earnings line and service column intersects.

For example:

You wish to purchase 3 years, 6 months of service and have a final rate of earnings of \$900:

36 months	\$2,430
6 months	<u>\$ 405</u>
Total estimated cost	\$2,835

Chart to estimate a future ECO pension

- Social Security benefits are in addition to the figures shown.

Monthly Final Rate of Earnings	YEARS OF ECO SERVICE CREDIT												
	8	9	10	11	12	13	14	15	16	17	18	19	20
	AMOUNT OF MONTHLY ECO PENSION (IN DOLLARS)												
300	72	84	96	108	120	135	150	165	180	195	210	225	240
400	96	112	128	144	160	180	200	220	240	260	280	300	320
500	120	140	160	180	200	225	250	275	300	325	350	375	400
600	144	168	192	216	240	270	300	330	360	390	420	450	480
700	168	196	224	252	280	315	350	385	420	455	490	525	560
800	192	224	256	288	320	360	400	440	480	520	560	600	640
900	216	252	288	324	360	405	450	495	540	585	630	675	720
1000	240	280	320	360	400	450	500	550	600	650	700	750	800
1100	264	308	352	396	440	495	550	605	660	715	770	825	880
1200	288	336	384	432	480	540	600	660	720	780	840	900	960
1300	312	364	416	468	520	585	650	715	780	845	910	975	1,040
1400	336	392	448	504	560	630	700	770	840	910	980	1,050	1,120
1500	360	420	480	540	600	675	750	825	900	975	1,050	1,125	1,200
1600	384	448	512	576	640	720	800	880	960	1,040	1,120	1,200	1,280
1700	408	476	544	612	680	765	850	935	1,020	1,105	1,190	1,275	1,360
1800	432	504	576	648	720	810	900	990	1,080	1,170	1,260	1,350	1,440
1900	456	532	608	684	760	855	950	1,045	1,140	1,235	1,330	1,425	1,520
2000	480	560	640	720	800	900	1,000	1,100	1,200	1,300	1,400	1,500	1,600
2100	504	588	672	756	840	945	1,050	1,155	1,260	1,365	1,470	1,575	1,680
2200	528	616	704	792	880	990	1,100	1,210	1,320	1,430	1,540	1,650	1,760
2300	552	644	736	828	920	1,035	1,150	1,265	1,380	1,495	1,610	1,725	1,840
2400	576	672	768	864	960	1,080	1,200	1,320	1,440	1,560	1,680	1,800	1,920
2500	600	700	800	900	1,000	1,125	1,250	1,375	1,500	1,625	1,750	1,875	2,000
2750	660	770	880	990	1,100	1,238	1,375	1,513	1,650	1,788	1,925	2,063	2,200
3000	720	840	960	1,080	1,200	1,350	1,500	1,650	1,800	1,950	2,100	2,250	2,400
3250	780	910	1,040	1,170	1,300	1,463	1,625	1,788	1,950	2,113	2,275	2,438	2,600
3500	840	980	1,120	1,260	1,400	1,575	1,750	1,925	2,100	2,275	2,450	2,625	2,800
4000	960	1,120	1,280	1,440	1,600	1,800	2,000	2,200	2,400	2,600	2,800	3,000	3,200

To use this table

1. Find your final monthly rate of earnings in the first column. (For estimating purposes, divide the last four years of your salary by 12.)
2. Find your years of service credit (top line) *including the ERI service credit*.
3. Your approximate monthly pension at age 50 or older will be the amount shown at the point where your earnings line and service column intersect.
4. Enter the amount found on the chart above in line A on page 15.

For example:

20 years of ECO service credit and final rate of earnings of \$1,500 a month will provide an ECO pension of \$1,200 per month at age 55 or older.

Worksheet to calculate your estimated ERI cost

Example illustrates costs for member with an ERI enhanced age of 55, ERI enhanced regular IMRF service of 25 years and monthly final rate of earnings of \$3,000.

		Example
1. Highest 12 consecutive months of salary*	\$ _____	\$ 36,000
2. Member contributions (4.5% regular, 7.5% SLEP, 7.5% ECO) x	_____	x 4.50%
3. Subtotal	\$ _____	\$ 1,620
4. Years and months you wish to purchase (see page 3 to convert into decimal) x	_____	x 5.00
5. Your ERI cost	\$ _____	\$ 8,100
6. Deduct any lump sum payments from you or your employer	- \$ _____	-0-
7. Your net ERI cost	\$ _____	\$ 8,100
8. If balance remains, divide amount on line 7 by 24	÷ _____ 24	÷ 24
9. 24-month ERI deduction (enter on line D on page 15)	\$ _____	<u>\$ 337.50</u>

*When IMRF calculates your ERI cost, we review your records and determine the highest 12 consecutive months of salary within your Final Rate of Earnings period. Under regular IMRF and SLEP, your Final Rate of Earnings period is your highest 48 consecutive months of salary within your last 10 years of service. In most cases, a member's highest 48 months is his or her last 48 months of salary reported to IMRF. Under ECO, your final rate of earnings is the annual salary payable on the last day of ECO participation. To estimate your ERI cost here, you may wish to use your last 12 months of salary.

Worksheet to estimate monthly pension after age 60/35 year reduction and ERI costs

Example illustrates costs for member with an ERI enhanced age of 55, ERI enhanced regular IMRF service of 25 years, and monthly final rate of earnings of \$3,000.

Example

A. Monthly pension \$ _____ \$ 1,350.00

If under age 60/35 year reduction applies:		
Number of months your ERI age is less than 60 or total service credit is less than 35 years (whichever is less)	_____	60 months
Multiply by	x <u> .25%</u>	x <u> .25%</u>
Monthly percent reduction	_____%	15%
Monthly pension (Line A above)	\$ _____	\$ 1,350
Multiply monthly percent reduction against pension	_____	x <u> 15%</u>
B. Monthly reduction	\$ _____	\$ 202.50

C. Monthly pension (A less B)
after age 60/35 year reduction \$ _____ \$1,147.50#

D. Subtract 24-month ERI
deduction (line 9 on page 14) \$ _____ - \$ 337.50

E. Monthly pension
less reduction(s) \$ _____ \$ 810.00*

#Monthly pension of \$1,350.00 less \$202.50 equals \$1,147.50.

*After the ERI cost is paid, the pension would return to \$1,350.00 a month.

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Application for IMRF Pension

Congratulations on your upcoming retirement!

Please follow the steps below to ensure a smooth transition from employment to retirement.

1. When to submit this form

- Submit your application to IMRF **one month** before your retirement date.
- Send your application even if you do not have all the required documents. Send any missing documents to IMRF as soon as possible.
- Be sure to **sign the form in both places**, Question 16 and Question 18.
- If the effective date of your pension is within 60 days of your last day of participation, you can convert your unused, unpaid sick days to service credit (240 day maximum).

2. What to attach to this form

- If you are **not** married (single, divorced, widowed), attach a **copy** (not original) of your birth certificate to this application.
- If you have been married for **at least one year** before you stopped participating in IMRF, attach **copies** (not originals) of the following documents to this application:
 - Your birth certificate
 - Your spouse's birth certificate
 - Your marriage certificate
- **Print your Social Security number on all documents** you enclose with this form.

3. Your IMRF pension payments

- Your initial pension payments will always be based on the "Standard" pension even if you are under age 62 and intend to elect the optional pension.
- Once you no longer participate in IMRF, you may make **only one payment** to purchase past service credit. If you make a final payment after your pension begins, the new benefit amount will be effective the month *following* the month in which you made the payment.
- If your pension is effective July 1, 2003, or later, your monthly benefit payment **must be directly deposited** into your checking, savings, or brokerage account.

- Please have a representative from your financial institution complete Question 17 on this form.

If you haven't done so already...

- **Apply for Social Security benefits** if you are age 62 or older, or age 60 or older and widowed, by calling 1-800-772-1213. **Confirm** that as a member of IMRF you contributed to Social Security and **your Social Security benefit will NOT be reduced.**
- **Meet with your tax advisor** to determine your tax withholding status.
- **Meet with your Authorized Agent.** Make decisions regarding health insurance and make sure you understand restrictions on your IMRF pension and Social Security and working after retirement.
- **Speak with the administrator** of your employer-sponsored deferred compensation plan or tax-deferred annuity. Make decisions regarding pay out.
- **Submit a retirement application to your reciprocal system(s)** if you plan to retire under the Reciprocal Act.

Once we receive your application...

- You will receive a retirement packet which will contain a copy of "Insights for Retiring Members," as well as:
 - IMRF Form 6.11A, "Designation of Beneficiary for Annuitants"
 - Form W-4P, "Withholding Certificate for Pension or Annuity Payments"
 - Health Insurance Continuation information

After your retirement is processed...

- Your **Certificate of Benefits** will be mailed. This green and white document includes your monthly pension amount, effective date, and annual increases. Keep this document in a safe place for future reference.



APPLICATION FOR IMRF RETIREMENT PENSION

IMRF Form 5.20 (Rev. 2/03)

PLEASE PRINT OR TYPE

1. MEMBER'S FIRST NAME MIDDLE INITIAL LAST JR., SR., II, ETC.			2. SOCIAL SECURITY NUMBER _____ - _____ - _____	
3. MEMBER'S MAILING ADDRESS				
CITY		STATE	ZIP+4	4. SEX <input type="checkbox"/> MALE <input type="checkbox"/> FEMALE
5. MEMBER'S BIRTH DATE: MONTH/DAY/YEAR		6. HOME TELEPHONE	7. IMRF CONTRIBUTION DATE (M/D/Y)	
8. MARITAL STATUS <input type="checkbox"/> SINGLE <input type="checkbox"/> MARRIED <input type="checkbox"/> DIVORCED <input type="checkbox"/> WIDOWED			9. DATE OF MARRIAGE: MONTH/DAY/YEAR	
10. SPOUSE'S FIRST NAME	MIDDLE INITIAL	LAST NAME (IF APPLICABLE)		JR., SR., II, ETC.
11. SPOUSE'S BIRTH DATE: MONTH/DAY/YEAR			12. SPOUSE'S SOCIAL SECURITY NUMBER _____ - _____ - _____	
13. HAVE YOU PARTICIPATED IN THE IMRF ELECTED COUNTY OFFICIALS PLAN (ECO)? <input type="checkbox"/> YES <input type="checkbox"/> NO				
14. SERVICE WITH OTHER ILLINOIS PUBLIC RETIREMENT SYSTEMS (SUCH AS STATE EMPLOYEES', STATE TEACHERS', ETC.) IF YOU ARE ALREADY RECEIVING RETIREMENT BENEFITS FROM THE SYSTEM, PLEASE DO NOT LIST IT HERE .				
			DATES	
NAME OF SYSTEM		FROM	TO	
15. IF YOU WILL RETIRE UNDER IMRF EARLY RETIREMENT INCENTIVE, SUBMIT FORM 5.21 , "NOTICE TO RETIRE UNDER ERI." INDICATE THE YEARS / MONTHS YOU WISH TO PURCHASE: YEARS _____ MONTHS _____				
16. I CERTIFY THAT THE ABOVE INFORMATION IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.				
X _____			_____	
MEMBER'S SIGNATURE (WRITE; DO NOT PRINT OR TYPE)			DATE	

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Financial Planning

Financial Planning Introduction

In many respects, financial planning is the foundation on which all other retirement planning is built. Some of the most frequently asked questions about money and retirement are:

- ❖ Where is my retirement income going to come from?
- ❖ How do I prevent my money from running out?
- ❖ How much money do I need to save to maintain my standard of living?
- ❖ When should I start putting together my retirement financial plan?

As you approach retirement, protecting the money you have and making it grow should be your principal concerns. In this section, we will discuss one approach to retirement financial planning. It has several steps:

- Step One:** Determine your current assets, income and expenses.
- Step Two:** Determine your likely assets, income and expenses in retirement.
- Step Three:** Determine the difference between retirement income and retirement expenses.
- Step Four:** Learn about investing your current assets and a portion of your current income, to get the most out of your money.
- Step Five:** Learn how to create and implement a solid financial plan.

Step One: Determine your current assets, income and expenses.

You need to know your current financial position, to estimate how it might change in retirement. Based on that information, you can develop a financial plan intended to make sure you will have the money and other assets necessary for a financially secure retirement. It is important you start this review and planning now. You cannot begin too early, and it's never too late.

Also this process must be repeated from time to time. Planning is an investment in your future. To be effective, financial planning needs to be reviewed annually, because economic conditions and family situations are constantly changing.

Immediately following this page are several forms for you to complete:

- ❖ Statement of Net Worth
- ❖ Current Income
- ❖ Current Expenses

These forms are only paper in this workbook *unless you use them, think about, and discuss them*. They can help you develop a good picture of what you own and where your income goes. You will note each of these forms provides spaces for three years. Complete the first column for this year. A year later complete the next column and finally, two years from now complete the third column. You should continue this process until you retire. That way you will be continuously reviewing your current financial status as it is affected by each passing year.

Statement of Net Worth

	For Year: _____		
Assets (what I own)			
Cash on hand.....	\$ _____	\$ _____	\$ _____
Checking account.....	_____	_____	_____
Savings account	_____	_____	_____
Credit union account.....	_____	_____	_____
Other savings accounts	_____	_____	_____
House (market value).....	_____	_____	_____
Other real estate (value).....	_____	_____	_____
Household furnishings (value)	_____	_____	_____
Automobile(s) (blue book value).....	_____	_____	_____
Life insurance (cash value).....	_____	_____	_____
Stocks and bonds (today's value).....	_____	_____	_____
IRA plans	_____	_____	_____
U.S. Savings bonds	_____	_____	_____
Money owed me.....	_____	_____	_____
Other assets/ investments _____	_____	_____	_____
Personal property	_____	_____	_____
Total Assets	_____	_____	_____
<hr/>			
Liabilities (what I owe)			
Mortgages (balance due).....	\$ _____	\$ _____	\$ _____
Other loans	_____	_____	_____
Installment debts (balance due)	_____	_____	_____
Credit cards (balance due)	_____	_____	_____
Other debts (total owed)	_____	_____	_____
Total liabilities	\$ _____	\$ _____	\$ _____
Net Worth (Assets minus liabilities)..	\$ _____	\$ _____	\$ _____

Current Income

		For Year	_____	_____	_____
Salary	Yourself	\$	_____	\$	_____
	Spouse		_____		_____
Interest	Savings		_____		_____
	_____		_____		_____
	_____		_____		_____
	Certificates		_____		_____
	_____		_____		_____
	_____		_____		_____
Dividends	Bonds		_____		_____
	_____		_____		_____
	_____		_____		_____
Dividends	Stocks		_____		_____
	_____		_____		_____
Dividends	Mutual Funds ...		_____		_____
	_____		_____		_____
Insurance	_____		_____		_____
	_____		_____		_____
Annuities	_____		_____		_____
	_____		_____		_____
Real Estate	Rentals.....		_____		_____
Own Business	_____		_____		_____
	_____		_____		_____
Others	_____		_____		_____
	_____		_____		_____
TOTAL					
MONTHLY INCOME.....		\$	_____	\$	_____
			_____		_____

Current Expenses

(using current dollar figures)

For year _____

Fixed Expenses

Mortgage/rent	\$ _____	\$ _____	\$ _____
Heat	_____	_____	_____
Light	_____	_____	_____
Water	_____	_____	_____
Telephone	_____	_____	_____
Garbage.....	_____	_____	_____
Insurance:			
Life.....	_____	_____	_____
Health	_____	_____	_____
Disability	_____	_____	_____
Auto.....	_____	_____	_____
Homeowner's	_____	_____	_____
Income taxes.....	_____	_____	_____
Real estate taxes	_____	_____	_____
Loan repayments	_____	_____	_____
Reducing back bills.....	_____	_____	_____
School/college	_____	_____	_____
Dues.....	_____	_____	_____
Other	_____	_____	_____

Variable Expenses

Food	_____	_____	_____
Clothing	_____	_____	_____
Savings	_____	_____	_____
Doctor	_____	_____	_____
Dentist	_____	_____	_____
Drugs	_____	_____	_____
Gasoline.....	_____	_____	_____
Entertainment	_____	_____	_____
Books/magazines.....	_____	_____	_____
Repairs/upkeep:			
Car	_____	_____	_____
House	_____	_____	_____
Appliances.....	_____	_____	_____
Cleaning, personal care	_____	_____	_____
Church/charities.....	_____	_____	_____
Furniture	_____	_____	_____
Household supplies.....	_____	_____	_____
Birthdays/Christmas	_____	_____	_____
Hobbies.....	_____	_____	_____
Vacation	_____	_____	_____
Walking-around money	_____	_____	_____
Other.....	_____	_____	_____

TOTAL MONTHLY EXPENSES \$ _____ \$ _____ \$ _____

Step Two: Determine your likely assets, income and expenses in retirement.

Now that you know what your current assets, income and expenses are, you need to prepare estimates for each at retirement time. This will not be easy. You must do some guessing here. Don't worry if you guess wrong, after all, no one knows with certainty what the future will bring. What is important is that you make your best guess, and review it each year as your circumstances change. Each year's revision will result in more accurate estimates.

What will your assets and liabilities be (net worth) when you retire? Will you still own your current home? Or, do you plan to move and purchase a smaller one? Will you have or need the same number of autos? Or, can you sell extra vehicles because you no longer need to travel to work? Will you still have a mortgage on your home? Or, will that mortgage be paid off? Will you have a car loan? Or will it be paid off?



By completing the form "Projected Statement of Net Worth–Retirement," you will not only plan for retirement but also set some goals. For example, by guessing that you will no longer have mortgage payments, you will have a better idea of your retirement

expenses, and you will have set the goal of paying off your mortgage before retirement. What will your monthly retirement income be? For many individuals, their major sources of income during retirement will be IMRF benefits and Social Security. You can roughly estimate your IMRF benefits by following the estimate example and instructions in the IMRF portion of this workbook. IMRF will furnish an estimate on request. You can request a benefit estimate from the Social Security Administration by calling Social Security's toll free number 800-772-1213.

IMRF pension benefits increase 3% of the original pension amount each January 1 (prorated for the first year). If, for example, you began your pension in July at \$300 per month, the following January your increase would be \$4.50 (six months or 1/2 of 3% x \$300). Each January thereafter, your increase would be \$9 (\$3 x \$300). The increase is fixed; it is not tied to inflation, nor is it compounded.

In addition to the annual 3% increase, you will also receive a supplemental payment, called the "13th check," payable in July. This 13th check is a percentage of your regular monthly amount and will vary annually.

Social Security retirement benefit increases are tied to a cost-of-living index.

If the cost-of-living increases by 3% or more from one year to the next, benefits will be increased by the cost-of-living the following year.

When estimating your income, do not forget possible pensions you might be due from past employers. What you are seeking here is not a retirement income that you must live with. Rather, you should be making an informed estimate that can be used as a guide in deciding how far your estimated retirement

income will go in covering your needs at that time.

Several other points to consider when estimating income:

- ❖ What income will be temporary, and what income will be permanent?
- ❖ If you plan or need to work part time in retirement, how long will you do so?
- ❖ What income will be stable (IMRF benefits), and what income will fluctuate (money market funds)?
- ❖ If you or your spouse dies, how will your limited retirement income be affected? You need to learn exactly what the surviving spouse’s rights are, what he or she needs to do, and what his or her benefits will be.
- ❖ Learn what income will be taxed. The federal government will tax most of your IMRF benefits. The state of Illinois does not.
- ❖ Reducing your principal. Assume you have \$10,000 invested at 7%, compounding quarterly. You can withdraw the following monthly amounts for the years stated. At the end, the \$10,000 will be gone:

Monthly Withdrawal	Length of Time
\$116	10 Years
\$89	15 Years
\$77	20 Years
\$70	25 Years
\$59	Indefinitely*

*You will be withdrawing interest only.

- ❖ Almost everyone owns assets that are not producing income but that could be sold and turned into a source of income. These assets may include furniture, coins, stamps,



appliances, tools, etc. By converting these items into cash, you can create a source of income.

What will your monthly retirement expenses be?

- ❖ Estimating future expenses looks harder than it is. Generally, you can refer to your present living costs to get a basic feel for what your retirement expenses will be.

The difficult part is in determining what expenses will drop or stop altogether, what new expenses you will have and the effect of inflation on the cost of the goods and services you will need.

- ❖ Some of your current expenses will decrease. Children or parents currently dependent on you may not be in the future. You may need only one car and not two.

Your clothing costs should be less, as well as your food bill. IMRF contributions will cease and Social Security payroll taxes also will stop, unless you continue working. You may not need as much life insurance.



Will inflation destroy your retirement nest egg?

- ❖ Some of your current expenses will increase. Health insurance and medical bills may be larger. You may spend more on recreation, including travel or hobbies. You may have children or grandchildren you wish to give financial assistance.

The Bureau of Labor Statistics estimates that the “average” retired couple spends their income as follows:

Housing.....	33%
Food	29%
Medical Care	10%
Transportation.....	10%
Clothing	5%
Entertainment/Education	4%
Personal Care.....	3%
Other	6%

According to many experts, you will need 60% to 80% of your former pre-tax income to maintain your lifestyle in retirement. Your expense budget must be created to suit your own individual needs.

- ❖ When estimating your monthly retirement expenses, you need to build in an inflation factor. You may be in retirement 15 to 25 years, or more. A modest rate of inflation, say 3%, will increase your expenses by more than 30% in just 10 years. Your income may not keep pace.

For that reason the “Monthly Retirement Expenses” form found in this section asks that you assume an inflation rate. You will need to estimate what inflation may be and calculate your expenses accordingly.

For example, let’s assume you spend \$200 a month for food this year. You plan to retire one year from now. You plan that inflation will be 6% this year and 6% each year thereafter.

When completing your “Monthly Retirement Expenses” form, you would write in \$212 for the cost of food in your first year in retirement ($\$200 \times 6\% \times \text{one year}$), \$224.72 for the second year ($\$212 \times 6\% \times \text{one year}$) and \$248.20 for the third year ($\$224.72 \times 6\% \times \text{one year}$).

Projected Statement of Net Worth

— Retirement —

	First year	Second year	Third year
Assets (what I own)			
Cash on hand.....	\$ _____	\$ _____	\$ _____
Checking account.....	_____	_____	_____
Savings account	_____	_____	_____
Credit union account.....	_____	_____	_____
Other savings accounts	_____	_____	_____
House (market value).....	_____	_____	_____
Other real estate (value).....	_____	_____	_____
Household furnishings (value)	_____	_____	_____
Automobile(s) (blue book value).....	_____	_____	_____
Life insurance (cash value).....	_____	_____	_____
Stocks and bonds (today's value)	_____	_____	_____
IRA plans	_____	_____	_____
U.S. Savings bonds	_____	_____	_____
Money owed me.....	_____	_____	_____
Other assets/ investments _____	_____	_____	_____
Personal property	_____	_____	_____
Total Assets	_____	_____	_____
<hr/>			
Liabilities (what I owe)			
Mortgages (balance due).....	\$ _____	\$ _____	\$ _____
Other loans	_____	_____	_____
Installment debts (balance due)	_____	_____	_____
Credit cards (balance due)	_____	_____	_____
Other debts (total owed)	_____	_____	_____
Total Liabilities	\$ _____	\$ _____	\$ _____
Net Worth (Assets minus Liabilities)	\$ _____	\$ _____	\$ _____

Monthly Retirement Income

(using current dollar figures)

The following is a list of possible sources of continuous income for you after retirement.

		First year	Second year	Third year
Salary	Yourself	\$ _____	\$ _____	\$ _____
	Spouse	_____	_____	_____
IMRF Pension	Yourself	_____	_____	_____
	Spouse	_____	_____	_____
Individual Pensions (Deferred compensation, IRA)	Yourself	_____	_____	_____
	Spouse	_____	_____	_____
Social Security	Yourself	_____	_____	_____
	Spouse	_____	_____	_____
Interest	Savings	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	Certificates	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Dividends	Stocks	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Mutual Funds ...	Mutual Funds ...	_____	_____	_____
	_____	_____	_____	_____
Insurance	_____	_____	_____	_____
	_____	_____	_____	_____
Annuities	_____	_____	_____	_____
	_____	_____	_____	_____
Real Estate	Rentals.....	_____	_____	_____
Own Business	_____	_____	_____	_____
Others	_____	_____	_____	_____
	_____	_____	_____	_____
TOTAL MONTHLY INCOME.....		\$ _____	\$ _____	\$ _____

Monthly Retirement Expenses

(assuming inflation of _____%)

	First year	Second year	Third year
Fixed Expenses			
Mortgage/rent	\$ _____	\$ _____	\$ _____
Heat	_____	_____	_____
Light	_____	_____	_____
Water	_____	_____	_____
Telephone	_____	_____	_____
Garbage.....	_____	_____	_____
Insurance:			
Life.....	_____	_____	_____
Health	_____	_____	_____
Disability	_____	_____	_____
Auto.....	_____	_____	_____
Homeowner's	_____	_____	_____
Income taxes.....	_____	_____	_____
Real estate taxes	_____	_____	_____
Loan repayments	_____	_____	_____
Reducing back bills.....	_____	_____	_____
School/college	_____	_____	_____
Dues.....	_____	_____	_____
Other	_____	_____	_____
Variable Expenses			
Food	_____	_____	_____
Clothing	_____	_____	_____
Savings	_____	_____	_____
Doctor	_____	_____	_____
Dentist	_____	_____	_____
Drugs	_____	_____	_____
Gasoline.....	_____	_____	_____
Entertainment	_____	_____	_____
Books/magazines.....	_____	_____	_____
Repairs/upkeep:			
Car	_____	_____	_____
House	_____	_____	_____
Appliances.....	_____	_____	_____
Cleaning, personal care	_____	_____	_____
Church/charities.....	_____	_____	_____
Furniture	_____	_____	_____
Household supplies.....	_____	_____	_____
Birthdays/Christmas	_____	_____	_____
Hobbies.....	_____	_____	_____
Vacation	_____	_____	_____
Walking-around money	_____	_____	_____
Other.....	_____	_____	_____
TOTAL MONTHLY EXPENSES	\$ _____	\$ _____	\$ _____

Step Three: Determine the difference between retirement income and retirement expenses.

Now that you know what your assets are and what you expect your income and expenses will be in retirement, it’s time to compare the two.

The forms permit you to compare retirement income and expenses over a three-year period. This is advisable in order to discover what affect inflation will have. Please fill in the information requested in the box below from the “Monthly Retirement Income” and “Monthly Retirement Expenses” forms you prepared in Step Two.

If you have a surplus in the first year, does it continue into the second and third years? Does the surplus remain about the same in dollar amount, increase or decrease? What percent of your total income is the surplus for each year? Does the percent of surplus change?

If your expenses exceed your income, how will you cover the gap? Can you start an investment/savings program now? Will you have to sell assets? Can you work longer at your present job? Will you have to retire and work part time? Can you reduce your expenses?

You may have to take all of these actions to cover the gap or to protect your surplus. Steps

Four and Five, which follow, address one way to handle the gap—an investment/savings program.

Step Four: Learn about investing your current assets and a portion of your current income to get the most out of your money.

If your IMRF retirement and Social Security benefits will cover your retirement expenses for the next 15 to 25 years, you can eliminate steps four and five. However, for most of us, investments (including savings) will be a part of our retirement income that we will rely upon to cover our expenses.

Where will the money come from to set aside and build an investment savings plan? In step two you were asked to prepare “Statement of Net Worth,” “Current Income,” and “Current Expense” statements. Based on that work, you should be able to determine what income or assets can be set aside to build a more financially secure retirement.

This step should be viewed as only a starting point in your education on investing. You may wish to read and follow newspaper and magazine articles on this subject. Your local library will carry magazines and books that can describe in more detail the types of investments, investment strategies and the opportunities and risks involved in investing.

Retirement Income and Expense Comparison			
	First Year	Second Year	Third Year
Monthly Income	\$ _____	\$ _____	\$ _____
Monthly Expenses	\$ _____	\$ _____	\$ _____
Surplus (Gap)	\$ _____	\$ _____	\$ _____

Finally, attending workshops will give you the opportunity to learn and ask questions of the speaker.

Types of Investments

Cash Accounts

These include savings, checking, and money market accounts. They often pay lower interest rates than fixed income investments (bonds), but they are liquid (readily accessible to pay living expenses).

Stocks

When you buy a share of stock, you become a part owner of the corporation. You share in the profits by receiving dividends (if they are paid) and seeing your investment grow, if the company's stock rises in value. As an owner, a piece of your financial future is tied to the company's financial future. Stock prices are determined by investor demand.

There are two broad categories of stock: growth stocks and income stocks. Growth stocks typically offer little or no current income, but hopefully, will increase in value. Income stocks pay higher dividends, but increase in value slowly.

Bonds (Fixed Income)

A bond is a legal obligation of the company or municipality that issues it. You do not receive an ownership interest, but rather lend your money. Bond prices are determined by interest rates, rather than investor demand.

The terms of the bond are agreed upon at the time you make your purchase. Bonds usually pay interest twice a year. The face amount of the bond is returned on the date the bond matures. If you sell the bond before

maturity, you may receive more or less than the face amount, depending on interest rates.

When you buy a tax-free municipal bond, you are lending money to local or state government. The federal government usually does not tax the interest you earn. Typically, a bond from a governing body in your home state also will be exempt from state and local taxes.

Government National Mortgage Association bonds, or "Ginnie Mae's," are investments in a pool of mortgages developed by the federal government to encourage investors to lend money to home buyers. Interest, together with a portion of the principal, is paid to GNMA buyers monthly.

Treasury Bills are investments guaranteed by the federal government. They mature in three, six, or 12 months. A minimum of \$10,000 is required to purchase one. You buy them at a discount, receiving face value at maturity.

Treasury Notes also are investments guaranteed by the federal government. They mature in two to nine years. Interest is paid to investors every six months. At maturity, you redeem them for face value. Notes with two- to three-year maturities require a \$5,000 investment.

Treasury Bonds mature in 10 to 30 years. Interest is paid every six months. A \$1,000 minimum investment is required.

Series E Bonds (U.S. Savings Bonds) also are federal government bonds. Minimum investment is \$50.

Real Estate

Investing in real estate may be either in the form of owning real property or lending monies to developers building or acquiring real property.

Deferred Annuities

These are contracts with an insurance company that agree to pay a guaranteed return for a specific period of time. These investments are tax-deferred.

A “variable annuity” is a type of deferred annuity which calls for either a single or series of investments. The monies you invest can go into several different instruments. Your investment earns interest or dividends. At maturity, the amount you receive in payment will vary, depending on how successful your investment choices were.

Withdrawals made after retirement from a tax-deferred annuity are subject to ordinary income tax on the accumulated interest, dividends and appreciation.

Individual Retirement Accounts (IRA)

You may place \$2,000 for yourself plus \$2000 for a non-working spouse into an IRA. Because you participate in IMRF, you may not be able to deduct the maximum IRA contributions from your income taxes. If your adjusted gross income (in 2001) is under \$33,000 for a single person or \$53,000 for a couple, you can deduct the full amount. You lose the deduction by increments as your income increases, until it disappears when you reach \$43,000 (in 2001) for an individual or \$63,000 as a couple. Over those amounts you can still make contributions, but you cannot deduct those contributions from your taxable income.

An IRA is a method for investing in a wide variety of investments, from CDs to mutual funds consisting of stock.

Beginning in 1998 you have the option of contributing to a “Roth IRA.” You cannot take a deduction for the contributions but the income will not be taxable if the earnings are

withdrawn after you reach age 59-1/2 and the account has been in existence for five years. This IRA is available if your adjusted gross income is below \$95,000 (for single taxpayers) or \$150,000 (married filing jointly).

Mutual Funds – Stocks

A mutual fund is a pooling of investor money which is managed on a full-time basis. The fund will invest in a wide range of stocks creating a diversified portfolio which includes stocks of many companies from many market sectors. Different mutual funds establish different investment return goals from conservative risk to high risk. In a “load fund,” a commission is charged to purchase the fund. In a “no load fund,” no commission is charged.

Mutual Funds – Bonds

This type of mutual fund invests in various types of bonds with various maturities. If you like, you may invest in a tax-free municipal bond mutual fund.

Certificates of Deposit (CD)

The CD was designed with safety in mind. It can be purchased from banks, savings and loans, and brokerage houses. It is federally insured to \$100,000. Maturities vary as do interest rates.

Money Market Funds

This is a mutual fund comprised of treasury bills, CDs, commercial paper or debts from top firms. You buy shares in the pooled mutual fund portfolio. They are not federally insured.

Precious Metals

Gold, silver and other precious metals are speculative investments. Price fluctuations can be extreme, and they produce no income until sold.

Stock Options

Stock options are contracts that give you the right to buy or sell shares of stock. The price of the option will increase or decrease as the stock increases or decreases in value.

A “call” is a right to buy a stock at a particular price.

A “put” is a right to sell a stock at a particular price.

Commodity Futures

Commodity futures are contracts to buy or sell commodities such as corn, wheat or soybeans at a future date. About 85% of individual investors lose money on commodity futures.

Investment Characteristics

Each type of investment has different characteristics. Before making any decision to invest, ask yourself the following questions about the type of investment you are considering:

1. Safety

How safe is my original investment (principal)? Can I lose all or part of it? What changes in value might take place?

2. Growth

What is the potential for this investment to grow in value? For example, some stocks grow slowly but provide income through dividends. Other stocks may provide no or small dividends, and your

profit will have to come through rapid growth in the price of the stock.

3. Yield

How much income will this investment produce? What assurance is there that it will produce the income I expect for the foreseeable future? How will my income be affected by commissions, service charges, taxes or other fees?

4. Liquidity

How quickly can I cash in my investments? Will I suffer any loss or penalty? Experts generally recommend that at least three to six months' living expenses be kept liquid.

5. Taxability

Will the investment income I receive be subject to state or federal taxes? Tax-deferred income means you will pay taxes on it later, but not when earned. Interest earned in an IRA it is tax-deferred until you withdraw money from the plan.

Tax-exempt income means you never pay taxes on it. An example is income from a tax-free municipal bond issued by a municipality in the state of your residence. Note: As a result of the 1986 Tax Reform Act, a number of municipal bonds will be taxable. Be sure you know the difference before you invest.

Before selecting any investment, subtract the taxes you will pay from the return you expect. The result is the net income from the investment. By comparing net incomes from various investments you will be comparing apples to apples and oranges to oranges.



6. Term

How long will my money be tied up in this investment? Will that period of time be longer than I want or can afford?

Step Five: Learn how to create and implement a solid financial plan.

By this step, you should know your current financial condition, determined what your financial needs will be during retirement, and begun to learn about various types of investments.

To protect yourself and your family from the uncertainties surrounding your future, you need to plan your financial program so that:

- ❖ Your money is safe (therefore, all your money cannot be invested in stocks and bonds and other speculative investments).
- ❖ Your money is available as needed (therefore, all your money cannot be invested in insurance, real estate, or other liquid investments).

- ❖ Your money will grow and out pace or keep even with inflation (therefore, not all your money can be in savings accounts).

Decisions required

No single form of investment can provide all the features of safety, availability (liquidity), and growth (yield). For that reason, the decisions regarding investments are difficult. Whether you like it or not, the responsibility rests with you to design an investment program to meet your needs and temperament.

In determining your investment approach, self analysis is important. Specifically, you must determine how much time you can devote to investigating, learning and monitoring your investment. Also, what is your temperament? How much risk are you comfortable with?

What will you do if an investment rises or drops dramatically in value? Finally, how much training do you have in financial matters? Do you know what the advantages and disadvantages are to types of investments? Do you know the costs involved? Are you willing to spend the time and money to become knowledgeable about investments?

Three basic questions

In developing an investment strategy, perhaps the three basic questions are:

1. Will I make the investment decisions myself, or will I hire a counselor?
2. If I wish to make my own investment

decisions, will I buy stocks, bonds, or real estate individually or through a group arrangement, like mutual funds or real estate investment trusts (REIT)?

- Will I adopt a method of investing which is steady and consistent, or will I speculate, making sporadic investments based on hot tips or what is the current fad?

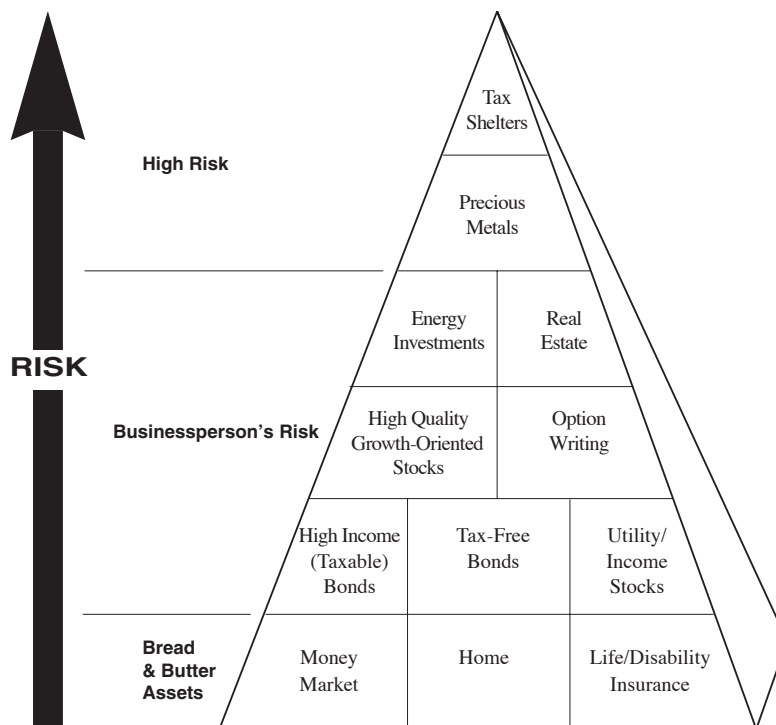
Pyramid plan

One method to create and implement a solid financial plan is to build a pyramid of investments. This planning strategy is well known and has been recommended by financial planners, accountants and attorneys. The pyramid approach requires that a strong financial base be built by purchasing a home and setting aside cash and passbook savings to cover emergencies (three to six months' of

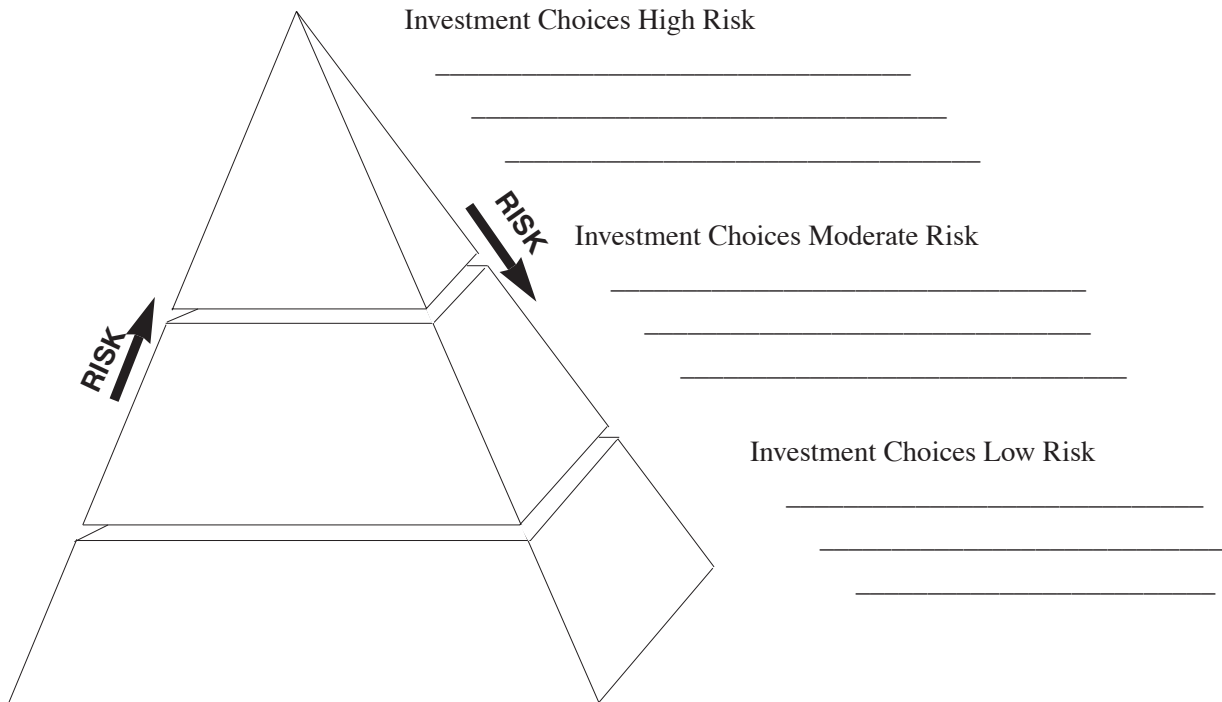
expenses). Adequate insurance to cover health, life, disability, home, car and public liability (i.e., if someone is injured on your property or by you or your family) for you and your family also is part of the foundation.

Only once the foundation is laid, can you reasonably move up the pyramid and make more risky investments, like stocks and bonds. At the businessperson's risk level, you are investing money that can be completely lost. You also should be investing less than at the bread and butter asset level. At the high risk level, your investments may be purely speculative. As you move up the pyramid, your risk does increase, but the pay back is in greater financial gains and quicker increases in the value of your investments.

What percentage of your assets should you place in any level of the pyramid? That depends upon the size of your assets and the amount of risk you and your spouse are



Select your own risks



willing to take. If you adopt this investment approach, you may decide you will invest only in the level above the bread and butter assets. Or you may go two or three levels higher. You do not have to invest in all layers. The majority of your assets should be invested at the bread and butter level. As you invest in investments with more risk, less and less of your assets should be used.

Following the “Pyramid Chart of Investment Priorities” is a pyramid for you to use to establish your own investment choices.

A few final points regarding Step Five

- ❖ Do not put all your eggs in one basket. No matter how good or secure an investment is, a change in economic conditions or

fraud can wipe out a significant portion of your financial nest egg.

There are many sad stories to tell. A recent story involved a couple in their mid-70s living in Joliet, Illinois. They purchased shares in a “mutual fund” sold by a local brokerage firm. Because the “fund” was paying 13-15% when true funds were paying 9-10%, they invested all their savings in it. Later they learned it was a fraud and lost their life savings.

- ❖ Consider Dollar-Cost Averaging. It is an investment strategy that requires you to invest the same amount of money in the same stock, bond or other investment on a regular basis. This approach evens out the

investment ups and downs. The strategy captures some rises and declines, but the widest swings often offset one another giving you an average return for the time this approach is followed.

To start dollar-cost averaging, you must decide what you will invest in, the amount you will invest and how long you will invest. For example, you may decide to invest \$2,400 in a mutual fund over the next 24 months.

Each month you buy whatever number of shares you can for \$100. Each month the number of shares you can buy will vary. When the price is high, you buy fewer shares and when the price is low, you buy more shares.

The money you “lose” because the price went down after you buy is “made-up” when you buy low and the price increases. You should, however, obtain an average return on your investment that is better than individuals trying to outguess the market.

- ❖ Consider Staggering Maturities. Similar in concept to “Dollar-Cost Averaging,” you can average cash flow and maturities of fixed-income investments such as certificates of deposit, tax-free municipal bonds, corporate bonds and treasury bills, notes and bonds.

To start this strategy, decide the types of investment you wish to make, the farthest maturity date you are comfortable working with, and the amount you wish to invest.

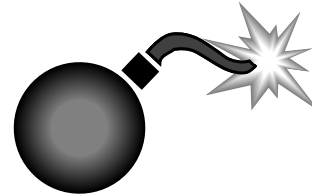
For example, you decide to invest \$10,000 in bonds and are comfortable with a five-year maturity date. Instead of investing in one \$10,000 bond, invest \$2,000 in each of five maturity periods: 2009, 2008, 2007, 2006, 2005. When the 2005 bond matures, reinvest the proceeds in a 2010 bond.

When the 2006 bond matures, reinvest the proceeds in a 2011 bond. Continue this process each year a bond matures. Over time, bond rates will fluctuate, but you will get an average interest rate available during the period.

If you need cash at regular intervals, buy investments periodically and not at one time.

For example, if you need money on a monthly basis and decide to invest \$12,000 in certificates of deposit (CD), buy a CD a month for \$1,000. Since CD's typically pay interest quarterly, you will receive interest payments every month and not just four times a year.

Financial Pitfalls to Avoid



- 1.** Hanging on to the family house when it is too big and costly to maintain.
- 2.** Purchasing different housing which requires a new mortgage.
- 3.** Not taking condominium fees into consideration.
- 4.** Assuming Social Security and your company pension will be enough to ensure a comfortable retirement.
- 5.** Buying liquid (hard to sell) investments, such as farmland.
- 6.** Buying a permanent retirement home before selling the family house.
- 7.** Failing to diversify your investments by placing too much money into one stock or bond.
- 8.** Giving your children portions of inheritances or lump-sum pension plan distributions.
- 9.** Failing to develop an investment strategy.
- 10.** Falling in love with particular investments.
- 11.** Failing to invest for the long term.
- 12.** Failing to study financial planning; to learn about companies, the financial markets and the economy.
- 13.** Dabbling in investments without clearly understanding how they work (options, margins, etc.).
- 14.** Risking money you cannot afford to lose.
- 15.** Approaching investments with the wrong mental attitude (i.e., I can't learn how to invest, so I just have to gamble).
- 16.** Investing too much in high risk investments.
- 17.** Investing too little in investments with risk.
- 18.** Investing on hot tips.
- 19.** If it's too good to be true, it generally is.

Reverse Mortgage Loans

A form of Home Equity Conversion

A few programs are now available in Illinois to assist senior homeowners in converting home equity into useable dollars. Home equity conversion can include reverse mortgages plans/loans, deferred payment loans and sale-leaseback, and life estate plans. The most common are the reverse mortgage loans and deferred payment loans.

A reverse mortgage (RM) is exactly what its name implies: a mortgage that involves payments to, rather than from, the homeowner. This special type of loan instrument guarantees to homeowning seniors monthly cash advances, or occasional lump sums, that do not require repayment until the homeowners sell the home, move away, or die.

Unlike normal home mortgages or home equity loans, RMs require no employment income, clean consumer credit, or repayment for as long as the senior citizen or couple live in their home. The specific amounts available are a function of the age of the youngest homeowner, the appraised home value, and the interest rate.

Senior homeowners should know of several ways to convert their equity into cash through an RM. Below are just a few examples:

- ❖ A 75-year-old widow owns a home that is appraised at \$100,000. She chooses to take a lump sum of \$38,000 to help cover health care costs incurred by a recent illness.
- ❖ This same homeowner could have chosen to accept a \$500 monthly payment for 10 years.
- ❖ The widow could establish a growing \$5,000 line of credit and a \$300 monthly payment for as long as her tenure in the home.

This reverse mortgage can be used for anything, including:

- ❖ Medical expenses
- ❖ Nursing home insurance
- ❖ Home health care or assistance
- ❖ Property tax bills
- ❖ Home repairs or redecorating
- ❖ To pay off a small regular mortgage and end the monthly payments
- ❖ The monthly budget
- ❖ Travel

Whatever type of plan the homeowner chooses, the cash received, plus interest and charges, would not need to be repaid until the homeowner sells the home, moves away or dies.

Normally, repayment is made with proceeds from the sale of the home. If the sale proceeds exceed the balance due, the difference goes to the homeowner or his or her estate. If the sale price falls short, the homeowner is not liable for the loss, which is covered by mortgage insurance.

Until recently, reverse mortgage loans were not available in Illinois. Beginning in January, 1992, senior homeowners are able to apply for reverse mortgages under PA 87-0488 which amends the Illinois Banking Act, the Illinois Savings and Loan Act and the Illinois Credit Union Act. Institutions regulated by these acts are now authorized to make reverse mortgage loans to persons age 62 or older for the purposes of generating income.

PA 87-0488 has three basic requirements for eligibility when applying for a reverse mortgage loan:

- 1) Applicants must be 62 years of age or older. If more than one person holds the title to the property, the youngest must be 62 or older;
- 2) The property must be owned free and clear or nearly free and clear; and
- 3) The principal resident of the home must be the homeowner.

One company that began offering RMs that qualify for insurance from the United States government through the Federal Housing Authority (FHA) is:

West America Mortgage Company
(Conventional loans and RMs)
(630) 916-9299

The FHA restricts, on a county-by-county basis, the amount of the home equity that may be used to calculate the amount of money available to a homeowner through an RM. While this does not prevent seniors owning homes of greater value from obtaining an RM, it does limit their ability to convert all of their equity.

Additional resources for information on reverse mortgages include:

American Association of Retired Persons
610 E Street NW
Washington, D.C. 20049
(Locally call: (800) 424-3410

National Center for Home Equity Conversion
360 N. Robert #403
St. Paul, MN 55101
(651) 222-6755

Health Insurance Continuation

As you plan for retirement, the issue of health insurance is often a concern. After you retire, federal and state legislation may require your employer to continue your health insurance for a certain period of time. The length of time you are covered depends on *how* you continue your health insurance.

If you plan to retire before age 65, you will need to find insurance coverage and budget for premiums. One option is to purchase an individual health insurance policy. (The IMRF Board of Trustees has endorsed several health insurance programs. Information on these programs can be found in the booklet titled *Are you looking for information about IMRF-endorsed health insurance programs?*)

Another option may be health insurance continuation. Federal and state legislation may require your employer to allow you to continue your health insurance. To learn more, you should ask your employer the following questions:

- Can I continue my group health insurance once I retire?
- If I can continue it, what benefits will be provided, and for how long?
- Can I continue coverage for my dependents?
- How much will the insurance cost?

Two different laws

As you make plans for your own retirement, you should ask your employer if you are eligible for health insurance continuation under COBRA (federal legislation), or under Public Act 86-1444 (Illinois legislation), or under both. Understand that these two laws were written at different times, by different governmental bodies:

- COBRA is federal legislation covering health insurance continuation. It applies to employers with 20 or more employees.
- Public Act 86-1444 is Illinois legislation covering health insurance continuation and applies to most, but not all, IMRF employers who provide group health insurance for active employees.

One law is not designed to make up for the deficiencies of the other. Neither of these laws require your employer to pay any portion of the cost of your health insurance. Although your cost may be identical under both options, a major difference between them exists: the length of time coverage is provided. You must choose at retirement

which law you will be covered by. Once the time to make your choice is past, you cannot change your mind.

1. Continuing under COBRA

Under federal law, most employers must allow you to continue your insurance for a minimum of 18 months after you retire.

If you choose health insurance continuation under COBRA and are not yet age 65 (Medicare eligible), you can continue the insurance for 18 months or until you reach age 65, whichever occurs sooner. When you become eligible for Medicare, you are no longer eligible for federal health insurance continuation.

However, if you are already eligible for Medicare when you stop working, you can continue the insurance for 18 months.

With COBRA, certain “qualifying events” allow your spouse and dependent children to extend the health insurance for an additional 18 months. One such qualifying event is when the covered employee qualifies for Medicare after COBRA continuation begins. Even though you are no longer covered under your employer’s health insurance, your spouse and dependents can be. Their coverage will continue for an additional 18 months after your coverage ends.

The 1996 Health Insurance Portability and Accountability Act

The 1996 Health Insurance Portability and Accountability Act (HIPAA)—also federal legislation—may provide additional COBRA related rights. It may allow workers with COBRA benefits to purchase private individual policies with no pre-existing condition exclusions after 18 months of COBRA coverage. Check with your employer regarding both COBRA coverage and the HIPAA rights.

2. Continuing under Illinois law

Under Illinois legislation, health insurance continuation is not limited to a specific number of months. Previously, we thought that the right to insurance coverage ended when you became eligible for Medicare; however, the Illinois Department of Insurance issued an opinion that the right to health insurance continuation under Illinois law does not end with Medicare eligibility.

The Department also indicates that your employer *may reduce* the insurance benefits for retired employees who are eligible for Medicare, however it is unclear as to what those reductions might be.

If you wish to continue your health insurance under Illinois law after you become eligible for Medicare, we advise you to contact the Illinois Department of Insurance, Consumer Service Division (phone numbers are located on the opposite page), your health insurance provider or consultant, or your attorney for further clarification on this.

If you have not retired using COBRA, you cannot choose COBRA coverage after retirement.

Rule of thumb

Often, a simple rule of thumb can be used in choosing health insurance continuation:

If your actual age is less than 63-1/2 when you retire, (more than 18 months away from age 65), you may wish to continue your health insurance under Illinois legislation, as you will not be limited to 18 months of coverage.

If your actual age is 63-1/2 or older and your spouse is younger than you when you retire, health insurance continuation under COBRA may be more desirable. Under COBRA, your spouse has the option of extending the health insurance for 18 additional months after your coverage ends at age 65.

Automatic premium deduction

If you choose to continue your health care coverage through your employer after retirement, IMRF offers you the convenience of having your premium costs deducted directly from your monthly benefit payments.

Individual answers

Health insurance continuation coverage is a complex subject. The right answer for you may not be the right answer for someone else. Regardless of your situation you should be aware of which legislation—federal or state—you plan to use to continue your health insurance in retirement.

Illinois Department of Insurance Phone Numbers:

FOR QUESTIONS ABOUT	CALL
Continuing under Illinois law after becoming Medicare eligible (Consumer Service Division)	217-782-4515 or 866-445-5364
Health Insurance and HMO (Office of Consumer Health Insurance)	877-527-9431
Medicare Beneficiaries and Caregivers (Senior Health Insurance Program)	800-548-9034
All other questions (Consumer Assistance hotline)	866-445-5364

Or visit the Illinois Department of Insurance Website at:
www.ins.state.il.us

Reciprocal Pensions

Do you have pension credits with other Illinois public pension systems? Under the Reciprocal Act, those credits could provide you with greater retirement income.

The Reciprocal Act is designed to continue and preserve a public employee's pension credit when that employee moves from one Illinois public retirement system to another.

If you have service credit from any of the 13 systems covered under the Reciprocal Act (see pages 44 through 47), that service can be combined to determine your future pension.

Service requirements

Although you don't have to vest in any *one* system to take advantage of reciprocal pensions, you must meet certain service requirements.

You must have at least one year of service in the system. Your combined service credit must also meet the longest minimum vesting requirement of the systems involved.

For example, let's say you have four years of service credit with IMRF, four years in State Teachers Retirement System and two years in State Employees Retirement System, and you want to begin your pension at age 60.

At age 60, IMRF and State Employees require eight years of service credit; State Teachers requires 10 years. You don't have enough service credit to retire *individually* under any one of the systems.

If you chose to retire under the Reciprocal Act, your combined years of service credit are sufficient to meet the longest minimum vesting requirement of 10 years (State Teachers). By meeting the longest vesting requirement, you also meet the vesting requirements for the other systems. You are eligible for a reciprocal pension from each system.

Here's another example: you retire from IMRF with 20 years of actual service credit, actual age 50. You purchase five years of age and service credit under ERI. Your enhanced age is 55 and enhanced service credit is 25 years. If you had service with TRS, you would have to wait until your actual age is 55 before you could receive a pension from TRS.

The next page shows the difference between a pension calculated with and without reciprocity.

Please note: You are NOT eligible to receive a pension from a reciprocal system unless you meet its AGE requirements WITHOUT the IMRF ERI age/service enhancements.

Apply separately

The best way to apply for a “reciprocal” pension is to apply with all of your reciprocal systems at the same time.

You need to submit separate pension applications with each system you participated in. Most importantly, be sure to tell each system that you are applying for a reciprocal pension

Each system will calculate a pension based on its formula and the years of service you had with it. However, each system’s formula is used with your highest rate of earnings, regardless of which system recorded the earnings. You would receive a proportional pension from each system.

The same is true if you are vested with one or more systems and have service credit with other systems. If desired, you can retire under the Reciprocal Act. With all service credit combined, you receive a proportional pension from each system.

If you plan to retire under the Reciprocal Act, you should contact the systems and verify your earnings and service credit *before* you submit your retirement application.

The example below assumes the member has 12 years of service credit with System A, then 20 years with an IMRF employer.

Pension amounts calculated separately

Each pension is based upon the final average earnings of each system and step rates for each system start with year one.

System A - 12 years of service credit
\$800 final average monthly earnings

System A has a step rate formula of 1.67% for each of the first 10 years and 1.9% for each of the next 10 years.

$$\begin{aligned} 10 \text{ years} \times 1.67\% &= 16.70\% \\ 2 \text{ years} \times 1.90\% &= 3.80\% \\ &20.50\% \\ 20.50\% \times \$800 &= \$164 \text{ per month} \end{aligned}$$

Your IMRF - 20 years of service credit
\$1,200 final final average monthly earnings

IMRF has a step rate formula of 1.67% for each year of the first 15 years and 2% for each year over 15.

$$\begin{aligned} 15 \text{ years} \times 1.67\% &= 25.05\% \\ 5 \text{ years} \times 2.0\% &= 10.00\% \\ &35.05\% \\ 35.05\% \times \$1200 &= \$420 \text{ per month} \end{aligned}$$

Without Reciprocity:

Total monthly payment from System A and IMRF: \$584.00.

Pension amounts Calculated under Reciprocity

Both pensions are based on the highest final average earnings of the last system and the step rates would be computed on the basis of the combined service as follows:

System A - Service years 1 through 12
Uses \$1,200 (IMRF) average monthly earnings

System A still uses their step rate formula of 1.67% for each of the first 10 years and 1.9% for each of the next 10 years.

$$\begin{aligned} 10 \text{ years} \times 1.67\% &= 16.70\% \\ 2 \text{ years} \times 1.9\% &= 3.80\% \\ &20.50\% \\ 20.50\% \times \$1200 &= \$246 \text{ per month} \end{aligned}$$

Your IMRF - Service years 13 through 32
\$1,200 final final average monthly earnings

IMRF still uses its step rate formula. Note how the step rates used under IMRF reflect the greater service.

$$\begin{aligned} 3 \text{ years} \times 1.67\% &= 5.00\% \\ 17 \text{ years} \times 2.0\% &= 34.00\% \\ &39.00\% \\ 39.00\% \times \$1200 &= \$468.00 \text{ per month} \end{aligned}$$

With Reciprocity:

Total monthly payment from System A and IMRF: \$714.00, \$130 more than available individually from each system.

Illinois Reciprocal Systems

Local police and fire pension funds are not covered by the Retirement Systems' Reciprocal Act. Reciprocity does not exist between police and fire pension funds and IMRF.

10 years, age 50 (reduced)
10 years, age 60

County Employees' Annuity & Benefit Fund of Cook County
33 North Dearborn Street
Room 1100
Chicago, Illinois 60602
Phone No. 312-578-2275
FAX No. 312-578-2281

10 years, age 50 (reduced)
10 years, age 60

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
33 North Dearborn Street
Room 1100
Chicago, Illinois 60602
Phone No. 312-578-2275
FAX No. 312-578-2281

8 years, age 55
4 years, age 62

General Assembly Retirement System
2101 South Veterans Parkway
P. O. Box 19255
Springfield, Illinois 62794-9255
Phone No. 217-782-8500
FAX No. 217-785-7019

10 years, age 55 (reduced)
10 years, age 60
6 years, age 62
28 years, age 55

Judges' Retirement System
2101 South Veterans Parkway
P. O. Box 19255
Springfield, Illinois 62794-9255
Phone No. 217-782-8500
FAX No. 217-785-7019

Normal and Early Service/Age Requirements	Name, address, and phone
10 years, age 55 (money purchase) 10 years, age 60 20 years, age 55 (reduced) 25 years, age 55 30 years, age 50	Laborers' Annuity and Benefit Fund 221 North LaSalle Street - Room 748 Chicago, Illinois 60601 Phone No. 312-236-2065 FAX No. 312-236-0574
10 years, age 50 or age 55 (reduced) 30 years, age 50 or 55 5 years, age 60	Metropolitan Water Reclamation District Retirement Fund (Formerly Sanitary District Employees' and Trustees' Annuity and Benefit Fund of Chicago) Suite 330 111 East Erie Street Chicago, Illinois 60611 Phone No. 312-751-3222 FAX No. 312-751-5699
10 years, age 55 (money purchase) 10 years, age 60 20 years, age 55 (reduced) 25 years, age 55 30 years, age 50	Municipal Employees' Annuity and Benefit Fund of Chicago 221 North LaSalle Street Room 500 Chicago, Illinois 60601 Phone No. 312-236-4700 FAX No. 312-236-2383
4 years, age 60 10 years, age 50 (reduced) 20 years, age 50 (money purchase) 30 years, age 50 fixed benefit	Park Employees' Annuity and Benefit Fund 55 E. Monroe St. Suite 2880 Chicago, Illinois 60603 Phone No. 312-553-9265 FAX No. 312-553-9114

20 years, age 55 (reduced)
20 years, age 60
5 years, age 62
35 years, age 55

**Public School Teachers' Pension
and Retirement Fund of Chicago**
55 West Wacker Drive
13th Floor
Chicago, Illinois 60601
Phone No. 312-641-4464
FAX No. 312-641-7184

35 years, any age
30 years, age 55 (reduced)
8 years, age 60

**State Employees' Retirement
System**
2101 South Veterans Parkway
P. O. Box 19255
Springfield, Illinois 62794-9255
Phone No. 217-785-7444
FAX No. 217-524-2293

SERS Chicago Office:
State of Illinois Center - Suite 200
100 West Randolph Street
Chicago, Illinois 60601
Phone No. 312-814-5853
FAX No. 312-814-5805

20 years, age 55 (reduced)
10 years, age 60
5 years, age 62
less than 5 years, age 65
lump sum payment only

State Teachers' Retirement System
2815 W. Washington Street
P. O. Box 19253
Springfield, Illinois 62792-9253
Phone No. 1-800-877-7896
FAX No. 217-753-0394

TRS Lisle Office:
4200 Commerce Ct.
Suite 100
Lisle, Illinois 60532-3611
Phone No. 630-505-0071
FAX No. 630-505-9607

**Normal and Early
Service/Age Requirements****Name, address, and phone**

Normal and Early Service/Age Requirements	Name, address, and phone
8 years, age 55 reduced	State Universities Retirement System
8 years, age 60,	1901 Fox Drive
5 yrs., age 62	P.O. Box 2710
34 yrs. any age 1/1/98*	Champaign, Illinois 61825-2710
33 yrs. any age 1/1/99*	Phone No. 217-275-7877
32 yrs. any age 1/1/00*	FAX No. 217-378-9800
31 yrs. any age 1/1/01*	
30 yrs. any age 1/1/02*	
35 yrs. any age 1/1/03 & after*	

*If member was active on 7/7/97

The IMRF office is located in Oak Brook:
Illinois Municipal Retirement Fund
2211 York Road, Suite 500
Oak Brook, Illinois 60523-2337

If you have any comments or questions, please call an IMRF Service Representative at 1-800-ASK IMRF (1-800-275-4673). Service Representatives are available Monday through Friday, 7:30 A.M. to 5:30 P.M. Central Time.

IMRF's Springfield Regional Counseling Center is located at:
3000 Professional Drive, Suite 101
Springfield, IL 62703

Members and employers should however continue to mail all correspondence, forms, payments, etc. to the Oak Brook office.

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Inside back cover

Illinois Municipal Retirement Fund

Oak Brook Office
2211 York Road
Suite 500
Oak Brook, IL 60523-2337

Springfield Regional Counseling Center
3000 Professional Drive
Suite 101
Springfield, IL 62703

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IMRF Member Service Representatives

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www.imrf.org