



5 - Member Benefits / Health Insurance Continuation

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Sample Forms

Exhibits

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5P	3.01	Change Account for Electronic Payments from IMRF
5Q		Tier 1/Tier 2 Comparison Chart for IMRF Regular Plan and Tier 1/Tier 2 Comparison Chart for IMRF SLEP Plan
5R		Return to Work and Effect on Tier 1 and Tier 2 Members Chart
5S		Public Act 98-0389 Return-to-Work Rules Chart

Benefits

5.00 Introduction

This section explains the IMRF benefits available to members and their beneficiaries, the procedures for filing claims for benefits and the methods of payment. We also discuss income tax treatment, which is intended for information as to our opinion and not as tax counseling for any individual member or employer.

Checklists for Authorized Agents

IMRF also developed procedure checklists to assist Authorized Agents by providing a record of a member's application process for IMRF benefits as well as for a member's enrollment and termination process. Refer to the forms chart in the front of this manual.

Tier 1, Tier 2 Comparison

A side-by-side comparison chart of Tier 1 and Tier 2 provides you with another view of the two tiers for both the IMRF Regular Plan and the IMRF SLEP Plan. See Exhibit 5Q for the comparison charts.

Find the Right Form

Sample claim forms are included as exhibits at the end of this section.

Benefits Information for Members

A member can view estimates of his or her IMRF benefits via Member Access area of IMRF's website, www.imrf.org/myimrf. See 1.80 B. IMRF Website.

IMRF also developed checklists for members: a Retirement Checklist and a Disability Benefits Checklist, which are available on the IMRF website, www.imrf.org.

5.10 Separation Refund of Member's IMRF Contributions

For information on Voluntary Additional contributions, refer to Paragraph 6.20C

5.10 A. Eligibility for Separation Refund

Members eligible to receive a separation refund when they stop working for their IMRF employer include:

1. Regular plan members Tier 1
 - a. Members under age 55, irrespective of length of service.
 - b. Members with less than 8 years of service, irrespective of age.
 - c. Members, age 55 or over, who are eligible for a pension of less than \$100 a month.
2. Regular plan members Tier 2
 - a. Members under age 62, irrespective of length of service
 - b. Members with less than 10 years of Regular Tier 2 service, irrespective of age
 - c. Members, age 62 or over, who are eligible for a pension of less than \$100 a month.
3. SLEP plan members Tier 1
 - a. Members under age 50, irrespective of length of service. However, such members will forfeit the right to a future SLEP pension if they have at least 20 years of SLEP service, or a Regular plan pension if they have at least eight years of SLEP and/or Regular plan service.
 - b. Members age 50 but under age 55 with less than 20 years of SLEP service.
 - c. Members age 55 or older who have less than eight years of SLEP and/or Regular plan service or who are eligible for a pension of less than \$100 per month.
4. SLEP plan members Tier 2

- a. Members under age 50, irrespective of length of service. However, such members will forfeit the right to a future SLEP pension if they have at least 10 years of service.
 - b. Members of any age with less than 10 years of service.
5. To be eligible for a refund, the member must terminate **employment** as well as IMRF participation.
6. The member is **not** eligible for a refund if he or she will continue working for **the same unit of government** in a position that is not eligible for IMRF or in a position that will participate in a reciprocal or local police or fire fund.

For example, if a member works for a school district as a teacher's aide and accepts a licensed teaching position with the same school district, the member is not eligible for a separation refund.

7. A member who is immediately eligible for a pension of \$100 or more (even if it is reduced because of age) cannot receive a refund of IMRF member contributions in lieu of a pension unless the member rolls the refund over into another defined benefit retirement plan to purchase qualifying service credit.
8. A member who transfers from one IMRF employer to another and continues as an IMRF participant is not eligible for a separation refund.

However, if a gap exists between the termination date for the first employer and the enrollment date for the second employer, and the member's refund application is received by IMRF during that gap, the member may be eligible for a refund.

A member working for two IMRF employers concurrently must terminate from both to be eligible for a separation refund.

5.10 B. Amount of Separation Refund

The separation refund consists of IMRF member contributions less any benefit prepayment. No interest is paid with a separation refund, nor are the IMRF employer contributions refunded to the member. However, if the member purchased service, e.g., paid back a refund, purchased military service, etc., and the member's payment(s) included interest, the separation refund will include the "member-paid" interest.

A member can view an estimate of his or her IMRF Separation Refund via the secure Member Access area of IMRF's website, www.imrf.org. See 1.80 B. IMRF Website.

5.10 C. Application for Separation Refund

The member should fill out IMRF Form 5.10, "Application for Separation Refund," (Exhibit 5A) and send it to IMRF after the member has terminated employment. Members can also apply for a refund via Member Access.

The Authorized Agent should file the member's termination via Employer Access "Terminate IMRF Participation" function. (Employers with Internet access are required to submit member terminations via Employer Access. Employers without Internet access may continue to use paper Form 6.41, "Notice of Termination of IMRF Participation").

See 6.30 To Close an Account for more detail. The termination notice should be sent to IMRF promptly.

5.10 D. Payment of Separation Refund

IMRF will pay the separation refund after receiving IMRF Form 5.10, "Application for Separation Refund," (Member Access refund application or Form 5.10) and the Notice of Termination of IMRF Participation (Employer Access termination or Form 6.41, "Notice of Termination of IMRF Participation"). (Employers with Internet access are required to submit member terminations via Online Termination in Employer Access. Employers without Internet access may continue to use paper Form 6.41.) Payment of all of the member's contributions on deposit at that time is normally made within two to three weeks after this information is received.

If the member is vested for a pension, an estimate of the monthly pension he or she will forfeit by accepting the refund will be printed on the refund check. The member can reinstate the service credit by returning the uncashed check to IMRF along with a letter requesting the reinstatement. After IMRF receives the employer's "Monthly Report of IMRF Member Earnings and Contributions" (Web wage report or Form 3.11) listing the member's last earnings and contributions, the member will be paid a subsequent refund.

5.10 E. Members are Not Required to Withdraw IMRF Contributions

A member is not required to withdraw his or her IMRF contributions upon separation from employment (termination of IMRF participation).

A Tier 1 member with eight or more years of any service (Regular and/or SLEP) may receive a pension at age 55 or thereafter. A Regular Plan Tier 2 member with 10 or more years of service may receive a pension at age 62 or thereafter.

A SLEP Tier 1 member with 20 or more years of SLEP service may receive a SLEP pension at age 50 or thereafter. A SLEP Tier 2 member with 10 or more years of SLEP service may receive a SLEP pension at age 50 or thereafter.

A Tier 1 member with less than eight years or a Tier 2 member with less than 10 years of service may earn a pension by earning future service under IMRF or with another Illinois public pension system under the Reciprocal Act (see 5.50 Reciprocity).

5.10 F. Income Taxes on Refund of IMRF Member Contributions

1. Illinois Income Tax (Illinois Residents only)

The Illinois Income Tax Act exempts IMRF separation refunds from Illinois income tax. Because the federally taxable portion of the separation refund is included in federal adjusted gross income, the federally taxable portion will also be entered on Line 1 of the Illinois IL-1040.

In order to claim the exemption on Illinois Income Tax Return, IL-1040, it is necessary to follow the specific instructions provided with the IL-1040 concerning subtractions to arrive at Illinois taxable income.

2. Federal Income Tax

a. Previously Taxed Member Contributions

All IMRF member contributions prior to 1982 were paid by the member who was taxed on the amount. After January 1982, IMRF member contributions continued to be member paid "after tax" contributions, unless the employer had adopted a 414(h) tax deferral plan (Paragraph 4.16). Effective July 1, 1984, all IMRF member contributions have been made under a 414(h) tax deferral plan.

Refunds of IMRF member contributions which were made before a 414(h) plan was in effect are not subject to federal income tax because they have already been taxed.

b. 414(h) Tax Deferred Member Contributions

Under the 414(h) plan (Paragraph 4.16), member contributions are not subject to federal income tax when withheld and reported to IMRF. The refund is taxable in the year paid as explained in paragraph (c) below.

c. Tax Withholding and Reporting

IMRF is required by federal law to withhold 20% of the taxable portion of a separation refund. The member can avoid the 20% withholding by having the taxable portion directly rolled over to a traditional IRA, Roth IRA, or other qualified retirement plan, or a 457 or 403(b) plan. A rollover to a Roth IRA will be taxable but not subject to any additional taxes.

IMRF issues Internal Revenue Service Form 1099-R reporting the amount of the taxable refund and the amount withheld or the amount directly rolled over. The member is mailed a copy in January of the year following the year of payment and a copy is filed with the Internal Revenue Service.

d. Direct Rollovers

At the member's request, IMRF will roll over all or any portion of the taxable separation refund directly to a traditional IRA, Roth IRA, or other qualified retirement plan, or 457 or 403(b) plan. A rollover to a Roth IRA will be taxable but not subject to any additional taxes.

The refund will be mailed to the member, but the check will be made payable to the custodian of the account or plan. No withholding is taken from the portion of the refund directly rolled over.

The non-taxable portion of the refund may be rolled over to a traditional IRA or another qualified retirement plan that accepts such rollovers, provided the receiving financial institution agrees to separate accounting.

Also, a member who does not ask for a direct rollover of a separation refund may decide to roll it over into a traditional IRA, Roth IRA, a qualified pension plan, a 457 or 403(b) plan, as provided by Section 402(c) of the Internal Revenue Code. A rollover to a Roth IRA will be taxable but not subject to any additional taxes.

e. Taxes on Lump Sum Distributions

Note: Regular Tier 1 members who are age 55 or older with eight or more years of service or Regular Tier 2 members who are age 62 or older with 10 or more years of service are not eligible for a refund if they have earned a monthly pension of \$100 a month or more unless the member rolls the refund over into another defined benefit retirement plan to purchase qualifying service credit.

The age of a member as well as the length of the member's IMRF service can affect the income tax status of the taxable portion of the refund. The categories are:

A. Under age 55 when employment with IMRF employer terminated

The part of the refund representing 414(h) tax deferral plan contributions is taxable at the member's tax rate plus an additional 10% tax on the taxable amount. (Unless the member is age 59-1/2 or more in the year the refund is paid.) The additional 10% tax applies, even though the member may not have sufficient income to be liable for income tax. The member may defer the tax and avoid the additional 10% tax by a rollover into a traditional IRA or qualified pension plan, or 457 or 403(b) plan.

B. Age 55 or more (50 or older if a public safety officer) when employment with IMRF employer terminated or age 59-1/2 at time of refund

The part of the refund representing 414(h) tax deferral plan contributions is taxable at the member's tax rate. The additional 10% tax is not applicable. The member may defer the tax by a rollover of the taxable amount into a traditional IRA or qualified pension plan, or 457 or 403(b) plan.

C. Special Tax Treatment available to members born before January 1, 1936 and participating in IMRF for five or more years prior to the year the refund is paid

The part of the refund representing 414(h) tax deferral plan contributions is taxable income. It is taxed at the member's regular rate. The member may defer the tax by rolling over the taxable amount into a traditional IRA or qualified pension plan, or 457 or 403(b) plan. Alternatively, the member may report the taxable portion under 10-year averaging at 1986 tax rates.

5.20 Retirement Pensions

IMRF has developed a Retirement Application Checklist to assist Authorized Agents with a member's application for an IMRF pension. Refer to the IMRF Forms Chart in the front of this manual.

IMRF has also developed a Member Retirement Checklist to assist members in the retirement application process.

5.20 A. Eligibility for an IMRF Retirement Pension

(For information on IMRF's Early Retirement Incentive (ERI) refer to paragraph 5.20 C. IMRF Early Retirement Incentive [ERI].)

1. Under the Regular Plan Tier 1

- a. Age - Member must be at least 55 years old. (Under current federal tax law and the Illinois Pension Code, IMRF is required to begin a member's pension once the member reaches age 72 if the member is no longer working for an IMRF employer or participating in a reciprocal retirement system.)
- b. Service - Member must have at least 8 years of service. (A member with less than 8 years may be eligible if he or she has reciprocal service. Refer to 5.50 Reciprocity.)
- c. Employment status - Member must not be working in any position qualifying for IMRF coverage. For terminations on or after January 1, 2021, the member must not be working for any IMRF employer in any capacity, including part-time or independent contractor work. Members also may not prearrange a return to employment with an IMRF employer.
- d. Employment status of elected officials - Member may be working as an elected official if he or she has not earned service credit for that elected office and has chosen not to participate in IMRF with respect to that elected office.

2. Under the Regular Plan Tier 2

- a. Age - Member must be at least 62 years old. (Under current federal tax law and the Illinois Pension Code, IMRF is required to begin a member's pension once the member reaches age 72 if the member is no longer working for an IMRF employer or participating in a reciprocal retirement system.)
- b. Service - Member must have at least 10 years of service. (A member with less than 10 years may be eligible if he or she has reciprocal service. Refer to 5.50 Reciprocity.)
- c. Employment status - Member must not be working in any position qualifying for coverage in IMRF or hold any full-time employment covered by any other pension system established by the Illinois Pension Code. For terminations on or after January 1, 2021, the member must not be working for any IMRF employer in any capacity, including part-time or independent contractor work. Members also may not prearrange a return to employment with an IMRF employer.
- d. Employment status of elected officials - Member may be working as an elected official if he or she has not earned service credit for that elected office and has chosen not to participate in IMRF with respect to that elected office.

3. Under the SLEP Plan Tier 1

- a. Age - Member must be at least 50 years old.
- b. Service - Member must have at least 20 years of SLEP service. SLEP service is total service as a county sheriff, full-time deputy sheriff or forest preserve ranger, or certain service as a police chief or other qualified SLEP position. (See Section 3.10 for a complete listing of qualified SLEP positions.) SLEP service with more than one SLEP employer is combined.

If a SLEP member retires with:

- Less than 20 years' SLEP service credit, but eight or more years of SLEP and/or Regular service credit, the service will be combined to determine a Regular plan pension at age 55.

The member's SLEP contributions will be refunded with interest. (Certain SLEP members

can convert up to 10 years of Regular plan service to SLEP. Refer to paragraph 6.40.12., Past Service Credits/Member Account Corrections, Conversion of Regular Service to SLEP Service)

- 20 or more years' SLEP service credit plus other periods of non-SLEP service credit under IMRF, he or she will receive a Regular plan pension in addition to a SLEP pension.
- c. Employment Status - Member must not be working in any position qualifying for IMRF or SLEP coverage. For terminations on or after January 1, 2021, the member must not be working for any IMRF employer in any capacity, including part-time or independent contractor work. Members also may not prearrange a return to employment with an IMRF employer.
- d. Employment Status of Elected Officials - Member may be working as an elected official but has not earned service credit for that elected office and has not elected to participate in IMRF with respect to that elected office.

4. Under the SLEP Plan Tier 2

- a. Age - Member must be at least 50 years old. If the member retires between age 50 and 55, the pension will be reduced by 1/2% for each month he/she is under age 55.
- b. Service - Member must have at least 10 years of SLEP Tier 2 service. SLEP service is total service as a county sheriff, full-time deputy sheriff or forest preserve ranger, or certain service as a police chief or other qualified SLEP position. (See Section 3.10 for a complete listing of qualified SLEP positions.) SLEP service with more than one SLEP employer is combined.

If a SLEP member retires with:

SLEP Tier 2 service plus other IMRF service

- 10 or more years of SLEP Tier 2 service credit plus other Regular service, the member will receive a SLEP Tier 2 pension plus a Regular plan pension.
- Less than 10 years of SLEP Tier 2 service credit but have other Regular service:
 - i. Regular Tier 1 and SLEP Tier 2
Eight or more years of total service, the service will be combined to determine a Regular Tier 1 pension. The member's SLEP contributions will be refunded with interest.
 - ii. Regular Tier 2 and SLEP Tier 2
10 or more years of total service, the service will be combined to determine a Regular Tier 2 pension. The member's SLEP contributions will be refunded with interest.

Certain SLEP members can convert up to 10 years of Regular plan service to SLEP. Refer to paragraph 6.40.12., Past Service Credits/Member Account Corrections, Conversion of Regular Service to SLEP Service.

Note: Members who joined the SLEP plan on or after August 8, 2011 are not eligible to upgrade Regular service credit to SLEP.

- c. Employment Status - Member must not be working in any position qualifying for IMRF or SLEP coverage. For terminations on or after January 1, 2021, the member must not be working for any IMRF employer in any capacity, including part-time or independent contractor work. Members also may not prearrange a return to employment with an IMRF employer.
- d. Employment Status of Elected Officials - Member may be working as an elected official but has not earned service credit for that elected office and has not elected to participate in IMRF with respect to that elected office.

Felony conviction

If an IMRF member is convicted of a felony in connection with his or her IMRF employment, the member is not eligible for an IMRF pension.

If a retired IMRF member receiving an IMRF pension is convicted of a felony in connection with his or her IMRF employment, the pension is terminated. The member may apply for a refund of his/her member contributions.

5.20 B. Amount of IMRF Retirement Benefits**1. Regular Plan Pension**

- a. Calculation of a Regular plan pension (Tier 1 and Tier 2)

A Regular plan pension is based on the member's length of service and final monthly rate of earnings (FRE). All service is considered in calculating a pension, including partial years.

Under Tier 1, the final monthly rate of earnings is the sum of the highest total earnings during any 48 consecutive months within the last 10 years of service divided by 48.

Under Tier 2, the final monthly rate of earnings is the sum of the highest total earnings (under the wage cap) during any 96 consecutive months within the last 10 years of service divided by 96.

Those 48 or 96 months (as appropriate) can include the month after the last day of work, if a member receives his or her final paycheck in that month. In that case, the member could still receive an IMRF monthly pension for that month.

Note that there are limitations on earnings depending on the member's first date of participation (not based on Tier). In all cases, the following limitations should be applied before determining which months will be used for the FRE period.

For those members who began participation before January 1, 2012, the earnings in each of the last three months of the FRE period are limited to no more than a 25% increase over the highest of the other 45 months (93 months for Tier 2 members) in the final rate period.

For members who began participation on or after January 1, 2012, the earnings in each of the last 24 months of the FRE period are limited to no more than a 25% increase over the highest month of the other 72 months in the FRE period.

Alternative FRE Formula: "Lifetime FRE"

The Illinois Pension Code provides for an alternative FRE formula when a member has higher earnings at the beginning of his or her career. This FRE is known as a "Lifetime FRE." This FRE averages all of a member's earnings reported by all of his or her employer(s) over the member's entire career.

When a member retires, IMRF calculates the FRE using both methods and uses the FRE that provides the member with the larger pension.

- b. Regular Plan Pension Calculation Illustration

The formula for computing a Regular plan monthly pension (Tier 1 and Tier 2) is as follows:

	First 15 years of service:	$1\text{-}2\text{/}3\%$ x years of service x final monthly rate of earnings
plus	Service over 15 years:	2% x years of service x final monthly rate of earnings

For example:

8 years of service	13% of final rate of earnings
10 years of service	17% of final rate of earnings
15 years of service	25% of final rate of earnings
20 years of service	35% of final rate of earnings
25 years of service	45% of final rate of earnings

Note: the total pension at retirement (including any portion attributable to converted sick leave) cannot exceed 75% of the member's final rate of earnings (reached after earning 40 years of service).

Example:

A Tier 1 member retires at age 60 with 20 years of service and final monthly rate of earnings of \$2,000. The pension calculation is as follows:

First 15 years of service:	$1\frac{2}{3}\% \times 15 \times \$2,000 =$	\$500
+ Service over 15 years:	$2\% \times 5 \times \$2,000 =$	<u>\$200</u>
Total monthly pension		\$700

The above example assumes the member retired under IMRF's standard payout plan.

Note: members retiring under Tier 2 must be at least age 62; normal retirement age is 67.

2. SLEP Plan Pension**a. Calculation of a SLEP pension (Tier 1 and Tier 2)**

A Tier 1 SLEP plan pension is based on the member's length of SLEP service and final rate of earnings. The final rate of earnings is the highest total earnings during any 48 consecutive months within the last 10 years of service divided by 48.

A Tier 2 SLEP plan pension is based on the member's length of SLEP service and final rate of earnings. The final rate of earnings is the highest total earnings under the wage cap during any 96 consecutive months within the last 10 years of service divided by 96.

Those 48 or 96 months (as appropriate) can include the month after the member's last day of work, if the member receives his or her final paycheck in that month. In that case, the member could still receive a SLEP pension for that month.

SLEP Tier 1 members are subject to an earnings limitation on their FRE period. For Tier 1 members, the earnings in each of the last three months of the FRE period are limited to no more than a 25% increase over the highest of the other 45 months in the final rate period. This limitation should be applied before determining which months will be used for the FRE period. This limitation does not apply to SLEP Tier 2 members.

b. SLEP pension calculation illustration

For SLEP pensions for members who terminate service on or after July 1, 2006, the formula for computing a SLEP monthly pension is 2.50% of the final rate of earnings for each year of SLEP service credit. The total pension at retirement cannot exceed 80 percent (75 % for SLEP Tier 2) of the final rate of earnings.

For example:

20 years of service	50% of final rate of earnings
25 years of service	62.5% of final rate of earnings

30 years of service

75% of final rate of earnings

The total pension at retirement cannot exceed 80% of the member's final rate of earnings (reached after earning 32 years of SLEP service) for SLEP Tier 1. SLEP Tier 2 maximum pension is 75% of the member's final rate of earnings (after 30 years of service).

Example: A SLEP Tier 1 member who retires at age 50 with 27 years of service and average monthly earnings of \$5,000 will receive a pension of \$3,375 a month. The pension calculation is as follows:

27 years of service:	$2.5\% \times 27 = 67.5\%$	$67.5\% \times \$5,000 =$	\$3,375
Total monthly pension			\$3,375

Note: SLEP Tier 2 pensions are reduced $\frac{1}{2}\%$ for each month a member is under age 55 at retirement.

If a member with 20 or more years of SLEP service has other periods of non-SLEP service under IMRF, the member will receive a pension under the SLEP formula plus a pension under the Regular plan formula for the non-SLEP service.

For SLEP pensions for members who terminated service before July 1, 2006, the formula for computing a SLEP pension is 50% of the final rate of earnings for the first 20 years of service credit, plus 2% of the final rate of earnings for each year of service credit over 20 and under 30 years, plus 1% of the final rate of earnings for each year of service credit over 30 years. The total pension at retirement cannot exceed 75 percent of the final rate of earnings.

3. Pension Payment Plans

When a member retires, his or her initial pension payments are always based on IMRF's standard (straight life) plan. However, the member may be eligible for other payment options.

Standard (straight life) Payout

Under the standard payout, a member receives the same pension amount every month after he or she retires for the rest of his or her life, regardless of how long he or she lives. (Retired members also receive an annual non-compounded increase. See 5.20 B. 10. Pension Increases After Retirement).

Optional Payout

If a member is less than 62 years of age on the effective date of his or her pension, the member can elect to receive the pension under an optional payout. (The optional payout is not available to members retiring under the Regular Plan Tier 2. The earliest retirement age under Regular Plan Tier 2 is 62.)

Under the optional payout, the member would receive a larger pension until age 62 and a reduced pension thereafter.

With the addition of a Social Security pension at age 62, or later, this enables the member to achieve a more level retirement income.

Note: To determine the amount of a member's optional pension, IMRF uses a table of estimated Social Security benefits. This table includes general assumptions about the average person's work record.

IMRF will advise members under age 62 at retirement of the amounts payable under the Standard plan and under the optional payout. The calculations of the optional payout vary and can be computed on an individual basis only.

Alternate pension formulas, that is, money purchase and reversionary annuities, are discussed in paragraph 15 in this section.

4. Total Pension Payout

If we assume the Tier 1 member from the example above retired on December 31, 2009, he would be entitled to receive a Regular Tier 1 pension of \$700 per month for life effective January 1, 2010.

On average, a male IMRF member retiring at age 60 would be expected to live another 18 years. If his wife were age 59, she would be expected to live 10 years longer than her husband

The following table illustrates the total payout for the above example:

	Original Year	Monthly Pension	Monthly Pension With Increase*	Annual Payout
1	2012	700.00	700.00	8,400.00
2	2013	700.00	721.00	8,652.00
3	2014	700.00	742.00	8,904.00
4	2015	700.00	763.00	9,156.00
5	2016	700.00	784.00	9,408.00
6	2017	700.00	805.00	9,660.00
7	2018	700.00	826.00	9,912.00
8	2019	700.00	847.00	10,164.00
9	2020	700.00	868.00	10,416.00
10	2021	700.00	889.00	10,668.00
11	2022	700.00	910.00	10,920.00
12	2023	700.00	931.00	11,172.00
13	2024	700.00	952.00	11,424.00
14	2025	700.00	973.00	11,676.00
15	2026	700.00	994.00	11,928.00
16	2027	700.00	1,015.00	12,180.00
17	2028	700.00	1,036.00	12,432.00
18	2029	700.00	1,057.00	12,684.00
Total Pension Payout				\$ 189,756.00
Single Sum Payment				\$ 3,000.00
**Surviving Spouse pension of \$528.50 Per month for 10 years with an annual increase of \$15.86				\$ 71,984.40
Total Cash Payout				\$ 264,740.40

Please note: The total cash payout shown above does not include the supplemental retirement benefit (13th payment). The supplemental retirement benefit is paid in addition to the pension and surviving spouse pension amounts.

*Under Tier 1, the annual increase is 3% of the original amount and is paid each January 1. Under Tier 2, the annual increase is the lower of 3% of the original pension amount or one-half of the increase in the Consumer Price Index (urban) for the preceding year as of September. The increase not paid until the later of age 67 or after one year of receiving a pension.

****Under Tier 1, the Surviving Spouse monthly pension equals 50% of member's monthly Standard pension at time of death. Under Tier 2, the Surviving Spouse monthly pension equals 66-2/3% of member's monthly pension at time of death.**

5. Unused and Unpaid Sick Leave Service Credit

Retiring IMRF members may qualify for a maximum of one year of additional pension service credit for unpaid, unused sick leave accumulated with their last employer. The effective date of the member's pension must be within 60 days of the member's termination date. In cases where an employee is in service with more than one IMRF employer and then terminates with those employers within 60 days of the employee's retirement date, then only the sick leave days with the employer with which the employee has the greatest number of unpaid sick leave days will be used.

One month of service is credited for every 20 days, or fraction thereof, of unpaid, unused sick leave not to exceed 240 days (one year).

The sick leave must have been accumulated under an established sick leave plan available to all employees or a class of employees, and the effective date of the pension must be within 60 days of termination. This additional pension service credit provision applies solely to employees terminating for retirement purposes.

The sick leave plan must provide for the periodic accumulation of sick leave. Sick leave allotted in contemplation of retirement is not acceptable.

Cost to the Employer

There is no immediate cost to the member or the employer for converted sick leave. The cost of this additional service credit (up to one year) is funded through the employer reserve and may be reflected in future employer contribution rates.

School District Employees

Members retiring from a school district may convert unused, unpaid sick leave accumulated with any prior school district employers. The effective date of the member's pension must be within 60 days of the member's termination from a school district. As of August 23, 2019, members who retire from other educational entities, such as special education cooperatives, as defined in 40 ILCS 5/7-132(B)(c), are also eligible to convert unused, unpaid sick leave from prior school districts. Members retiring from either a school district or other educational employer as described above may also convert unused, unpaid sick leave from any prior educational employers. The exception to this is that in order to convert unused, unpaid sick leave from a prior non-school district educational employer, a member must have terminated from that entity on or after August 23, 2019.

Example: Mary Member works for Special Education Cooperative A and participates in IMRF from 2010 to 2017. Mary then works for Special Education Cooperative B and participates in IMRF from 2017 to 2025. Mary then works for a school district from 2025 to 2030. Mary has unused, unpaid sick leave from all three employers. Upon retirement, Mary can only use her sick leave from Special Education Cooperative B and the school district for service credit. She cannot use her sick leave from Special Education Cooperative A because she terminated employment with that entity prior to August 23, 2019.

To report unused, unpaid sick leave, the previous school district or other educational employer as described above may submit a corrected Notice of Termination of Participation via Employer Access.

If the school district does not submit a corrected termination notice, the member may provide IMRF with evidence of the unused sick leave. Acceptable evidence must have originated on or before the date the previous employment ended, e.g., copies of original payroll information or original paycheck stubs showing earned sick leave. IMRF cannot accept recreated documents or letters of certification.

Examples of sick leave plans under which unused, unpaid sick leave may be converted to service credit:

- a. An employer maintains two separate sick leave plans, one for employees of a bargaining unit and one for non-unionized employees.
- b. An employer maintains a plan which allows accumulation of sick leave days up to a maximum of 100 days, and any days over that number may be accumulated only for conversion to service credit.
- c. An employer cashes out accumulated sick leave at the rate of \$25 per day for all days in excess of 100 (under this plan, the first 100 days may be converted to service credit).
- d. An employer cashes out 10% of accumulated sick leave days at the member's own salary rate if the member accumulates 50 days or more, 25% of accumulated days if the member has 100 days or more, 50% of accumulated days if the member has 200 days or more (the remaining uncompensated days may be converted to service credit).
- e. An employer allows terminating employees to convert accrued vacation and/or personal leave to sick leave days.

Employer "gifts" of sick leave not eligible

Under the Illinois Pension Code, an employer may not simply grant sick leave solely to allow a retiring member to convert the sick leave to service credit. Therefore, an employer may not "gift" sick leave to a member if the sick leave was not accumulated in the usual manner, i.e., under a written plan established by the employer and available to all employees or to a class of employees.

For example, an employer has an agreement with a union that it will provide to retiring members an additional 100 days of sick leave to be used solely to enhance their retirement benefit. That sick leave was not accumulated in the usual manner and the member may not convert those days to service credit.

Converted sick leave cannot be used to meet vesting requirements

Please note that converted sick leave service cannot be used to meet the requirements of a minimum of eight years for an IMRF Regular Tier 1 pension, minimum of 10 years for an IMRF Regular Tier 2 pension, the 35 years for a non-discounted Regular Tier 1 pension under age 60, the 35 years for a non-discounted Regular Tier 2 pension under age 67, the 20 years for a SLEP Tier 1 pension, the 10 years for a SLEP Tier 2 pension, or the 20 years for an ERI.

6. Concurrent Service Credit

For a discussion of concurrent service under two or more reciprocal retirement systems, refer to 5.50D Concurrent Reciprocal Service Credit.

a. Concurrent service under the same plan

One type of concurrent service occurs when a member is reported under the same plan by more than one employer for the same month.

Under this type of concurrent service, the member's wages for the month are combined, and, by law, the member is credited with one month of service.

Although the member receives only one month of service credit, the salaries are combined for that month. Therefore, if the concurrent service occurs during the member's final rate of earnings (FRE) period, it can increase the amount of his or her pension.

FRE is one factor used to calculate the amount of an IMRF pension. Under Regular Tier 1, the FRE is the average monthly earnings over the highest consecutive 48 months of earnings within the last 10 years of IMRF service.

Example:

A member is reported under the Regular plan by two school districts for May, June, July, and August. For these 4 months,

	School District A reports Regular plan earnings of	\$1,500
+	School District B reports Regular plan earnings of	<u>\$3,200</u>

Total Regular earnings reported **\$4,700**

The member earns 4 months of Regular IMRF service credit.

b. Concurrent service under **different** plans

When a member is reported under different plans by more than one employer for the same month, the concurrent service is treated as one month of service and the member's wages are recorded separately under each plan for the calculation of benefits.

Example:

A member is reported under the Regular plan by a park district for May, June, July, and August and under SLEP by a county for May, June, July, and August. For these 4 months,

The Park District reports Regular plan earnings of	\$1,500
The County reports SLEP earnings of	<u>\$3,200</u>

The member earns: 4 months of service

- The Regular formula is applied to his Regular earnings
- The SLEP formula is applied to the SLEP earnings

However, if a member is reported concurrently under the Regular plan and SLEP and vests for a SLEP pension, when the pensions are calculated, each concurrent month will be treated as one month of service in two plans. When the member's pension is calculated, the calculation will apply the Regular formula to those months with Regular wages and the SLEP formula to those months with SLEP wages.

7. Under Age 60 Reduction for a Regular Tier 1 pension

If a Tier 1 member retires **between the ages of 55 and 60 with less than 30 years of service credit**, the pension will be reduced by 1/4% for each month the member is under age 60.

If a member retires **between the ages of 55 and 60 with at least 30 but less than 35 years of pension service credit**, the pension will be reduced by the lesser of

- 1/4% for each month the member is under age 60 or
- 1/4% for each month of service less than 35 years.

If the member has **35 or more years** of pension service credit, the full amount of the pension will be paid, even if the member is between the ages of 55 and 60.

If the member retires under ERI, **the IMRF ERI does not alter the existing pension reduction if a member retires before age 60**. This reduction will apply if the member's ERI enhanced age is less than 60. If when the member retires:

- His or her ERI enhanced age is between 55 and 60 and his or her ERI enhanced service is
 - Less than 30 years, the pension will be reduced by 1/4% for each month the members' ERI enhanced age is under 60.
 - At least 30 but less than 35 years, the pension will be reduced by the lesser of
 - 1/4% for each month the ERI enhanced age is less 60 or
 - 1/4% for each month the ERI enhanced service is less than 35 years.
- His or her ERI enhanced age is 60 or his or her ERI enhanced service is 35 years, the full amount of the pension is paid.

If the member's actual age is 55 or greater, he or she can avoid the reduction by purchasing sufficient service to reach an enhanced age of 60 or 35 years of service credit.

If the member's actual age is less than 55, the pension reduction will be calculated using the enhanced age and service credit.

Example:

Actual Age	51 yrs. 4 mo.	Actual Service	22 yrs. 3 mo.
Member purchases	5 yrs. 0 mo.		5 yrs. 0 mo.
ERI age	56 yrs. 4 mo.	ERI service	27 yrs. 3 mo.

Number of Months ERI enhanced age less than 60: 44 months

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

$$\begin{array}{r} \times .25\% \\ \hline 11\% \end{array}$$

The amount of the ERI enhanced pension would be permanently reduced by 11%.
 For details on IMRF's ERI, see 5.20 C. IMRF Early Retirement Incentive (ERI).

8. Under Age 67 Reduction for a Regular Tier 2 pension

If a Tier 2 member retires **between the ages of 62 and 67 with less than 30 years of service credit**, the pension will be reduced by 1/2% for each month the member is under age 67.

If a member retires **between the ages of 62 and 67 with at least 30 but less than 35 years of pension service credit**, the pension will be reduced by the lesser of

- 1/2% for each month the member is under age 67 or
- 1/2% for each month of service less than 35 years.

If the member has **35 or more years** of pension service credit, the full amount of the pension will be paid, even if the member is between the ages of 62 and 67.

If the member retires under ERI, **the IMRF ERI does not alter the existing pension reduction if a member retires before age 67**. This reduction will apply if the member's ERI enhanced age is less than 67. If when the member retires:

- a. His or her ERI enhanced age is between 62 and 67 and his or her ERI enhanced service is
 2. Less than 30 years, the pension will be reduced by 1/2% for each month the members' ERI enhanced age is under 67.

At least 30 but less than 35 years, the pension will be reduced by the lesser of

 - 1/2% for each month the ERI enhanced age is less 67 or
 - 1/2% for each month the ERI enhanced service is less than 35 years.
- b. His or her ERI enhanced age is 67 or his or her ERI enhanced service is 35 years, the full amount of the pension is paid. NOTE: An ERI enhanced age of 67 does NOT make a Tier 2 member eligible for an annual pension increase. The member must reach the later of age 67 or 12 months of pension payments to be eligible for annual increases. See Paragraph 5.20 B 12. Pension Increases After Retirement.

If the member's actual age is 62 or greater, he or she can avoid the reduction by purchasing sufficient service to reach an enhanced age of 67 or 35 years of service credit.

If the member's actual age is less than 62, the pension reduction will be calculated using the enhanced age and service credit.

Example:

Actual Age	58 yrs. 4 mo.	Actual Service	22 yrs. 3 mo.
Member purchases	5 yrs. 0 mo.		5 yrs. 0 mo.
ERI age	63 yrs. 4 mo.	ERI service	27 yrs. 3 mo.

Number of Months ERI enhanced age less than 67: 44 months

Pension would be reduced 1/2% for each month under age 67: 44 months

$$\begin{array}{r} \times .5\% \\ \hline 22\% \end{array}$$

The amount of the ERI enhanced pension would be permanently reduced by 22%.
 For details on IMRF's ERI, see 5.20 C. IMRF Early Retirement Incentive (ERI).

9. Under Age 55 Reduction for a SLEP Tier 2 pension

If a SLEP Tier 2 member retires **between the ages of 50 and 55**, the pension will be reduced by 1/2% for each month the member is under age 55.

If the member retires under ERI, the IMRF ERI does not alter the existing pension reduction if a member retires before age 55. This reduction will apply if the member's ERI enhanced age is less than 55. For details on IMRF's ERI, see 5.20 C. IMRF Early Retirement Incentive (ERI).

10. Over Age 72 Requirement to Receive Pension

Under current federal tax law and the Illinois Pension Code, IMRF is required to begin a member's pension once the member reaches age 72 if the member is no longer participating in IMRF or a reciprocal retirement system.

IMRF contacts those members who are at least age 72 and who are not working for an IMRF employer or participating in a reciprocal retirement system and advises them of the requirement that they start receiving their pension.

11. Pension Estimate Table

You can also estimate a member's future pension using the pension calculator available on the IMRF website at www.imrf.org.

A member can calculate a pension estimate using his or her actual final rate of earnings and service credit via the secure Member Access area of the IMRF website. See 1.80 B. IMRF Website.

- a. Regular Plan Pension Tiers 1 and 2:
You can consult IMRF's Table for Estimating an Approximate Monthly Regular plan pension.
- b. SLEP Plan Pension Tiers 1 and 2:
You can consult IMRF's Table for Estimating an Approximate Monthly SLEP plan pension.

Table for Estimating an Approximate Monthly Regular Plan Tier 1 & Tier 2 Pension

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

Monthly Final Rate of Earnings	Tier 1 Only		YEARS OF SERVICE CREDIT																																	
	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	35	40											
	AMOUNT OF MONTHLY										PENSION										(IN DOLLARS)															
	66	75	83	91	100	108	116	125	135	145	155	165	175	185	195	205	215	225	235	245	255	265	275	325	375											
500	66	75	83	91	100	108	116	125	135	145	155	165	175	185	195	205	215	225	235	245	255	265	275	325	375											
600	80	90	100	110	120	130	140	150	162	174	186	198	210	222	234	246	258	270	282	294	306	318	330	390	450											
700	93	105	116	128	140	151	163	175	189	203	217	231	245	259	273	287	301	315	329	343	357	371	385	455	525											
800	106	120	133	146	160	173	186	200	216	232	248	264	280	296	312	328	344	360	376	392	408	424	440	520	600											
900	120	135	150	165	180	195	210	225	243	261	279	297	315	333	351	369	387	405	423	441	459	477	495	585	675											
1,000	133	150	166	183	200	216	233	250	270	290	310	330	350	370	390	410	430	450	470	490	510	530	550	650	750											
1,100	146	165	183	201	220	238	256	275	297	319	341	363	385	407	429	451	473	495	517	539	561	583	605	715	825											
1,200	160	180	200	220	240	260	280	300	324	348	372	396	420	444	468	492	516	540	564	588	612	636	660	780	900											
1,300	173	195	216	238	260	281	303	325	351	377	403	429	455	481	507	533	559	585	611	637	663	689	715	845	975											
1,400	186	210	233	256	280	303	326	350	378	406	434	462	490	518	546	574	602	630	658	686	714	742	770	910	1,050											
1,500	200	225	250	275	300	325	350	375	405	435	465	495	525	555	585	615	645	675	705	735	765	795	825	975	1,125											
1,600	213	240	266	293	320	346	373	400	432	464	496	528	560	592	624	656	688	720	752	784	816	848	880	1,040	1,200											
1,700	226	255	283	311	340	368	396	425	459	493	527	561	595	629	663	697	731	765	799	833	867	901	935	1,105	1,275											
1,800	240	270	300	330	360	390	420	450	486	522	558	594	630	666	702	738	774	810	846	882	918	954	990	1,170	1,350											
1,900	253	285	316	348	380	411	444	475	513	551	589	627	665	703	741	779	817	855	893	931	969	1,007	1,045	1,235	1,425											
2,000	266	300	333	367	400	432	467	500	540	580	620	660	700	740	780	820	860	900	940	980	1,020	1,060	1,100	1,300	1,500											
2,100	280	315	350	385	420	455	490	525	567	609	651	693	735	777	819	861	903	945	987	1,029	1,071	1,113	1,155	1,365	1,575											
2,200	293	330	366	403	440	476	513	550	594	638	682	726	770	814	858	902	946	990	1,034	1,078	1,122	1,166	1,210	1,430	1,650											
2,300	306	345	383	421	460	498	536	575	621	667	713	759	805	851	897	943	989	1,035	1,081	1,127	1,173	1,219	1,265	1,495	1,725											
2,400	320	360	400	440	480	520	560	600	648	696	744	792	840	888	936	984	1,032	1,080	1,128	1,176	1,224	1,272	1,320	1,560	1,800											
2,500	333	375	416	458	500	541	583	625	675	725	775	825	875	925	975	1,025	1,075	1,125	1,175	1,225	1,275	1,325	1,375	1,625	1,875											
2,750	366	412	458	504	550	595	641	687	742	797	852	907	962	1,017	1,072	1,127	1,182	1,237	1,292	1,347	1,402	1,457	1,512	1,787	2,062											
3,000	400	450	500	550	600	650	700	750	810	870	930	990	1,050	1,110	1,170	1,230	1,290	1,350	1,410	1,470	1,530	1,590	1,650	1,950	2,250											
3,250	433	487	541	595	650	704	758	812	877	942	1,007	1,072	1,137	1,202	1,267	1,332	1,397	1,462	1,527	1,592	1,657	1,722	1,787	2,112	2,437											
3,500	466	525	583	641	700	758	816	875	945	1,015	1,085	1,155	1,225	1,295	1,365	1,435	1,505	1,575	1,645	1,715	1,785	1,855	1,925	2,275	2,625											
4,000	533	600	666	733	800	866	933	1,000	1,080	1,160	1,240	1,320	1,400	1,480	1,560	1,640	1,720	1,800	1,880	1,960	2,040	2,120	2,200	2,600	3,000											
4,500	600	675	750	825	900	975	1,050	1,125	1,215	1,305	1,395	1,485	1,575	1,665	1,755	1,845	1,935	2,025	2,115	2,205	2,295	2,385	2,475	2,925	3,375											
5,000	667	750	834	917	1,000	1,084	1,167	1,250	1,350	1,450	1,550	1,650	1,750	1,850	1,950	2,050	2,150	2,250	2,350	2,450	2,550	2,650	2,750	3,250	3,750											
5,500	733	825	917	1,000	1,100	1,192	1,284	1,375	1,485	1,595	1,705	1,815	1,925	2,035	2,145	2,255	2,365	2,475	2,585	2,695	2,805	2,915	3,025	3,575	4,125											
6,000	800	900	1,000	1,100	1,200	1,300	1,400	1,500	1,620	1,740	1,860	1,980	2,100	2,220	2,340	2,460	2,580	2,700	2,820	2,940	3,060	3,180	3,300	3,900	4,500											

To use this table:

- a. Find the final monthly rate of earnings in the left hand vertical column.
- b. Find the years of service credit in the top line.
- c. The pension at age 60 and older for Tier 1 members or age 67 and older for Tier 2 members will be in the amount shown at the point where the earnings line and the service column intersect.
Example: 25 years of service and final monthly rate of earnings of \$1,000 will provide an IMRF pension of \$450 per month.
- d. For Tier 1 members, the pension is reduced by 1/4% for each month below age 60 for those members between the ages of 55 and 60 with less than 35 years of service. For Tier 2 members, the pension is reduced by 1/2% for each month below age 67 for those members between the ages of 62 and 67 with less than 35 years of service.

Regular Tier 1 Example:

Age	Percentage of Pension Reduction	Age	Percentage of Pension Reduction
55	15%	58	6%
56	12%	59	3%
57	9%	60	0%

Regular Tier 2 Example:

Age	Percentage of Pension Reduction	Age	Percentage of Pension Reduction
-----	---------------------------------	-----	---------------------------------

62	30%	65	12%
63	24%	66	6%
64	18%	67	0%

Table for Estimating an Approximate Monthly SLEP Tier 1 Plan Pension

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

Monthly Final Rate of Earnings	Y E A R S O F						S L E P S E R V I C E			C R E D I T			
	20	21	22	23	24	25	26	27	28	29	30	31	32*
	A M O U N T O F M O N T H L Y						S L E P	P E N S I O N	(I N D O L L A R S)				
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
7,500	3,750	3,938	4,125	4,313	4,500	4,688	4,875	5,063	5,250	5,438	5,625	5,813	6,000
8,000	4,000	4,200	4,400	4,600	4,800	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400

* The total pension at retirement cannot exceed 80% of your final rate of earnings.
You earn the maximum SLEP pension at 32 years of SLEP service credit.

To use this table:

- Find the final monthly rate of earnings in the left hand vertical column.
- Find the years of service credit in the top line.
- The pension at age 50 or older will be in the amount shown at the point where the earnings line and the service column intersect.
Example: 26 years of SLEP service and final monthly rate of earnings of \$4,000 will provide an IMRF pension of \$2,600 per month.

Table for Estimating an Approximate Monthly SLEP Tier 2 Plan Pension

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

Monthly Final Rate of Earnings	Y E A R S O F										S L E P S E R V I C E					C R E D I T					
	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30*
	A M O U N T O F M O N T H L Y										S L E P P E N S I O N					(I N D O L L A R S)					
2,000	500	550	600	650	700	750	800	850	900	950	1,000	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	1,500
2,500	625	688	750	813	875	938	1,000	1,063	1,125	1,188	1,250	1,313	1,375	1,438	1,500	1,563	1,625	1,688	1,750	1,813	1,875
3,000	750	825	900	975	1,050	1,125	1,200	1,275	1,350	1,425	1,500	1,575	1,650	1,725	1,800	1,875	1,950	2,025	2,100	2,175	2,250
3,500	875	963	1,050	1,138	1,225	1,313	1,400	1,488	1,575	1,663	1,750	1,838	1,925	2,013	2,100	2,188	2,275	2,363	2,450	2,538	2,625
4,000	1,000	1,100	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	2,300	2,400	2,500	2,600	2,700	2,800	2,900	3,000
4,500	1,125	1,238	1,350	1,463	1,575	1,688	1,800	1,913	2,025	2,138	2,250	2,363	2,475	2,588	2,700	2,813	2,925	3,038	3,150	3,263	3,375
5,000	1,250	1,375	1,500	1,625	1,750	1,875	2,000	2,125	2,250	2,375	2,500	2,625	2,750	2,875	3,000	3,125	3,250	3,375	3,500	3,625	3,750
5,500	1,375	1,513	1,650	1,788	1,925	2,063	2,200	2,338	2,475	2,613	2,750	2,888	3,025	3,163	3,300	3,438	3,575	3,713	3,850	3,988	4,125
6,000	1,500	1,650	1,800	1,950	2,100	2,250	2,400	2,550	2,700	2,850	3,000	3,150	3,300	3,450	3,600	3,750	3,900	4,050	4,200	4,350	4,500
6,500	1,625	1,788	1,950	2,113	2,275	2,438	2,600	2,763	2,925	3,088	3,250	3,413	3,575	3,738	3,900	4,063	4,225	4,388	4,550	4,713	4,875
7,000	1,750	1,925	2,100	2,275	2,450	2,625	2,800	2,975	3,150	3,325	3,500	3,675	3,850	4,025	4,200	4,375	4,550	4,725	4,900	5,075	5,250
7,500	1,875	2,063	2,250	2,438	2,625	2,813	3,000	3,188	3,375	3,563	3,750	3,938	4,125	4,313	4,500	4,688	4,875	5,063	5,250	5,438	5,625
8,000	2,000	2,200	2,400	2,600	2,800	3,000	3,200	3,400	3,600	3,800	4,000	4,200	4,400	4,600	4,800	5,000	5,200	5,400	5,600	5,800	6,000

*The total pension at retirement cannot exceed 75% of your final rate of earnings.
You earn the maximum SLEP pension at 30 years of SLEP service credit.

To use this table:

- Find the final monthly rate of earnings in the left hand vertical column.
- Find the years of service credit in the top line.
- The pension at age 55 or older will be in the amount shown at the point where the earnings line and the service column intersect.
Example: 25 years of SLEP service and final monthly rate of earnings of \$4,000 will provide an IMRF pension of \$2,500 per month.
- The Tier 2 SLEP pension is reduced by 1/2% for each month below age 55.

SLEP Tier 2 Example:

Age	Percentage of Pension Reduction	Age	Percentage of Pension Reduction
50	30%	53	12%
51	24%	54	6%
52	18%	55	0%

12. Pension Increases After Retirement

a. Tier 1 All Plans

Tier 1 pensions are increased automatically on January 1 of each year. The amount of the increase is 3% of the original amount. (The first year is prorated; the first increase will be less than 3% unless the effective date of the retirement is January 1.) **Note:** With the optional pension, the 3% increase is also reduced at age 62.

Example:

Retirement date: January 1

Original Monthly Amount	Year					
	1st	2nd	3rd	5th	10th	15th
\$400	\$400	\$412	\$424	\$448	\$508	\$568
\$600	600	618	636	672	762	852
\$800	800	824	848	896	1,016	1,136
\$1,000	1,000	1,030	1,060	1,120	1,270	1,420
\$1,500	1,500	1,545	1,590	1,680	1,905	2,130

b. Tier 2 Regular Plan, SLEP, and ECO

Tier 2 Regular and ECO pensions are increased on January 1 after the member reaches age 67 or receives 12 months of pension payments, whichever occurs later.

If a Regular Tier 2 member retires under age 67, he or she will receive the annual increase the January 1 following the date he or she reaches age 67, or has received 12 months of pension payments whichever is later. Thereafter, the pension will be increased annually each January 1.

If a SLEP Tier 2 member retires under age 60, he or she will receive the annual increases the January 1 following the year the member reaches age 60 or receives 12 months of payments, whichever is later. Thereafter, the pension will be increased annually each January 1.

The increase, which is not compounded, is the lower of 3% or one-half of the increase in the Consumer Price Index Urban (CPI-U) for the preceding 12 months as of September, of the original amount. If the CPI-U decreases or is zero, no increase is paid.

13. Retirement Refunds

a. Surviving Spouse Contributions

Surviving spouse contributions are refunded with interest when a member applies for a pension if:

1. The member is single, widowed, or divorced.
2. The member is married or in civil union, less than one year prior to the date IMRF or Illinois Reciprocal Retirement System participating employment ended.

b. SLEP Plan Contributions

SLEP plan contributions (currently 3%, 2% before June 1, 2006, and 1% before July 1, 1988) are refunded with interest when a SLEP member does not qualify for a SLEP pension when he or she

retires, but does qualify for a Regular plan pension.

c. Methods of payment

A member who was in active IMRF or reciprocal system service on or after August 14, 1998 can receive a refund of his or her surviving spouse or SLEP contributions as a lump sum refund or as monthly annuity ("pension") payments.

If the member chooses to receive a retirement refund as monthly annuity payments:

1. The amount of the monthly annuity will be based on the amount of the lump sum payable, the member's age, and the IMRF's current assumed rate of return.
2. The member must convert the entire amount of the refund. For example, if the refund is \$5,527, the member cannot purchase an annuity with \$5,000 and take \$527 as a refund.
3. The lump sum cannot be converted unless the monthly annuity payment is at least \$10 a month.
4. The additional annuity will be paid for the member's lifetime.
5. The original lump sum amount is the guaranteed minimum payout. There is no maximum payout.
6. If the member dies before receiving annuity payments that equal his or her contributions, the balance will be paid to the member's beneficiary(ies).

d. Federal Income Tax on monthly annuity payments

Refer to 5.20 G. Income Taxes on Retirement Pensions.

e. Federal Income Tax on Lump Sum Refund

Previously Taxed Surviving Spouse and/or SLEP Contributions - All surviving spouse and SLEP contributions prior to 1982 were deducted from the member's earnings after the member was taxed on the amount.

After January 1, 1982, surviving spouse and SLEP contributions continued to be member paid previously taxed contributions unless the employer had adopted an Internal Revenue Code Section 414(h) tax deferral plan. (See 4.16 Section 414(h) Tax Deferral of IMRF Member Contributions.)

Refunds of previously taxed surviving spouse and SLEP contributions are not subject to federal income tax because they have already been taxed.

Effective July 1, 1984, all surviving spouse and SLEP contributions are considered to be under the 414(h) tax deferral plan and are not subject to federal income tax when withheld and reported to IMRF. The refund of these 414(h) plan surviving spouse and SLEP contributions is taxable in the year paid as ordinary income.

Interest on Surviving Spouse and/or SLEP Contributions - Interest paid with refunded surviving spouse and SLEP contributions is subject to federal income tax whether or not the contributions are taxable.

f. Tax Withholding and Reporting

IMRF is required by federal tax law to withhold 20% of the taxable portion of the lump sum refund of surviving spouse and/or SLEP contributions. The member can avoid the 20% withholding by electing to have the taxable portion directly rolled over to a traditional IRA, Roth IRA, 457 or 403(b)

plan, or other qualified retirement plan. (See Exhibit 5L, Form BW-60, Distribution/Rollover Certification.) A rollover to a Roth IRA will be taxable but not subject to any additional taxes.

IMRF issues Internal Revenue Service Form 1099-R reporting the taxable amount, the amount withheld, or the amount directly rolled over.

The member is mailed a copy in January of the year following the year of payment, and a copy is filed with the Internal Revenue Service.

g. Illinois Income Tax (Illinois Residents Only) on Lump Sum Refunds

The Illinois Income Tax Act exempts refunds of surviving spouse and SLEP contributions plus interest from Illinois income tax. Because the federally taxable portion is included in federal adjusted gross income, it will also be included as income on Illinois Income Tax Return IL-1040.

In order to claim the exemption, it is necessary to follow the specific instructions provided with the IL-1040 concerning subtractions to arrive at Illinois taxable income.

14. Supplemental Benefit Payment to Retired Members and Surviving Spouses

All retired members and surviving spouses who have been eligible to receive 12 months of benefit payments are eligible for a supplemental benefit payment, known as the 13th payment.

(The 13th payment is not payable to individuals receiving a Beneficiary Annuity. See 5.30 A. 1b. Types and Amounts of IMRF Death Benefits. The 13th payment is payable to individuals receiving a reversionary annuity. See paragraph 15b. below.)

The 13th payment is payable in July of each year unless an annual 3% compounded post-retirement increase is enacted by the legislature. The formula for the additional benefit payment is as follows:

$$\frac{\text{Retirees June payment}}{\text{All eligible June payments}} \times .62\% \times \text{Annual payroll of active members} = \text{Amount of 13th payment}$$

For tax withholding purposes, IMRF treats the 13th payment as a usual monthly payment. The entire amount is subject to federal income taxes.

15. Money Purchase Formula and Special Needs Annuity: Alternative Pension Formulas

a. Money Purchase Formula

This method is called a money purchase or defined contribution plan. It is based on a combined amount of member and assumed employer contributions.

The member's portion is the normal (3-3/4% of earnings) member contributions. The employer's assumed portion is the member's normal contribution multiplied by 1.4, resulting in 5.25%.

The total of these amounts—with interest credited to date of retirement—is the amount upon which the actuarially determined benefit is based.

The defined contribution method will usually provide a higher pension amount than the standard formula for younger (typically age 45 or less) members who terminate participation and leave their contributions on deposit and draw a pension at age 55 or later (or age 62 for Tier 2 members).

Also members who are beyond normal retirement age benefit from this formula. Pensions for all members are calculated using whichever produces the higher amount, the standard or money purchase pension formula.

b. Special Needs (Reversionary) Annuity

IMRF's Special Needs (reversionary) annuity provides IMRF members with an additional tool for their estate planning. It provides a monthly survivor benefit separate from the IMRF surviving spouse pension and the \$3,000 lump sum death benefit.

Under the Special Needs Annuity option, the member chooses to receive a lower pension payment so his or her IMRF pension payments can revert (become payable) to someone else upon the member's death.

When a member retires, an estimated total pension payout for his or her monthly pension is calculated. That is, the total value of all pension payments the member can expect to receive. (See paragraph 5.20 B. 3. Pension Payment Plans.)

If a member chooses to have his or her pension payments revert to someone else upon the member's death, the total pension payout to the member and to the individual the member names (the Special Needs beneficiary) cannot be greater than the total pension payout if the member did not choose this option.

Payments to the Special Needs beneficiary continue for the lifetime of that individual.

The amount of the pension payable to the Special Needs beneficiary depends upon whether the member has a spouse eligible for an IMRF surviving spouse pension:

1. Member's spouse is eligible for a surviving spouse pension:

Retired with a Regular or SLEP Tier 1 pension:

Upon the member's death, his or her spouse would receive a surviving spouse pension equal to 50% of the member's Standard pension.

The member can elect a Special Needs annuity that will provide his or her spouse or some other person a lifetime pension equal to 25%, 35%, or 40% of the member's adjusted (reduced) pension.

Retired with a Regular Tier 2, SLEP Tier 2, or ECO pension:

Upon the member's death, his or her spouse would receive a surviving spouse pension equal to 66-2/3% of the member's Standard pension.

The member can elect a Special Needs annuity that will provide his or her spouse or some other person a lifetime pension equal to 25% of the member's adjusted (reduced) pension. (Members are not required to name their spouse, members can name any one individual as a Special Needs beneficiary.)

2. Member has no spouse or spouse is **not** eligible for a surviving spouse pension:

Regardless of which IMRF plan the member retired under, the member can elect a Special Needs annuity that will provide any one individual a lifetime pension equal to 50%, 75% or 100% of the member's adjusted (reduced) pension.

In cases where a member's spouse is not eligible for a surviving spouse pension, this option allows the member to provide a benefit which is similar to IMRF's surviving spouse pension.

Once the member agrees to reduce his or her pension under the Special Needs annuity option, the reduction is permanent. The member cannot change the Special Needs Beneficiary or the percentage reduction selected. If the Special Needs beneficiary predeceases the member, the

pension that would have been paid to that individual is no longer payable. The member's pension will not be increased.

16. Pension Estimates

IMRF will furnish an estimate of a pension upon request. The member's Social Security number and anticipated retirement date should be included with each request.

A member can also calculate a pension estimate using his or her actual final rate of earnings and service credit via the secure Member Access Area of the IMRF website. See 1.80 B. IMRF Website.

If a member is vested for an IMRF pension (Regular Tier 1, eight or more years of service credit; Regular Tier 2, 10 or more years of service credit) and applies for a separation refund, an estimate of the monthly pension he or she will forfeit by accepting the refund will be printed on the refund check.

5.20 C. IMRF Early Retirement Incentive (ERI)

1. Features of the IMRF Early Retirement Incentive

- a. The IMRF Early Retirement Incentive (ERI) is a permanent part of the IMRF benefit program. It is a tool IMRF employers can use, if and when they need it, to save fringe benefits and payroll costs by providing an incentive for long-term members to retire.

In order to save money with an ERI, employers are encouraged to either replace no more than 80% of members electing to retire under the program, or to reduce replacement staff salaries to no more than 80% of current salary levels.

- b. Eligible members can purchase between one month and five years of age and service credit for the purpose of determining retirement benefits.
- c. The ERI provides flexibility for employers by allowing the employer to determine the timing of member terminations. However, if a member requests to retire before July 1st so he or she will be eligible to receive the following year's Supplemental Benefit Payment (13th payment), the employer must allow the member to do so.
- d. Members may terminate up to a year from the effective date of the employer's ERI program.
- e. The employer cost of adopting the ERI can be paid for over a period of no more than 10 years. (See Subsequent Offerings in this section.) If an employer adopts the program, the ERI applies to all IMRF members, including elected officials participating in IMRF.

2. Eligible employers

All IMRF employers can adopt the IMRF ERI, however, some restrictions apply. See Subsequent Offerings in this section.

3. Member benefits under ERI

a. Tier 1

Without the ERI, Regular Tier 1 members can retire at age 55. With ERI, they can retire at age 50 provided they have 20 years of service credit before adding the incentive.

Without the ERI, Regular Tier 1 members receive reduced benefits if they are less than age 60 with less than 35 years of service credit when they retire. Under ERI, members less than age 55 can purchase sufficient service to reach age 55. Members age 55 to 60 can avoid the reduction by purchasing sufficient service/age to reach age 60 or 35 years of service.

IMRF pensions are based upon a formula which provides a member with a percentage of his or her final rate of earnings for each year of service credit. A member will be able to increase the percentage he or she receives by purchasing one month to five years of additional service credit.

Eligible members may purchase from one month up to five years of additional service credit. For each period of service established, the member's age at retirement will be increased accordingly.

Tier 1 Example:

Member's actual age	56 yrs. 5 mo.	Actual service	22 yrs. 3 mo.
Member purchases	3 yrs. 7 mo		+ <u>3 yrs. 7 mo.</u>
Member's ERI age	60 yrs. 0 mo.	ERI service	25 yrs. 10 mo.

If the member's enhanced ERI age will be less than age 60 when he or she retires, the under age 60 reduction will still apply. See 5.20 B. 7. Under Age 60 Reduction.

Members age 60 or older may also purchase up to five years of additional service credit. Although age enhancement is no longer necessary, the additional service credit will result in a larger pension.

SLEP Tier 1 members are eligible to retire without ERI at age 50 with 20 years of SLEP service. Although age enhancement is not necessary, ERI allows a SLEP member to purchase additional credit.

Note: Although a member can use reciprocal service credit to meet the service requirement for the IMRF ERI, the member will not be eligible to receive a pension from the reciprocal system unless he or she meets its age requirement without the IMRF ERI age/service enhancements. **For ERI windows opening January 1, 2021 or after, reciprocal service credit cannot be used to meet the 20 years of service credit necessary to qualify for ERI.**

If a member participates in the Elected County Official (ECO) Tier 1 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 ECO. An ECO member who retires under ERI with 20 years of ECO service will have his or her age enhanced for retirement purposes, but the pension amount will not be increased (because it is already at the maximum amount).

ECO 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.

b. Tier 2

Regular Tier 2 members can retire at age 62 without ERI. With ERI, they can retire at age 57 provided they have 20 years of service credit before adding the incentive.

Without the ERI, Regular Tier 2 members receive reduced benefits if they are less than age 67 and have less than 35 years of service credit when they retire. Under ERI, Tier 2 members less than age 62 can purchase sufficient service to reach age 62. Tier 2 members age 62 to 67 can avoid the reduction by purchasing sufficient service/age to reach age 67 or 35 years of service.

IMRF pensions are based upon a formula which provides a member with a percentage of his or her final rate of earnings for each year of service credit. A member will be able to increase the percentage he or she receives by purchasing one month to five years of additional service credit.

Eligible members may purchase from one month up to five years of additional service credit. For each period of service established, the member's age at retirement will be increased accordingly.

Tier 2 Example:

Member's actual age	63 yrs. 5 mo.	Actual service	22 yrs. 3 mo.
Member purchases	3 yrs. 7 mo		+ <u>3 yrs. 7 mo.</u>
Member's ERI age	67 yrs. 0 mo.	ERI service	25 yrs. 10 mo.

If the member's enhanced ERI age will be less than age 67 when he or she retires, the under age 67 reduction will still apply. Also, an ERI-enhanced age of 67 does not make the member eligible for annual pension increases. Tier 2 pensions are increased after the member reaches the actual age 67 or receives 12 months of pension payments, whichever occurs later. See Paragraph 5.20 B.12 Pension Increases After Retirement.

Members age 67 or older may also purchase up to five years of additional service credit. Although age enhancement is no longer necessary, the additional service credit will result in a larger pension.

Note: Although a member can use reciprocal service credit to meet the service requirement for the IMRF ERI, the member will not be eligible to receive a pension from the reciprocal system unless he or she meets its age requirement without the IMRF ERI age/service enhancements. **For ERI windows opening January 1, 2021 or after, reciprocal service credit cannot be used to meet the 20 years of service credit necessary to qualify for ERI.**

If a member participates in the SLEP Tier 2 plan

SLEP Tier 2 members have the same ERI eligibility requirements as other plan members, except they are eligible to retire at age 50 with 20 years of SLEP service. However, the normal retirement age for SLEP Tier 2 is age 55. If a SLEP member retires under age 55, the under age 55 reduction will apply.

4. Eligible members

To be eligible to retire under the IMRF ERI:

- a. The member's employer must adopt the program.
- b. The member must be participating in IMRF on the effective date of his or her employer's ERI program. A member would still be considered participating in IMRF if he or she is:
 1. On layoff status with right of re-employment,
 2. On IMRF Benefit Protection Leave of Absence, or
 3. Receiving IMRF disability benefits for less than two years.
- c. Tier 1 members must be at least age 50; Tier 2 (except SLEP) members must be at least age 57. Members must have at least 20 years of service credit by his or her date of retirement.
 1. The 20 years of service credit can include reciprocal service
 2. The 20 years of service credit can include service with another IMRF employer
 3. Unused, unpaid sick leave **cannot be** used to meet the 20-year service requirement
- d. The member's date of retirement must be no later than 12 months from his or her employer's ERI program effective date.
- e. The member cannot have previously received a pension using IMRF service credit.

5. Adopting the IMRF ERI/Cost Study Requirement

Before an employer can adopt an ERI and in order to utilize the ERI as a budgeting tool, the employer must have IMRF prepare an actuarial cost estimate.

The cost estimate must be based on the same time period as the ERI being considered by the governing body. If the employer does not know when it will offer the ERI, the employer's IMRF Field Representative can prepare multiple cost estimates each using a different time period.

After reviewing the cost estimate, the governing body would pass a resolution or ordinance adopting the ERI. (See Exhibit 6KK, Form 6.77, "Suggested Form of Resolution to Adopt IMRF Early Retirement Incentive.")

If an employer submits the ERI resolution without a cost estimate, IMRF will not implement the program, and the employer will need to both conduct the cost estimate and adopt a second resolution.

Dissolving employers

If an employer is aware or has reason to be aware of its future dissolution under state law, the process of adopting an ERI has an additional requirement. If an employer is dissolving, and its IMRF assets and liabilities will be transferred to:

- a. One successor unit of government:
The dissolving employer must provide the ERI Cost Study to the successor, and the successor must also approve the ERI. A copy of the successor unit's resolution approving the ERI must be available to IMRF upon request.
- b. More than one successor unit of government:
The dissolving employer must provide the ERI Cost Study to each successor unit, and a majority of the successors must approve the ERI. Copies of the successor unit's resolutions approving the ERI must be available to IMRF upon request.
- c. No successor unit of government and the law does not specify responsibility for the IMRF assets and obligations:
The IMRF Board of Trustees must approve the ERI.

The ERI is available for one year from the program effective date.

If an employer adopts the program, the ERI applies to all eligible IMRF members, regardless of the position held or length of service with the unit of government. The ERI would also apply to elected officials participating in IMRF.

Note: Although an employer may believe that it knows which/how many of its IMRF members will retire under the ERI, it is possible that other members may also be eligible. A member may have reciprocal service credit, previous IMRF service credit with a former employer, a separation refund he or she plans to repay, past service credit he or she plans to purchase, etc.

6. Employer costs for the ERI

Once an employer adopts the ERI and a member retires under it, a separate ERI reserve account will be established. For details on employer costs for ERI, refer to 7.23 Financing the cost of IMRF Early Retirement Incentive (ERI).

7. Resolution to Adopt Amortization Period

Employers can customize the ERI to the financial circumstances of their own unit of local government. This flexibility is provided by allowing employers to determine the amount of time needed to pay off the incurred pension liability.

An amortization period of 10 years is assumed. Amortization of the incurred pension liability can take no longer than 10 years and no less than five years. If an employer would like an amortization period of other than 10 years, it would submit a resolution to adopt that period. (Refer to Exhibit 6LL, IMRF Form 6.78, "Suggested form of Resolution to Adopt Amortization Period for IMRF Early Retirement Incentive.")

Please note: due to the method IMRF uses to calculate employer contribution rates, only whole year (5, 6, 7, 8, 9, 10) amortization periods are allowed.

The amortization period resolution should be received in the IMRF office no later than six months from the effective date of the employer's ERI program. If no resolution is received, a 10-year amortization period will be assumed. If an employer would like an amortization period of less than 10 years, it would submit IMRF Form 6.78, Suggested form of Resolution to Adopt Amortization Period for IMRF Early Retirement Incentive.

8. Subsequent ERI offerings

An employer cannot adopt later ERI programs until the cost of the previous ERI is paid in full. If an employer needs to implement a second ERI program before the cost of the first program has been amortized, the employer should contact IMRF for payoff information.

The lump sum payment should be submitted to IMRF via First Data Government Solutions Electronic Funds Transfer (EFT) pay-by-phone or pay online system. The First Data Government Solutions EFT systems allow you to identify the payment as employer ERI cost.

An ERI cost estimate must be prepared before any subsequent ERI programs can be adopted.

9. Informing members of the ERI

After an employer adopts the ERI by resolution, it should inform its members of the program. **If an employer has any IMRF members who have been on IMRF disability for less than two years**, those members may also be eligible for ERI and must also be notified of the program. Employers should notify their members for two reasons:

- a. IMRF will not inform members of an individual employer that their employer has adopted the program. Adoption of the program is an internal personnel matter for the employer. However, if a member contacts IMRF, we will confirm whether an employer adopted the program.

To assist employers, we have developed a member ERI packet employers can duplicate and give to their members. You can download and print the member ERI booklet from the IMRF website, www.imrf.org.

- b. The legislation requires members who intend to retire under the ERI to notify IMRF of their intention by completing IMRF Form 5.21, "Notice of Intent to Retire Under IMRF ERI." (See Exhibit 5C.) For more information on the Notice of Intent, refer to paragraph 11 Notice of Intent to Retire Under Employer's IMRF ERI in this section.

10. Determining member termination dates

The employer determines the timing of member terminations. A member may terminate up to one year from the effective date of the employer's ERI program.

Example:

Effective date of ERI program:	September 30, 2010
Termination date can be:	September 30, 2010, through September 30, 2011

If a member requests to retire before July 1st so he or she will be eligible to receive the following years' Supplemental Benefit Payment (13th payment), the employer must allow the member to do so.

Employers are to give a member at least 30 days notice of his or her designated termination date. The 30-day notice may be waived by the member.

11. Notice of Intent to Retire Under Employer's IMRF ERI (Form 5.21, Exhibit 5C)

If a member intends to retire under his or her employer's ERI program, the member must notify IMRF of his or her intention.

The member can either complete and mail IMRF Form 5.21, Notice of Intent to Retire Under IMRF ERI, (Exhibit 5C), or fax the Notice of Intent to IMRF at 630-368-5397.

The member can file the Letter of Intent with his or her application for retirement (IMRF Form 5.20, "Application for IMRF Pension") and can also file the Letter of Intent as late as his or her retirement date. However, we encourage members to file a Letter of Intent (IMRF Form 5.21) as soon as his or her employer adopts the ERI and the member decides to retire under it.

Receipt of a notice does not guarantee eligibility for the ERI or for an IMRF pension.

As a general rule, a Notice of Intent is not a letter of resignation. Although a member may file a Notice, he or she is not required to apply for an IMRF pension. However, some employers may treat a Notice of Intent as a letter of resignation. Members should talk with their employers regarding this issue.

IMRF will acknowledge receipt of a member's notice of intent with a letter and the publication, "Can I Afford to Retire?" The member's employer will receive a courtesy copy of the acknowledgment letter.

12. Member Costs for ERI

For each year of service credit a member purchases, he or she will pay 4.5% (7.5% for SLEP) of the member's highest 12 consecutive months of salary within the final rate of earnings period. (ECO members pay 7.5% of their final salary for each year of service credit purchased.)

Example (Regular Plan):

The 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

A member will make a maximum payment of 22.5% (37.5% for SLEP and 37.5% for ECO) to IMRF for five years of service credit and age enhancement.

- a. If the member has any combination of service credit, e.g., SLEP and Regular, or Regular and ECO, the type of service credit he or she may purchase under the ERI will be determined by the plan the member currently participates in. If the member's current employer adopts ERI and the member participates in:
 1. Regular, the member would purchase Regular service credit.
 2. SLEP, the member would purchase SLEP service credit.
 3. ECO, the member would purchase ECO service credit.
- b. If the member is participating under two IMRF employers under different plans, e.g., under SLEP for one employer and under the Regular for the other employer:
 1. The type of service credit purchased under the ERI will be determined by which employer adopts the ERI.
 2. If both employers adopt the program and of the member's 20 years of total service credit he or she has:
 - a. **Less than 15 years of SLEP service credit:** he or she would purchase Regular service credit (4.5% per year purchased)

- b. **15 or more years of SLEP service credit:** he or she would purchase the number of years desired; the member's cost would be calculated as follows:

$$\begin{array}{rcl} 7.5\% \text{ per year purchased} & \times & \text{SLEP ERI final rate of earnings} \\ & \text{plus} & \\ 4.5\% \text{ per year purchased} & \times & \text{Regular ERI final rate of earnings} \end{array}$$

- c. If the member participates in the Original ECO plan and participates under two employers:
1. If the member participates in Original ECO, the member will purchase ECO service credit regardless which employer adopts ERI.
 2. If the member participates in Revised ECO:
 - c. If the County employer adopts ERI, the member will purchase ECO service credit.
 - d. If the non-ECO employer adopts ERI, the member will purchase either Regular or SLEP service credit, whichever is appropriate.
 - d. If the member has no eligible surviving spouse when he or she retires, the member contribution rate is reduced to 3.75% for Regular IMRF, 6.75% for SLEP, and 6.75% for ECO.

To estimate a member's ERI cost for IMRF service credit, refer to tables on the following pages.

Table to estimate member ERI cost for Regular service credit, Tier 1 or Tier 2

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

For example:

The member wishes to purchase 3 years, 6 months of Regular service and has a final rate of earnings of \$900:

36 months \$1,458

6 months \$ 243

Total estimated cost \$1,701

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

For example:

The member wishes to purchase 3 years, 6 months of SLEP service and has a final rate of earnings of \$1,400:

36 months	\$3,780
6 months	<u>\$ 630</u>
Total estimated cost	\$4,410

Chart to estimate member ERI cost for ECO service credit, Tier 1 or Tier 2

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 the member's monthly final rate of earnings in the first column. (For estimating purposes, divide the current year's salary by 12.)
2. Find the months of service credit (top line) the member wishes to purchase.
3. The member's approximate ERI cost will be the amount shown at the point where the earnings lines and service columns intersect.

For example:

The member wishes to purchase 3 years, 6 months of ECO service and has a final rate of earnings of \$900:

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

13. ERI Invoice for Member Cost

Once IMRF receives a member's final wages (usually one month after retirement), an ERI invoice will be forwarded to the employer detailing the member's ERI cost.

If the employer will pay the member a lump sum payment for sick, vacation, and/or personal time, the employer must submit the net payment (gross payment less taxes, IMRF contributions, etc.) to IMRF via First Data Government Solutions EFT pay-by-phone or pay online system and identify the payment as member ERI cost.

If the member's net payment for sick, vacation, and/or personal time is greater than the member's ERI cost, the employer would pay IMRF via First Data Government Solutions EFT an amount required to pay the member's cost. The employer would pay the member any remaining balance of the net payment.

After receiving (any) payments from the member (or 30 days from the date of the member invoice), if a balance for the member's cost remains, IMRF will begin deducting the balance from the member's pension in 24 equal installments.

14. Lump sum payments (sick, vacation, personal time) to members retiring under ERI

If payments for sick, vacation or personal time are to be considered IMRF earnings, they must be reported to IMRF no later than one month after the member's termination date.

For example, if a member terminates on June 15, but is paid for sick, vacation or personal time in July, those earnings are reportable to IMRF. However, if the member's earnings are paid in August (or later), those earnings are not reportable to IMRF.

If the employer will pay the member a lump sum payment for sick, vacation, and/or personal time:

- a. The gross amount of the payment would be reported to IMRF as earnings, but **the employer would hold the net payment until the employer receives an invoice from IMRF** for the member cost.
- b. **The employer must forward the net payment** (gross payment less taxes, IMRF contributions, etc.) **to IMRF** via First Data Government Solutions EFT pay-by-phone or pay online system. The net payment will be applied toward the member's ERI cost.
- c. If the net payment for sick, vacation, and/or personal time is greater than the member's ERI cost, the employer would pay to IMRF (via First Data Government Solutions EFT) an amount required to pay the member's cost. The employer would forward to the member any remaining balance of the net payment.

If payment for sick, vacation, and/or personal time is spread over several months, the employer must still forward the net payment to IMRF. As long as the lump sum payment for sick, vacation, and/or personal time is due to the member's retirement, the net amount is payable to IMRF.

15. Member payments for member ERI costs (other than cash-outs of sick and vacation pay)

a. Refunds from IMRF

If the member is entitled to a refund from IMRF for surviving spouse, SLEP, or voluntary additional contributions, he or she may request that the refund be applied toward his or her ERI cost. If the refund is greater than the member's ERI cost, IMRF will refund the balance to the member.

b. Rollover

A member may roll over funds from an IRA, another qualified pension plan, 457 or 403(b) plan to pay the ERI cost.

c. **24 equal installments**

A member's contributions for the ERI can be paid in a single sum or deducted from his or her 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.

d. **Additional member payments**

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

16. Return to work for an IMRF employer prohibited

Once a member begins receiving an IMRF pension, **he or she must contact IMRF** before returning to employment or compensated elected office with a unit of government that participates in IMRF. This applies even if the member is considering independent contract work with a unit of government or work covered by another retirement plan (for example, as a teacher).

If a member retires under the ERI and he or she returns to work for any IMRF employer in any position (see exception below), he or she will:

- a. Lose the ERI enhancements and
- b. Pay IMRF the difference between the ERI enhanced pension and the pension the member would have received without the ERI less the amount the member paid for the ERI.

If the member would not have been entitled to a pension without an ERI, i.e., the member was less than age 55 at retirement:

- a. He or she would be **required to repay IMRF for all pension payments** received up to age 55 less the amount the member paid.
- b. When the member again retires, the member's pension will be recalculated without the enhancements.

In addition, if a member returns to work for an IMRF employer in a position that is covered by IMRF but is not enrolled immediately, he or she will be required to pay IMRF any missing member contributions that should have been reported to IMRF from the start of his or her employment. Note that as of January 1, 2021, enrollment will not be required and contributions will not be collected until the retiree actually works the applicable hourly standard. Regardless, however, of the amount of hours worked, a retiree's ERI pension must be suspended during employment and the ERI enhancement revoked.

A member may retire under ERI only once. For example, a member retires under ERI and returns to work for an IMRF employer. If that employer adopted ERI, the member would not be eligible to retire under it.

Exception

A member who retired under ERI can hold an elected position eligible for participation in IMRF and continue to receive his or her ERI pension if the member chooses to not participate in IMRF **and** the member's pension is not based on any service earned in that position during any term of office.

You can also refer to Exhibit 5R, Return to Work and Effect on Tier 1 and Tier 2 Members Chart.

5.20 D. Application for Retirement Pension

IMRF has developed a Retirement Application Check List to assist Authorized Agents with a member's application for an IMRF pension. Refer to the IMRF Forms Chart in the front of this manual.

IMRF has also developed a Member Retirement Check List to assist members in the retirement application process.

1. How to Apply for An IMRF Pension

To claim an IMRF pension, the following should be submitted:

- a. Form 5.20, "Application for IMRF Pension," (Exhibit 5B). The application, including questions regarding Direct Deposit of the member's pension payment, should be completed and signed by the member. Members can also apply for retirement via Member Access.
- b. Form 6.41, "Notice of Termination of IMRF Participation," (see Section 6, Paragraph 6.30 To Close an Account). Effective August 1, 2008, employers with Internet access are required to submit terminations via Online Termination in Employer Access. Employers without Internet access may continue to use paper Form 6.41.
The member's "Final Earnings and Contribution Report," should accurately state the month for which the last earnings and contributions will be reported.
- c. **Copy** of birth certificate (if not already on file), or if the member cannot get a birth certificate, other acceptable evidence such as a baptismal certificate, school or military records, etc. **The member's Social Security number should be printed on the birth certificate or other evidence.**
- d. **Copy** of marriage or civil union certificate, if the member was married or in a civil union with current spouse at least one year prior to termination of IMRF participation. **The member's Social Security number should be printed on the certificate.**
- e. Copy of judgment of dissolution if the member was divorced while participating in IMRF.
- f. Final payroll report - "Monthly Report of IMRF Member Earnings and Contributions" (Web wage report or Form 3.11) which will list the earnings and contributions of the member's last paycheck. (Pension payments can begin before the final payroll is submitted.)

If the member wishes, he or she can expedite payment of the lump sum refund by submitting a BW-60 with the retirement application. (See Exhibit 5L, Form BW-60, "Distribution/Rollover Certification") However, IMRF will mail the member a Distribution/Rollover Certificate with a letter informing him or her of the taxable and non-taxable amounts of the refund.

The member may wish to wait to complete the BW-60 after he or she knows the exact amount of the refund. Also, the member may be eligible to receive the refund as additional monthly annuity payments. Refer to paragraph 5.20 B. 11.b. Methods of Payment.

Note: If the member intends to retire under the IMRF Early Retirement Incentive (ERI), the member must notify IMRF of his or her intention by completing IMRF Form 5.21, "Notice of Intent to Retire Under Employer's IMRF Early Retirement Incentive" (Exhibit 5C) (See Paragraph 5.20 C. 11. Notice of Intent to Retire Under Employer's IMRF ERI).

If the member is considering the Special Needs Annuity (refer to paragraph 5.20B 13.b), the member must submit IMRF Form 5.20R, "Application for Special Needs (Reversionary) Annuity.

2. Date of Application

The member's application should be filed or the member should submit an application via Member Access one month before the date employment terminates so the pension may start as soon as possible following date of termination. (For a discussion of a termination date and its impact on the pension effective date, refer to Section 6, paragraph 6.30 To Close an Account.)

If the member wants the pension to begin at a later date, the application should be sent to IMRF approximately one month prior to the desired starting date with a letter requesting the specific starting date.

If a member is not actively participating in IMRF, IMRF can backdate the member's pension a maximum of 12 months.

If a member is the minimum retirement age (Tier 1 age 55; Tier 2 age 62) or older and is not participating in an Illinois public pension system, IMRF recommends the member apply for his or her IMRF pension.

A member can receive an IMRF pension and work in a position that does not qualify for IMRF participation.

Exception: If a member retired under the Regular Tier 2 plan, the member may not receive a pension while working full-time in a position covered by any other pension system under the Illinois Pension Code. (Exception for ERI, refer to paragraph 5.20C 16.)

5.20 E. Pension Payment Procedures

1. Effective Date And Initial Payment

(Also refer to Section 6, paragraph 6.30 To Close an Account.) IMRF pensions are effective as of the first day of the month after participation terminates (after the last date of participation as indicated on the termination form).

Examples:

- The member's last day of participation indicated on the termination form is May 15—the pension effective date is June 1.
- The member's last day of participation indicated on the termination form is June 1—the pension effective date will be July 1.
- The member's last day of participation indicated on the termination form is May 15 but the member is paid for sick, vacation or personal time on May 30 and on June 15—the pension effective date is June 1. A member can be considered terminated on May 15 even though he or she is receiving compensation through June 15.

However, if the member is still considered to be an employee until June 15 (that is, the last day of participation shown on the termination form is June 15), the pension effective date will be July 1.

Note: IMRF can accept wages that are paid no later than one month after the month of termination. For example, if you report the member's termination date as May 15, IMRF cannot accept wages paid later than June 30.

The first check the member receives may be for more than one month's payment. Payments, thereafter, are payable on the first day of the month for that month. For example: A check dated on January 1 pays benefits through January 31.

If the member will receive a refund of surviving spouse, SLEP, or Voluntary Additional contributions, those contributions plus interest will be refunded separately. IMRF will mail the member a letter explaining his or her options for payment of the refund.

(The member may be able to receive the refund as an additional monthly annuity, see paragraph 5.20 B. 13.c. Methods of Payment) Before IMRF can process a lump sum refund, the member must complete and return Form BW-60, "Distribution/ Rollover Certification" (Exhibit 5L).

IMRF will mail the member a Distribution/Rollover Certificate with a letter informing him/her of the taxable and non-taxable amounts of the refund.

The first pension payment usually is made two to three weeks after IMRF receives Form 5.20, "Application for IMRF Pension," (web or paper form) from the member and notice of termination of participation (Online Termination or paper Form 6.41) from the employer.

If IMRF hasn't received the wage report (Web or Form 3.11, "Monthly Report of IMRF Member Earnings and Contributions,") listing the member's last earnings and contributions, the first pension payment will be an approximate payment. The final pension payment amount will be calculated after IMRF receives the member's final wage report.

The first pension payment is always based upon IMRF's standard payout (see Paragraph 5.20 B. 1 a and b. 2. a. Pension Calculation Illustrations).

If a member is eligible for the optional payout (Tier 1 member under age 62), IMRF will mail an option letter to the member explaining his or her payment options after IMRF receives the member's final earnings information.

The member will have 90 days in which to choose either a standard or optional payout. If the member does not advise us that he or she wishes to receive an optional payout, IMRF will assume the member wishes to continue to receive a standard payout.

2. Certificate of Benefits

The "Certificate of Benefits" (Exhibit 5M-a) explains the IMRF pension and provides information about subsequent pension payments, death benefits, and income tax information. A member's Certificate of Benefits will not be mailed until IMRF receives the member's final wage report.

If the member is eligible for the optional plan (Tier 1 member under age 62), IMRF will mail the Certificate after the member returns the option letter indicating his or her payment choice.

If the member is age 62 or older, IMRF will mail the Certificate after IMRF receives the wage report listing the member's last earnings and contributions.

If the member retired under the Reciprocal Act, IMRF will mail the Certificate after IMRF receives the final wage information from the member's reciprocal system(s).

3. Direct Deposit of IMRF Pension Checks

The member will receive his or her monthly benefit payment by Direct Deposit.

Direct Deposit ensures the security of a member's monthly pension by having the payment electronically deposited into the member's checking, savings, or brokerage account.

If a member does not provide Direct Deposit information with the retirement application, he or she can complete, IMRF Form 1199, "Application for Direct Deposit" (Exhibit 5K). The form must be completed by the member and returned to IMRF. Benefit payments will be suspended after three months if the member does not return a completed Form 1199.

5.20 F. How the IMRF Pension is Affected by Returning to Work

If the member retired under ERI, refer to 5.20 C. 16. Return to Work for an IMRF Employer Prohibited.

The retiree must contact IMRF

Once a member begins receiving an IMRF pension, he or she must contact IMRF if the member returns to employment or compensated elected office with a unit of government that participates in IMRF. This applies even if the member is considering independent contract work with a unit of government.

Performing work for any unit of government that participates in IMRF after a member is receiving an IMRF pension can affect his or her pension status. Failure to inform IMRF of a return to work that qualifies for IMRF participation could result in significant financial repercussions to the member. If the return to work results in a situation where the member is again eligible for IMRF participation, not only would the member be responsible for any benefit prepayments, but he or she would be required to pay IMRF any missing member contributions that should have been made from the start of his or her employment.

For terminations on or after January 1, 2021, members may not return to work of any kind with an IMRF employer within sixty days of the member's retirement date. If a member returns to work with an IMRF employer within sixty days of retirement (beginning an IMRF retirement annuity), the member will be required to return any annuity payments received.

Members must not prearrange to return to work for an IMRF employer. For terminations on or after January 1, 2021, members may also not prearrange work within the sixty days following retirement. This prohibition applies to prearrangement of employment, as well as work as an independent contractor, or an employee of an entity which contracts with the employer.

A member must contact IMRF to discuss his or her individual situation and how the pension may be affected.

Return to Work Violations

Public Act 99-745 gives IMRF the authority to assess employers penalties for return-to-work violations, up to half of the annuity paid to the member during the return-to-work period. This may happen if the retiree is not properly enrolled upon returning to work.

1. When the position qualifies for IMRF coverage

As a general rule, an IMRF pension is suspended if a retiree returns to work for any IMRF employer in a position which qualifies for IMRF coverage (see 3.20A General Requirements for IMRF Coverage (600-Hour Standard) and 3.65A General Requirements for IMRF Coverage (600 or 1,000 Hour Standard). The pension is suspended and the **retiree must again participate in IMRF** (see the Exception to the Rule, below). Once the member retires again, the pension is reinstated, plus a supplemental amount for the additional service. Note that as of January 1, 2021, if a member returns to employment within sixty days of retirement, the member will be required to repay to IMRF any retirement annuity payments received, regardless of whether they are working in a qualifying position.

If the retired member previously participated with a 600-hour employer and returns to that same employer in a position exceeding 600 hours (even if the employer has changed to a 1,000-hour standard), the retiree's pension will be suspended and **the retiree must again participate in IMRF**.

If the retired member received his or her refund of surviving spouse or SLEP contributions as additional annuity payments, those payments will not stop when the retiree returns to work in a position that qualifies for IMRF participation.

As of January 1, 2021, retirees who begin employment with an IMRF participating employer should not be immediately enrolled, even if they are hired into a position which is normally expected to meet the hourly standard. Instead, employers must enroll the retiree in IMRF once he or she **actually** works 600 or 1,000 hours (depending on the hourly standard) in a 12-month period. The 12-month periods shall be counted as of the first employment date following retirement with a particular IMRF employer. These periods restart on the anniversary of the employment date. If a retiree wishes to immediately enroll in IMRF if they are hired into a position normally expected to meet the applicable hourly standard, the retiree must send a written request to IMRF to suspend the pension.

See Exhibit 5S, Public Act 98-0389 Return-to-Work Rules Chart.

Exception to the Rule

If the retiree is elected to a public office, the pension may not be suspended, even if the elected position qualifies for IMRF coverage. The pension is suspended only if:

- The pension is based on any service credit earned while participating in IMRF in that elected office; or,
- The retiree elects to participate in IMRF while holding that elected office.

Social Security return to work rules are different

There is no relationship between the Social Security retirement test on earnings and IMRF coverage rules. The Social Security retirement test is based on dollar earnings, whereas the IMRF test is based solely on the hours that a position requires. The fact that a person can earn up to a certain dollar amount and continue to receive Social Security benefits does not mean that IMRF can continue to pay pension benefits.

If the position qualifies for IMRF coverage, IMRF benefits are suspended, even though Social Security may continue to pay its benefits.

2. When the position does NOT qualify for IMRF coverage

Most retirees will continue to receive the IMRF pension if the position does not qualify for IMRF coverage. Exception: If the retiree worked for that same employer before it adopted the 1000-hour standard, the retiree must be reenrolled if the position requires 600 or more hours. Note that as of January 1, 2021, if a member returns to employment within sixty days of retirement, the member will be required to repay to IMRF any retirement annuity payments received, regardless of whether they are working in a qualifying position.

3. Employment by a Private Enterprise or Governmental Agency not Covered by IMRF

A Regular Tier 1 retiree may continue to receive an IMRF pension while working for any private enterprise, or any federal, state, or local governmental agency not covered by IMRF, or while self-employed, regardless of the hours worked or earnings received.

A Regular Tier 2 retiree may continue to receive an IMRF pension while working for any private enterprise, or any federal agency, or while self-employed, regardless of the hours worked or earnings received. However, the pension will be suspended if the retiree is employed full time in a position covered by any of the Illinois Pension Code reciprocal retirement systems.

Note: A recent change to the law applies different rules to members who first participate in IMRF or a reciprocal retirement system on or after January 1, 2012; does not apply to SLEP members.

This change provides that if a retired member performs services for his or her **former** IMRF employer on a contractual basis, the member's pension will be suspended during that contractual service. The retired member must inform IMRF of the contract and must inform the employer that he/she is receiving an IMRF pension. If the retired member does not inform IMRF and his/her employer, the retired member will be guilty of a Class A misdemeanor and required to pay a \$1,000 fine. Once the contractual work ends, the retired member's pension will resume. See Exhibit 5R for more details.

4. Reciprocal Pensions

A member who retired under the Reciprocal Act will have his or her pension suspended if the member returns to a participating position with IMRF or the other system(s) under which he or she retired. See Exhibit 5R. Return to Work and Effect on Tier 1 and Tier 2 Members for another explanation of the process.

5.20 G. Income Taxes on Retirement Pensions

1. Additional 10% tax for members under age 59-1/2 who continue working for their IMRF employer

Member contributions to IMRF are tax-deferred as retirement savings. Tax-deferred retirement savings are subject to a 10% early withdrawal tax when taken out of the retirement plan before the recipient is age 59 ½. This early withdrawal tax is in addition to the taxpayer's marginal tax rate.

There are several exceptions to the 10% early withdrawal tax. One of those exceptions is for lifetime monthly annuity payments, beginning not earlier than age 55 (age 50 for public safety employees). To be eligible for this exception, the taxpayer must have totally separated from service with the employer sponsoring the retirement savings plan.

An IMRF pension is eligible for this exception to the early withdrawal penalty IF the member is no longer working for the IMRF employer in any capacity. If a retired member under age 59 ½ continues to work for the same IMRF employer in a non-qualifying position or in an elected position, the 10% additional tax will apply to each month's pension payment. The tax will be owed until the member reaches age 59 ½ or leaves employment with the IMRF employer.

2. Federal Income Tax

IMRF retirement pensions are subject to federal income tax. However, when most members retire, a part of the pension payment they receive represents their own contributions. That is, part of each pension payment is a return of member contributions.

In some cases, the member has already paid income taxes on the money used to make those contributions ("previously taxed contributions") and in other cases, the member has not paid income taxes on the money used to make those contributions ("tax deferred contributions").

That part of the pension attributable to previously taxed IMRF member contributions made before the Section 414(h) tax deferral plan are tax exempt, that is, not subject to income taxes. The part attributable to tax-deferred IMRF member contributions (contributions paid under the 414(h) tax deferral plan) and to employer contributions is taxable. Therefore, for most members who began participation in 1984 or thereafter, the entire pension is taxable.

For those members whose participation began before 1984 (in some cases before 1982) a small part of the pension will be non-taxable.

The taxable portion of each pension payment is computed using the IRS formula "Simplified General Rule." This rule is based on the amount of the retiree's previously taxed contributions and the number of pension payments the retiree and spouse are expected to receive (their joint life expectancy). This formula provides a dollar amount of each pension payment that is excluded from income for purposes of federal income taxes—that is, not subject to federal income taxes.

IMRF's Certificate of Benefits (Exhibit 5M-a) provides the amount of the previously taxed contributions as well as the portion of each payment which is excluded from federal income tax (subject to federal income tax) under the Simplified General Rule (a dollar amount). The taxable amounts of IMRF pensions will vary among retirees.

When previously taxed contributions have been recovered (received by the retiree as part of his or her pension payments), the entire pension will be subject to federal income tax.

3. Federal Income Tax Reporting and Withholding

Under Section 3405 of the Internal Revenue Code, IMRF must automatically withhold federal income tax according to an IRS withholding schedule if the taxable portion of the monthly pension exceeds a certain dollar amount, unless the retired member elects not to have income tax withheld or to change the amount withheld. (Refer to the Federal Taxes/Social Security Appendix for dollar amounts.)

Note: The dollar amount withheld will change with future changes in income tax rates, personal exemptions, and standard deduction amounts. Refer to Section 9, Appendix A.

If the taxable portion is less than the dollar limit, IMRF withholds tax only if the retiree requests it. A new retiree is sent IRS Form W-4P, "Withholding Certificate for Pension or Annuity Payments," to request withholding for federal income tax purposes. Retirees who wish to change their withholding status or amount can get Form W-4P from the Internal Revenue Service or from IMRF.

If the retired member elects not to have tax withheld, IMRF advises the retiree that he or she may need to file quarterly estimated federal income tax returns and deposits in order to avoid tax penalties.

IMRF reports pension payments to the Internal Revenue Service on Form 1099-R. Four copies are sent to the retired member and one is filed with the Internal Revenue Service. For members who retired after 1973, IMRF fills in the box entitled "Taxable Amount." For members who retired prior to 1974, IMRF does not determine the taxable amount. However, all of the pension payment or a portion thereof may be subject to tax.

4. Illinois Income Tax (Illinois Residents Only)

The Illinois Income Tax Act exempts IMRF pension payments from Illinois income tax, that is, IMRF pensions are not subject to Illinois income tax. Therefore, IMRF retirees whose legal residence is in Illinois do not pay state income tax on their IMRF pension.

Because the federally taxable portion of the pension is included in federal adjusted gross income, the federally taxable portion will also be included on Illinois IL-1040. In order to claim the exemption on the Illinois Income Tax Return, it is necessary to follow the specific instructions provided with the IL-1040 in regard to subtractions to arrive at Illinois taxable income.

5.30 Death Benefits

IMRF has developed a Death Benefit Application Check List to assist Authorized Agents. Refer to the forms chart in the front of this manual.

5.30 A. Types and Amounts of IMRF Death Benefits

The type and amount of benefit payable depends upon the status of the member or spouse at time of death:

1. Death of a Member in Participating Status (contributing, on seasonal leave, drawing IMRF disability benefits, or on IMRF Benefit Protection Leave)

a. Lump Sum Death Benefit

Upon the death of a member in participating status who has at least one year of IMRF service credit or dies because of a job related injury, the death benefit is a lump sum payment consisting of an amount equal to the member's average annual earnings (subject to wage cap for Tier 2) plus a refund of the balance of the member's account (IMRF member contributions with interest less any benefit prepayment). The average annual earnings are normally equal to the total earnings (subject to wage cap for Tier 2) of the member during the 12 months immediately preceding the date of death.

If death is not job related and the member has less than one year of service, only a refund of all IMRF member contributions is paid (less any benefit prepayment). Job related injuries are only those where an accident or incident at work was the cause of death.

b. Option to Convert a Lump Sum to Monthly Installments (Beneficiary Annuity)

A beneficiary may elect to receive the lump sum amount as a monthly benefit. The amount of the monthly benefit is actuarially determined by the amount of the lump sum benefit and the age of the beneficiary.

If the beneficiary chooses to receive monthly payments instead of a lump sum benefit, he or she will be paid for life. This election cannot be revoked.

c. Surviving Spouse Pension

The member's spouse may qualify for a monthly surviving spouse pension if:

- The spouse was married to or in a civil union with the member for at least one year prior to the member's death and

- The deceased member had at least eight years of Tier 1 service or 10 years of Tier 2 service and named the spouse as sole beneficiary for IMRF death benefits.

If a surviving spouse pension is payable, the spouse has the option of choosing either the lump sum death benefit or the monthly surviving spouse pension. If the spouse chooses the monthly pension, the election cannot be revoked. The option to take the surviving spouse annuity is usually advantageous for spouses of members with long service who die at or near retirement age.

Surviving spouse pension under Tier 1

The surviving spouse pension is equal to 50% of the pension earned by the deceased member as of the date of death.

Surviving spouse pension under Tier 2

The surviving spouse pension is equal to 66-2/3% of the pension earned by the deceased member as of the date of death.

2. Death of Member in Non-Participating Status (Inactive member no longer participating but with IMRF contributions on deposit)

Upon the death of a person who formerly participated in IMRF Tier 1, had not withdrawn his or her member contributions, and was

- a. **Less than age 55**, the balance of the member's account (member's contributions plus interest to the date of death less any benefit prepayment) is paid to his or her beneficiary.
- b. **Age 55 or older and not eligible to receive a pension**, the balance of the member's account (member's contributions plus interest to the date of death less any benefit prepayment) is paid to his or her beneficiary.
- c. **Age 55 or older and eligible to receive a pension**, the member's spouse or other beneficiary(ies) will receive a lump sum death benefit of \$3,000 plus a refund of the member's contributions with interest to the date of death (less any benefit prepayment). If the spouse is the beneficiary, in lieu of the refund of member contributions, the spouse may ask to receive a monthly surviving spouse pension plus the \$3,000 lump sum death benefit.

Upon the death of a person who formerly participated in IMRF Tier 2, had not withdrawn his or her member contributions, and was

- a. **Less than age 62**, the balance of the member's account (member's contributions plus interest to the date of death less any benefit prepayment) is paid to his or her beneficiary.
- b. **Age 62 or older and not eligible to receive a pension**, the balance of the member's account (member's contributions plus interest to the date of death less any benefit prepayment) is paid to his or her beneficiary.
- c. **Age 62 or older and eligible to receive a pension**, the member's spouse or other beneficiary(ies) will receive a lump sum death benefit of \$3,000 plus a refund of the member's contributions with interest to the date of death (less any benefit prepayment). If the spouse is the beneficiary, in lieu of the refund of member contributions, the spouse may ask to receive a monthly surviving spouse pension plus the \$3,000 lump sum death benefit.

The surviving spouse pension is available only if the spouse was married or in a civil union for at least one year before the member terminated IMRF participation.

3. Death of a Retiree on IMRF Retirement Pension

Upon the death of a retiree, IMRF will pay a \$3,000 employer death benefit to the beneficiary designated by the deceased retiree.

If a spouse survives and is eligible for a surviving spouse pension, IMRF will pay a monthly benefit. To be eligible, the spouse must have been married or in a civil union with the deceased for at least one year prior to the date the deceased terminated IMRF participation.

If the retired member had an eligible spouse at retirement, but that spouse dies, a future spouse could be eligible for a surviving spouse pension.

If the first spouse predeceases the member, and the surviving spouse was married or in a civil union with the member for at least one year prior to the member's death, the second spouse will receive the surviving spouse pension.

If the Member Retired under Tier 1

The amount of the surviving spouse benefit is 50% of the (standard) pension (see Paragraph 5.20 B. 3. Pension Payout Plans), including post-retirement increases (see Paragraph 5.20 B. 12. Pension Increases After Retirement).

If the deceased was receiving retirement benefits under the optional plan (see paragraph 5.20 B. 3. Pension Payout Plans), the surviving spouse benefit will be based on the standard plan plus any post-retirement increases that would have been paid had the standard plan been chosen.

If the Member Retired under Tier 2

The amount of the surviving spouse benefit is 66-2/3% of the pension (no optional pension for Tier 2), including post-retirement increases (see Paragraph 5.20 B. 12. Pension Increases After Retirement).

If a Tier 1 member retired under the IMRF Early Retirement Incentive (ERI), the amount of the surviving spouse benefit is based on 50% (see above regarding date of death) of the ERI enhanced pension the deceased was receiving at date of death, including post-retirement increases.

If a Tier 2 member retired under the IMRF Early Retirement Incentive (ERI), the amount of the surviving spouse benefit is based on 66-2/3% of the ERI enhanced pension the deceased was receiving at date of death, including post-retirement increases.

If a balance of the member's ERI cost remains, the remainder will be deducted from the IMRF death benefit:

- a. If a surviving spouse pension is payable, the remainder of the 24 equal installments will be deducted from the surviving spouse pension.
- b. If a surviving spouse pension is not payable, the balance will be deducted from the lump sum death benefit payment.

If the member paid more for the ERI than he or she received in an enhanced pension, the amount not paid out as a benefit will be refunded to the member's beneficiary or estate.

If the deceased chose a reversionary annuity (see Paragraph 5.20 B. 15.b Special Needs (Reversionary) Annuity) and named his or her eligible surviving spouse as the reversionary annuitant, that spouse will receive another monthly annuity in addition to the surviving spouse pension (will be paid as a single monthly benefit payment). If some other individual was named, that individual will receive the reversionary annuity.

4. Divorce After Retirement

When a member retires and has a spouse eligible for a surviving spouse benefit, a joint and survivor pension is established for the member and the spouse. Even though they are divorced after retirement, that spouse remains eligible for the surviving spouse pension if the spouse survives the retired member.

If this spouse does not survive the member, then a surviving spouse pension is payable to the member's current spouse if they had been married or in a civil union at least one year prior to the member's death.

5. Increase in Surviving Spouse Pensions

Tier 1:

If the member retired under Tier 1, the surviving spouse pension is increased each January 1 by 3% of the original amount. When a surviving spouse pension is awarded upon the death of an active or inactive member, the 3% for the first year is prorated. When a surviving spouse pension is awarded upon the death of a member receiving a pension, the full 3% is paid the next January 1.

Persons receiving a surviving spouse pension are also eligible for a supplemental benefit payment each July if they and/or their spouses were eligible for 12 months of retirement benefits. (See Section 5.20 B. 14. Supplemental Benefit Payment to Retired Members and Surviving Spouses)

Tier 2:

If the member retired under Tier 2, the surviving spouse pension is increased each January 1 by the lower of 3% or one-half of the increase in the Consumer Price Index-Urban (CPI-U) for the preceding 12 months as of September of the original amount. If the CPI-U decreases or is zero, no increase is paid. When a surviving spouse pension is awarded upon the death of a member receiving a pension, the full annual increase is paid the next January 1.

Persons receiving a surviving spouse pension are also eligible for a supplemental benefit payment each July if they and/or their spouses were eligible for 12 months of retirement benefits. (See Section 5.20 B. 14. Supplemental Benefit Payment to Retired Members and Surviving Spouses) .

6. Remarriage or new Civil Union of a Person Receiving a Surviving Spouse Pension

Remarriage or a new civil union does not impact the surviving spouse pension.

7. Death of a Person Receiving a Surviving Spouse Pension

Upon the death of a person receiving a surviving spouse pension, IMRF will pay to the first named beneficiary of the deceased member any remainder of the IMRF member contributions, with interest to the date of the member's retirement, which has not been paid by IMRF as retirement and/or surviving spouse pension benefits.

If none of the deceased member's first named (primary) or secondary beneficiaries survive, the remainder of contributions with interest will be paid to the member's estate.

If the total benefit payments by IMRF exceed these contributions with interest, there is no benefit of any type paid upon the death of a person receiving a surviving spouse pension.

The \$3,000 death benefit, which is paid upon the death of a retired member, is not payable upon the death of a person receiving a surviving spouse pension.

8. Death of a Person Receiving a Beneficiary Annuity

Upon the death of a person receiving a beneficiary annuity, the excess (if any) of the member contributions, plus interest to date of death, less the monthly payments made, is paid to the person or persons designated by the deceased beneficiary or, if there is no person designated, to the estate of the beneficiary receiving the annuity.

9. Increase in Special Needs (Reversionary) Annuities

Special Needs (Reversionary) annuities (see paragraph 5.20 B. 15b. Special Needs [Reversionary] Annuity) are increased each January 1 by 3% of the original amount. Persons receiving a reversionary annuity are also eligible for a supplemental benefit payment each July if they and/or the member were eligible for 12 months of retirement benefits. (See Section 5.20 B. 14. Supplemental Benefit Payment to Retired Members and Surviving Spouses)

If the member retired under Regular Tier 2, annual increases paid to an individual receiving a Special Needs Annuity are subject to Tier 2 increase rules. See Paragraph 5.20 B. 12. Pension Increases After Retirement.

10. Death of a Person Receiving a Special Needs (Reversionary) Annuity or Named as a Special Needs (Reversionary) Annuitant

Upon the death of a person receiving a Special Needs (reversionary) annuity (see paragraph 5.20 B. 15b. Special Needs (Reversionary) Annuity), IMRF will pay to the first named beneficiary of the deceased member any remainder of the IMRF member contributions, with interest to the date of the member's retirement, which has not been paid by IMRF as the member's annuity and/or a Special Needs (reversionary) annuity.

If the person named as the Special Needs annuitant predeceases the member, the pension that would have been paid to that individual is no longer payable. The member's pension is not adjusted.

11. Orphans Annuity (under the Regular IMRF and SLEP plans)

Under certain circumstances, IMRF also pays pension benefits to an orphan who is less than 18 years of age and is unmarried and not in a civil union. These benefits are rarely paid because the lump sum payment usually provides a larger benefit. Detailed information is furnished on an individual basis.

5.30 B. Eligible Beneficiaries for Death Benefits

The legal or designated beneficiary receives the death benefits payable when a member or beneficiary dies.

1. Members can designate a Beneficiary

A member may designate any person, persons, organization or trust as the beneficiary (ies). However, to ensure a spouse can select a surviving spouse pension if the member dies before retiring, (and if a surviving spouse pension is otherwise payable), the member must have a valid designation of beneficiary form on file with IMRF naming the spouse as the only primary beneficiary.

If a member names his or her spouse as co-beneficiary with other beneficiaries, the spouse would share in the lump sum death benefit. Under this arrangement, the spouse would not be eligible for a surviving spouse pension.

2. Default Beneficiaries

Upon the death of a member without a valid designation on file with IMRF, the member's estate is the beneficiary.

3. Retired Members with a spouse eligible for a surviving spouse pension

Upon the death of a retired member with a surviving spouse who is qualified to receive a surviving spouse pension, the member may designate any person, persons, organization, or trust to receive the \$3,000 lump sum death benefit. The surviving spouse pension is only payable to the qualifying surviving spouse.

4. Marital Status

A member who is or has been married or in a civil union remains in that status for death benefit purposes until a final court judgment of annulment, invalidity of marriage/civil union, or divorce. A judgment or decree of legal separation or separate maintenance does not terminate the marriage/civil union.

If when a member retires, he or she has a spouse who is eligible for a surviving spouse pension, that spouse remains eligible for the surviving spouse pension even if the member and spouse later divorce.

5. Designated Beneficiaries

Refer to Paragraph 6.10 B. Designation of Beneficiary for an explanation of beneficiary designation rules.

5.30 C. Application for IMRF Death Benefits

IMRF has developed a Death Benefit Application Check List to assist Authorized Agents. Refer to the forms chart in the front of this manual.

1. Application For Death Benefits

a. Death of Member Prior to Retirement

Survivors should contact IMRF directly before any applications are submitted. To apply for death benefits when a member dies prior to retirement, the following forms and documents should be submitted (**all documents submitted to IMRF should have the deceased's Social Security number printed on them**):

1. Form 5.30 - "Application For Death Benefit" (Exhibit 5D), from the beneficiary
2. Form 6.41 - "Notice of Termination of IMRF Participation," (Web termination or paper form, see Paragraph 6.30 To Close an Account), from the employer if the deceased was in a participating status at the date of death (Effective August 1, 2008, employers with Internet access are required to submit member terminations via Online Termination in Employer Access. Employers without Internet access may continue to use paper Form 6.41)
3. Copy of certified death certificate
4. Copy of birth certificate of beneficiary
5. Copy of marriage license or civil union certificate - if the beneficiary is the surviving spouse
6. Copy of judgment of dissolution - if member was divorced at date of death

b. Death of Retired Member

If a spouse survives, he or she should contact **IMRF to determine if any documents other than Form 5.30**, "Application For Death Benefit," and a death certificate are needed. Often the other documents are already on file.

Any pension payments dated after the member's death should be returned before the death benefit is paid.

If there is no surviving spouse, the survivors should contact IMRF to determine who the member designated as beneficiary(ies). IMRF will also advise what documents, if any, are needed in addition to Form 5.30, "Application For Death Benefit," and the death certificate, and whether any pension payments are returnable.

Before IMRF can pay a death benefit to a surviving spouse, he or she must complete and return IMRF Form BW-60, "Distribution/Rollover Certificate." To expedite payment, the spouse can request Form BW-60 from IMRF and submit it with the death benefit application. (See Exhibit 5L, Form BW-60, "Distribution/Rollover Certification")

However, IMRF will mail the member a Distribution/Rollover Certificate with a letter informing the surviving spouse of the taxable and non-taxable amounts of the benefit.

2. Delayed Applications

Applications for death benefits should be filed promptly. If an application is delayed, there may be a loss of benefits. IMRF does not pay interest on delayed payments. On a delayed lump sum payment, this loss of interest can be significant

5.30 D. Death Benefit Payment Procedures

1. Death of Member in Participating Status

The beneficiary is advised of the benefit options three to four weeks after IMRF receives the monthly participating payroll report which lists the last earnings and contributions of the deceased.

The letter the beneficiary receives explains the tax treatment for each of the options. Payment is made by IMRF a few days after the benefit choice is received by IMRF.

2. Death of Retiree or Member in Non-Participating (Inactive) Status

The beneficiary is advised of any available benefit options and tax treatment within three to four weeks after the claim is received by IMRF; payment is made by IMRF a few days after the benefit choice is received by IMRF.

If any pension payments were issued after the date of death, those payments will be deducted from the death benefit unless the payments are returned.

Note: If the benefit to be paid is a surviving spouse's pension, the effective date is the first day of the month following the date of death. Monthly payments are made at the start of each month, same as retirement pensions.

For example, if the member dies on January 15, the surviving spouse pension is effective February 1.

3. Certificate of Benefits

Spouses who choose a surviving spouse pension, beneficiaries who choose a beneficiary annuity, and individuals receiving a Special Needs (reversionary) (see paragraph 5.20 B. 15b Special Needs (Reversionary) Annuity receive a Certificate of Benefits (Exhibit 5M-b) explaining the IMRF benefit payments. The Certificate also provides information about income taxes and any death benefits which may be payable.

5.30 E. Federal Income Taxes on Death Benefits

1. Death of Member In Participating Status

a. Lump Sum Death Benefit

The benefit is subject to federal income tax, except that portion attributable to previously taxed IMRF member contributions. Certain beneficiaries may be allowed to choose "forward averaging" to compute the tax.

Surviving spouses may roll over the taxable amount into a traditional IRA account, Roth IRA, qualified plan, 457 or 403(b) plan. Beneficiaries who are not a member's spouse may also roll over the taxable amount into an IRA. However, the IRS treats the IRA as an "inherited IRA" and special distribution rules will apply.

(A rollover into a Roth IRA is taxable to the member or beneficiary in the year the rollover is made.)

IMRF is required by federal tax law to withhold 20% of the taxable portion of the lump sum benefit paid. The beneficiary can avoid the 20% withholding by electing to have the taxable portion directly transferred to an account as a qualifying rollover.

The non-taxable portion may be rolled over into a qualified plan. (View Exhibit 5L, Form BW-60, "Distribution/Rollover Certification.")

A beneficiary who does not ask for a direct rollover has 60 days after receipt to make a rollover to a traditional IRA, qualified plan, 457 or 403(b) plan, as provided by section 402(c) of the Internal Revenue Code.

If a beneficiary is entitled to use 10-year averaging to limit tax liability, this option should be weighed against the rollover option.

b. Lump Sum Death Benefit Taken In Monthly Installments (Beneficiary Annuity)

The monthly payments are subject to federal income tax, but not that portion attributable to the deceased's previously taxed IMRF member contributions.

The amount of the monthly payment not subject to federal taxes varies depending upon the amount of the deceased's previously taxed IMRF member contributions and the age of the beneficiary.

The taxable amount of each annuity payment is computed using the same basic formula as retirement pensions.

c. Surviving Spouse Pension plus \$3,000

The \$3,000 death benefit is a taxable distribution. However, the surviving spouse can consider two options: having the \$3,000 made payable to the spouse or rolling it over into a traditional IRA, Roth IRA, qualified plan, 457 or 403(b) plan. If the \$3,000 is rolled, IMRF will report a taxable amount of \$0.

The surviving spouse pension is subject to federal income tax but not that portion attributable to the deceased's previously taxed IMRF member contributions.

2. Death of Member in Non-Participating (Inactive) Status

a. Return of IMRF Member Contributions and Interest

Returned previously taxed IMRF member contributions are not subject to federal income tax but 414(h) tax-deferred member contributions and the interest are taxable.

b. Surviving Spouse Annuity

The income tax treatment is the same as that described in subparagraph 1(c) above.

3. Death of a Person Receiving an IMRF Retirement Pension

a. Surviving Spouse Pension

The surviving spouse pension is subject to the same federal income tax treatment as the IMRF retired member's pension. The spouse may exclude from income the same dollar amount or percentage of each pension payment that the IMRF member was allowed to exclude until all previously taxed member contributions have been recovered.

When all the previously taxed contributions have been recovered, the entire pension will be subject to federal income tax. IMRF will inform the spouse when the pension becomes taxable.

b. Special Needs (Reversionary) Annuity

The Special Needs (reversionary) annuity (see paragraph 5.20 B. 15b. Special Needs Annuity) income tax treatment is the same as described in 3(a) above.

c. Return of Unused Contributions

If the deceased retired member left no surviving spouse eligible for a surviving spouse pension, IMRF pays to the beneficiary the excess of the member's contributions with interest (less any benefit prepayment) to date of retirement over the pension payments made to the date of death.

The beneficiary receiving this payment may take a tax deduction equal to the amount of unrecovered previously taxed IMRF member contributions.

5.30 F. Illinois Income Tax on Death Benefits

Section 203(a)(2)(F) of the Illinois Income Tax Act provides that death benefit payments by IMRF are exempt from Illinois Income tax.

5.40 Disability Benefits

IMRF provides two types of disability benefits:

1. Temporary - Paid when a member is unable to perform the duties of any position which might reasonably be assigned by the current IMRF employer.
2. Total and permanent - Paid after temporary disability benefits have expired and if the member is unable to engage in any gainful activity for any employer.

Whenever IMRF awards disability benefits, the initial classification is temporary, regardless of the severity of the disability.

If the member is participating in the Elected County Official Plan (ECO), eligibility for disability benefits and the amounts payable under the ECO plan differ from disability benefits under the Regular or SLEP plans. Please refer to relevant booklet on ECO.

Checklists for Authorized Agents

IMRF has developed a Disability Procedure Checklist to assist Authorized Agents with a member's application for IMRF disability benefits. Refer to the forms chart in the front of this manual.

Disability Benefits Information for Members

IMRF has also developed a Disability Benefits Checklist, which is available on the IMRF website, www.imrf.org, to help members through the disability benefit process.

5.40 A. Eligibility for IMRF Disability Benefits

1. Temporary Disability Benefits

Temporary disability benefits are paid for a period of time equal to one-half of the member's credited service, but not more than 30 months.

For example: if the member has one year of IMRF service credit, six months are payable. With five or more years of service credit, 30 months of benefits are payable, provided the member is disabled that long.

Temporary disability benefits are payable under the following conditions:

- a. The member must be an active employee when he or she becomes disabled.
- b. The member is disabled by a physical or mental condition (sickness or injury) which makes the member unable to perform the duties of any position that might reasonably be assigned by his or her employer.

Disability benefits are paid irrespective of the cause of disability, including elective surgery and pregnancy. The only exceptions are self-inflicted injury and narcotic drug addiction.

- c. The member must have at least 12 consecutive months of IMRF service credit since being enrolled in IMRF and he or she must have service credit in each of the 12 months immediately preceding the date of disability.

However, if the member has a one-, two-, or three-month gap in service anytime within those preceding 12 months, he or she may still be eligible for IMRF disability if the member:

- Has 12 consecutive months of service credit anytime prior to the gap in service, and
- Participated with an IMRF employer immediately before and after the gap. *Note: Prior to July 26, 2019, members must have participated with the same IMRF employer immediately before and after the gap.*

A member is not eligible if he or she is disabled prior to meeting these service requirements even though the member is carried on his or her employer's payroll after being disabled past the first anniversary date of participation.

Exceptions to the service requirement:

1. If the member had 20 years or more of IMRF service credit, stopped participating in IMRF and did not take a separation refund nor a retirement pension, he or she is immediately eligible for IMRF disability benefits once the member returns to participating status,

OR

2. If the member's employer just joined IMRF, the member may be eligible without meeting the one-year service requirement, if he or she meets all of the following conditions. The member:
 - a. Became disabled after his or her employer began participating in IMRF, and
 - b. Was employed in a qualifying position for at least five years before his or her employer joined IMRF. (If necessary, the member will be required to pay for enough prior service to have at least five years of service credit. See Paragraph 6.40. 6. Prior Service - Application for Prior Service Credit), and
 - c. Was employed the entire year preceding the date he or she became disabled.

If the member participates in IMRF as an elected official, he or she may apply for IMRF disability benefits if the member meets the service credit requirements. However, if the claim is approved, before IMRF can pay a disability benefit the member will have to cease earning income through his or her elected office.

Because elected officials are paid as long as they hold office, the member would need to resign in order to collect IMRF disability benefits. The member would send to IMRF a copy of his or her resignation letter along with a copy of the minutes from the meeting at which the member's Board (governing body) accepted the resignation.

If the member wishes, he or she can remain in office and complete the term. If after completing the term of office the member is still disabled, he or she will remain eligible for disability benefits. The member could begin receiving IMRF disability benefits at that time.

If the elected official is paid on a per diem basis (paid based upon actual attendance at meetings), he or she does not need to resign the office to receive disability benefits, so long as the official does not attend any meetings and, therefore, does not receive any compensation.

If the member works in a seasonal position and becomes disabled during a month in which he or she is not working (the "off season"), the member is still eligible to file for IMRF disability benefits and is encouraged to do so. **Please note:** if the member elected to be paid by the IMRF employer during the "off season" months, he or she is not eligible to receive IMRF disability payments for those months.

If the member works as a law enforcement officer, correctional officer, or firefighter, he or she is covered under the Illinois Public Employee Disability Act, (5 ILCS 345/0.01 et seq.).

This statute provides for the continuation of compensation for law enforcement officers, correctional officers, and firefighters who suffer a disabling injury in the line of duty. If the member is eligible for a pay continuation under this statute, he or she is not eligible for IMRF disability benefits until these payments stop—provided the member continues to be disabled.

However, if the member meets the other service credit requirements listed above and he or she will be disabled for more than one year, we recommend he or she submit a disability application after six months.

- d. The disability has existed for at least 30 consecutive calendar days and the member is no longer receiving compensation from the employer.

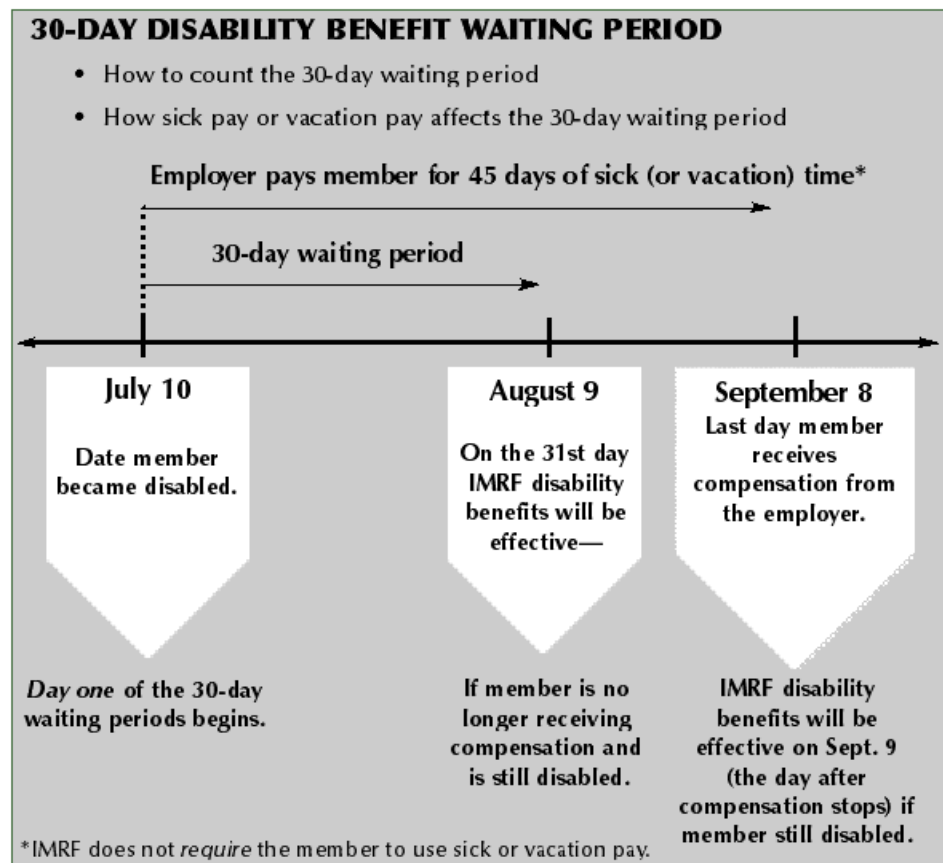
Temporary disability benefits begin on the 31st day following the “date of disability.”

The date of disability refers to the date of the first medical treatment (the date of the first doctor visit) after the last day the member was physically present on the job.

However, if the employer pays earnings which extend the period of compensation beyond the first 30 days of disability, IMRF temporary disability benefits will begin on the day after payment of such earnings has stopped.

For example, if a member is disabled on July 15 and receives sick or vacation pay through July 31, the IMRF disability benefit will begin on August 15. However, if the member receives earnings, sick pay, vacation pay, etc., which extend the compensation period through August 31, the IMRF disability benefit will begin on September 1.

The 30-day waiting period is counted from the date of disability (the date of the first medical treatment after the last day the member was physically present on the job) **and not** from the last day for which the member is paid by the employer.



The 30-day waiting period applies to all disability claims, regardless of the type of claim. The member is not required to use up his or her sick pay or vacation pay before receiving disability benefits.

Exceptions to the 30-day waiting period (Re-occurrence of disabling condition)

If a member receives temporary or total and permanent disability benefits and returns to work, but within six months is again disabled by the same condition, the 30-day waiting period does not apply. IMRF disability benefit payments would begin the day following the last day the member received compensation from his or her employer and the date disabled.

Example:

After being disabled for seven weeks, a member returns to work on Monday, the 5th, and works through Wednesday, the 14th. He is again disabled by the same condition and does not work on Thursday or Friday. He receives salary for the 5th through the 14th.

IMRF disability benefit payments would begin Thursday, the 15th, assuming the member seeks medical treatment which certifies he is disabled. He will also need to submit a new IMRF Form 5.40, "Application for Disability Benefits," and IMRF Form 5.42, "Physician's Statement—Disability Claim." In addition, his employer would need to submit a new Form 5.41, "Employer Statement—Disability Claim," advising IMRF of the last date the member worked and the last date he was or will be paid.

Each employer establishes its own rules on the use of sick pay and vacation pay. Members who are eligible for a pay continuation under the Public Employee Disability Act (5 ILCS 345/0.01 et seq.) are not eligible for disability benefits until these payments are terminated.

- e. The disability for which benefits are claimed:
 - 1. Is not the result of a self-inflicted injury or narcotic drug addiction.
 - OR
 - 2. The member did not refuse a position offered by the employer which accommodated the member's disability.

A physician's report that a member is disabled may not always be sufficient reason for IMRF to pay disability benefits.
- f. If the employer terminates the member's employment or if an elected official completes his or her term of office, but the member remains disabled by the same condition, the member remains eligible for IMRF disability benefits.
- g. Temporary disability benefit payments from IMRF are terminated under certain conditions. The principal reasons for the termination of benefits are as follows:
 - 1. The member has used up all temporary disability benefits, or
 - 2. The member returns to work, or
 - 3. Either the member's physician or a physician appointed by the employer or by IMRF reports that the member is able to return to work, even though there may not be a position available, or
 - 4. The member's employer accommodates physician-prescribed job restrictions but the member refuses to return to work.
 - 5. The member refuses to submit to a physical examination requested by IMRF, or
 - 6. The member fails to submit a medical report from his or her physician certifying continuance of disability.
 - 7. The member resigns from the position with the employer he or she was working for when the member became disabled. Depending on the member's situation, benefits may continue. The member should contact IMRF **BEFORE** resigning from his or her position. Also see Paragraph 5.40 D. 5.

If a member is no longer disabled, but does not return to work immediately and the employer wishes to provide service credit, an IMRF Benefit Protection Leave (Form 6.32, see Paragraph 6.40. 7. Leave of Absence) may be awarded. Local leave policy without formal action does not protect the member.

If the member will **NOT return to work for his or her IMRF employer**, the member must file Form 6.32 immediately. If he or she does not file Form 6.32 immediately, the member may not be eligible for a Benefit Protection Leave.

The total service a member can establish under the IMRF leave is limited to a maximum of 12 months during the member's lifetime, e.g., he or she may be granted a one-time leave of 12 months or several leaves totaling no more than 12 months. To establish the service, the member must pay the member contributions that would be due on his or her unpaid earnings.

If a member's temporary disability benefits run out and he or she is:

1. Eligible for IMRF total and permanent disability benefits, the member will continue to receive payments without interruption **if the member is approved prior to temporary disability benefits running out**. The member must also provide any updated medical information IMRF requests.
2. Participating in Tier 1 and not eligible for IMRF total and permanent disability benefits, IMRF will notify the member in writing. If the member does not return to participating employment and is:
 - a. Younger than age 55 or does not have at least eight years of IMRF service credit, the member can receive a refund of his or her IMRF member contributions without interest.
 - b. At least age 55 and has at least eight years of IMRF service credit, the member will be eligible for an IMRF pension.
 - c. At least age 55 and has reciprocal service or past service he or she may purchase, the member may be eligible for an IMRF pension (the application for past service must be filed before the disability benefits terminate).
3. Participating in Tier 2 and not eligible for IMRF total and permanent disability benefits, IMRF will notify the member in writing. If the member does not return to participating employment and is:
 1. Younger than age 62 or does not have at least 10 years of IMRF service credit, the member can receive a refund of his or her IMRF member contributions without interest.
 2. At least age 62 and has at least 10 years of IMRF service credit, the member will be eligible for an IMRF pension.
 3. At least age 62 and has reciprocal service or past service he or she may purchase, the member may be eligible for an IMRF pension (the application for past service must be filed before the disability benefits terminate).

2. Total And Permanent Disability Benefits

Total and permanent disability benefits are payable when a member who has used up all temporary disability benefits is unable to engage in any gainful activity whatsoever, and the disability is expected to result in death or be of long and continued duration.

All total and permanent disability claims are subject to a pre-existing condition investigation unless the member has five or more years of IMRF service credit prior to the date of disability and the member did not receive IMRF disability benefits within those five years. The investigation may include obtaining physician and hospital records, independent medical examinations and other pertinent information.

A member can receive total and permanent disability benefits **only** after temporary disability benefits have been exhausted.

IMRF attempts to make a determination regarding eligibility for total and permanent disability benefits so that the member continues to receive monthly benefit payments without interruption.

Total and permanent disability benefits are payable on the first day of each month for the preceding month.

A member may receive IMRF total and permanent disability benefits until the later of the following:

- a. Until he or she reaches Full Social Security Retirement age, assuming the member remains disabled.
- b. Until the last day of the month which is five years after the member becomes eligible for IMRF temporary disability benefits, assuming the member remains disabled.

If the member receives IMRF disability benefits after becoming eligible for full Social Security retirement benefits, his or her IMRF disability will be reduced by the amount of the member's Social Security retirement.

Other reasons for terminating the payment of total and permanent disability benefits are as follows:

- a. We receive evidence of earnings that indicates the member is able to be gainfully employed, or
- b. A report by a physician states that the member is no longer totally and permanently disabled, or
- c. The member refuses to submit to a physical examination requested by IMRF, or
- d. The member fails to submit any requested additional information, such as a medical report from his or her physician to prove continuance of disability or a Social Security award letter, etc.

IMRF will notify the member when her total and permanent disability benefits stop. At that time, IMRF will advise the member of her eligibility for other IMRF benefits.

5.40 B. Amount of IMRF Disability Benefits

1. Amount Paid As IMRF Disability Benefit

The amount paid as an IMRF disability benefit depends on whether the member receives Social Security benefits, workers' compensation (including occupational disease) benefits, or has returned to work for a trial work period.

The amount of a member's disability benefit is based upon his or her average monthly earnings subject to the wage cap for Tier 2 members.

To calculate the average monthly earnings, IMRF totals the member's earnings for the 12 consecutive months prior to the month in which he or she became disabled then divides that amount by 12; the result equals the member's average monthly earnings subject to the wage cap for Tier 2 members.

The member may receive benefits from the following sources:

- a. IMRF alone
- b. IMRF and Social Security Disability or Social Security Retirement benefits
- c. IMRF and workers' compensation or Occupational Disease Act benefits
- d. IMRF, Social Security Disability or Social Security Retirement benefits, and workers' compensation
- e. Outside earnings

The amount IMRF pays as a disability benefit depends on whether the member receives Social Security benefits, workers' compensation (including occupational disease), and/or outside benefits. The minimum

amount the member can receive from all **five** sources is 50% of the member's average monthly earnings subject to the wage cap for Tier 2 members.

Please note: the same formula is used to calculate the average monthly earnings for both temporary and for total and permanent disability benefits. The member's average monthly earnings amount does not change if the member's classification changes from temporary disability to total and permanent disability.

If a member receives benefits from an outside (non-IMRF) disability insurance plan, that benefit payment will **not** impact the amount of the member's IMRF disability benefit.

In addition to monthly IMRF disability payments, the member's IMRF death and disability protection continues. The member also earns service credits toward retirement as if he or she were working. Future retirement benefits from IMRF will not be reduced because disability benefits are paid.

The member's original salary subject to the wage cap for Tier 2 members, not the disability benefit amount, is used to determine the member's final rate of earnings (FRE) and to calculate a retirement benefit. As a result, the retirement benefit will not be affected by the amount of a member's disability benefits.

If death occurs while IMRF is paying disability benefits, the member's beneficiary will be eligible for death benefit options calculated in the same way as when an active member dies.

If a member works in a seasonal position, IMRF calculates the disability benefits based upon the member's annual earnings for his or her normal seasonal year. IMRF pays the disability benefits over a 12-month period so that benefit payments will continue through the member's "off season." For example, a member normally works eight months a year earning \$1,500 per month or \$12,000 a year. IMRF will pay 50% of \$1,000 a month or \$500.

If a seasonal member chooses to receive his or her salary over 12 months, the member will not receive IMRF disability benefits as long as he or she receives compensation. IMRF disability benefits are not payable if a member is receiving compensation from his or her employer, whether that compensation is sick pay, vacation pay, or a seasonal salary spread over 12 months.

If because of a disability, a member has reduced earnings when he or she stops working, the amount of disability benefits will be calculated based on the member's salary (subject to the wage cap for Tier 2 members) for the last year of regular employment.

For example, if a member worked part time because of an accident or illness, and the accident or illness eventually forces the member to go on IMRF disability, the amount of disability benefits would be based on the member's last year of normal full-time employment.

2. Reduction of IMRF Disability Benefit For Workers' Compensation and Social Security Benefits

a. Workers' Compensation

IMRF will reduce a member's disability benefit by the amount of any weekly or lump sum payments he or she may receive as workers' compensation or occupational disease benefits. IMRF disability benefits are not reduced by payments for medical services or attorneys' fees or by fixed amounts for loss of, or loss of use of, specific bodily members.

The reduction of the IMRF disability benefit will be made in the first IMRF disability check whenever it appears that workers' compensation or occupational disease benefits are being paid, or will be paid. The monthly reduction is 4-1/3 times the weekly workers' compensation or occupational disease payments.

IMRF disability benefits will be reduced whether the member's workers' compensation claim is pending or the member is receiving a workers' compensation benefit.

The IMRF monthly benefit is adjusted for a lump sum settlement on the basis of converting the lump sum amount into a monthly workers' compensation amount, until the total withheld equals the amount of the lump sum payment.

If a member is receiving workers' compensation benefits or if a member is waiting for a decision on a workers' compensation claim, but the member does not file a disability claim with IMRF, he or she will not earn IMRF service credit for the months he or she is disabled and does not receive earnings from the employer.

This loss of service credit will affect the member's eligibility for other IMRF benefits, such as retirement and death benefits. Loss of service credit will also affect eligibility for disability benefits if the member returns to work for an IMRF employer and is again disabled.

Exceptions to workers' compensation reduction

An exception exists which will allow a member to receive workers' compensation benefits and a non-reduced IMRF disability benefit. The member must meet the following condition:

The member has IMRF or reciprocal retirement system credit earned during the period from October 1, 1974, through September 30, 1977. If the member has service credit earned anytime during this period in effect on the date of his or her disability, the member will receive an unreduced disability benefit even though he or she is also receiving workers' compensation benefits.

Signing a workers' compensation resignation agreement

In some cases, an employer may offer to settle a workers' compensation claim if the member agrees to resign from his or her position and give up all rights as an employee of that employer.

NOTE: If a member signs such a resignation agreement, he or she also gives up any rights to IMRF disability benefits, unless the agreement specifically states that the member is not giving up his or her right to IMRF disability benefits. Also see Paragraph 5.40 D. 5.

b. Social Security Benefits

If the member becomes disabled when he or she is under the age for Social Security full retirement benefits:

IMRF will not reduce its disability benefits by the amount the member can receive from Social Security for a retirement pension. Social Security pensions can begin as early as age 62.

If the member is at least age 62 but younger than his or her Social Security full retirement age, and the member becomes disabled or is receiving IMRF disability benefits:

The member is required to apply for Social Security disability benefits and to obtain an official determination from Social Security regarding his or her eligibility for Social Security disability benefits.

- **If the member applies online at www.socialsecurity**
After he or she completes the online process, the member should print the confirmation/receipt page titled "What You Need To Do Now" and send it to IMRF as proof that you applied for Social Security disability benefits.
- **If the member applies by phone by calling 1-800-772-1213**
The member will receive a "Receipt of Claim" from Social Security. He or she should mail IMRF that receipt of claim as proof that the member applied for Social Security disability benefits.
- **If the member applies in person by visiting with the nearest Social Security District office**
The member should bring the IMRF Form 5.49 with him or her. The member completes

Sections 1 and 2 and the Social Security representative completes Section 3. The member should mail IMRF the completed Form 5.49 as proof that he or she applied for Social Security disability benefits.

IMRF requires the member to apply with Social Security because IMRF will reduce its disability benefit by the amount that may be paid as a disability benefit by the Social Security Administration, even if the member is receiving Social Security retirement benefits.

Even though Social Security retirement benefits can begin as early as age 62, IMRF will not reduce its disability benefits by the amount the member receives from Social Security for retirement benefits until the member reaches his or her Social Security full retirement benefit age.

If the member is within six months of the age when he or she will become eligible for Social Security full retirement benefits, or is his or her Social Security full retirement age or older, and the member becomes disabled:

IMRF will reduce its disability benefit by the amount the member may be entitled to receive as a Social Security retirement benefit, even if the member is not receiving such a benefit.

Social Security does not pay disability benefits if an individual is within six months of his or her full Social Security retirement age. (Social Security begins paying disability benefits six months after the onset of the disability.)

If the member is not receiving Social Security retirement benefits, IMRF requires an estimate of the amount the member is entitled to receive at his or her Social Security full retirement age. IMRF's disability benefits will be reduced based upon this amount, even if the member does not apply for the benefit. Therefore, the member may wish to apply for Social Security retirement benefits.

See the following table for more detailed information about when a member should apply for each type of Social Security benefit.

If the member becomes disabled and is:	Should the Member		Is the Member's	
	Apply for Social Security Disability?	Get an estimate of his/her Social Security Retirement benefits?	IMRF disability benefit reduced by Social Security disability amount?	IMRF disability benefit reduced by Social Security Retirement benefits?
Younger than age 62	Yes, if member thinks he/she will be disabled for more than five months.	No	Yes, after five months, even if member doesn't apply for Social Security disability	No
At least age 62, but not within six months of member's full Social Security Retirement Age	Yes, if member thinks he/she will be disabled for more than five months.	No	Yes, after five months, even if member doesn't apply for Social Security disability.	No
Within six months of member's full Social Security Retirement Age or Later	No. Social Security will not allow member to apply for Social Security disability.	Yes. This will allow IMRF to accurately reduce member's IMRF disability benefit by the amount he/she is eligible to receive.	Not Applicable.	Yes, even if member does not apply for Social Security retirement benefits, IMRF's disability benefit will be reduced by the amount he/she is eligible to receive.

The table below provides the ages when a member is eligible for Social Security full retirement benefits.

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

If the member is being paid a reduced IMRF benefit and a final decision on a Social Security or workers' compensation claim has not been made, IMRF will restore the benefit to the full unreduced amount (not after the member's age when he or she is eligible for full Social Security retirement benefits for Social Security claims) provided the member signs Form 5.48, "Disability Payment Agreement" (Exhibit 5I) and:

- Submits Social Security "Receipt of Claim Form" (or other proof) indicating the member has applied for Social Security,
- Completes and submits IMRF Form 5.49, "Authorization to Secure Award or Disallowance Information," and
- If necessary, supplies an updated Form 5.42a and medical records.

As long as the member remains disabled and is waiting for a final decision on the Social Security or workers' compensation claim, IMRF will pay the member unreduced benefits until the total of those payments equals 80% the total amount of member contributions he or she has on deposit.

Once that occurs, IMRF will reduce its benefit payments to the minimum payment of \$10 or to the difference between the member's anticipated Social Security disability benefit and 50% of his or her average monthly earnings, subject to the wage cap for Tier 2 members.

The "Disability Payment Agreement" **obligates the member to repay IMRF immediately for any prepayment** resulting from an award of Social Security, workers' compensation, or occupational disease benefits. If the member fails to repay IMRF, the prepayment will be recovered from any future benefits payable by IMRF to the member, or to his or her beneficiaries or estate.

Before a member signs a Disability Payment Agreement, **we strongly recommend that he or she speak with the IMRF Disability Claims Examiner.**

c. IMRF Benefit Adjusted to Conform to Workers' Compensation or Social Security Benefit

Whenever an IMRF disability benefit is reduced, the amount of the monthly check will not be less than \$10. If IMRF benefits are reduced and workers' compensation (including occupational disease) or Social Security benefits are denied, or paid in a smaller amount than the reduction, IMRF will adjust its benefits accordingly.

The member is required to repay to IMRF any prepayments when the member is paid workers' compensation, occupational disease, or Social Security benefits for which no reduction of IMRF benefits is made.

d. Increase in Total and Permanent Disability Benefits

Total and permanent disability benefits are increased by 3% annually (not compounded) after the disabled member has been on disability for at least 30 months. The 3% increase is payable on the January 1 following the date the member has been disabled 30 months regardless of the member's plan tier. This increase is applied to the original amount before offset for Social Security or workers' compensation benefits.

3. Reduction for Earnings from Outside Employment (Other Than Trial Work Period)

A member who is being paid temporary disability benefits by IMRF is no longer considered disabled if the member is paid compensation from gainful employment.

However, under unusual circumstances, a member may receive compensation (other than from a participating employer) up to 25% of average monthly earnings (see Paragraph 5.40 B.1) on which the temporary benefit is based. If the member earns more than 25% of this base pay, the temporary benefits may terminate or be reduced by the amount by which the outside earnings exceed 25% of base pay.

The decision whether to terminate or reduce the benefit because of outside earnings or employment is based on the facts in each individual case. The member will be required to periodically submit—at his or her own expense—medical evidence of continuing disability.

Please note: when considering the compensation that reduces the IMRF disability benefit payment, IMRF applies the net compensation after any member payments for medical and/or dental insurance. Member payments for medical and/or dental insurance do not reduce the IMRF benefit payment.

4. Reduction of IMRF Disability Benefit for Employer Paid Earnings During a Trial Work Period

For some disabling conditions, recovery is gradual and a return to work on a part-time basis is therapeutic. For other conditions, neither the member nor his or her physician can state with precision when recovery is so advanced that a full-time return to work is possible. IMRF recognizes that a member may wish to return to work on limited basis, known as a trial work period, to see if the member can handle his or her position again.

For a member to be eligible for a trial work period, the member must have been disabled for 30 or more days before he or she returns to work on a limited basis.

During the trial work period, the disability is deemed to continue with service credit and the earnings history treated as though the member is disabled.

Note: an employer is not required to offer a trial work period. However, if one is available, a member can work fewer hours than his or her position requires and still receive reduced IMRF disability benefits. IMRF's trial work period is available only if the member returns to the same employer he or she worked for when the member became disabled, and if that employer offers the trial work period. See Paragraph 5.40D.4.

The member will remain eligible to receive IMRF disability benefits while on a trial work period until:

- a. He or she works the same number of hours the member worked prior to the disability,
- b. It is determined that the member is no longer disabled,
- c. The member has exhausted IMRF temporary disability benefits, or
- d. One year has passed.

IMRF monthly disability benefits are reduced dollar-for-dollar by the trial work period monthly gross earnings. However, the minimum monthly disability benefit is \$10.

Please note: when considering the compensation that reduces the IMRF disability benefit payment, IMRF applies the net compensation after any member payments for medical and/or dental insurance. Member payments for medical and/or dental insurance do not reduce the IMRF benefit payment.

Only one trial work period is allowed for each disability occurrence. The trial work period:

- a. Cannot exceed 12 months for each disability occurrence. The member will be required to periodically submit—at his or her own expense—medical evidence of continuing disability to support the need for a continued trial work period.
- b. Will end if the member returns to work for the same number of hours worked before the disability occurred.
- c. Will end if the disabling condition worsens preventing the member from working any hours. If the member is eligible, upon receipt and review of medical documentation, full payment of IMRF disability benefits will resume.
- d. Will end if the member resigns from his or her position with the member's IMRF employer. If a member is considering resigning his or her IMRF position, the **member should contact IMRF first!** Depending on the member's situation, benefits may or may not continue.

5.40 C. Application for Disability Benefits

IMRF has developed a Disability Procedure Checklist to assist Authorized Agents with a member's application for IMRF disability benefits. Refer to the forms chart in the front of this manual.

IMRF has also developed a Disability Benefits Checklist, which is available on the IMRF website, www.imrf.org, to help members through the disability benefit process.

1. Temporary Disability Benefits

Temporary disability benefits may be claimed by submitting the following forms and records to IMRF:

- a. Form 5.40, "Application for Disability Benefits," (Exhibit 5E)
The member should complete Form 5.40. Members can also apply for disability benefits via Member Access.

If the member is unable to complete the application, a relative or other representative can complete the form. However, that individual should call IMRF and tell us that the member is unable to sign the application or other disability-related IMRF documents.

The member's relative or other representative would sign the forms on the member's behalf, e.g., Mary Smith for John Smith. If the benefit is approved, IMRF will mail the member's relative or other representative a Representative Payee form for him or her and the member's attending physician to complete.

If the member's relative or other representative has "power of attorney" for the disabled member, he or she should forward a copy of the power of attorney to IMRF for review by our Legal Counsel.

IMRF will accept agency designation under a power of attorney for property if it conforms with the requirements of the Illinois Power of Attorney Act. A copy of the entire designation must be submitted for our review. If the original designation is more than a year old, we will send the agent an affidavit that he or she must complete, sign, have notarized, and then return to our office in order for the power of attorney to be accepted.

IMRF will accept a power of attorney for property; a health care power of attorney is not acceptable. IMRF will allow a designated agent to act for the member in all aspects excluding the ability to sign a beneficiary form.

- b. Form 5.41, "Employer Statement—Disability Claim," (Exhibit 5F) The employer's Authorized Agent should complete Form 5.41.

While completing Form 5.41, please note:

1. Last date the member actually worked is the last date the member was physically on the job.
2. Last date paid is the last date the member will receive compensation from the employer, including sick and vacation pay, etc. This date does not refer to the date of the last check.

Note: the employer should submit form 5.41 whether or not the disabled member applies for IMRF disability benefits.

- c. Form 5.42, “Physician Statement—Disability Claim,” (Exhibit 5G) A licensed and practicing physician who has examined the member and can verify the nature and extent of disability should complete Form 5.42 and submit it to IMRF along with associated office visit notes/medical records.

Diagnosis, treatment dates, services rendered and dates of disability are required to process the member’s claim. The member should also ensure that the **first treatment date** is noted on the form. IMRF cannot accept doctor’s statements that certify a disability for a date prior to the member’s visit or for a date in the future.

- d. Birth certificate or other acceptable evidence of birthdate must be submitted. **The member’s Social Security number should be printed on the birth certificate or other evidence of birthdate.**
- e. IMRF may also request that the member complete Form 5.40A, “Disability Claim Data,” Form 5.46, “Authorization for Disclosure of Health Information,” Form 5.48, “Disability Payment Agreement,” Form 5.49, “Authorization to Secure Award or Disallowance Information,” Form 5.49R, Authorization to Secure Social Security Retirement or Disallowance Information, Form 5.42A, Form 5.42B, Form 5.42E, or psychiatric/physical forms. (If such forms are required, IMRF will mail them directly to the member).

If any form is incomplete, it may delay a decision on the disability claim. The member should provide as much medical information as possible when he or she submits the forms.

2. Total and Permanent Disability Benefits

A member can receive total and permanent disability benefits only after temporary disability benefits have been exhausted.

A member does not have to apply for total and permanent disability benefits. Prior to temporary disability benefits ending, IMRF automatically reviews the member’s claim to determine if he or she is totally and permanently disabled as defined by the IMRF law. IMRF may require additional medical information before a determination can be made.

3. Delayed Applications May Cause Loss of Benefits

A member may lose one or more monthly payments by failing to apply for IMRF disability benefits promptly. Disability payments cannot be paid retroactively for more than six months from the date an application is filed with IMRF.

Filing late may also result in gaps in the member’s service credit which could affect his or her eligibility for other IMRF benefits.

4. When to File an Application for IMRF Disability Benefits

The employer should file Form 5.41, “Employer Statement—Disability Claim,” as soon as the member stops working and is expected to be disabled for more than 30 consecutive days from the date the disability occurred. The employer should file Form 5.41 even in cases of disability when the member has filed a claim for workers’ compensation.

At the same time the member should file IMRF Form 5.40, "Member's Application for Disability Benefits," (member can also apply for disability benefits via Member Access) and give each of his/her current physicians a blank Form 5.42, "Physician's Statement," to complete. The member application or employer certification should not be filed in "anticipation of disability" if the member is still able to work.

When compensation, such as sick pay and vacation pay, is continued for more than 30 days, the member application and employer certification should be submitted immediately if the disability is expected to extend beyond the last day for which earnings will be paid.

The chart below illustrates when a member would apply for disability benefits.

Member receives surgery on August 1st	Does member apply?
Member returns to work on August 28.	<ul style="list-style-type: none"> No, the member is not disabled more than 30 days.
Member will be off from work for six weeks.	<ul style="list-style-type: none"> Yes, the member applies for disability benefits the first day he or she is disabled - on August 1. Member does not apply in advance, even though he/she knows they will be disabled more than 30 days. The disability effective date will be August 31st - 30 days after the date of disability.
Member will be off from work for three months, AND the employer pays the member for the first 60 days	<ul style="list-style-type: none"> Yes, the member applies for disability benefits the first day he or she is disabled (August 1) because the member knows he or she will be disabled beyond the last day employer pays the member compensation. The disability effective date will be September 30th - the day after the compensation ends.

5. Investigation Process for Disability Benefits

Claim investigations may include obtaining medical and hospital records, independent medical examinations and other pertinent information. The length of time required to investigate (and therefore, approve or deny a claim) varies with each claim, depending on the circumstances.

a. Extent/degree of disability test

All disability claims are subject to an extent or degree of disability test—regardless of the number of years of service credit the member had when he or she became disabled.

An extent or degree of disability investigation may include requesting hospital records and getting additional medical information from the member's attending physician(s) or possibly having the member examined by a physician chosen and paid for by IMRF.

If the claim appears to involve an extent or degree of disability condition, an IMRF Claims Examiner will review the claim. If the Claims Examiner determines that the member's disability does not prevent him or her from performing the duties and responsibilities of any position that might reasonably be assigned by the current IMRF employer, the member will be advised that the claim for disability benefits is being denied.

In some cases, IMRF compiles a written summary of the member's medical history for review by IMRF's rehabilitative medicine/occupational psychiatric consultant.

If the member applied for temporary disability benefits

- If it is the rehabilitative medicine/occupational psychiatric consultant's opinion that the member's disability prevents him or her from performing the duties and responsibilities of any position that might reasonably be assigned by the current IMRF employer, the claim will be returned to a disability claims examiner for payment processing (assuming the member is currently receiving IMRF temporary disability benefits).
- If it is the rehabilitative medicine/occupational psychiatric consultant's opinion that the member's disability does not prevent him or her from performing the duties and responsibilities of any position which might reasonably be assigned by the current IMRF employer, the claim is denied and the member is so advised.

If the member's claim is being reviewed for total and permanent disability benefits

- If it is the rehabilitative medicine/occupational psychiatric consultant's opinion that the member's disability prevents him or her from working in any gainful activity for any employer, the claim will be returned to a disability claims examiner for payment processing (assuming the member is currently receiving IMRF temporary disability benefits).
- If it is the rehabilitative medicine/occupational psychiatric consultant's opinion that the member's disability does not prevent him or her from working in any gainful activity for any employer, the claim is denied and the member is so advised

b. Medical certification

Medical certification refers to the member's attending physician's statement (IMRF Form 5.42, "Physician's Statement," Exhibit 5G). IMRF may also require Form 5.40A, "Disability Claim Data Instruction Sheet," Form 5.42A, "Disability Claim Data," or Form 5.42B, "Physician's Statement – Total and Permanent Disability Claim." If any of these forms are required, IMRF will mail the form(s) directly to the member. Members of the Elected County Official Plan must submit two medical certifications: Form 5.42 and Form 5.42E, "Physician's Statement—Disability Claim for Elected County Officials."

When a member first applies for disability benefits, he/she should ensure the physician's statement indicates any office visits or services rendered after the date the member became disabled. IMRF will send a letter to the member's attending physician requesting office visit and treatment notes.

If the member is approved for disability benefits and begins receiving benefit payments, the IMRF law requires that members periodically submit—at their own expense—medical evidence of continuing disability.

The evidence is required to determine if the member remains eligible for IMRF disability payments. If the member fails to submit current medical evidence of the disabling condition, IMRF must stop disability benefit payments.

c. Pre-existing condition investigations for total and permanent disability claims

Whether a pre-existing condition investigation is done depends on how much IMRF service credit the member has on the date the disabling condition occurred.

The member had FIVE OR MORE YEARS of service credit

The member's claim is not investigated for a pre-existing condition if, prior to the date of disability the member has at least five years of IMRF service credit, excluding service credit earned while receiving IMRF disability benefits.

The member had FEWER THAN FIVE YEARS of IMRF service credit

A pre-existing condition investigation will be done if the member has fewer than five years of service credit on the date he or she became disabled.

IMRF will request information to determine if the member had the disabling condition before becoming an IMRF participant.

This investigation includes having the member complete Form 5.42A, "Disability Claim Data," and Form 5.46, "Authorization For Disclosure of Health Information," which gives IMRF permission to request hospital records and to write to the member's attending physician(s).

If the member's claim appears to involve a pre-existing condition, an IMRF Claims Examiner will review the claim. If the Claims Examiner determines the member's disability is the result of a pre-existing condition, the member will be advised that the claim for IMRF total and permanent disability benefits is being denied. If the member disagrees with that decision, he or she can request a hearing before the Benefit Review Committee of the IMRF Board of Trustees

In some cases, IMRF compiles a written summary of the member's medical history for review by IMRF's rehabilitative medicine/occupational psychiatric consultant. If it is IMRF's rehabilitative

medicine/occupational psychiatric consultant's opinion that the disability is not the result of a pre-existing condition, the claim will be returned to the disability claim examiner for payment processing.

If it is the opinion of the IMRF staff and of the IMRF rehabilitative medicine/occupational psychiatric consultant that the disability is the result of a pre-existing condition, the member will be advised that the claim for IMRF total and permanent disability benefits is being denied. The member will also be advised of his or her right to request a hearing before the Benefit Review Committee of the IMRF Board of Trustees if the member disagrees with the denial. (See paragraph 5.70 Appeal Rights for further discussion of appeal rights.)

6. Appeal of Denial

If IMRF denies a member's claim for disability benefits, IMRF will inform the member of that decision. At this point if the member has either additional evidence of disability or other compelling argument that meets the Pension Code's definition of disability, he or she may request a hearing before the Board of Trustee's Benefit Review Committee.

To request a hearing, the member must complete Form 5.70, "Request for a Hearing." This form is sent to the member when he or she is notified of the disability claim denial. The completed form must include a Statement of Claim; a detailed statement of why the member believes that the decision to deny/terminate disability benefits is incorrect.

The completed request for a hearing form must be submitted to IMRF within 63 days of the date of the denial letter. Additional information regarding the procedures and deadlines for filing information is stated in the letter of denial and on Form 5.70. (See Paragraph 5.70 Appeal Rights for further discussion .)

5.40 D. Disability Benefit Payment Procedures

1. Temporary Disability Benefit Payment Procedures

a. Effective Date of Payments

IMRF disability benefits are not paid for the first 30 consecutive calendar days of disability. Disability benefits begin on the 31st day following the date of disability, provided pay from the employer has stopped. For more information on the 30-day waiting period, see Paragraph 5.40A.1.d.

1. **Effect of Sick Pay, Vacation Pay, Etc.** - Sick pay, vacation pay, etc., are IMRF earnings and subject to IMRF deductions. If sick leave or vacation pay continues beyond the initial 30-day waiting period, the benefit will begin on the day such earnings stop.

Once the employer pays the member sick leave or vacation pay, such payment cannot be reversed. The member cannot return the payment to the employer in an effort to change the dates used to determine the effective date of the benefit.

IMRF does not require that a member use up all vacation or sick pay before receiving disability benefits. This is governed by local personnel policies. However, if at some later date, while the member is receiving IMRF disability benefits, the employer pays vacation or sick pay, IMRF will adjust the disability benefit.

2. **Exception to 30-Day Waiting Period** - If a member receives temporary or total and permanent disability benefits and then returns to work, but within six months is again disabled by the same condition, the 30-day waiting period does not apply. IMRF disability benefit payments would begin the day after the last day the member receives compensation from his or her employer.

For example: After being disabled for seven weeks, a member returns to work on Monday, the 5th, and works through Wednesday, the 14th. She is again disabled by the same condition and does not work on Thursday nor Friday. She receives salary for the 5th through the 14th.

Her IMRF disability benefit payments would begin Thursday, the 15th, assuming she seeks medical treatment which certifies she is disabled. She will also need to submit a new IMRF Form 5.40, "Application for Disability Benefits," and IMRF Form 5.42, "Physician's

Statement—Disability Claim.” In addition, her employer would need to submit a new Form 5.41, “Employer Statement—Disability Claim,” advising IMRF of the last date the member worked and the last date she was or will be paid.

You can also refer to the chart at Paragraph 5.40A.1.(c) that illustrates the 30-day disability waiting period.

b. Payment of Disability Benefits

If the member is receiving monthly temporary disability benefits, he or she will receive a “Report of Disability” form attached to each check. The “Report of Disability” form explains this procedure.

The member needs to complete and submit the “Report of Disability” form **only when reporting a change** in his or her situation. For example, the member:

- Was released to return to work, or
- Received income from a source he or she did not previously report to IMRF, or
- Was awarded or denied Social Security disability benefits, or
- Received workers’ compensation weekly benefits, or a lump sum settlement contract, or the member’s claim was denied.

Disability benefits for conditions with a “pre-determined” time period

Many different conditions have “pre-determined” time periods when the disabling condition is expected to end, such as pregnancy/childbirth (six to eight weeks following the date of delivery), a broken toe (four weeks after the treatment date), a hysterectomy (six to eight weeks after the procedure), or a broken arm (six to eight weeks after the treatment date).

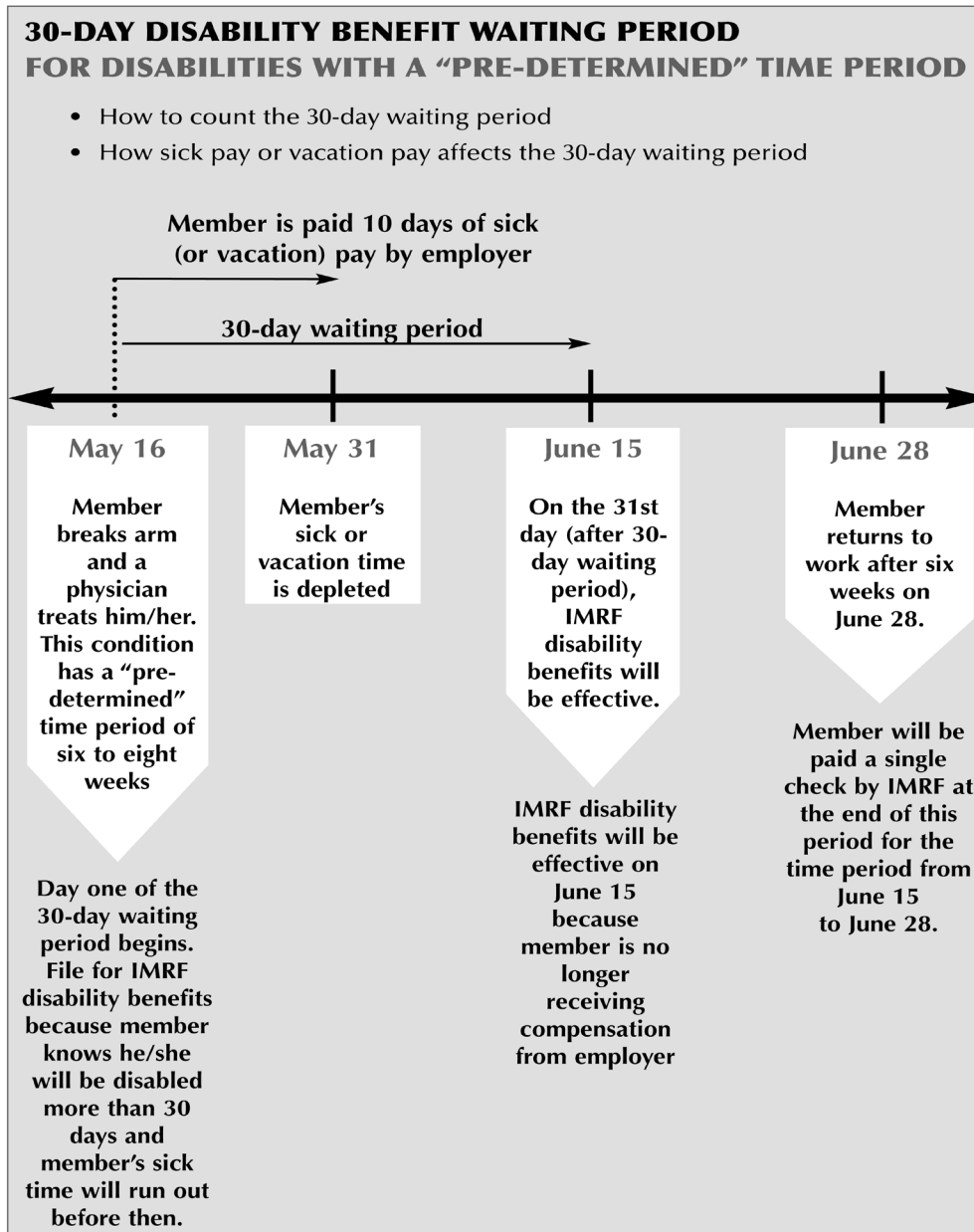
Conditions with “pre-determined” time periods are also said to have a “maximum allowable” period. However, even though the member becomes disabled by a condition that is “pre-determined” to last a certain number of weeks, benefits would be payable for a shorter period of time if the:

- Member’s attending physician releases the member to return to work earlier than the maximum number of weeks, or
- Employer pays the member compensation beyond the first 30 days of disability.

A member may be eligible for additional disability benefits if he or she has complications during the pre-determined time period. IMRF must receive sufficient medical evidence from the attending physician describing the complications which prevent the member’s release to return to work.

IMRF advises the member when he or she is being paid the last disability benefit payment, this message is printed on the check stub: **“This is your last payment, unless you submit medical evidence that results in approval of additional benefits.”**

Please note: Disability benefits are payable after childbirth as a result of the member’s physical condition. IMRF disability benefits are not payable as a result of the newborn’s condition even though the physician may recommend that the member does not return to work.



* Each employer establishes its own rules on the use of sick pay and vacation pay. As a result, IMRF’s disability plan does not require the member to use all of his or her sick or vacation pay before receiving disability benefits.

2. Total and Permanent Disability Benefit Payment Procedures

A member can receive total and permanent disability benefits only after his or her temporary disability benefits have been exhausted.

After temporary disability benefits are exhausted and provided IMRF has made a determination, the member will continue to receive monthly benefit payments without interruption.

Total and permanent disability benefits are payable on the first day of each month for the preceding month.

3. Periodic Medical Reports and Examinations

Periodically, IMRF will ask the member to submit (at his or her expense) medical reports to verify treatment dates and services rendered (office and office visit notes may be requested). These will be required to determine the member's eligibility for continued disability benefit payments.

If special examinations by IMRF appointed physicians are required to determine the member's eligibility for continued disability benefit payments, such special exams will be conducted at IMRF's expense.

4. Employer's Notice of Trial Work Period, Termination of Disability Benefits, Other Benefits

IMRF should be advised immediately if a member starts a trial work period or returns to work. Use Form 5.45, "Employer's Notice of Termination of Disability or Trial Work / Light Duty Period or," (Exhibit 5H)

If payment of disability benefits stops, the member is not eligible for IMRF total and permanent disability benefits, and does not return to IMRF participating employment:

If the member is participating in Tier 1 and is

- a. Younger than age 55 or does not have at least eight years of IMRF service credit, he or she can receive a refund of his or her IMRF member contributions without interest.
- b. At least age 55 and has at least eight years of IMRF service credit, he or she will be eligible for an IMRF pension.
- c. At least age 55 and has reciprocal service or past service he or she may purchase, the member may be eligible for an IMRF pension. (Note: the application for past service must be made before disability benefits stop.)

If the member is participating in Tier 2 and is

- a. Younger than age 62 or does not have at least 10 years of IMRF service credit, he or she can receive a refund of his or her IMRF member contributions without interest.
- b. At least age 62 and has at least 10 years of IMRF service credit, he or she will be eligible for an IMRF pension.
- c. At least age 62 and has reciprocal service or past service he or she may purchase, the member may be eligible for an IMRF pension. (Note: the application for past service must be made before disability benefits stop.)

If the member is no longer disabled but does not return to work immediately and the employer has not terminated the member's employment, he or she may be eligible for an IMRF Benefit Protection Leave (IMRF Form 6.32, "IMRF Benefit Protection Leave").

If the employer wishes to provide the member with IMRF service credit and IMRF disability and death benefit protection when IMRF disability benefits terminate and the member is not working, the employer's governing body would grant and file with IMRF an IMRF Benefit Protection Leave (IMRF Form 6.32, "IMRF Benefit Protection Leave").

The total service a member can establish under the IMRF leave is limited to a maximum of 12 months during the member's lifetime, e.g., he or she may be granted a one-time leave of 12 months or several leaves totaling no more than 12 months. To establish the service, the member must pay the member contributions that would be due on his or her unpaid earnings.

Local leave policy without formal action on the part of the governing body does not protect the member. Without Form 6.32 being filed, the member's future IMRF benefits can be affected.

5. Resignations of Disabled IMRF Members

It is very important that a member who is receiving IMRF disability benefits understand the impact of resigning from his or her position.

The act of resignation is a two-part process. First the member resigns, and then the employer accepts the resignation and terminates the member.

Voluntary Resignation

If a disabled member resigns voluntarily, IMRF disability benefits will stop on the effective date of the resignation.

Termination vs. Resignation

If a member has a choice of being terminated or resigning and chooses to resign, IMRF will continue to pay the member disability benefits. Because the only choice was termination or resignation, IMRF treats those members as terminated by the employer and the member remains eligible for disability benefits for the disabling condition.

IMRF must receive documentation of the resignation in writing, e.g., a letter from the member to the employer or an acknowledgement letter from the employer to the member.

Different Position vs. Resignation

In some cases, a disabled member has a choice between resigning OR accepting a different position at the same IMRF employer to accommodate his or her medical restrictions. In most situations like this, IMRF is aware that the member's physician has placed restrictions on the member returning to his or her original position.

If the member chooses to resign, IMRF will verify whether or not the member was offered a "reasonable" alternative position prior to resigning. If we determine that the member was offered a reasonable alternative position and chose to resign, IMRF disability benefits will stop on the effective date of the resignation. All verification documentation must be in writing, e.g., a letter from the member to the employer or an acknowledgement letter from the employer to the member.

Workers' Compensation and Resignation

In another type of member resignation, the member has filed a Workers' Compensation claim. During negotiations to settle the Workers' Compensation claim, the employer may offer to settle the Workers' Compensation matter if the member resigns from his or her IMRF position and agrees to give up all rights as an employee of that employer.

When the member signs such a resignation agreement, the member **gives up the right to receive IMRF disability benefits** unless the agreement specifically states that the member is not giving up his or her right to IMRF disability benefits. This is true even if the agreement mentions that the member is resigning due to a health condition. The reasoning is that by signing such an agreement, the member is separating from service.

Unless the agreement specifically states that the member is NOT giving up his or her rights to IMRF disability benefits, such benefits will stop on the effective date of the resignation. Before any Workers' Compensation settlement is drawn up, the member's attorney should contact the IMRF legal department.

5.40 E. Cost of IMRF Disability Benefits

The entire cost of the IMRF disability plan, and the cost of continuing service credit and death benefit coverage for a disabled member, is paid by the employer.

Member contributions are not used to fund disability benefits.

5.40 F. Income Taxes on Disability Benefits

1. Federal Income Tax

Any IMRF disability benefit payments a member receives will be subject to federal income tax, but a tax credit may be claimed by some disabled members.

For more information on this tax credit, the member can:

- Call 1-800-TAX-FORM (1-800-829-3676) and request IRS Publication 524, “Credit for the Elderly or the Disabled,”
- Download and print IRS Publication 524, “Credit for the Elderly or the Disabled,” or
- Contact a tax advisor.

IMRF disability benefit payments are not subject to Illinois state income tax. If the member is a resident of another state, the member should check with his or her state’s Department of Revenue to learn whether he or she will pay that state’s income tax on IMRF disability benefits.

IMRF will report the disability benefit payments as income to the Internal Revenue Service. We also will send the member the appropriate forms for completing his or her income tax return.

2. Retirement Income Credit Available To Disabled Members

a. Disabled Members Under Age 65

If the disabled member is totally and permanently disabled, the member may be able to claim retirement income credits.

For tax purposes, a person is deemed to be permanently and totally disabled if unable to engage in any substantial gainful activity by reason of a medically determinable impairment (physical or mental) that (1) can be expected to result in death, or (2) has lasted or can be expected to last for a continuous period of at least 12 months.

In general, the credit is limited to a base amount which is the lesser of (1) the disability income or (2) \$5,000 if single; \$7,500 if both spouses are disabled and file a joint return; \$3,750 if married filing a separate return.

This base amount is reduced by non-taxable Social Security benefits and other non-taxable pension income, such as railroad retirement, and by workers’ compensation used to compute Social Security payment amounts.

In addition, if adjusted gross income exceeds a specified dollar limit, the base amount is further reduced by half of the excess.

The dollar limits are \$7,500 for a single person; \$10,000 for married individuals filing a joint return; and \$5,000 for married individuals filing separate returns.

b. Disabled Members Age 65 or Over

Members age 65 or over in the taxable year may be able to claim retirement income credit whether or not considered permanently and totally disabled.

In general, the exclusion is limited to a base amount of \$5,000 for single individuals and married individuals filing a joint return if one spouse is eligible; \$7,500 for married individuals both qualifying and filing a joint return; and \$3,750 for married individuals filing a separate return.

This base amount is reduced by non-taxable Social Security benefits and other non-taxable pension income, such as railroad retirement, and by workers’ compensation used to compute Social Security payment amounts.

In addition, if adjusted gross income exceeds a specified dollar limit, the base amount is further reduced by half of the excess.

The dollar limits are \$7,500 for a single individual; \$10,000 for married individuals filing a joint return; and \$5,000 for married individuals filing separate returns.

c. **How to Claim Retirement Income Credit**

In order to claim retirement income credit, the disabled member should report the disability income on IRS Form 1040 and claim the retirement income credit on Schedule R to Form 1040.

A married individual who has lived with his or her spouse for all or any part of the taxable year must file a joint return in order to claim the credit.

3. Tax Withholding and Reporting

A member applying for a disability benefit can elect whether or not federal income tax should be withheld from the disability benefit payment. Form W-4P, "Federal Income Tax Withholding Certificate," is included with Form 5.40, "Application for Disability Benefits."

Internal Revenue Service regulations require IMRF to issue IRS Form 1099-R reporting disability payments. Copies of the forms are sent to the member and one copy is filed with the Internal Revenue Service. IMRF's classification of disability benefits and the reporting form are not to be interpreted as advice as to taxability of the benefit or qualification for the retirement income credit before age 65.

Generally, disability payments are reported on the line "Wages" on the IRS 1040 or 1040A form, until the member reaches retirement age. After retirement age, the payments should be reported on the pension line of the IRS tax form.

4. Illinois Income Tax (Illinois Residents Only)

The Illinois Income Tax Act exempts IMRF disability payments from Illinois income tax.

If the disability payments are included in federal adjusted gross income, the disability payments are also included on Illinois IL-1040. In order to claim the exemption on the Illinois Income Tax Return, IL-1040, it is necessary to follow the specific instructions provided with the IL-1040 concerning subtractions to arrive at Illinois taxable income.

If the disability payments are not included in federal adjusted gross income, the disability payments are not included on Illinois IL-1040. In that case, the disabled member should not claim an exemption on Illinois IL-1040.

5.50 Reciprocity

The Illinois Municipal Retirement Fund is one of 13 public employee retirement systems covered by the Illinois Retirement Systems' Reciprocal Act - Article 20 of the Pension Code. The other 12 systems covered by the Reciprocal Act are:

County Employees' Annuity & Benefit Fund of Cook County

70.W Madison St., Suite 1925

Chicago, Illinois 60602

Phone: 312-603-1200 Fax: 312-603-9760

www.cookcountypension.com

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County

70.W Madison St., Suite 1925

Chicago, Illinois 60602

Phone: 312-603-1200 Fax: 312-603-9760

www.cookcountypension.com

General Assembly Retirement System

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794-9255
Phone: 217-782-8500 Fax: 217-524-9039
www.state.il.us/srs/GARS/home_gars.htm

Judges' Retirement System

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794-9255
Phone: 217-782-8500 Fax: 217-524-9039
www.state.il.us/srs/Judges/home_jrs.htm

Laborers' Annuity and Benefit Fund

321 No. Clark Street - Suite 1300
Chicago, Illinois 60654-4739
Phone: 312-236-2065 Fax: 312-236-0574
www.labfchicago.org

Metropolitan Water Reclamation District Retirement Fund

111 East Erie Street - Suite 330
Chicago, Illinois 60611 - 2898
Phone: 312-751-3222 Fax: 312-751-5699
www.mwrdrf.org

Municipal Employees' Annuity and Benefit Fund of Chicago

321 North Clark Street - Suite 700
Chicago, Illinois 60654-4767
Phone: 312-236-4700 Fax: 312-527-0192
www.meabf.org

Park Employees' Annuity and Benefit Fund of Chicago

55 East Monroe Street - Suite 2720
Chicago, Illinois 60603
Phone: 312-553-9265 Fax: 312-553-9114
www.chicagoparkpension.org

Public School Teachers' Pension and Retirement Fund of Chicago

203 N. LaSalle Street - Suite 2600
Chicago, Illinois 60601-1210
Phone: 312-641-4464 Fax: 312-641-7185
www.ctpf.org

State Employees' Retirement System

2101 South Veterans Parkway, P.O. Box 19255
Springfield, Illinois 62794-9255
Phone: 217-785-7444 Fax: 217-524-2293
https://www.srs.illinois.gov/SERS/home_sers.htm

Chicago Office:
Michael A. Bilandic Building
160 N. LaSalle Street, Suite S200
Chicago, Illinois 60601
Phone: 312-814-5853 Fax: 312-814-5805

Teachers' Retirement System

2815 W. Washington Street P.O. Box 19253
Springfield IL 62794-9253
Phone: 877-927-5877 (877-9-ASK-TRS) or 217-814-2000
Fax: 217-753-0394
<http://trsil.org>

Lisle Office:
4200 Commerce Court - Suite 101
Lisle IL 60532-3611
Phone: 877-927-5877 (877-9-ASK-TRS)
Fax: 217-787-2269

State Universities Retirement System

1901 Fox Drive, P.O. Box 2710
Champaign, Illinois 61825-2710
Phone: 217-378-8800 or 800-275-7877 Fax: 217-378-9800
www.surs.org

Local police and fire pension funds are not covered by the Retirement Systems' Reciprocal Act. There is no reciprocity between police and fire pension funds and IMRF. Also, reciprocal service credit cannot be used in the calculation of a SLEP or ECO pension.

5.50 A. Purpose of Reciprocal Act

The purpose of the Reciprocal Act is to provide for the continuity and preservation of service credit in the case of members transferring employment from one governmental unit to another, resulting in pension coverage. Use of the provisions of the Reciprocal Act is optional with the member.

For example: A member participated under IMRF for 12 or more months but left participation and kept his or her contributions on deposit. The member then went on to participate in one or more of the reciprocal systems. When that member retires, **all of his or her service credit would be combined to calculate the amount of a pension from each system.** This calculation is explained in more detail later in this section.

Please note: a member must have 12 or more months of service with a reciprocal retirement system for the member to use that service in the calculation of a reciprocal pension.

Exception: Certain former paraeducators (teacher's aide) in a school district who transferred to a position covered by the Teachers' Retirement System (TRS) with less than 12 months of IMRF service credit may apply that service toward a reciprocal pension.

If a former paraeducator took a refund of his or her IMRF contributions, he or she can repay the refund and reinstate the service credit. See Paragraph 6.40 Past Service, Reinstatement

5.50 B. Form of the Reciprocal Act

Reciprocity is a method whereby a member who has established at least one year of service credit in any retirement system that is covered by the Reciprocal Act may use the combined service from all such systems for the purpose of meeting the qualifying conditions for a pension from each system.

The combined service credit of the member must be sufficient to meet the longest qualifying period of service under any of the retirement systems concerned.

Example:

1. Both the State Employees' Retirement System (SERS) and IMRF's Regular Tier 1 Plan require a minimum of eight years of service to qualify for a formula pension.

2. Assuming a member has established two years of service credit with SERS, and retires under IMRF's Regular Tier 1 Plan after six years of service, the combined SERS and Regular Plan service totals eight years, and thereby meets the minimum qualifying conditions of each system.
3. The member is entitled to a proportional annuity from each system.

5.50 C. Proportional Annuities

At the time of retirement, each retirement system in which the member has service credit computes a proportional retirement annuity for the amount of credit earned in that system, based upon its own pension formula, and the highest average earnings in any of the systems in which the member has participated.

Survivor annuity benefits are determined in a like manner.

Example:

1. A member has established 12 years of service with System A, terminates from System A but leaves his or her contributions on deposit.
2. The member later establishes 20 years of service credit with IMRF.
3. The member's final average earnings under System A were \$800 per month and under IMRF Tier 1 were \$1,200 per month.
4. Both System A and IMRF require eight years of service credit to vest for a pension and both base the final average earnings on the highest consecutive 48 months of earnings credit.

Pension amounts calculated separately

Without reciprocity, the calculation of the pensions would be as follows:

System A - 12 years of service credit, \$800 final wages

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.

$$\begin{array}{rcl}
 10 \text{ years} & \times 1.67\% & = 16.7000\% \\
 2 \text{ years} & \times 1.9\% & = \underline{3.8000\%} \\
 & & 20.5000\% \times \$800.00 = \$164.00 \text{ per month}
 \end{array}$$

IMRF - 20 years of service credit, \$1,200 final wages

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

$$\begin{array}{rcl}
 15 \text{ years} & \times 1.67\% & = 25.0500\% \\
 5 \text{ years} & \times 2.0\% & = \underline{10.0000\%} \\
 & & 35.0500\% \times \$1200.00 = \$420.00 \text{ per month}
 \end{array}$$

The total pension payments from System A and IMRF would be \$584.00 per month.

Pension amounts calculated under reciprocity

If the member elects the provisions of the Reciprocal Act,

1. *Both* pensions would be **based on the final average earnings of IMRF** (because those final wages are higher), and
2. The step rates would be computed on the basis of the *combined* service as follows (note how the step rates used under IMRF reflect the greater service):

System A (service years 1 through 12)

$$\begin{array}{rcl}
 10 \text{ years} & \times 1.67\% & = 16.7000\% \\
 2 \text{ years} & \times 1.9\% & = \underline{3.8000\%} \\
 & & 20.5000\% \times \$1200.00 = \$246.00 \text{ per month}
 \end{array}$$

IMRF (service years 13 through 32)

$$\begin{array}{rcl}
 3 \text{ years} & \times 1.67\% & = 5.0000\% \\
 17 \text{ years} & \times 2.0\% & = \underline{34.0000\%} \\
 & & 39.0000\% \times \$1200.00 = \$468.00 \text{ per month}
 \end{array}$$

Under reciprocity, the total pension payments from System A and IMRF would be \$714.00 per month, \$130 more than available individually from each system.

5.50 D. Concurrent reciprocal service

If a member has concurrent reciprocal service at the time of retirement, that concurrent service can be used to meet the one-year minimum service credit requirement for a reciprocal pension.

However, how the concurrent service is treated in the calculation of a reciprocal pension depends on the amount of concurrent service. In all cases, the member earns only one month of service for each calendar month.

If a member has concurrent reciprocal service, the member should **request a pension estimate from each** of his or her **reciprocal systems**.

Member has six months or less of concurrent reciprocal service

The system under which the member has either earned the most service or will receive the largest pension includes the concurrent reciprocal service in its pension calculation. The member's other system(s) removes the concurrent service from its pension calculation.

Example:

Member's service credit:

- 12 years with System A (includes 4 months concurrent service)
- 2 years with System B (includes 4 months concurrent service)

The member will receive the larger pension from System A. Therefore, System A includes the four concurrent months in its pension calculation; System B does not.

For pension calculation purposes:

- Member's service with System A remains at 12 years
- Member's service with System B is reduced to 1 year, 8 months

Each retirement system computes a proportional retirement annuity based upon its own pension formula and the highest average earnings in any of the systems in which the member has participated.

Member has more than six months of concurrent reciprocal service

The concurrent service credit will be divided between/among the member's reciprocal retirement systems. Each system will use part of the concurrent service in its pension calculation.

Each system reduces the concurrent service based upon a formula that includes the member's final rate of earnings under the system, the member's combined final rate of earnings from all systems, and the total amount of concurrent service:

$$\begin{array}{r}
 \text{Member's final rate of earnings in the system} \\
 \times \\
 \text{Member's concurrent service} \\
 \div \\
 \text{Member's combined final rate of earnings} \\
 = \\
 \text{The concurrent service used by the system in its pension calculation}
 \end{array}$$

Example:

Member has 6 years of concurrent service

System A:

\$50,000 final rate of earnings
14 years of service (includes 6 years concurrent service)

System B:

\$30,000 final rate of earnings
8 years of service (includes 6 years concurrent service)

Using the formula above:

	Final rate of earnings in each system		Total Concurrent Service				Combined final rate of earnings from all systems		Reduced concurrent service used in pension calculation
System A	\$50,000	x	6.00 years	=	\$300,000	÷	\$80,000	=	3.750
System B	\$30,000	x	6.00 years	=	\$180,000	÷	\$80,000	=	2.250

For pension calculation purposes:

Member's service with System A is reduced to 11.750 years

Member's service with System B is reduced to 4.250 years

Each retirement system computes a proportional retirement annuity based upon its own pension formula and the highest average earnings in any of the systems in which the member has participated.

5.50 E. Reciprocal Applications

In order to retire under the Reciprocal Act, the member must retire under all systems at the same time.

The member must submit separate applications to the systems in which the member has established credits.

Each system will pay its own proportionate pension and the member will receive separate checks from the systems involved.

The member should submit the first application to the system he or she participated in last. For example, if the member is retiring from IMRF, but participated in SERS previously, the member would submit the first retirement application to IMRF and then submit an application to SERS.

Also, the member should advise each system that he or she plans to retire under the Reciprocal Act.

If the reciprocal systems a member will retire under have different age requirements, as a *general* rule, the member can begin receiving *only* that portion of the pension he or she earned from the system with the earlier age requirement.

Once the member reaches the minimum age requirement of his or her other system(s), the member would then receive a pension from that system(s).

For example, if a member was retiring under IMRF Tier 1 (which has a minimum retirement age of 55) and another system with a minimum retirement age of 60, the member could receive the IMRF portion of the reciprocal pension at age 55, and the portion of the pension earned under the other plan when the member reached age 60.

5.50 F. Repayment of Refunds

A member who has forfeited pension credits by accepting a refund of member contributions may reinstate the credits under the Reciprocal Act after returning to work for another system for at least two years after the refund is received, provided that the rules of the first system permit reinstatement.

5.50 G. Return to Work

If a member who retired under reciprocity returns to a qualifying position with one of the systems from which he or she is drawing benefits, the reciprocal pension will be suspended by both systems. It will be suspended for as long as the member is in a qualifying position. Once the member retires again, the reciprocal pension will be adjusted if necessary and restored by both systems.

As of January 1, 2021, the retiree must actually work the applicable hours (600 or 1,000) within a 12-month period before the pension will be suspended. This is true even if the retiree is hired into a position which is normally expected to work the applicable hourly standard.

If the member retired under the IMRF Early Retirement Incentive additional penalties apply. Please refer to paragraph 5.20 C. 16. Return to Work for an IMRF Employer Prohibited.

5.60 Verification of IMRF Benefit Payments

Retired or disabled members, or persons receiving survivor benefits, often need verification from IMRF of the monthly payment amounts in connection with credit applications, housing eligibility, public aid, etc.

IMRF requires written authorization from the member or surviving spouse before releasing the information to the organization requesting the verification.

5.70 Appeal Rights

IMRF has different appeal procedures depending upon the type of decision an IMRF member or employer is appealing. For example, a member who is appealing a decision in which disability benefits were denied would use a different appeal procedure than a member who was appealing a decision about Past Service credit. IMRF's appeal procedures are:

- Appeal Procedure for denied claims – Disability
- Appeal Procedure for denied claims – Non-Disability

Summary of Appeal Procedures - Disability

If IMRF staff denies or terminates a member's claim for disability benefits, we will inform the member in writing of that decision. At this point if the member has either additional evidence of disability or other compelling argument that meets the Pension Code's definition of disability, he or she may request a hearing before the IMRF Board of Trustees' Benefit Review Committee.

To request a hearing, the member must complete the "Request for a Hearing," Form 5.70. This form is enclosed with the denial letter advising the member of the disability claim denial. The completed request for a hearing form must be received by IMRF within 63 days of the date of the staff denial letter. Additional information regarding the procedures and deadlines for filing information is stated in the denial letter and on the Request for a Hearing form.

The hearings are held in IMRF's Oak Brook offices. The member may appear personally with or without an attorney. If the member is unable to attend, a representative or attorney may appear for the member. Hearings may also be held via videoconference from our Springfield office or via telephone conference at the member's request. The member may also present a written appeal without a personal appearance.

The Benefit Review Committee will make a recommendation to the full IMRF Board of Trustees. The decision of the Board of Trustees, after a Benefit Review Committee hearing, constitutes its final administrative decision and IMRF will take no further action regarding the claim. However, review of the Board of Trustees' final administrative decisions is provided under Article III of the Illinois Code of Civil Procedure [735 ILCS 5/3-101 et seq. (West 2012)]. If a member wishes to pursue a claim, he or she must file an action for Administrative Review in the Circuit Court of either DuPage or Sangamon County, Illinois or the county where the member's employer's main office is located, within 35 days of the date of the notice of the Board's decision.

Read the complete Appeal Procedures for Disability Benefits on the IMRF website at www.imrf.org/info/appeals/appeals_procedures.htm

Summary of Appeal Procedures – Non-Disability

If any person or employer receives an administrative staff determination not related to a disability claim, they may request a hearing before the Board of Trustees' Benefit Review Committee.

To request a hearing, the person or employer must submit a written petition. This petition may be in any format and can simply state the request for a hearing. The petition should be directed to the Associate General Counsel in the IMRF Oak Brook office and must be received by IMRF within 63 days after the date of the staff determination letter. The Associate General Counsel will then send the petitioner an acknowledgement of the petition and inform the petitioner that a formal Statement of Claim must be filed.

After the Statement of Claim is received by IMRF, the Associate General Counsel will add the petitioner's claim to the agenda of the next available Benefit Review Committee meeting. Once scheduled, the petitioner will be provided a written notice of the date, time, place, and subject matter of the hearing.

The hearings are held in the IMRF offices. The petitioner may appear personally with or without an attorney. If the petitioner is unable to attend, a representative or attorney may appear for the petitioner. Hearings may also be held via videoconference from our Springfield office or via telephone conference at the petitioner's request. The petitioner may also present a written appeal without a personal appearance.

The Benefit Review Committee will make a recommendation to the full IMRF Board of Trustees. The decision of the Board of Trustees, after a Benefit Review Committee hearing, constitutes its final administrative decision and IMRF will take no further action regarding the claim. However, review of the IMRF Board of Trustees' final administrative decisions is provided under Article III of the Illinois Code of Civil Procedure [735 ILCS 5/3-101 et seq. (West 2012)]. If a member wishes to pursue a claim, he or she must file an action for Administrative Review in the Circuit Court of either DuPage or Sangamon County, Illinois or the county where the member's employer's main office is located, within 35 days of the date of the notice of the Board's decision.

Read the complete Appeal Procedures for Non-Disability Benefits on the IMRF website at www.imrf.org/info/appeals/appeals_procedures.htm

5.80 Health Insurance Continuation

IMRF does not have a health insurance plan for its participating employers or members. However, an employer may be required to continue health insurance coverage for a retiring, terminating, or disabled IMRF member as required by federal or state legislation. If you have questions regarding health insurance continuation, you should contact the Illinois Department of Insurance, Consumer Service Division, your health insurance provider or consultants, or your attorney.

5.80 A. Continued Health Insurance Under Section 367j of the Illinois Insurance Code

Section 367j of the Illinois Insurance Code provides for continued coverage of IMRF members and qualified beneficiaries. This section was written so that continued insurance coverage is available only if benefits are payable by IMRF. Unless you are certain of eligibility, you may wish to verify through IMRF whether the member is eligible for retirement benefits, disability benefits, or surviving spouse benefits. Eligibility for continued IMRF benefits can be verified in writing if desired. IMRF will not notify an employer's insurance carrier of eligibility.

For continued coverage under Section 367j, IMRF will remit premiums deducted from benefit payments only to employers because the retiree, disabled member, or surviving spouse will be covered under the employer's group insurance policy. The employer is responsible for remitting all premiums to the insurance carrier. The employer will know immediately when premiums, carriers, or coverage change.

IMRF will deduct premiums and remit them to employers using the following guidelines only:

1. IMRF benefit payments must be greater than the premiums. If premiums increase faster than IMRF benefits, premium deductions by IMRF will cease.
2. IMRF will not deduct premiums from temporary disability benefit payments because the eligibility for each payment is determined on a month-by-month basis; benefits fluctuate as workers' compensation and Social Security benefits are considered, and the benefit may be paid for a short period of time.
3. IMRF will deduct premiums from recurring benefit payments (the regular and usual amount). Please note: a member's or surviving spouse's first recurring benefit payment may represent more than one month of IMRF benefits. However, IMRF will deduct only one month's premium for health insurance from that payment.
4. IMRF will not deduct more than one month's premium. It will not make up several months of premiums. It is the benefit recipient's responsibility to make arrangements to pay premiums until such time as IMRF can begin remitting payments.
5. If there are gaps in coverage, IMRF will not bridge the gap by paying premiums. For example, if a retiree dies, IMRF will terminate paying premiums. If subsequently a surviving spouse is eligible for continued coverage, IMRF will remit premiums on behalf of the surviving spouse only after the spouse enrolls in the insurance program.
6. Disabled or retired members and employers will be required to complete IMRF Form 7.10 "Health Insurance Continuation through Employer Premium Deduction Authorization," (Exhibit 5J).
7. After IMRF deducts the premiums, it will remit them to the employer. IMRF will mail the employer a check, or the employer can elect to have the premium payment electronically deposited into its checking or savings account. The employer would use IMRF Form 3.01, "Change Account for Electronic Payments from IMRF," (Exhibit 5P) to advise IMRF of the account information or to change account information.

5.80 B. Deduction of insurance premiums from IMRF benefit payment on a pre-tax basis

The Internal Revenue Code allows a retired or disabled public safety employee to take a tax deduction of up to \$3,000 from their federal income taxes for health insurance or long-term care insurance premiums deducted from their pension payment and paid by IMRF to the insurance company or employer.

The member must have held a public safety position when he or she terminated IMRF participation for retirement or when he or she became totally and permanently disabled. The disabled member must be receiving IMRF disability benefits.

Public safety employees include the following:

- An individual involved in crime and juvenile delinquency control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including, but not limited to police, corrections, probation, parole, truant officers, and judicial officers;
- Professional firefighters
- Officially recognized or designated public employee members of a rescue squad or ambulance crew
- Officially recognized or designated members of a legally organized volunteer fire department
- Officially recognized or designated chaplains of volunteer fire departments, fire departments, and police departments

A maximum of a \$3,000 tax deduction can be taken annually on the member's federal tax return. IMRF reduces the amount of federal income tax withholding to reflect the lower taxable amount of your pension. However, your 1099-R tax statement will show your full pension payments before the deduction for insurance premiums. You take the deduction by reducing the taxable amount of your pension by the amount you paid for insurance premiums when completing Form 1040 or Form 1040A, "U.S. Individual Income Tax Return."

The health insurance or long-term care insurance coverage can include the member, spouse, and dependents. However, this tax deduction is available only to the member. It is not available to surviving spouses.

Disabled or retired members will be required to complete:

- IMRF Form 7.12D, "Election For Deductions for Health or Long Term Care Insurance Premiums Paid Directly to Insurer" (Exhibit 5N) if he or she is paying premiums directly to the insurance company or
- IMRF Form 7.12E, "Election For Deductions for Health or Long Term Care Premiums Paid through Employer or Endorsed Plan Administrator" (Exhibit 5O) if he or she is paying premiums through
 - His or her former employer because the member is continuing insurance through the employer, or
 - Doyle Rowe Ltd. because the member is enrolled in an IMRF-endorsed plan.