



Purchasing Past Service (Form 6.08A)

Tax-deferred Payroll Deduction Program

Is it the right choice for you?

Questions?
Call 1-800-ASK-IMRF
(1-800-275-4673)

IMRF members who are actively participating in IMRF may purchase Past Service credit, such as paying back a refund or purchasing military service, on a tax-deferred basis through payroll deductions. (Exception: Former IMRF members who currently participate in the Teachers' Retirement System as employees of a school district can also use TPDP.)

Why would you want to do this?

The Tax-deferred Payroll Deduction Program (TPDP) allows you to enjoy the convenience of payroll deduction while taking advantage of tax-deferred contributions.

These contributions are "tax-deferred" because you do not pay federal or state income taxes on the money used to make them. These contributions will be taxed when you or your beneficiary(ies) receives them as a benefit.

However, if you agree to tax-deferred payroll deductions to purchase past service, **you must continue the contract until the total service you agreed to is purchased. The agreement is irrevocable—it cannot be canceled or changed.**

If you choose to enter into a TPDP agreement, you must sign and submit the following **BEFORE** you stop working in your IMRF-covered position:

- Form 6.08A, "Tax-Deferred Payroll Deduction Program Application for Past Service,"

AND

- Form 6.08, "Irrevocable Payroll Deduction Authorization Agreement" (IMRF will mail this form to you after we process your application)

Is TPDP the right choice for you?

This program is not for everyone. You must carefully consider the impact of reducing your take home pay. This program is **not** for you if:

- You will be in a higher tax bracket after retirement
- You have monthly expenses that fluctuate and may be unable to commit to payroll deduction
- Your future financial picture is unknown
- Your monthly income may decrease suddenly
- You are irregularly paid and your pay schedule is erratic
- You work in a seasonal position and your monthly income is unpredictable

Do you contribute to a 403(b) tax-sheltered annuity or to a 457 deferred compensation plan?

If you currently contribute to a 403(b) tax-sheltered annuity or to a 457 deferred compensation plan, using the TPDP may decrease the amount you are allowed to contribute to those plans because your taxable wages are reduced.

Which IMRF past service is eligible for the TPDP?

All IMRF past service purchases are eligible.

Do you have to purchase ALL of your past service?

No, like any other service purchase, you determine how much service to purchase. For example, if you took a refund for 36 months of service, you may reestablish just 9 months, or 20 months, or all 36 months. This applies to all past service purchases.

Although you determine how much service to purchase, **TPDP agreements are governed by Internal Revenue Code (IRC) provisions—not IMRF.** IMRF cannot change the rules.

IRC provisions: Number of agreements

If you want to use a TPDP agreement to pay back just *part* of your refund or to purchase only *part* of your past service, you can do that. However, you could not, at a later date, decide to pay back the *balance* of the refund or purchase the *balance* of your past service using another TPDP agreement.

IRC provisions do not allow you to enter into subsequent agreements to purchase the *same type* of service. Using the example above, if you repaid just part of the refund via TPDP, you could not enter into another TPDP agreement to pay for the balance of the refund. You could use tax-deferred funds from an eligible rollover distribution, e.g., from another qualified plan, to pay the balance of the refund after the TPDP agreement terminates.

IRC provisions allow individuals *one chance* to purchase the service on a tax deferred basis through the use of a TPDP agreement.

You can enter into only ONE agreement for EACH type of service.

One exception exists: TPDP agreements are made between you and your employer. Once you leave your employer, that TPDP agreement is terminated.

If you return to work for a *different* IMRF employer, you could enter into a *new* TPDP agreement. With the new agreement, you “start fresh.” That is, you can go back to your original IMRF past service payment schedule and decide how much service you would like to purchase under the *new* TPDP agreement with your new employer.

If you have multiple types of past service

IRC provisions allow one agreement for *each type* of service. However, if you have other past service credit of a *different type* to purchase, you can use another TPDP agreement to purchase that service. Therefore, you can have multiple agreements in force at the same time if they are for different types of service.

Still interested?

Before you can enter into a TPDP agreement, you need to tell us certain information (Form 6.08A attached). Tell us:

- The number of months you wish to purchase AND either
 - The dollar amount you want deducted each month

OR

- The number of months you want deductions to be made

Note: The amount deducted under the monthly deduction option must be the same for each month of the TPDP agreement. You cannot designate different amounts for different months.

For example: after reviewing your past service payment schedule, you tell us you want to purchase 13 months of service and want the deductions made over two years (24 months).

We will send you a TPDP agreement which will let you know how much will be deducted from your paycheck each month for the next two years.

Or, you want to purchase 13 months of service and want \$100 deducted from your salary each month. We will send you a TPDP agreement which will let you how many months your salary will have deductions taken from it.

By completing one of the attached applications, you are only expressing an interest in the TPDP. After we receive your TPDP application, we will send you an “Irrevocable Payroll Deduction Agreement” (IMRF Form 6.08).

Terms of the TPDP agreement CANNOT be changed

- The only agreement IMRF will accept is the official IMRF version without any changes. (Agreements not signed or initialed properly will also be rejected.)
- Once IMRF sends you a TPDP agreement and you and your employer sign it, **no one can change the terms (monthly deduction amount or agreed-upon service) of the agreement.**
 - If your monthly expenses decrease and you want to have more deducted, the agreement cannot be changed.
 - If your monthly expenses increase and you want to have less deducted, the agreement cannot be changed.
- **IRC provisions do not allow any change in the agreement.** That’s why a TPDP agreement is not for everyone.

You must be willing to accept the **TERMS**
of the agreement for the **LIFE** of the agreement.

Other payments not allowed under the TPDP

When you enter into a TPDP agreement and while the agreement is in force, you:

- Cannot make any after-tax payments, that is, send any additional payments, to IMRF.
- Cannot make any eligible rollovers to IMRF, for example, roll over funds from another qualified plan into IMRF, to purchase the same type of service.

If you stop participating in IMRF: Deduction from lump sum payment

If you think you will terminate IMRF participation before all of the service is purchased through monthly payroll deduction, you can elect to purchase some or all of the remaining service by having a deduction made from the lump sum payment you will receive at termination (you must specify an amount). For example, if you terminate employment and will receive a lump sum payment for sick or vacation days, a tax-deferred deduction can be made from that payment.

However, it is important to note that **IRC provisions** require that **this election** (tax-deferred payment from a lump sum payment) **must be made as part of the original TPDP agreement, and the agreement must state a specific month the TPDP deduction will be made.** It cannot be added later.

Therefore, if you believe you will terminate before all of the agreed-upon service is purchased, the TPDP agreement should include a deduction from your termination payment. However, if all the service has been purchased when you terminate, the TPDP agreement will have no impact on your lump sum payment.

If you retire or quit your job

You must submit IMRF Form 6.08A or Form 6.08E and IMRF must receive your signed IMRF Form 6.08 **before you stop participating in IMRF. Federal tax laws prohibit IMRF accepting a TPDP agreement if Form 6.08 is signed AFTER the member stops participating in IMRF.**

If, after signing a TPDP agreement, you retire or no longer participate in IMRF, the agreement is then terminated. The service you purchased is still credited to your account. Any additional contributions which are not sufficient to purchase one month of service will remain in your member account.

1. If you go to work for a different IMRF employer, your original TPDP agreement is terminated. TPDP agreements are made between you and your employer. If you still have service credit yet to purchase, you can enter into a new TPDP agreement with your new IMRF employer. With the new agreement, you “start fresh.” That is, you can go back to your original IMRF past service payment schedule and decide how much service you would like to purchase under the new TPDP agreement with your new IMRF employer.
2. If you retire and you still have service credit yet to purchase, you can
 - a. Have one tax-deferred payment withheld from your lump sum sick or vacation pay (if such payment was included in the TPDP agreement)
AND/OR
 - b. Make one after-tax payment for the service credit.

If you take a leave of absence, become disabled, go on strike, or go into unpaid status

The agreement remains in effect. Once you return to work, the deductions will resume until all of the **agreed-upon service** is purchased.

I'm still interested. What else do I need to know?

1. Service Credit
If the amount withheld each month does not equal the cost for one month of service credit, service will be credited to your account once IMRF collects sufficient funds to purchase one month.
2. Contributions
The additional contributions withheld via the TPDP will appear on your annual IMRF Member Statement of Account.
3. Your IMRF earnings
The amount of your earnings reported to IMRF is not impacted because you agree to a TPDP. The earnings used to calculate any future IMRF benefits will not be affected by the agreement.
4. When monthly deductions begin
Generally, monthly deductions begin 30 days after IMRF receives your completed Form 6.08A or 6.08E. So, you should submit the completed form at least one month before you want monthly deductions to begin—and once deductions begin, they cannot be changed.



TAX-DEFERRED PAYROLL DEDUCTION PROGRAM APPLICATION FOR PAST SERVICE

IMRF Form 6.08A (06/2006)

If you are purchasing **Early Retirement Incentive** service credit, complete Form 6.08E (next page)

PLEASE PRINT OR TYPE -- PLEASE USE BLACK INK

MEMBER INFORMATION			
YOUR FIRST NAME Mary	MIDDLE INITIAL A.	LAST Member	JR., SR., II, ETC.
STREET (MAILING) ADDRESS 123 Elm Street		CITY, STATE AND ZIP Anywhere, IL 60000	SOCIAL SECURITY NUMBER 0 0 0 9 9 0 0 0 0
CURRENT EMPLOYER City of Anywhere		DAYTIME PHONE NUMBER 630-123-4567	
I am paid (ENTER NUMBER OF MONTHS) <u>12</u>		DAYTIME FAX NUMBER 000-1111	
Most members will be However, if you work receive a salary in No <input type="checkbox"/> January <input type="checkbox"/> <input type="checkbox"/> February <input type="checkbox"/>		Due to recent IRS rulings, the Tax-deferred Payroll Deduction Program (TPDP) will be discontinued. On December 31, 2012, all TPDP contracts and TPDP deductions end—regardless of the original contract end date. Refer to Paragraph 6.40 C. 4.	
TYPE OF SERVICE CREDIT 1. I want to purchase <u>38</u> <input checked="" type="checkbox"/> Reinstating a refund <input type="checkbox"/> Omitted service <input type="checkbox"/> Retroactive service <input type="checkbox"/> Military service		type of service. h your employer (F)	
HOW YOU WILL PURCHASE 2. You can purchase the ser		n payment ce. changed.	
Monthly deductions: Tr Nc a. I want to have \$ <u>1</u> OR b. I want to have deductions made from my salary for _____ months beginning with _____ NUMBER OF MONTHS MONTH YEAR		MONTH YEAR MONTH YEAR	
Lump sum payment: c. I want a deduction made from my lump sum payment in the amount of \$ _____ or less, if this amount exceeds the total owed. I expect to receive this payment from my employer on (date) _____.			
MEMBER ACKNOWLEDGEMENT By signing this form, I acknowledge that <ul style="list-style-type: none"> I have read the conditions and instructions on the back of this form. I understand that IMRF will use the above information to create a TPDP agreement. For that TPDP agreement to become effective, the agreement must be signed by me and by my employer's IMRF Authorized Agent before I terminate IMRF participation. 			
<i>Mary A. Member</i> Member's signature		June 7, 2006 Date form signed	
Termination date (if near retirement) See instructions on back of form			

TAX-DEFERRED PAYROLL DEDUCTION PROGRAM APPLICATION FOR THE PURCHASE OF PAST SERVICE

If you choose to enter into a TPDP agreement, you must sign and submit IMRF Form 6.08A (step 1 below) and Form 6.08, "Irrevocable Payroll Deduction Authorization Agreement," (step 2 below) BEFORE you stop working in your IMRF-covered position.

Step 1 – Application to create an agreement

- Speak with your payroll department to determine when deductions can begin. Normally, deductions can begin approximately the first of the month after the agreement is signed.
- To participate in IMRF's Tax-deferred Payroll Deduction Program to purchase past service, complete this form and return it to IMRF.
- You may also fax this form to IMRF at 630-368-5398. Keep one copy of this completed form for your records.

Step 2 – The agreement

- IMRF will then prepare a payroll deduction authorization agreement (Form 6.08, Irrevocable Payroll Deduction Authorization Agreement) and mail it to you.
- After you receive the Irrevocable Payroll Deduction Authorization Agreement, read it carefully before you sign it.
- Have your employer sign the form. Usually, the employer will make a copy for their records and the original form should be returned to IMRF.
- When IMRF receives the agreement, we will review it to make sure it is completed correctly. When we receive a correctly executed agreement, we confirm this with the employer

by sending an acknowledgement.

Other important information

1. Tax law requires that once the agreement is completed (signed) and accepted, the amount deducted cannot be changed in any way.
2. If you are eligible to purchase more than one type of service (e.g., reinstate a refund and convert military service to IMRF service), we recommend you start with the payment schedule that offers a month of service credit at the least cost.
3. If you change from one IMRF employer to another and wish to continue your TPDP agreement, please contact IMRF.
4. Once you begin participation in TPDP, you may not use funds from a rollover to purchase the months covered by that agreement. However, if you stop working for your employer, the TPDP contract is terminated. You then have one opportunity to use funds (including a rollover) to purchase any remaining months.
5. Questions? Call 1-800-ASK-IMRF (1-800-275-4673) Monday through Friday, 7:30 a.m. to 5:30 p.m.

If you retire

- You must submit IMRF Form 6.08A and IMRF must receive your signed IMRF Form 6.08 before you stop participating in IMRF. Federal tax laws prohibit IMRF from accepting a TPDP agreement if Form 6.08 is effective AFTER the member stops participating in IMRF.
- If you still have service credit to purchase, you can:
 - Have a tax-deferred payment withheld from your lump sum sick or vacation pay (if such payment was included in the TPDP agreement)
 - AND/OR
 - Make an after-tax payment for the service credit.

Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337 FAX: 630-368-5398

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



TAX-DEFERRED PAYROLL DEDUCTION PROGRAM APPLICATION FOR PURCHASE OF EARLY RETIREMENT INCENTIVE CREDIT

IMRF Form 6.08E (06/2006)

If you are purchasing **other Past Service** credit, complete Form 6.08A (previous page)

PLEASE PRINT OR TYPE -- PLEASE USE BLACK INK

MEMBER INFORMATION				
YOUR FIRST NAME	MIDDLE INITIAL	LAST	JR., SR., II, ETC.	SOCIAL SECURITY NUMBER
STREET (MAILING) ADDRESS			CITY, STATE AND ZIP	
CURRENT EMPLOYER			DAYTIME PHONE NUMBER	
			DAYTIME FAX NUMBER	

ERI INFORMATION

- 1a. Will you be married for at least one year when you stop participating in IMRF? Yes No
- 1b. Indicate the number of years and months you will purchase under ERI: _____ Years _____ Months

HOW YOU WILL PURCHASE THE SERVICE

2. You can purchase the service through: Monthly deductions, **OR**
A lump sum deduction from your lump sum payment, **OR**
Both monthly deductions *and* a lump sum deduction from a lump sum payment

Monthly deductions: Note! Tax law requires that once deductions begin, the amount deducted **cannot** be changed.

- a. I want to have \$_____ deducted per month (no less than \$50 per month)

beginning with _____ for a total of \$ _____
MONTH YEAR

Please check each month that you will have a TPDP deduction taken from your earnings:

- January March May July September November
 February April June August October December

If your payout for accrued sick and vacation time is tax-deferred and paid out over more than one month, please check each month that your TPDP agreement will include accrued sick and vacation pay:

- January March May July September November
 February April June August October December

Lump sum payment:

- b. I want a deduction made from my lump sum payment in the amount of \$_____ or less,
if this amount exceeds the total owed. I expect to receive this payment from my employer on (date) _____.

MEMBER ACKNOWLEDGEMENT

3. By signing this form, I acknowledge that

- I have read the conditions and instructions on the back of this form.
- I understand that IMRF will use the above information to create a TPDP agreement.
- For that TPDP agreement to become effective, the agreement must be signed by me and by my employer's IMRF Authorized Agent **before I terminate IMRF participation.**

TPDP Agreements CANNOT be created until the ERI window has opened for my employer.

Member's signature

Date form signed

Termination date
See instructions on back of form

TAX-DEFERRED PAYROLL DEDUCTION PROGRAM APPLICATION FOR THE PURCHASE OF EARLY RETIREMENT INCENTIVE CREDIT

If you choose to enter into a TPDP agreement, you must sign and submit IMRF Form 6.08E (step 1 below) and Form 6.08, "Irrevocable Payroll Deduction Authorization Agreement," (step 2 below) BEFORE you stop working in your IMRF-covered position

Step 1 – Application to create a TPDP agreement

- Speak with your payroll department to determine when deductions can begin. Normally, deductions can begin approximately the first of the month after the agreement is signed.
- To participate in IMRF's Tax-deferred Payroll Deduction Program to purchase ERI service credit, complete this form and return it to IMRF.
- You may also fax this form to IMRF at 630-368-5398. Keep one copy of this completed form for your records.

Step 2 – The TPDP agreement

- IMRF will then prepare a payroll deduction authorization agreement (Form 6.08, Irrevocable Payroll Deduction Authorization Agreement) and mail it to you.
- After you receive the Irrevocable Payroll Deduction Authorization Agreement, read it carefully before you sign it.
- Have your employer sign the form. Usually, the employer will make a copy for their records and the original form should be returned to IMRF.
- When IMRF receives the agreement, we will review it to make sure it is completed correctly. When we receive a correctly executed agreement, we confirm this with the employer by sending an acknowledgement.
- If your payout for accrued sick and vacation leave is to be tax-deferred and the payout will be made over more than one month, the TPDP agreement must list each month the TPDP

deduction will be taken.

Other important information

1. Tax law requires that once the agreement is completed (signed) and accepted, the amount deducted cannot be changed in any way.

Retirement notes:

- You must submit IMRF Form 6.08E and IMRF must receive your signed IMRF Form 6.08 before you stop participating in IMRF. Federal tax laws prohibit IMRF from accepting a TPDP agreement if Form 6.08 is effective AFTER the member stops participating in IMRF.
- If you still have service credit yet to purchase, you can:
 - Have a tax-deferred payment withheld from your lump sum sick or vacation pay (if such payment was included in the TPDP agreement)
 - AND/OR
 - Make an after-tax payment for the service credit.

Illinois Municipal Retirement Fund

2211 York Road Suite 500 Oak Brook IL 60523-2337 FAX: 630-368-5398

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