IMRF and the Reciprocal Act

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IMRF is one of 13 public pension systems covered under the Illinois Retirement Systems Reciprocal Act.

The Reciprocal Act ensures continuous pension credit for public employment in the state of Illinois by allowing the combination of service credit and wage history within the state’s public retirement systems.

In other words, if you participated with more than one of the pension systems covered under the Reciprocal Act during your public service career, all of your service credit can be “combined” to calculate a pension from each system.

**Please note:** There are many advantages to retiring under the reciprocal act. However, with these advantages come additional responsibilities.

Retirement under the Reciprocal Act is a very personalized process. You, as the member, are responsible for ensuring that:

1. You confirm your intention to retire under the Reciprocal Act with all your reciprocal retirement systems. You must meet the minimum requirements to receive a pension with each system (using your combined service credit) before you retire under the Reciprocal Act.

2. Your service credit with each system is correct, and that you—and the retirement systems—are aware of any concurrent (or “overlapping”) service periods.

3. The systems you are retiring under share the proper information.

Retiring under the reciprocal act is optional. If you earned service credit under more than one reciprocal system, you can choose to retire under the Reciprocal Act or to retire separately with each system. (If you chose to retire separately with each system, you must meet the service credit requirements for each system without combining your years of service credit.)

In most cases, you will receive a higher combined benefit by retiring under the Reciprocal Act. However, in some cases a member’s combined pension could be higher if he or she retires separately under each system.
How does reciprocal retirement work?

Please note that the following is general information. Specific plan rules may override this information.

**Combining service**

The Reciprocal Act allows you to combine service credit between public retirement systems in Illinois.

Service credit earned under any one of the reciprocal systems remains on file with that system—you do not “transfer” any service. Although each system exchanges information about your service credit and earnings, your service credit and contributions remain with the original system.

**Highest average earnings**

When you retire under the Reciprocal Act, your retirement systems review your earning histories with all of the systems and apply their specific plan rules. They then use your highest average earnings when they calculate your pension.

**Separate pension payments**

When you retire under the Reciprocal Act, each system pays you a separate benefit. You will receive monthly benefit payments from each system, and each uses its own benefit formula to calculate your pension.

**Vesting (your eligibility to receive a pension)**

To be eligible to retire under the Reciprocal Act, your total service credit with all retirement systems must meet or exceed the vesting requirements of each system. Your total service credit must meet the highest (longest) vesting period of all the systems under which you plan to retire.

For example, if a member’s first system requires 10 years of service credit to vest, and her second system requires eight, but the member has only eight years of combined service credit under both systems, she is not eligible to retire under the Reciprocal Act, because she has not met the longest vesting period (10 years).

The Reciprocal Act does not override or change any provisions of the individual systems. You must meet the specific requirements for each of your public retirement systems before reciprocity can be applied.
What are the benefits to retiring under the Reciprocal Act?

Retiring under the Reciprocal Act offers two main benefits:

- You are able to combine service credit earned with different Illinois Reciprocal Retirement systems to receive a larger pension, even though you might not have earned enough service credit to retire individually with a single system.

- Each system uses your highest earnings when it calculates your pension. This can be very beneficial if you stopped participating in one system many years ago at a lower salary. When you retire under the Reciprocal Act, both/all of your systems use your highest average salary, then apply the specific plan rules when calculating your pension benefit.

Example of a reciprocal pension:

A Tier 1 member* (he or she first participated in an Illinois public retirement system before January 1, 2011) has 12 years of service credit: four years with IMRF, five years with State Teachers’ Retirement System, and three years with State Employees’ Retirement System. She wants to begin receiving a pension at age 60.

To receive a pension at age 60, under Tier 1 IMRF and State Employees’ require the member to have eight years of service credit; State Teachers’ requires 10 years. The member doesn’t have enough service credit with a single system to retire individually under any one of the systems.

However, the member can retire under the Reciprocal Act because her combined years of service credit are sufficient to meet the longest minimum vesting requirement of 10 years (State Teachers’). By meeting the longest vesting requirement, she also meets the vesting requirements for the other system.

* Rules for Tier 2 members are different. Refer to your plan’s specific benefit booklet for more detailed information.

What service credit is eligible to be considered under the reciprocal act?

You can use service credit of one year or more that is on file with a participating reciprocal system.

You must have at least one year (12 months) of service credit with a single retirement system in order to combine service credit under the Reciprocal Act.

However, one exception exists for Teacher Aides.

(continued)
Exception: If you participated in IMRF as a Teacher Aide in a school district and earned less than 12 months of IMRF service credit, and your next participating position was covered by the Teachers’ Retirement System, you may apply your IMRF service toward a reciprocal pension even though it does not meet the 12-month requirement.

You **may not** use the following service credit to retire under the Reciprocal Act:

- Less than 12 months (one year) with a single pension system, unless you meet the Teacher Aide exception listed above.

- Service credit that has been forfeited by accepting a refund, unless you repay the refund (reinstate the service credit).

- Service credit that has already been used to calculate a pension. For example, you retire under one retirement system, but return to work for an employer under a different system. When you retire again, you cannot combine your service credit because your first system service has already been used to calculate a pension.

**When you have taken a refund of your service credit**

You may be eligible to reinstate your service credit if you have taken a refund.

You may reinstate service credit by repaying your refunded contributions (with interest) to the retirement system from which you took the refund. The payment must be made under the laws of the system that paid the refund.

You should contact the system that paid the refund to determine if you are eligible to reinstate your refund, the amount, and the payment method required.

Be aware that if the service you are reinstateing is concurrent (overlaps) with existing reciprocal service, it may not benefit you to reinstate that service credit. See the section about concurrency on the next page.

Please note: The Reciprocal Act requires a minimum of 12 months of service credit with any single reciprocal system to apply the service toward a reciprocal pension unless you meet the Teacher Aide exception above.

If you reinstate service that does not bring your total service credit with a single system to at least 12 months, that service will not be included in the calculation of your reciprocal pension.
Concurrent Service Credit and reciprocal pensions

Under IMRF, the most common concurrent service credit occurs when you earn service for more than one employer under the same plan for the same month. However, by law, you cannot earn more than one month of service credit even if you contribute to more than one plan for that month. (For more detailed information on concurrent service credit under IMRF, see the “Purchasing IMRF Past Service Credit” booklet.)

Under the Reciprocal Act, concurrent service occurs when you earn service in more than one retirement system for the same month, e.g., IMRF and State Employees’. You should be particularly aware of any concurrent service that might occur during “Seasonal Service Credit” periods (service credit earned for months you are not actively working, such as summer months after a school year). It is common for this type of service to overlap.

Concurrent service under the Reciprocal Act will reduce your pension based on one of the following rules:

• If you have less than six months of concurrent reciprocal service, the system you have the most service credit with (or the system you will receive the largest pension from) includes the concurrent reciprocal service in its pension calculation. Your other system removes the concurrent service from its pension calculation (i.e., it will reduce the portion of your reciprocal pension it pays).

• If you have six or more months of concurrent reciprocal service, the concurrent service credit will be divided between/among your reciprocal retirement systems. Each system will use part of the concurrent service in its pension calculation, based on a formula.
An example of how concurrency can affect your pension

Concurrent service can have a significant impact on your combined service credit, particularly if you just meet the minimum service credit requirement for a pension with the system(s).

Mary has 12 months of Tier 1 service credit with IMRF and seven years of service credit with another system. Both systems require eight years to vest for a pension. Mary began working for her other system in the same month that she worked for her IMRF employer.

When Mary reviewed her service periods, she added them together and believes she meets the eight-year vesting requirements of both systems. She applies for retirement without obtaining a pension estimate from either system.

However, during one of her 12 months service, Mary contributed to both retirement systems. Because state law specifies that a member can earn only one month of service credit for each calendar month, this month is considered concurrent service credit.

Therefore, in this case Mary’s service is reduced by one month; she has only seven years and 11 months of combined service credit. She does not meet the vesting requirements for either IMRF or her reciprocal system, and is not eligible for a pension from either system.

How could Mary have avoided this? By contacting her most recent system for a pension estimate and making sure that the previous system got a copy of the estimate before she decided to retire. She would have been aware of this reduction in her service credit and could have chosen a different retirement date.
Considering purchasing past service that will be concurrent with reciprocal service credit?

Before you purchase past service with IMRF, you should ensure that the months you are considering purchasing are not concurrent with any reciprocal service you have on file with any retirement system you plan to retire reciprocally under.

Although IMRF may be aware that a member has reciprocal service, we do not know if any of the reciprocal service is concurrent with IMRF. It is your responsibility to be aware of the dates of your service credit between systems.

Retirement age requirements between systems

Not all systems have the same minimum age requirements to begin receiving a pension. With IMRF, you are eligible to begin receiving a pension as young as age 55 under Regular Tier 1 and as young as age 62 under Regular Tier 2 (your pension may be reduced if you retire younger than the plan’s full retirement age).

If the reciprocal systems you will retire under have different age requirements, as a general rule, you can begin receiving only that portion of the pension you earned from the system with the earlier age requirement.

Once you reach the minimum age requirement of your other system(s), you would then receive your pension from that system(s).

For example, if you were retiring under IMRF Regular Tier 1 (which has a minimum retirement age of 55) and another system with a minimum retirement age of 60, you could receive the IMRF portion of your reciprocal pension at age 55, and the portion of your pension earned under the other plan when you reached age 60.

Please note: If you retire under a system’s Early Retirement Incentive (ERI) using reciprocal service credit, different age eligibility rules may apply. You should contact the system that is offering the ERI and ask them about the specific age eligibility rules.
What if you are fully vested in more than one system without combining service under the Reciprocal Act?

Retiring under the Reciprocal Act is optional. A member with reciprocal service may retire separately under each system, provided he or she meets the individual vesting requirements with the systems without combining service credit.

However, generally you will receive a higher pension if you retire reciprocally. This is because the systems will use your highest average earnings and combined length of service credit.

If you have enough service credit to be vested in each system, you may wish to compare the pension you would receive from a reciprocal pension (combining all your service) to the pensions you would receive from each system separately (without combining your service credit). It is possible that your pension could be higher if you receive a separate, non-reciprocal pension from each system.

To do this comparison, request both a reciprocal estimate and a regular (non-reciprocal) estimate from your current system, and then request regular (non-reciprocal) pension estimates from each system you are retiring under. You can then compare the reciprocal estimate with the total of the non-reciprocal estimates and decide how to apply for your pension.
Requesting pension estimates

Pension estimates will allow you to make informed decisions about your retirement planning.

Reciprocal pension estimates take longer to process than an estimate from a single system. **You should submit a request for a reciprocal pension estimate to the last system you participated in.** IMRF is unable to provide reciprocal pension estimates for members whose most recent service credit is with another retirement system.

If the last system you participated in was IMRF, you should request a pension estimate from us. You can do so by:

Calling an IMRF Member Service Representative at 1-800-ASK-IMRF (275-4673) and requesting one. Make sure to mention that you have reciprocal service credit, and provide the names of your reciprocal systems.

Or,

Submitting IMRF Form BF-20 by obtaining a copy from [www.imrf.org](http://www.imrf.org) and faxing or mailing it to our office.

**You cannot get a reciprocal pension estimate through the Member Access Pension Estimator, even if IMRF is your most recent retirement system.**

Please note that it takes longer for us to process a reciprocal pension estimate than it does an estimate using only IMRF service credit. We must contact your other reciprocal system(s) and wait for them to provide us with your service credit and salary information.

It is also important to make sure that when you obtain a reciprocal pension estimate, each reciprocal system is provided a copy of the estimate done by your most recent system. This can help identify any potential concurrent service or other issues with your member accounts. Most systems provide estimate information to the other reciprocal systems, but it is your responsibility to ensure that all of your systems have a copy of all reciprocal pension estimates you receive.
How to begin the reciprocal retirement process

When you choose a retirement date, you should request a separate application from each system you have service credit with. Submit your applications to all reciprocal systems 30 days before your planned retirement date, but no more than six months in advance. Be sure you indicate on your application that you are applying for a reciprocal pension and list the names of the reciprocal system(s) you have service credit with.

Keep in mind that the application process for a reciprocal pension may take longer than applying for a pension with a single system. This is because your reciprocal systems must exchange information and then calculate your pension based on the combined data.

In order to retire under the Reciprocal Act, you must retire under all systems at the same time.

When will you begin receiving your pension from each system?

If you have not received your first benefit payment within 30 days of your retirement date, you should immediately contact the retirement system.

When a member retires from IMRF alone, we generally pay an “estimated” pension until we receive the final wage information. However, if you retire with IMRF and a reciprocal system, IMRF cannot pay an estimated pension. We must wait for your reciprocal system(s) to forward us your final wage and service data, and this process can take several months to complete.

One exception exists: if you are fully vested with IMRF (have at least eight years of Regular Tier 1 service credit or at least 10 years of Regular Tier 2 service credit), you have the option to receive an estimated pension based upon your IMRF credit only. Then, when IMRF receives your final wage and service information from your reciprocal system(s), we calculate your final pension amount and adjust your benefit payments retroactively.
Returning to work after retiring under the Reciprocal Act

If you retire under the Reciprocal Act, return to work, and participate in a retirement system that is:

**Paying you a pension**

Your pension payments from all systems will be stopped if your employing system requires it. When you retire again, you will begin receiving your pension. The amount of your pension will be recalculated (based on the rules of each system) using the additional service credit.

**Not paying you a pension**

Your pension payments will continue, even if your new position requires you to participate in a reciprocal system, provided you did not use service from that system to calculate your reciprocal pension. When you retire again, the amount of your pension will **not** be recalculated using the additional service credit.

If you return to work for an employer that does not participate in any of the Illinois reciprocal retirement systems, or for private industry, or if you are self-employed, your pension payments will continue.
Examples of Reciprocal Pensions

When you retire, each of your reciprocal retirement systems calculates a proportional pension based on its own formula and the amount of service credit you have in that system. However, each system reviews your salary histories with all retirement systems you apply for reciprocal retirement with and uses your highest average salary when calculating your pension.

Survivor annuity benefits are similarly calculated.

Example:

Mary Member has established 12 years of service with System A. She stops participating in System A and leaves her contributions on deposit.

She later goes to work for an IMRF employer in the Regular Tier 1 plan and establishes 20 years of service credit with IMRF.

Mary’s final average earnings under System A were $800 per month and under IMRF were $1,200 per month.

Both System A and IMRF Regular Tier 1 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 service in the last 10 years.*

Pension amounts calculated separately

If Mary decides to retire separately under each system, 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.

\[
\begin{align*}
10 \text{ years} & \times 1.67\% = 16.70\% \\
2 \text{ years} & \times 1.90\% = 3.80\% \\
20.50\% & \times $800.00 = $164.00 \text{ per month}
\end{align*}
\]

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.

\[
\begin{align*}
15 \text{ years} & \times 1.67\% = 25.05\% \\
5 \text{ years} & \times 2.00\% = 10.00\% \\
35.05\% & \times $1200.00 = $420.00 \text{ per month}
\end{align*}
\]

Total monthly pension payments from System A and IMRF without reciprocity $584.00

* IMRF Regular Tier 2 rules differ. Tier 2 requires 10 years to vest for a pension and your final average earnings are based on the highest 96 months of service in the last 10 years.
Pension amounts calculated under the Reciprocal Act

If Mary decides to retire under the provisions of the Reciprocal Act,

- Both pensions would be based on the final average earnings of IMRF (because those final wages are higher), and
- 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)**
- 10 years x 1.67% = 16.7%
- 2 years x 1.90% = 3.8%
- 20.5% x $1200.00 = $246.00 per month

**IMRF (service years 13 through 32)**
- 3 years x 1.67% = 5.0%
- 17 years x 2.00% = 34.0%
- 39.0% x $1200.00 = $468.00 per month

**Total monthly pension payments from System A and IMRF WITH reciprocity** $714.00

If Mary decides to retire under the Reciprocal Act, the total monthly pension payments from System A and IMRF would be $130 more than she would receive if she retired individually under each retirement system.
Systems Covered under the Reciprocal Act

**Chicago Teachers’ Pension Fund**
203 N. LaSalle, Ste. 2600
Chicago, IL 60601-1210
312-641-4464; Fax: 312-641-7185
www.ctpf.org

**County Employees’ Annuity & Benefit Fund of Cook County**
70 W. Madison St., Ste. 1925
Chicago, IL 60602-3103
312-603-1200; Fax: 312-603-9760
www.cookcountypension.com

**Forest Preserve District Employees’ Annuity & Benefit Fund of Cook County**
70 W. Madison St., Ste. 1925
Chicago, IL 60602-3103
312-603-1200; Fax: 312-603-9760
www.cookcountypension.com

**Judges’ & General Assembly Retirement Systems**
2101 South Veterans Pkwy., P.O. Box 19255
Springfield, IL 62794-9255
217-782-8500; Fax: 217-524-9039
www.srs.illinois.gov

**Laborers’ Annuity and Benefit Fund of Chicago**
321 N. Clark St., Ste. 1300
Chicago, IL 60654-4739
312-236-2065; Fax: 312-236-0574
www.labfchicago.org

**Metropolitan Water Reclamation District Retirement Fund**
111 E. Erie, Ste. 330
Chicago, IL 60611-2898
312-751-3222; Fax: 312-751-5699
www.mwrdrf.org

**Municipal Employees’ Annuity and Benefit Fund of Chicago**
321 N. Clark, Ste. 700
Chicago, IL 60654-4767
312-236-4700; Fax: 312-527-0192
www.meabf.org

**Park Employees’ Annuity and Benefit Fund of Chicago**
55 E. Monroe, Ste. 2720
Chicago, IL 60603
312-553-9265; Fax: 312-553-9114
www.chicagoparkpension.org

**State Employees’ Retirement System (SERS)**
2101 S. Veterans Pkwy, P.O. Box 19255
Springfield, IL 62794-9255
217-785-7444; Fax: 217-524-2293
Springfield office: 217-785-7444
Chicago office: 312-814-5853
www.srs.illinois.gov

**State Universities Retirement System (SURS)**
1901 Fox Drive, P.O. Box 2710
Champaign, IL 61825-2710
800-275-7877; Fax: 217-378-9800
www.surs.org

**Teachers’ Retirement System (TRS)**
2815 W. Washington St., P.O. Box 19253
Springfield, IL 62794-9253
877-927-5877; Fax: 217-753-0394
www.trsil.org
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Members and employers should mail all correspondence, forms, payments, etc. to our Oak Brook Office (2211 York Rd., Ste. 500, Oak Brook, IL 60523-2337).

Member Services Representatives: 1-800-ASK-IMRF (275-4673)

www.imrf.org