Chapter Eleven: Retirement Benefits

TRS provides two types of retirement benefits. A **single-sum benefit** is payable at age 65 to a member with fewer than five years of service. An **annuity**, a series of regular monthly payments for life, is paid to a member who has five or more years of service credit and meets specific age requirements. Two types of annuities are available: retirement (standard) and reversionary.

Single-sum retirement benefit

A Tier I or Tier II member who has fewer than five years of creditable service and taught after July 1, 1947, is eligible to receive a single-sum retirement benefit at age 65. The benefit is the actuarial equivalent of a standard annuity consisting of 1.67 percent of the final average salary for each year of creditable service. To be eligible for this benefit, the member must terminate TRS-covered employment and complete a Single-Sum Retirement Benefit Application.

Upon receipt of the single-sum benefit, an individual may teach in positions covered by TRS without restriction. Contributions are not required. Because individuals who have received single-sum retirement benefits are not TRS annuitants, they may not participate in the Teachers' Retirement Insurance Program.

Retirement eligibility (80 IL Admin. Code 1650.511)

To be eligible to receive a monthly retirement annuity from TRS, a member must terminate TRS-covered employment and meet specific age and service requirements. To satisfy the termination of service requirement, the retiring member must comply with the following guidelines:

- The member must formally resign from his or her teaching position.
- The member must wait at least 30 calendar days from the date of resignation before performing any duties requiring teacher licensure for the same employer.
- The member cannot prearrange post-retirement employment prior to the effective date of retirement with the same employer.
- The member may not begin post-retirement employment in the same school year in which he or she last contributed to TRS.

See Chapter 10, Post-Retirement Matters.

Tier I retirement annuity

Tier I members first contributed to TRS before January 1, 2011 or have pre-existing creditable service with a reciprocal pension system prior to January 1, 2011.

In addition to terminating service, Tier I members must meet one of the following age and service credit requirements:

Years of Service	Age
5	62
10	60
20	55 *(discounted annuity)*
35	55 *

* *If a member is eligible to receive a retirement annuity of at least 74.6 percent of the final average salary and will reach age 55 between July 1 and December 31, TRS considers the member to have attained age 55 on the preceding June 1.*

* *TRS members who are employees of the State of Illinois may retire under the Rule of 85. Contact TRS for eligibility requirements.*

Under federal law, inactive members are required to take a TRS distribution at age 70½.

Annuity calculation

To determine the annuity, TRS uses either an actuarial annuity calculation or an average salary/ service credit calculation, whichever results in a higher benefit.

Actuarial annuity calculation

The actuarial calculation is based on interest and mortality rate factors that are subject to change. The actuarial benefit, also known as the money purchase benefit, has been eliminated for teachers who became members on or after July 1, 2005. Members who joined before this date continue to receive the larger of either the formula calculation or the actuarial calculation at the time of retirement. For most members, the formula calculation results in a larger benefit than the actuarial calculation. The actuarial calculation usually benefits members with exceptionally long careers or large periods of inactive status.

Average salary/service credit calculation

The average salary/service credit calculation, with terms defined in this section, yields a larger retirement annuity for most members with current or recent service. The maximum retirement benefit is 75 percent of the average salary. There is no limit on the actuarial annuity benefit.

Average salary is the average of the four highest consecutive annual salary rates within the last 10 years of creditable service. When less than one year of service credit is earned in a school year, actual earnings are used to compute average salary. When average salary is computed, the portion of salary increase from one year to the next that exceeds the previous year's full-time rate by more than 20 percent is excluded from the calculation. The 20 percent limitation applies only to service with the same employer. Consolidation of school districts does not constitute a new employer, therefore the 20 percent cap still applies.

Years of creditable service determine the percentage of the average salary to which the member is entitled. For years of **service prior to July 1998** that have not been upgraded to the 2.2 benefit formula, members are entitled to the following percentage credit:

1.67 percent for each of the first 10 years
1.9 percent for each of the second 10 years
2.1 percent for each of the third 10 years
2.3 percent for each year over 30 years of service

For **post-June 1998 service**, the member receives 2.2 percent for each year of service.

A special provision governs members who had at least 24 years of service credit as of July 1, 1998. If a member does not upgrade to the 2.2 percent rate and had at least 24 years of service prior to July 1998, he or she will receive 2.2 percent for each year of service earned after June 1998 up to 30 years and then 2.3 percent for each year of service over 30 years.

A member may upgrade all pre-July 1998 service to the 2.2 percent rate by making an additional contribution. The contribution is equal to 1 percent times the member's highest salary rate in the four consecutive school years immediately prior to, but not including, the school year in which application is made for the upgrade times the number of years of creditable service earned prior to July 1, 1998, or 20, whichever is less. For information about receiving a refund or reduction of the 2.2 upgrade cost, see Chapter 9, Member Refunds.

Members may obtain a retirement benefit estimate by calling TRS at 877-927-5877 (877-9-ASK-TRS) or by logging on to Member Account Access at **http://www.trsil.org**. Secure online benefit estimates use personal information from TRS member records; a user ID and password are required.

How to estimate an upgrade contribution

Step 1 Determine which is less, the member's pre-July 1998 service credit or 20 years. Do not include any sick leave credit.

Assume the member had 31.405 years of service credit as of June 30, 1998.

Step 2 Multiply the service credit from Step 1 by 1% (0.01).

Years of service credit		20.000
Factor	x	0.01
Upgrade percentage		0.20

Step 3 Determine the highest salary rate in the four consecutive school years immediately prior to, but **not** including, the school year in which the application occurs.

Assume the upgrade application is received in May 2016.

Choose from:

11-12	$33,000
12-13	$35,000
13-14	$37,500
14-15	$39,000

Step 4 Multiply the salary rate in Step 3 by the percentage factor in Step 2.

Salary rate		$39,000
Percentage factor	x	0.20
Upgrade contribution		**$7,800**

How to estimate average salary

To compute the member's final average salary, review the past 10 years of service to find the highest four consecutive salaries. Add the salaries of the consecutive full or partial years used that total four years, and then divide the sum by four to determine the average.

Example:

Year	Service Credit	Salary Rate
13-14	1.000	$33,000
14-15	1.000	35,500
15-16	1.000	37,000
16-17	+ 1.000	+ 41,000
	4.000	$146,500
		÷ 4
Average salary		**$36,625**

Example:

Service credit in 2016-17 is determined by dividing the number of days paid by 170 (130 ÷ 170 = 0.765). When any of the years used in the calculation of final average salary is a partial year, actual earnings and earnings credit are used in the calculation of final average salary. In this example, to obtain four full years of earnings, the salary rate in the fourth preceding year (2012-13) is multiplied by one minus the earnings credit for the final year. The earnings credit for the school term 2016-17 is computed by dividing days paid by the number of contract days in the school term or employment agreement, if longer.

Year	Service Credit	Earnings Credit	Salary Rate	Earnings	Average Salary
12-13	1.000	0.297(b)	$24,800.00	$24,800.00	$7,365.60(c)
13-14	1.000	1.000	26,500.00	26,500.00	26,500.00
14-15	1.000	1.000	27,200.00	27,200.00	27,200.00
15-16	1.000	1.000	28,575.00	28,575.00	28,575.00
16-17	0.765	0.703(a)	30,000.00	24,000.00	+ 24,000.00
					$113,640.60
					÷ 4
				Average salary	$28,410.15

(a) 130 ÷ 185 = 0.703 earnings credit
(b) 1 - 0.703 = 0.297
(c) $24,800 X 0.297 = $7,365.60

Example:

The salary of $41,000 for the 2016-17 year exceeds the 2015-16 salary by more than 20 percent. To compute the maximum salary that can be used in calculating the average, multiply the prior year's salary by 120 percent (1.20).

$34,000 X 1.20 = $40,800 maximum

Year	Service Credit	Salary Rate	Average Salary
13-14	1.000	$30,000.00	$30,000.00
14-15	1.000	32,000.00	32,000.00
15-16	1.000	34,000.00	34,000.00
16-17	1.000	41,000.00	+ 40,800.00
			$136,800.00
			÷ 4
		Average salary	**$34,200.00**

How to estimate a retirement annuity

Example:

Step 1 Calculate average salary. The average salary is $36,625 (see previous "How to estimate average salary" example)

Step 2 Determine the years of service factor.

32.405 years of service credit and all of the pre-July 1998 service credit is upgraded.

32.405 years X 2.2% = 0.712910

Step 3 Multiply the average salary times years of service factor. The result is an estimated yearly retirement annuity. Divide this number by 12 for the estimated monthly annuity.

Average salary	$36,625
Factor	x 0.712910
Annual annuity	$26,110.33
	÷ 12
Monthly annuity	**$2,175.86**

Exact age

When TRS requires proof of age, a birth certificate should be used. If a birth certificate is unavailable, the following documents may be submitted:

- military record
- marriage record showing date of birth
- evidence of Social Security payments that require attainment of a specific age
- church record of birth or baptism
- valid passport
- valid driver's license
- two or more documents showing birth dates, such as naturalization papers, insurance policies, school records, or medical records.

The following steps can be used to compute exact age. TRS uses the member's exact age to calculate a discounted annuity.

Example

Step 1 Find the day and month the member plans to retire and the member's birthday and month on the Fraction of a Year table at the end of this chapter. The decimal number indicates the portion of a year beyond January 1.

Assume the member plans to retire June 6, 2017. This translates into the figure 2017.427 from the table. The member was born April 23, 1959. From the table, this is 1959.307.

Step 2 Subtract the figure that represents the member's birthday from the retirement date.

Retirement date	2017.427
Birthday	- 1959.307
Exact age	**58.120**

Discounted annuity

If the member retires between the ages of 55 and 60 with 20 or more years of service but fewer than 35 years of service, the annuity is reduced by 6 percent for each year (.005 per month) the member is under age 60.

A discounted annuity is based on average salary, years of service, and age.

The following steps can be used to estimate a discounted retirement annuity:

Step 1 Complete the retirement annuity calculation. Find the member's exact age at retirement.

Step 2 Subtract the exact age from 60. Multiply the difference by 0.06 (6% per year that the annuity is discounted).

The annuity in this example is $26,110.33 and the member's exact age is 57.115.

	60.000
Exact age	- **57.115**
	2.885
	x 0.06000
	0.17310

Step 3 Subtract the result of Step 2 from 1.000 to obtain the age discount factor.

	1.000000
	- 0.17310
Age discount factor	**0.8269**

Step 4 Multiply the age discount factor times the annuity to determine the discounted annuity. Then divide by 12 for the monthly annuity.

Retirement annuity	$26,110.33
Age discount factor	x 0.8269
Annual discounted annuity	$21,590.63
	÷ 12
Monthly discounted annuity	**$1,799.22**

Example:

Step 1 Determine the highest annual salary rate used in the computation of the final average salary. The highest annual salary rate used in the computation of final average salary for the member in this example is $41,000.

Tier II retirement annuity

Tier II members first contributed to TRS on or after January 1, 2011 and do not have any previous service credit with a pension system that has reciprocal rights with TRS.

Eligibility

To be eligible for a nonreduced retirement annuity, a Tier II member must be 67 years old with 10 or more years of service credit.

A Tier II member may retire at age 62 with at least 10 years of service, but will receive retirement benefits reduced 6 percent for every year the member is under age 67.

Annuity calculation

The maximum retirement benefit is 75 percent of the average salary.

The retirement benefit is calculated by the formula of 2.2 percent multiplied by final average salary multiplied by the total years of service credit.

Average salary is the average of the eight highest consecutive annual salary rates within the last 10 years of creditable service. When less than one year of service credit is earned in a school year, actual earnings are used to compute average salary. When average salary is computed, the portion of salary increase from one year to the next that exceeds the previous full year's full-time rate by more than 20 percent is excluded from the calculation. The 20 percent limitation applies only to service with the same employer. Consolidation of school districts does not constitute a new employer, therefore the 20 percent cap still applies.

The amount of reportable earnings for Tier II members cannot exceed a limit that is tied to the Consumer Price Index. For additional information on the limits refer to Chapter 3, "Creditable Earnings."

Members may obtain a retirement benefit estimate by calling TRS at 877-927-5877 (877-9-ASK-TRS).

How to estimate average salary

To compute the member's final average salary, review the past 10 years of service to find the eight highest consecutive salaries. Add the salaries of the consecutive full or partial years used that total eight years, and then divide the sum by eight to determine the average salary.

Example:

Year	Service Credit	Salary Rate
Year 1	1.000	$33,000
Year 2	1.000	$34,500
Year 3	1.000	$36,000
Year 4	1.000	$38,000
Year 5	1.000	$41,000
Year 6	1.000	$44,500
Year 7	1.000	$47,000
Year 8	1.000	+ $50,000
		$324,000
	÷	8
		$40,500

Example:

Service credit in Year 9 is determined by dividing the number of days paid by 170 (130 / 170 = 0.765). When any year used in the calculation of final average salary is a partial year, actual earnings and earnings credit are used in the calculation of final average salary. In this example, to obtain eight full years of earnings, the salary rate in the eighth preceding year (Year 1) is multiplied by one minus the earnings credit for the final year. The earnings credit for the Year 9 school term is computed by dividing days paid by the number of days in the school term or employment agreement, if longer.

Year	Service Credit	Earnings Credit	Salary Rate	Earnings	Average Salary
Year 1	1.000	0.297 (b)	$41,750.00	$41,750.00	$12,399.75 (c)
Year 2	1.000	1.000	$42,000.00	$42,000.00	$42,000.00
Year 3	1.000	1.000	$43,900.00	$43,900.00	$43,900.00
Year 4	1.000	1.000	$47,000.00	$47,000.00	$47,000.00
Year 5	1.000	1.000	$49,955.00	$49,955.00	$49,955.00
Year 6	1.000	1.000	$51,000.00	$51,000.00	$51,000.00
Year 7	1.000	1.000	$53,575.00	$53,575.00	$53,575.00
Year 8	1.000	1.000	$56,000.00	$56,000.00	$56,000.00
Year 9	0.765	0.703 (a)	$57,750.00	$40,582.00	+ $40,582.00
					$396,411.75
					÷ 8
					$49,551.47

(a) 130 / 185 = 0.703 earnings credit
(b) 1 - 0.703 = 0.297
(c) $41,750 x 0.297 = $12,399.75

Example:

The salary of $53,000 for Year 3 exceeds the Year 2 salary by more than 20 percent. To compute the maximum salary that can be used in calculating the average, multiply the prior year's salary by 120 percent (1.20).

$43,000 x 1.20 = $51,600.00

Year	Service Credit	Salary Rate	Average Salary
Year 1	1.000	$42,250.00	$42,250.00
Year 2	1.000	$43,000.00	$43,000.00
Year 3	1.000	$53,000.00	$51,600.00
Year 4	1.000	$54,575.00	$54,575.00
Year 5	1.000	$57,000.00	$57,000.00
Year 6	1.000	$59,950.00	$59,950.00
Year 7	1.000	$61,000.00	$61,000.00
Year 8	1.000	$64,660.00	+ $64,660.00
			$434,035.00
			÷ 8
			$54,254.38

How to estimate a retirement annuity

Example:

Step 1 Calculate average salary. The average salary is $47,950.00 (see previous "How to estimate average salary" example)

Step 2 Determine the years of service factor. 33.000 years of service credit X 2.2% = 0.726000

Step 3 Multiply the average salary times years of service factor. The result is an estimated yearly retirement annuity. Divide this number by 12 for the estimated monthly annuity.

Average salary	$47,950.00
Factor	x 0.726000
Annual annuity	$34,811.70
	÷ 12
Monthly annuity	$2,900.98

Discounted annuity

If a Tier II member retires between the ages of 62 and 67 with 10 or more years of service, the annuity is reduced by 6 percent for each year (0.005 per month) the member is under age 67. A discounted annuity is based on average salary, years of service, and age.

The following steps can be used to estimate a discounted retirement annuity:

Step 1 Complete the retirement annuity calculation. Find the member's exact age at retirement. For information regarding exact age, please refer to page 5.

Step 2 Subtract the exact age from 67. Multiply the difference by 0.06 (6% per year that the annuity is discounted).

The annuity in this example is $48,795.00. The member's exact age is 64.372

	67.000
Exact age	- 64.372
	2.628
	x 0.06000
	0.15768

Step 3 Subtract the result of Step 2 from 1.000 to obtain the age discount factor.

	1.000000
	- 0.15768
Age discount factor	**0.84232**

Step 4 Multiply the age discount factor by the annuity to determine the discounted annuity, and then divide by 12 for the monthly annuity.

Retirement annuity	$48,795.00
Age discount factor	x 0.84232
Annual discounted annuity	$41,101.00
	÷ 12
Monthly discounted annuity	**$3,425.08**

Reversionary annuity

Unless they elect otherwise, retiring members receive a **standard annuity** from TRS. This pays a 100 percent benefit to the member and a 50 percent benefit to a surviving spouse or civil union partner, if any. This annuity provides the largest amount payable throughout the member's lifetime.

A member may elect a **reversionary annuity** as an alternative to a standard annuity. If a reversionary annuity is elected, the member's standard annuity is reduced to provide a monthly annuity for a surviving dependent beneficiary. Members designate this beneficiary on the Age Retirement Annuity Application. A dependent beneficiary includes a spouse, a civil union partner, a child, or a parent or other person for whom the member provided more than 50 percent of that person's support in the last 12 months.

Members who are considering a reversionary annuity should request an estimate of both their annuity payment and the payment to their survivor.

The reversionary annuity is in addition to any death benefits paid by TRS. (See Chapter 13, Death Benefits.) Members should note that one dependent beneficiary may be designated as the recipient of the payments from the reversionary annuity on the Age Retirement Annuity Application, while another may be designated to receive death and survivor benefits from TRS on the Member Information and Beneficiary Designation (MIBD) form.

The reversionary annuity may be revoked effective the first of the month following notification to TRS of the designated beneficiary's death. On this date, only monthly payments for the unreduced standard annuity amount become payable to the annuitant. The reduction in monthly annuity is not made up to the retired member as a result of the beneficiary's death.

Application procedures

Members planning to retire should contact TRS approximately six to 12 weeks prior to their anticipated retirement date for a retirement application. TRS then reviews the member's record to verify:

- Amounts due to TRS for optional service credit have been paid. To avoid a delay in the processing of the benefit, these amounts should be paid prior to the final day of employment. Optional service payments cannot be made after the member begins receiving retirement benefits.
- Any out-of-system service to determine the amount creditable toward retirement. This is 2/5 of the member's total TRS service with a maximum of 10 years.
- The member meets the eligibility requirements to receive a retirement annuity.

Members are then sent the following personalized forms to review, sign, complete, and return:

- Age Retirement Annuity Application
- Depository Agreement for TRS Benefit Payments (direct deposit application)
- Teachers' Retirement Insurance Program (TRIP) Enrollment Application

In addition, a Supplementary Report and Sick Leave Certification form is emailed to each current employer on behalf of the member.

Retirement application for annuitants who re-enter TRS membership

If an annuitant resumes active TRS member status either through teaching before the statutory time limits have elapsed or by teaching beyond the statutory hour or day limitations (See Chapter 10, Post-Retirement Matters), he or she must submit a new retirement application to TRS when filing for retirement again.

If the annuitant re-enters service and retires after completing at least one year of service, at the time of the second retirement the annuity will be recomputed using the law in effect on the first retirement date. If the member establishes at least three years of creditable service after re-entry, the annuity will be recomputed based on any legislative amendments enacted between the member's first retirement and application for a second retirement annuity.

Effective date of retirement

A member must cease teaching and terminate TRS-covered employment to become eligible for a TRS retirement annuity.

A retirement annuity begins on the later of:

- the day following the last day that salary reportable to TRS is earned or
- on the day that the minimum qualifying service and age are attained.

Annuity payments

The first annuity payment should reach the member within approximately 60-90 days after receipt of all the completed forms and any payments owed TRS. Payments are mailed from the Office of the Comptroller on the last working day of each month. The payment received on the first of the month represents the annuity earned from the preceding month. TRS should be notified if the payment has not arrived by the 10th of the month.

To protect annuitants, the retirement annuity is suspended if two payments remain uncashed. Subsequent payments will be mailed when TRS learns the circumstances or whereabouts of the previous uncashed payments.

Direct deposit

Annuitants, beneficiaries, and disability recipients may have payments electronically deposited into a bank or financial institution. To authorize direct deposit of their benefit payments, the member and the member's financial institution must complete the Depository Agreement for TRS Benefit Payments form.

The completed form must be received by the 15th of the month for a change to be effective at the end of the month.

Mailing address

All TRS members and annuitants should keep a current home address on file with TRS so that correspondence and tax information can be mailed to their homes, even if they take advantage of the direct deposit arrangement. A change of address should bear the member's or annuitant's Social Security number and be received before the 10th of the month to reflect the change on the next annuity payment.

Automatic annual increases in annuity for Tier I annuitants

Tier I annuitants with at least one year of creditable service after August 1969 receive an annual 3 percent increase in the current annuity on the **later** of the following:

- January 1 following the attainment of age 61 or
- January 1 following the first anniversary in retirement.

Annuitants in retirement on July 1, 1969, who subsequently re-entered active TRS membership for at least one year also received this increase. This increase is effective in January of each year and is reflected in the payment received in February.

The first increase paid will include increases for the entire time the member has been in retirement. The first increase is calculated by determining the years that have elapsed since the member retired or reached age 55, whichever is later, and the effective date of the member's initial increase (see next example).

The member's original retirement annuity is then increased 3 percent for each year or partial year in retirement for all periods after 1978.

Annuitants who retired before July 1, 1969, and annuitants who retired after that date but who had no service after July 1969 are also eligible for post-retirement increases if they retired with either of the following:

- Five or more years of service if they retired at age 55 or thereafter, or
- 20 or more years of service if they retired prior to age 55 (on a disability retirement annuity).

These annuitants must make a one-time payment of 1 percent of the average monthly salary on which the original annuity was computed times the number of full years of creditable service or 1 percent of the original monthly annuity times the number of full years of creditable service if the original annuity was not computed on average salary. The additional contributions are required because members did not make contributions toward post-retirement increases prior to July 1, 1969.

The increase is payable the later of January 1 following attainment of age 65, January 1 following the first anniversary in retirement, or the first of the month following receipt of the qualifying contribution from the annuitant.

Example:

(Applies to member retiring after 1978)

Step 1 Find the date the member will become eligible for the first increase. This is the later of the following:

January 1 following the attainment of age 61

January 1 following the first anniversary in retirement.

Assume the member was born March 16, 1956, and retired June 6, 2016. Add 61 to 1956 to obtain the year that the member will be age 61. January of the following year, the member will be eligible for the first increase.

	1956
+	61
	2017

First eligible: January 1, 2018

Step 2 Find the fractional equivalent of the member's retirement date on the Fraction of a Year table at the end of this chapter. Find the number of years and partial years that will elapse between the member's retirement and the first increase.

Assume the member retired on June 6, 2016. June 6 on the table is 0.427. The exact retirement date is 2016.427. Subtract the retirement date from the year of eligibility.

First eligible	2018.000
Retirement date	- 2016.427
Years elapsed	**1.573**

Step 3 Multiply Step 2 by 0.03 (3 percent) to determine the factor for the first increase.

Years elapsed	1.573
3 percent	x 0.03
Factor for increase	**0.04719**

Step 4 Multiply the member's original annuity by the factor in Step 3. Assume the original monthly annuity was $1,843.79

Original annuity	$1,843.79
Factor	x 0.04719
Initial increase	**$87.01**

Step 5 Add the amount of the initial increase to the original annuity to determine the new monthly annuity.

Original annuity	$1,843.79
Initial increase	+ $87.01
Annuity January 1, 2018	**$1,930.80**

Step 6 Multiply the current monthly annuity by 1.03 to find the monthly annuity for the following year.

Annuity January 1, 2018	$1,930.80
3 percent increase	x 1.03
Annuity January 1, 2019	**$1,988.72**

Note: Some annuitants may receive an increase in their annuities prior to the initial post-retirement increase due to minimum annuity legislation. Annuitants affected will be notified by TRS.

Automatic annual increases in annuity for Tier II annuitants

Tier II annuitants will receive an annual increase on the later of the following:

- January 1 following the attainment of age 67, or
- January 1 following the first anniversary in retirement.

Annual cost-of-living increases for Tier II annuitants will be calculated using either 3 percent or one-half of the Consumer Price Index as of the preceding September, whichever is less, of the originally granted retirement annuity. If the increase in the Consumer Price Index for the preceding September is zero or there is a decrease, then the annuity will not be increased. When there is an increase, it will not be compounded.

The increase is effective in January of each year and is reflected in the payment received in February. This increases the annuitants' monthly benefit and is not a separate lump-sum payment.

Some annuitants may receive increases in their annuities prior to the initial post-retirement increase due to minimum annuity legislation. Affected annuitants will be notified by TRS.

Reciprocal service

(40 ILCS 5 /20-101 et seq.)

Members who have service in more than one public retirement system in Illinois may qualify for enhanced retirement and survivor benefits by selecting a reciprocal retirement. The Illinois Retirement Systems Reciprocal Act allows members to use service credit in each system to the maximum advantage.

Reciprocity offers the following advantages:

- Service credit in any of the reciprocal systems may be used to meet service qualification requirements for a pension.
- Earnings credit under all reciprocal systems will be considered by each system in determining final average salary. This practice usually results in a higher benefit.
- Members may reinstate refunded service at a reciprocal system once they have established two years of service credit at another reciprocal system.

To be eligible for reciprocity, the member must have at least one year of service in two or more systems and his or her combined credit must meet the minimum service requirements of each system. The one exception to this rule is if the member participated in IMRF as a teacher aide and earned less than 12 months of IMRF service credit, and was next employed in a position covered by TRS. If this applies, the member may apply his/her IMRF service toward a reciprocal pension even though it does not meet the 12-month requirement. Members may repay any refund taken from a reciprocal system before retiring and use the combined credit, but they must complete at least two years of service in any other system following the date of the refund.

If the service periods overlap, the reciprocal benefits will be adjusted proportionately. Members who have significant amounts of overlapping service may want to consider retiring independently under each system rather than using the Reciprocal Act.

Reciprocity applies only to retirement and survivor benefits. In most cases, it cannot be used for disability and insurance purposes.

Members wishing to select reciprocity must apply to each retirement system. The systems will then exchange information in order to determine the benefits payable. Once in payment status, the member will receive separate checks from each system. The use of reciprocity is entirely voluntary.

If a member is within three years of retirement, he or she may receive a reciprocal benefit estimate by contacting his or her current retirement system. That system will gather information from the other reciprocal systems and provide the member with a consolidated estimate.

In addition to TRS, systems under the Illinois Retirement Systems Reciprocal Act include:

- County Employees' Annuity and Benefit Fund of Cook County
- Forest Preserve District Employees' Annuity and Benefit Fund of Cook County
- General Assembly Retirement System
- Illinois Municipal Retirement Fund
- Judges' Retirement System
- Laborers' Annuity and Benefit Fund of Chicago
- Municipal Employees' Annuity and Benefit Fund of Chicago
- Park Employees' Annuity and Benefit Fund of Chicago
- Public School Teachers' Pension and Retirement Fund of Chicago
- Metropolitan Water Reclamation District Retirement Fund
- State Employees' Retirement System of Illinois
- State Universities Retirement System

Taxability of retirement benefits

Illinois income taxes

Illinois residents must file an Illinois income tax return; however, Illinois law exempts all TRS benefits from state income taxes. To claim this exemption, individuals should include the taxable benefit amount on the line designated "Federally taxed retirement and Social Security" on their Illinois 1040 Form and attach a copy of page one of the Internal Revenue Service Form 1040 to their Illinois income tax return.

Federal income taxes

Depending upon when the member began contributing to the retirement program and depending upon when the member became an annuitant, the determination of the taxability of the annuity payments will differ. Three time periods are important: annuities which began on or prior to July 1, 1986; annuities which began between July 2, 1986, and November 18, 1996, inclusively; and annuities which began after November 18, 1996. However, if a member began his or her membership with TRS after July 1, 1983, and if the member did not purchase optional service with after-tax contributions, then the full amount of the annuity which is received by the member is taxable under the federal Internal Revenue Code.

Each annuitant is sent an IRS Form 1099-R in January from the state comptroller. The 1099-R indicates the amount of the annuity paid during the preceding calendar year, the taxable portion, and the amount that was withheld for federal income taxes.

Annuities which began after November 18, 1996

If the member's annuity starting date was after November 18, 1996, the cost recovery method which must generally be used is known as the Simplified Method. Like the General Rule, under the Simplified Method, the taxability of every annuity payment is based upon a more simplified set of assumptions. The Simplified Method, which was codified by a provision of the Small Business Job Protection Act of 1996, is explained fully in **IRS Publication 17, Your Federal Income Tax**.

Prior to November 18, 1996, the taxable amount was calculated using a different method.

NOTE: This chapter presents possible tax treatment for distributions by TRS. Members, annuitants and beneficiaries must consult with their local office of the Internal Revenue Service or their professional tax advisor for assistance in computing tax liability and preparation of forms and tax returns. The Internal Revenue Service Form Distribution Center's phone number is (800) 829-3676.

FRACTION OF A YEAR TABLE

Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	0.000	0.085	0.162	0.247	0.329	0.414	0.496	0.581	0.666	0.748	0.833	0.915
2	0.003	0.088	0.164	0.249	0.332	0.416	0.499	0.584	0.668	0.751	0.836	0.918
3	0.005	0.090	0.167	0.252	0.334	0.419	0.501	0.586	0.671	0.753	0.838	0.921
4	0.008	0.093	0.170	0.255	0.337	0.422	0.504	0.589	0.674	0.756	0.841	0.923
5	0.011	0.096	0.173	0.258	0.340	0.425	0.507	0.592	0.677	0.759	0.844	0.926
6	0.014	0.099	0.175	0.260	0.342	0.427	0.510	0.595	0.679	0.762	0.847	0.929
7	0.016	0.101	0.178	0.263	0.345	0.430	0.512	0.597	0.682	0.764	0.849	0.932
8	0.019	0.104	0.181	0.266	0.348	0.433	0.515	0.600	0.685	0.767	0.852	0.934
9	0.022	0.107	0.184	0.268	0.351	0.436	0.518	0.603	0.688	0.770	0.855	0.937
10	0.025	0.110	0.186	0.271	0.353	0.438	0.521	0.605	0.690	0.773	0.858	0.940
11	0.027	0.112	0.189	0.274	0.356	0.441	0.523	0.608	0.693	0.775	0.860	0.942
12	0.030	0.115	0.192	0.277	0.359	0.444	0.526	0.611	0.696	0.778	0.863	0.945
13	0.033	0.118	0.195	0.279	0.362	0.447	0.529	0.614	0.699	0.781	0.866	0.948
14	0.036	0.121	0.197	0.282	0.364	0.449	0.532	0.616	0.701	0.784	0.868	0.951
15	0.038	0.123	0.200	0.285	0.367	0.452	0.534	0.619	0.704	0.786	0.871	0.953
16	0.041	0.126	0.203	0.288	0.370	0.455	0.537	0.622	0.707	0.789	0.874	0.956
17	0.044	0.129	0.205	0.290	0.373	0.458	0.540	0.625	0.710	0.792	0.877	0.959
18	0.047	0.132	0.208	0.293	0.375	0.460	0.542	0.627	0.712	0.795	0.879	0.962
19	0.049	0.134	0.211	0.296	0.378	0.463	0.545	0.630	0.715	0.797	0.882	0.964
20	0.052	0.137	0.214	0.299	0.381	0.466	0.548	0.633	0.718	0.800	0.885	0.967
21	0.055	0.140	0.216	0.301	0.384	0.468	0.551	0.636	0.721	0.803	0.888	0.970
22	0.058	0.142	0.219	0.304	0.386	0.471	0.553	0.638	0.723	0.805	0.890	0.973
23	0.060	0.145	0.222	0.307	0.389	0.474	0.556	0.641	0.726	0.808	0.893	0.975
24	0.063	0.148	0.225	0.310	0.392	0.477	0.559	0.644	0.729	0.811	0.896	0.978
25	0.066	0.151	0.227	0.312	0.395	0.479	0.562	0.647	0.732	0.814	0.899	0.981
26	0.068	0.153	0.230	0.315	0.397	0.482	0.564	0.649	0.734	0.816	0.901	0.984
27	0.071	0.156	0.233	0.318	0.400	0.485	0.567	0.652	0.737	0.819	0.904	0.986
28	0.074	0.159	0.236	0.321	0.403	0.488	0.570	0.655	0.740	0.822	0.907	0.989
29	0.077	0.159	0.238	0.323	0.405	0.490	0.573	0.658	0.742	0.825	0.910	0.992
30	0.079		0.241	0.326	0.408	0.493	0.575	0.660	0.745	0.827	0.912	0.995
31	0.082		0.244		0.411		0.578	0.663		0.830		0.997