

# INFORMATION BULLETIN

## TAX-FREE ROLLOVERS TO TRS

June 2017

### TRS Plan Status

TRS is a qualified Internal Revenue Code (IRC), Section 401(a), governmental retirement plan covering all Illinois public school teachers outside the city of Chicago.

### Rollover Defined

For TRS purposes, a rollover is:

- a transfer of tax-sheltered funds from an eligible retirement plan directly to TRS (a trustee to trustee transfer),
- a direct rollover of tax-sheltered funds from an eligible retirement plan to TRS,

Or

- a rollover or transfer check that you receive from an eligible retirement plan to pay for TRS contributions or service credit. The payment must be received by TRS no later than 60 days from the day on which you receive the distribution from your financial institution or retirement plan.

A rollover may only be used to pay for the purchase of optional service, reinstatement of terminated service or for payment of 2.2 upgrade contributions. A Teachers' Health Insurance Security (THIS) Fund balance cannot be paid with a rollover.

Rollover payment may be completed with a check made payable to TRS or a wire transfer from a financial institution or plan to TRS.

### Rollover Advantages

- Rollovers provide an easy method to use pretax money to increase your TRS benefit.
- It is money you already saved that may be transferred from one type of retirement plan to another.
- Rollover monies are not subject to federal contribution limits that might otherwise apply. Monies accumulated in eligible savings and retirement plans grow more rapidly because income taxes are deferred.

### Permissible Rollovers

TRS can accept rollover contributions (other than after-tax contributions) from:

- another qualified Section 401(a) or 401(k) or Keogh plan;
- an annuity plan described in IRC, Section 403(a);
- a tax-sheltered annuity contract described in IRC, Section 403(b);
- an individual retirement account or annuity (IRA) under IRC, Section 408(a) or Section 408(b) that is eligible to be rolled over and would otherwise be included in gross income;
- a Simplified Employee Pensions Plan (SEP) under IRC, Section 408(k);



- a Savings Incentive Match Plan for Employees (Simple IRA) under IRC, Section 408(p), if there has been participation in the plan for at least two years; and
- an eligible deferred compensation plan under IRC, Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

Additionally, TRS will also accept spousal rollovers of distributions from Section 401(a), 401(k), Keogh, 403(a), 403(b) and 457(b) plans that the member's deceased spouse participated in or that have been divided by a Qualified Domestic Relations Order.

Roth IRAs are not rollover eligible.

### **TRS Rollover Procedures**

To start the rollover process, a member must first establish an accounts receivable for the purchase of optional service credit, to repay a refund or to pay the 2.2 upgrade contribution.

Before initiating a rollover, you must confirm that your plan administrator or custodian will complete and sign the Rollover Certification form, which is required by federal law. Restrictions may apply, especially with IRAs.

The plan administrator or custodian may require a letter of acceptance from TRS. If so, you or the custodian must contact TRS to request the letter.

The amount rolled over cannot exceed the receivable balance(s). If the rollover check is for a larger amount, it will be returned.

**TRS cannot process the payment without a correctly completed Rollover Certification form that provides written confirmation from the transferring plan that the amounts deposited are eligible for rollover treatment.** The form must be completed by both the member and the plan administrator or custodian issuing the rollover check to TRS.

Please be aware that optional service and repay refund balances continue to accrue interest until the check is deposited.

### **Questions**

If you have questions regarding the type of plan you have available to rollover, contact your plan administrator or custodian. If you have questions regarding our rollover requirements, contact us using the information below.



#### **TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

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