

# Chapter 9: Member Refunds

Members may receive a refund of retirement contributions, or a refund or reduction in the 2.2 upgrade cost if they meet certain criteria. This section covers:

- refunds of retirement contributions,
- refunds of the 0.4 percent member retirement contribution (if not already refunded),
- refunds of 1 percent retirement contributions,
- refunds of survivor benefit contributions,
- refunds or reduction of the 2.2 upgrade cost,
- refunds of excess purchases and repayments,
- refunds eligible for rollovers,
- taxability of refunds, and
- repayment of refunds.

## Refunds of retirement contributions

If members terminate teaching with a TRS employer, they may apply for a refund of retirement contributions. This refund consists of the portions used to pay the retirement annuity and the annual increases in the annuity.

Effective July 1, 1998, member refunds include contributions for retirement and annual increases which are 7.5 percent and 0.5 percent of gross earnings, respectively. Lower contribution rates were in effect prior to July 1, 1998.

If members receive a refund of retirement contributions, they are not entitled to any other refunds. The 1 percent survivor benefit contribution, interest accumulated on the total contributions, and health insurance contributions paid after July 1, 1995, are not refundable.

The refundable amount appears as “refundable contributions” on the TRS Benefits Report.

## Eligibility

Members who have terminated their teaching duties with a TRS employer may apply for a refund of their retirement contributions. A member who is on sick leave, a sabbatical leave, an unpaid leave of absence, or has accepted employment with a new TRS-covered employer is not eligible for a refund.

## Effect of receiving a refund

When members accept a refund, they forfeit all rights to TRS benefits. Members considering a refund may want to contact TRS for an estimate of potential retirement and survivor benefits forfeited by accepting the refund. If a member chooses not to receive a refund, the member’s contributions will remain with TRS and will eventually provide a retirement benefit. Members with fewer than five years of service credit are eligible to receive a single-sum retirement benefit at age 65. Tier I members are eligible to receive a retirement annuity after five or more years of



service. Tier 2 members are eligible to receive a retirement annuity after 10 or more years of service (see Chapter 10, Retirement Benefits).

### **Transfer of credit**

TRS cannot transfer creditable service (and the funding for that service) directly to a retirement system in another state. However, many retirement systems permit purchase of out-of-system service. TRS will provide the other system with verification of Illinois teaching service if the member accepts a refund and sends a written request. A member may then make payment for service directly to the other system if this is required or request a rollover of refundable contributions. (See “Refunds eligible for rollovers”)

### **Application procedure**

To obtain a refund, a member must file a Refund Application with TRS. The application is available by calling TRS’s Member Services Division at 877-927-5877 (877-9-ASK-TRS). The application can be returned any time after the member has formally resigned from his or her TRS-covered position. TRS will process the refund and forward it to the Office of the Comptroller for payment when four months have passed since the member’s final day of teaching.

## **Refunds of the 0.4 percent member retirement contributions**

Effective July 1, 2005, the member contribution rate increased by law to 9.4 percent. From 2005-06 through the 2015-16 school years, the ERO was funded in part by the 0.4 percent increase in member TRS contributions.

If a member did not receive a retirement annuity calculated using ERO, the 0.4 percent contributions was refunded without interest. ERO was allowed to automatically expire by the General Assembly on July 1, 2016. As a result, most active and inactive TRS members are eligible for a refund of the 0.4 percent ERO contributions they paid between 2005 and 2016. All eligible members were contacted about their refund options in late 2016.

## **Refunds of 1 percent retirement contributions**

Members whose membership began prior to July 1, 1998; who do not upgrade their pre-July 1998 service credit to the 2.2 benefit formula; and who retire with more than 34 years of service credit are entitled to a refund of 1 percent of creditable earnings after the later of June 30, 1998, or the attainment of 34 years of service credit. Sick leave is not considered when determining the attainment of 34 years of service credit.

The refund is paid at retirement. TRS automatically notifies the member of the refund amount after the member’s retirement claim is processed. These contributions are refundable because the member’s retirement benefit is not calculated under the 2.2 benefit formula. This refund is taxable for federal income tax purposes.

## **Refunds of survivor benefit contributions**

If members do not have a dependent beneficiary at retirement, they may apply for a refund of the 1 percent portion for survivor benefits.

The refundable amount is 1 percent of total gross creditable earnings for each year of teaching service after July 24, 1959.



## Refunds or reduction of the 2.2 upgrade cost

Effective June 4, 1999, if a member retires with more than 34 years of service credit, he or she may receive a 25 percent reduction in upgrade costs for each year of creditable service beyond 34 years, up to a maximum of 100 percent. Partial years are prorated.

For every three years taught after July 1, 1998, the equivalent of one year of the 2.2 upgrade cost will be reduced or refunded.

### 25 percent-per-year refund

The following table shows the upgrade cost reduction feature for retirements that are effective on June 4, 1999, or later. Partial years will be prorated.

TRS will calculate the amount of any refund due and will credit the member with 6 percent interest.

<u>Years of Service</u>	<u>Percentage of 2.2 Upgrade Cost Refunded</u>
34	0%
35	25%
36	50%
37	75%
38	100%

## Repayment of refunds

A member who accepts a refund terminates membership with TRS and cancels all service credit. A refund may be repaid with interest applied from the date of the refund to the date of the repayment.

Unless repayment is permitted under the Retirement Systems Reciprocal Act, service credit previously forfeited may not be used as a basis for payment of benefits until the member completes one year of teaching following the refund. Currently, the Retirement Systems Reciprocal Act requires at least two years of service credit with another system before service credit can be reinstated through repayment of a refund.

The refund repayment and teaching requirements must be completed prior to the member's retirement, death, or commencement of disability benefits.

