SERS
State Employees' Retirement System
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Leaving State Employment Fact Sheet - Tier 1 Members

Regular Formula Pension

The regular retirement formula applies to most SERS members who also contribute to Social Security. The regular retirement formula is 1.67% per year of service for employees with Social Security, and 2.2% per year of service for members not contributing to Social Security. The maximum regular retirement benefit is 75% of final average compensation.

Your retirement benefit is based on your final average compensation and years of credited service. For regular formula employees, Final Average Compensation (FAC) is the average of the 48 highest consecutive months of earnings within the last 120 months of service.

You must apply in order to receive benefits. Contact your Retirement Coordinator approximately 90 days before separation.

Regular formula members are eligible for a retirement benefit at:

- **Age 60 with 8 years of service credit**
- **Age 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).**
- **When age and years of service equal 85 years**

Pension Calculation

Service Credit (Years) x Formula (%) x FAC = $ Pension Amount

If you leave State employment, you must decide what to do with your SERS contributions. If you leave SERS by resignation, discharge, dismissal, or layoff, you may either withdraw your contributions or leave them in SERS.

If you choose a refund of contributions:
- You must be off the payroll for 14 days before being eligible to receive a refund.
- You won't receive interest on your contributions.
- You forfeit all rights to SERS benefits for you and your beneficiaries.

If you take a refund of your contributions and later return to state employment:
- You will automatically participate in Social Security, even if you did not before (excluding police and firefighter positions).
- You may repay your refunded contributions with interest and have your previous service credit restored after completing two years of credited service after the date of the refund. Credited service from other public retirement systems under the Reciprocal Act can also be used to meet the two year requirement.

If you leave your contributions in SERS:
- You can receive a pension at age 60 with 8 years of service credit.
- Have your agency notify SERS of any unused sick leave.
- Each February, you will receive an Inactive Member Benefit Statement showing your account status, any accrued benefits, and any service that you have with another reciprocal public retirement pension system.

Credit for Unused Sick Leave & Vacation Days

The amount of service credit used to determine your retirement benefit is increased by any unused sick leave and vacation days accumulated at retirement. This additional service credit does not affect your final average compensation.

Pension Calculation						
	x		x		=	
Service Credit (Years)	x	Formula (%)	x	FAC	=	$ Pension Amount

- Over -

Alternative Formula Pension

The alternative formula applies to members in certain positions with at age 60 with 20 years of alternative service. The alternative formula is 2.5% per year of service for employees with Social Security and 3.0% per year for members not contributing to Social Security. The maximum alternative retirement benefit is 80% of final average compensation.

Alternative formula members are eligible for a retirement benefit at

- **Age 55 and up with 20 years of alternative service credit**
- **Age 50-54 with 25 years of alternative service credit**

Your retirement benefit is based on your final average compensation and years of credited service. For an alternative formula employee, final average compensation is the average monthly salary during the 48 highest consecutive months of service within the last 120 months.

You must apply in order to receive benefits.

Contact your Retirement Coordinator approximately 90 days before separation.

You pay no Illinois state income tax on a SERS retirement annuity. However, you will pay federal income tax on most benefits. Specific information will be furnished to you when benefits are paid. All taxable benefits and refunds must be declared as income in the year they are received. The best tax treatment for you depends on your individual financial situation. SERS advises all members to check with a qualified tax consultant before receiving a benefit or refund.

Sick Leave & Vacation Service Credit			
Days = Months	Days = Months	Days = Months	Days = Months
1-5 = 0.25	66-70 = 3.25	131-135 = 6.25	196-200 = 9.25
6-10 = 0.50	71-75 = 3.50	136-140 = 6.50	201-205 = 9.50
11-21 = 1.00	76-86 = 4.00	141-151 = 7.00	206-216 = 10.00
22-26 = 1.25	87-91 = 4.25	152-156 = 7.25	217-221 = 10.25
27-32 = 1.50	92-96 = 4.50	157-161 = 7.50	222-226 = 10.50
33-43 = 2.00	97-108 = 5.00	162-173 = 8.00	227-238 = 11.00
44-48 = 2.25	109-113 = 5.25	174-178 = 8.25	239-243 = 11.25
49-53 = 2.50	114-118 = 5.50	179-183 = 8.50	244-248 = 11.50
54-65 = 3.00	119-130 = 6.00	184-195 = 9.00	249-260 = 12.00

Credit for Lump Sum Payments

If you receive a lump sum payment at separation and begin receiving a retirement benefit within 90 days, you may establish additional service credit.

- Accumulated vacation days require a contribution to establish service credit. This service can be deducted from your lump sum payment on a pre-tax or post-tax basis. For more information about pension benefit, call the SERS Pension Division at 217-785-7444.
- Accumulated sick leave does not require a contribution to establish service credit.

Taxation of a Refund of Contributions

- All refund payments from SERS are exempt from Illinois income tax, but may be subject to federal income tax. The portion of the refund payment subject to federal taxation includes contributions made after December 31, 1981.
- Taxable refunds must be declared as income in the year they are received. If a refund is paid following severance of employment before age 55, a 10% federal excise tax is assessed.
- Detailed information is provided in the refund packet. For more information about refunds, call the SERS Service and Refunds Division at 217-785-7444, or visit our website: www.state.il.us/srs.

Lump Sum Rollovers

- The Internal Revenue Code allows you to postpone paying federal income tax on a refund by “rolling-over” the taxable portion of the payment.
- The lump sum payment may be rolled over to another qualified employer plan [401(a), 403(b), or 457] that accepts rollovers, or to an Individual Retirement Account (IRA). You must ask SERS to do a direct transfer rollover to a new plan or IRA to avoid paying federal income tax.
- If you do not ask SERS to transfer the payment directly to another plan or IRA, 20% of the taxable payment will be withheld as federal income tax and the balance will be mailed to you.