



REFUND APPLICATION PACKET



In accordance with Section 1540.60 of Title 80 of the Illinois Administrative Code, there must be *'at least a fourteen (14) day break in State employment as reflected on a payroll'* before you can apply for a refund of your SERS retirement contributions.

Do not submit a refund application until this time has passed. Applications submitted without adherence to this rule will not be accepted.

Please note you must be fully separated from your agency, which includes resignation, discharge, dismissal, or layoff. Leaves of absence do not qualify.



Leaving State Employment Fact Sheet

Regular Formula Pension

The regular retirement formula applies to most SERS members. 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 96 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 (Tier 1) or age 67 with 10 years of service credit (Tier 2)
- Age 55-60 with 25-30 years of service credit (Tier 1) or 62-67 with a minimum of 10 years of service credit (Tier 2) (reduced 1/2 of 1% for each month under age 60 for Tier 1 or 67 for Tier 2 members).
- When age and years of service equal 85 years (Tier 1 members only)

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 67 if you have at least 10 years of service.
- 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

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 60 with 20 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 96 highest consecutive months of service within the last 120 months. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

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 217-785-7343.
- 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 217-785-7187, 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.



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Taxes, Lump-Sum Payments and Rollovers Fact Sheet

Common lump-sum payments

The most common lump-sum payments are termination refunds when leaving state employment, death benefits paid to your beneficiaries, and survivor contribution refunds at retirement.

Early distribution penalty

If you terminate State employment prior to age 55 (50 for public safety employees), and take a refund of your SERS contributions prior to age 59½, you are subject to a 10% early distribution penalty if you do not roll the refund into a qualified plan. This early distribution penalty does not apply if you terminate State employment in or after the year you attain age 55 and receive a termination refund, or receive a lump-sum payment because of death or disability. Lump-sum death benefits, survivor contribution refunds and alternative formula refunds are typically not subject to the 10% early distribution penalty.

*Limitations on rollovers

You can roll any of the taxable portions of your funds into a 457(b) Deferred Compensation Plan, however you are not allowed to roll after-tax contributions into this plan.

Rollovers to IRAs

You must report any after-tax contributions you roll to an IRA to the IRS. Some IRAs limit the amount of transfers you can make within a 12-month period.

**Rollovers to Roth IRAs

You may roll a lump-sum payment from a tax-deferred plan into a Roth IRA, but because Roth IRAs are funded with after-tax dollars, you'll be required to pay income tax on your contributions at the time of the rollover.

Taxation of Monthly SERS Benefits

All SERS benefits are exempt from Illinois State Income Tax, but are subject to federal taxes, with the exception of monthly occupational disability benefits and monthly occupational death benefits. When applying for a benefit, you may choose how you want your federal taxes withheld. If you don't make an initial election, we withhold federal taxes at the rate for a married person with three (3) exemptions. You may change your withholding election at any time. The Comptroller's Office will send you a 1099-R tax statement every January.

If you made after-tax contributions or purchased service credit with after-tax dollars, part of your benefit will not be subject to federal taxes. SERS calculates the portion of your benefit that is exempt from federal taxes using the IRS Simplified Method. For more details, see IRS Publication 575, Pension and Annuity Income.

If you have a non-IRS dependent on your state health and dental policies, or if you have group term life insurance coverage over \$50,000, the Comptroller's office will send you a Form W-2GI+.

Taxation of SERS Lump-sum payments

When we send a lump-sum payment directly to you, it is subject to a mandatory 20% federal withholding tax rate in the year you receive the payment. This withholding will be reported to the IRS and credited toward any income tax you may owe. Lump-sum payments include death benefits paid to your beneficiaries, and termination refunds when you leave state service.

Rollovers to a qualified plan

You may have all or a portion of a lump-sum payment made directly to a qualified plan to avoid a tax penalty.

Qualified plans include:

- 401(a)
- 401(k)
- 403(b)
- *457(b)
- IRAs (SIMPLE and traditional)
- **Roth IRAs

If you choose to receive a lump-sum payment made directly to you, you have 60 days to roll the payment into a qualified plan. However, we cannot reverse the mandatory 20% federal tax withholding, so you are responsible for supplying the additional funds.

You should consult with your tax advisor for additional questions.



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Refund of Retirement Contributions Checklist

If you become separated from state employment you are eligible to take a refund of your SERS employee retirement contributions. Separation includes resignation, discharge, dismissal, or layoff from your SERS covered position. Leaves of absence do not qualify.

All of the following must apply:

- You must be fully removed from your agency's payroll for more than 14 days, and not on a leave of absence.
- You must have no further payroll transactions pending with your agency.
- If you were on a SERS disability benefit, you must have no related payroll transactions pending and you must notify SERS if you have received a Social Security Administration (SSA) disability award or have a pending SSA disability claim.
- You understand your acceptance of a contributions refund terminates your membership with SERS and you forfeit all rights to any SERS benefits.
- You understand if you later return to a SERS covered position, you must work two (2) full years before you are allowed to repay your refund to reestablish the service credit. Also, interest will be charged and included in the repayment amount.
- You understand if you terminate employment prior to age 55 and do not rollover your refund to a qualified plan, you will be subject to a 10% early distribution tax.
- You understand direct pay refunds are sent via paper check. A refund of contributions is currently not eligible for direct deposit.

Required forms/documents that must be on file:

- A completed Request for a Refund (Form 2000).
- A photocopy of your identification (ID) card to include both sides. Acceptable forms of ID are a driver's license, FOID card, Secretary of State ID, passport, birth certificate, or DD214 records.

Upon receipt of your completed application packet SERS will contact your agency for the documentation required of them to complete your refund. Once the agency documentation is received your application will be processed for payment.

SERS sends refund vouchers to the Comptroller's Office for payment once a month.

Please note, the refund process typically takes 3-4 months from the time of application through the release of the payment by the Comptroller. Once your claim is setup to voucher you will be sent a letter with the final details and actual payment dates.



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Request for a Refund

If you have been separated (resignation, discharge, dismissal or layoff) from state employment **for at least 14 days**, you are eligible for a refund of your SERS employee contributions. You forfeit all SERS rights and benefits when you accept a refund, but if you later return to state employment in a position covered by SERS, you may repay the refund after establishing two years of SERS service credit.

The form must be completed and submitted, along with a copy of your photo ID before your refund can be processed.

Refund election (check ONE box)

If you do not make an election, we will pay the refund directly to you, withholding federal taxes at a rate of 20%. In addition, if you terminate employment prior to age 55 and do not rollover your refund to a qualified plan, your refund will be subject to a 10% early distribution tax, due April 15 the following year.

- I want the entire refund issued directly to my current mailing address. I understand I am subject to the 20% withholding and, if applicable, to the 10% penalty as stated above; OR
- I want my entire refund transferred directly to the retirement plan listed below; *(You must fill out the section below if you choose this option.)* OR
- I want \$_____ of the taxable portion of my refund transferred directly to the retirement plan listed below and the remainder issued to me. I understand I am subject to the 20% withholding and, if applicable, to the 10% penalty as stated above. *(You must fill out the section below if you choose this option.)*

Retirement plan accepting rollover

Financial institution qualified to accept the rollover (limit of one institution) IRA Roth IRA 401(k) 403(b) Other

IRA/Retirement plan account number _____

Name _____ Phone _____

Address _____

City _____ State _____ Zip Code _____

By accepting a refund, I forfeit all accrued rights and benefits of the State Employees' Retirement System for myself and my beneficiaries. By signing below, I certify this information is correct. I am aware that, under the Illinois Pension Code (40 ILCS 5/1-135), any person who knowingly makes any false statement or falsifies or permits to be falsified a record in an attempt to defraud SERS is guilty of a Class 3 felony. I understand that, if the SERS Board of Trustees has a reasonable suspicion that an attempt has been made to defraud SERS, it is required to report the matter to the appropriate state's attorney for investigation.

Member's Name (Print) _____ Member's Signature _____

Member's Social Security Number (Last 4) _____ Date _____

Current Mailing address: _____

Phone number _____ Email _____

Copy of photo ID enclosed