

IMRF

Purchasing IMRF Past Service Credit

An explanation of past service, how to purchase, and the impact on your IMRF pension.

“One of the smartest financial moves I ever made was purchasing my IMRF past service.”



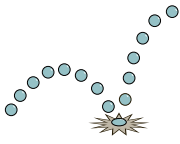
The information provided is current as of January 2008



Purchasing Past Service

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Frequently Asked Questions



Don't drop the ball!

A bouncing ball on the outside margin of a page indicates important information.

What is past service?

Regardless of the type of service you are purchasing or converting, you are purchasing "Past Service." See page 14 for a detailed chart of types of service available to purchase through IMRF.

Why buy past service?

Your IMRF pension is calculated using a formula established by the Illinois Pension Code. This formula includes: your years of IMRF service credit, your age, and an average of your salary. Purchasing past service allows you to increase your total service credit, ultimately increasing the amount of your pension.

How do I pay for past service?

- Rollovers from other qualified retirement plans.
- Unit Payment Plan—purchase one or more months at a time, using after-tax dollars.
- Lump Sum Payment Plan—purchase all or a portion of your service with one payment, using after-tax dollars.
- A refund of contributions received at retirement.

For more information on paying for past service see page 8.

Is there anything I need to know if I plan to stop participating in IMRF?

You must be actively participating in IMRF to apply for service and to continue to make payments to purchase service. (For some types of service, you may be eligible if you are actively participating in one of the 12 Illinois public pension systems covered under the Reciprocal Act. For more information on the Reciprocal Act and systems, see the "IMRF and the Reciprocal Act" booklet, available at www.imrf.org.)

Once you stop participating in IMRF or in your reciprocal system, you may make ONLY ONE FINAL PAYMENT to IMRF.

Is there a case where I might not want to buy past service credit?

There are a few instances under which purchasing service may not benefit you:

The cost of your service credit is extremely high

If the cost of your service credit is greater than the increased pension benefit it will provide you, it may not benefit you to purchase your past service credit. Refer to the “Is it ‘worth it’ to purchase service credit” section to assist in making your decision.

You will purchase “too much” service credit

In the IMRF Regular Plan, your IMRF pension is limited to a maximum of 75% of your final rate of earnings. You reach this maximum pension payout when you have earned 40 years of service. If your purchase will increase your total service credit beyond 40 years, in most cases the years and months beyond 40 years will not increase your pension benefit. If you are retiring under the Reciprocal Act, different rules may apply.

What if I change my mind about service I’ve purchased? Can I get my payment back?

Once you pay for any past service, we cannot refund any payment made to us. Therefore, if you have a question about whether the purchase of any service credit will benefit you, you should be sure to contact an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) before making any payments for service credit.

How can I obtain an updated payment schedule?

Your payment schedule provides you with the cost to purchase your service in the current year and the following two years from the date it is processed. However, you can purchase (or continue purchasing) service after the years indicated on your payment schedule. To obtain an updated payment schedule, call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) and request that one be mailed to you.

100% return of contributions

When you make contributions to purchase past service, you are guaranteed a 100% return of those contributions in the form of a pension or refund, or your beneficiaries will receive them as part of the IMRF death benefit.

Understanding Your Payment Schedule

Along with your payment schedule, you will also receive a cover letter, which includes the following information:

- The service period you are eligible to purchase and the employer it will be established under.
- If appropriate, information about concurrent service credit that will occur as a result of your purchase of service.

Make sure you read this cover letter carefully—it contains essential information about your purchase of service.

Purchase of Service is Voluntary

Purchase of any service credit is voluntary. **You are not obligated to purchase any or all of the service credit just because you receive a payment schedule.** You can purchase a portion, all, or none of the past service listed on your payment schedule.

How to read your payment schedule

- 1 The type of service you will purchase and the date IMRF received your past service application.
- 2 The IMRF plan your service will be credited under and the total amount of service you are eligible to purchase. You can purchase all, a portion, or none of the service credit, either all at once or in monthly “units.”
- 3 Option I (Lump Sum Payment Plan). Costs (including interest) to purchase all of your available service in a single payment.

If you wish to make a lump sum payment for only part of the service, see page 11 for instructions on how to calculate that lump sum payment.
- 4 Option II (Unit Payment Plan). Costs (including interest) to purchase one or more months (“units”) of service at a time. You may purchase multiple months at one time, but you cannot purchase partial months of service credit.

If your payment does not equal the cost of one month, IMRF will keep your payment on deposit until you have paid enough to purchase one month.

Understanding Your Payment Schedule



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Service Representatives 1-800-ASK-IMRF

www.imrf.org

PAST SERVICE PAYMENT SCHEDULE

IMRF FORM 6.39

January 1, 2008

1 REINSTATEMENT

Application Received Date: 12/01/2007

MARY MEMBER

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If you choose to reinstate service in the Regular plan:

Total Service To Purchase:

18 months, (1 year and 6 months)

OPTION 1 - LUMP SUM PAYMENT PLAN

If your payment is received in our office between 01/01/2008 and 12/31/2008, the lump sum payment is \$2,590.30

Cost in 2008
to purchase
ALL the service

3

If your payment is received in our office between 01/01/2009 and 12/31/2009, the lump sum payment is \$2,784.57.

If your payment is received in our office between 01/01/2010 and 12/31/2010, the lump sum payment is \$2,993.41.

OPTION 2 - UNIT PAYMENT PLAN

If your payment is received in our office between 01/01/2008 and 12/31/2008, each month will cost \$143.91.

Cost in 2008
to purchase
ONE MONTH
of service

4

If your payment is received in our office between 01/01/2009 and 12/31/2009, each month will cost \$154.70.

If your payment is received in our office between 01/01/2010 and 12/31/2010, each month will cost \$166.30.

To ensure accurate recording of your payment and months purchased, please return the enclosed past Service Remittance Form with your check.

P6004C

On January 1 of each year, interest is added to your cost. We provide you with costs for purchasing the service in the current year and in the next two years.

Understanding Your Payment Schedule

What if I want to purchase only a portion of the service?

Purchase of any service is optional; you are not obligated to purchase any of the service just because you received a payment schedule.

IMRF cannot provide you with a payment schedule for only a portion of your service. Payment schedules are always issued for the total amount of service you are **eligible** to establish.

If you want to know the lump sum cost to purchase only a portion of the service, you need to calculate this total cost.

You simply multiply the Unit Payment Plan cost by the number of months you wish to purchase.

1. Take the cost for one month of service (“Unit Payment Plan”) for the year in which you will make the payment, and
2. Multiply it by the number of months of service you wish to purchase.

Once you calculate your cost, you can either purchase all of the service credit with one lump sum payment, or you may purchase one or more months of service at a time. See page 8 for information on payment options.

Is it “worth it” to purchase service?

Only you can determine whether purchasing any service credit will be “worth it” and provide enough of a pension increase to offset the cost of the service.

How can you find out? Once you have your payment schedule, begin by requesting pension estimates from IMRF to determine the impact purchasing service will have on your pension. In most cases, you will need to request two pension estimates—one with your current service through retirement, and one that includes the service you may purchase. However, if you are trying to decide between buying all or only a portion of your service, you may wish to request several estimates with different amounts of purchased service credit.

How do I request pension estimates?

To request a formal pension estimate from IMRF, call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673), or you can submit IMRF Form BF-20, “Request for Pension Estimate” by fax or mail or through your Member Access account.

Do not base your decision to purchase service on an estimate provided by our online pension calculators. Among other things, the online estimators cannot check for concurrency (overlapping service credit). If the purchased service is concurrent with existing service, these online estimators may provide you with an overstated pension estimate. *Note: If you currently participate in a reciprocal retirement system, request pension estimates from your current system, not IMRF. When you request your reciprocal estimate, advise the system of your intention to purchase IMRF service credit.*

Then compare...

Once you receive both of your pension estimates, you’ll be able to see the difference purchasing service credit will have on your pension. Compare the amounts of your Standard monthly pensions and the yearly increases from each of your estimates, with and without the additional service.

Regular service credit: 12 years 1 month	
This estimate shows your standard IMRF pension.	
Standard Pension	
Monthly pension for life:	\$723
First year’s increase:	\$10
Annual increase thereafter:	\$22
	← Estimate without purchased service

Regular service credit: 12 years 1 month	
Purchased past service: 1 years 6 months	
This estimate shows your standard IMRF pension.	
Standard Pension	
Monthly pension for life:	\$799
First year’s increase:	\$11
Annual increase thereafter:	\$23
	← Estimate with purchased service

Is it “worth it” to purchase service?

How do I know if it’s worth it to buy the service?

Purchasing service can be expensive. How will you know if the amount you paid for your purchased service will be “worth it” in the form of an increased pension benefit? To help this decision, you want to determine how long it will take you to “make back” the amount you paid for your purchased service credit in the form of an increased pension benefit.

How can you do this? You’ll need to know:

1. The total amount that you will pay for your service credit.
2. The amount your pension will increase each month with your purchase of service credit. You’ll get this number by subtracting the monthly pension amount you’ll receive *without* purchasing the service from the increased amount you’ll receive if you *do* purchase the service.

Once you determine both these amounts, you should divide the total amount you paid for your service credit by the amount of your pension increase. The number you get will be the number of months you will have to receive your increased pension in order to recover the cost of the service you purchased.

For example, using the payment schedule and pension estimate examples in this booklet, our member paid a total of \$2,590 for her service credit. According to her pension estimates, purchasing this service will increase her monthly pension from \$723 to \$799—so she’ll get \$76 more, per month, in pension benefits. How many months of receiving this increased pension will it take for her to “make back” the money she paid for the increased service credit?

$$\$2,590 \div 76 = 34 \text{ months}$$

Therefore, in this example, it will take this member about 34 months—two years and eight months—of receiving the increased pension in order to recover the \$2,590 that she paid for her past service.

After you know how long it will take for you to recover the cost you paid for your specific purchase of service, you can decide whether the purchase of your service credit will be worth it to you.

How do I pay for past service?

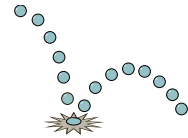
There are several methods available for you to pay for your past service credit:

- Rollovers from other qualified retirement plans.
- Unit Payment Plan—purchase one or more months at a time, using after-tax dollars.
- Lump Sum Payment Plan—purchase all or a portion of your service with one payment, using after-tax dollars.
- A refund of contributions received at retirement.

When Payments are Received

Your payment schedule indicates costs for this year and two subsequent years. These different amounts reflect your costs to purchase your service by December 31 of the year, before the next year's interest is added.

Your payment must be *received* in our office (NOT postmarked) by December 31st of this year for that payment to be applied at this year's lump sum or unit payment amount. Payments received after December 31 will be applied at the next year's payment rate.



Payments Made After You Stop Participation

If you no longer participate in IMRF or in a reciprocal retirement system, you may make ONLY ONE PAYMENT to purchase your IMRF service.

Any payment IMRF receives after you stop your participation will be the **final payment** we can accept for past service. Any payment received after your final payment will be returned. Your final payment can pay for all of your IMRF service credit or for one or more months of service credit. To find out the exact amount needed to purchase your remaining service credit, contact IMRF.

After you stop participating in IMRF or your reciprocal system, we encourage you to make your final payment for past service as soon as possible. However, you can make your final payment any time after you stop participating. **If you make a final payment for past service after your pension begins** (i.e., after the “effective date” of your pension), the additional service credit will be used to increase **future** pension payments. We **cannot** increase your benefit payment retroactively.

One exception exists: if you are using an IMRF retirement refund (e.g., a surviving spouse contribution refund) to purchase past service credit, IMRF will increase your pension retroactively.

Certain reciprocal retirement systems do not have the same rules as IMRF. Therefore, if you are retiring under the Reciprocal Act and you plan to make a final payment after you retire, check with your reciprocal system to learn how that final payment will impact the amount of your pension.

Paying for Past Service

Rollover from other retirement plans

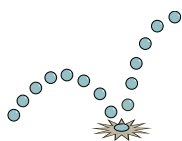
You may also purchase eligible service with a rollover from another qualified retirement plan.

Rollover distributions we CAN accept

Some examples of rollover sources IMRF can accept:

- Another qualified pension plan (for example, an out-of-state public retirement system)
- A traditional IRA
- An Internal Revenue Code (IRC) section 457 plan
- An IRC section 403(b) plan
- An IRC section 401(k) plan

If you wish use a rollover, IMRF must first review and approve the eligibility of the funds. To obtain this approval, you and your financial institution must fill out and submit IMRF Form 6.01, "Request for Rollover Approval," to IMRF.



Do not withdraw any funds or send any rollover distributions to IMRF before we advise you of your eligibility to do so. IMRF must review your rollover information before we can accept a rollover. Please allow at least 30 days for this review.

Rollover distributions we CANNOT accept

Internal Revenue Code regulations do not permit us to accept a rollover distribution if:

- The rollover includes funds greater than the total cost of your past service. The maximum amount we can accept cannot exceed the total due on your payment schedule(s).
- The funds are from a Roth IRA.
- The funds are previously taxed money in a traditional IRA.

Distributions we cannot accept

If you send a rollover distribution to IMRF that federal tax laws do not allow us to accept, the rollover distribution will be returned either to you or to your financial institution.

Unit Payment Plan

You may purchase one (or more) month of service credit at a time with after-tax dollars.

There is no set schedule as to how often you can (or must) make payments to IMRF. You can send a payment at any time. However, each payment must be at least equal to the cost of one month of service. You may purchase more than one month of service credit at a time, but you may not purchase partial months of credit.

If you pay IMRF directly, make your check payable to the ***Illinois Municipal Retirement Fund***. Return your check with your remittance form (enclosed with your payment schedule).

Once we receive your payment, we will mail you an acknowledgement letter, which includes a remittance form for your next payment.

Tax issues for after-tax payments made directly to IMRF

The contributions and interest you pay to purchase past service are **not deductible for income tax purposes.**

Lump Sum Payment Plan

You may purchase all of the eligible service you choose to purchase at one time in a single lump sum payment with after-tax dollars.

If you pay IMRF directly, make your check payable to the ***Illinois Municipal Retirement Fund***. Return your check with your remittance form (enclosed with your payment schedule).

Once we receive your payment, we will mail you an acknowledgement letter.

Refund of contributions received at retirement

If you are eligible for an IMRF pension and receive a refund of contributions when you retire, you can use all or any portion of that refund to pay for your past service. Examples of the refunds you may receive at retirement include:

Surviving spouse contributions

If you do not have an eligible spouse when you retire (married to you for at least one year before you stopped participating in IMRF), you will receive your surviving spouse contributions, with interest.

SLEP contributions

If you participate in the Sheriff's Law Enforcement Personnel (SLEP) plan but do not qualify for a SLEP pension, you will receive your SLEP contributions, with interest.

ECO contributions

If you participate in the Revised Elected County Official (ECO) plan but do not qualify for an ECO pension, you will receive your ECO contributions, with interest.

When an employer agrees to pay the member's cost for past service credit

Agreements made between an employer and member regarding a member's costs for past service are considered private agreements. More information is available in IMRF Tax & Topic Letter 15, "When an Employer Pays for Member Past Service or ERI costs." This document is available on IMRF *Online* (www.imrf.org). Or, you can call an IMRF Member Services Representative and request that a copy be mailed to you.

Reviewing Purchased Service

Once you begin purchasing your service credit you can confirm your purchase on several documents.

Your annual IMRF Member Statement of Account

Each year, you receive an IMRF Member Statement of Account. This statement details your account transactions for the previous calendar year.

Any additional contributions and service credited to your member account on or before December 31 of the previous year will be shown as an adjustment in the “IMRF Contributions and Service” section on your statement

Your payment acknowledgement letter

If you are purchasing service by the Unit or Lump Sum Payment plans, you will receive an acknowledgement letter for each payment received by IMRF. This acknowledgement letter includes the:

- amount of the payment received by IMRF,
- number of months of service you purchased with this payment,
- number of months remaining to purchase on this past service application.

Also, if the payment IMRF receives does not complete your purchase of service, your acknowledgement letter will include an additional remittance form to enclose with your next payment.

Your IMRF Member Access Account

You can also see your purchase(s) of service through your IMRF Member Access account at www.imrf.org.

If you work for two IMRF employers at the same time, you have “concurrent” service

Concurrent service occurs when more than one employer reports wages and contributions for you for the same month and the wages and contributions are reported under the same plan.

When you participate in the same IMRF plan under different employers, or you participate in two different IMRF plans (such as Regular and SLEP) under different employers, you have concurrent service credit.

You can also have concurrent service credit with IMRF and a Reciprocal System.

Why does concurrent service matter?

If a large amount of the service you will purchase is concurrent with your existing service credit, **it may not benefit you to purchase it**, especially if the service credit period will not be used to calculate your final rate of earnings for pension benefit purposes (purchased service periods may also impact death and disability benefits).

Remember: Your pension is based on your years of IMRF service credit and your highest consecutive 48 months of earnings within your last 10 years of service.

If some of the service you will purchase is concurrent, you should contact IMRF to find out if your purchase of concurrent service credit will benefit you.

Final rate of earnings

A member's Final Rate of Earnings (FRE) is the salary used to calculate the amount of retirement benefits. Under the Regular IMRF and SLEP plans, the final rate of earnings (FRE) is a member's highest total earnings during any 48 consecutive months within the member's last 10 years of IMRF service, divided by 48. Usually, this is the average of the last 48 months of service.

Summary of IMRF Past Service Types

If your situation is not listed below and you think you may be eligible to purchase service credit, call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673).

YOUR SITUATION	TYPE OF SERVICE & IMRF FORM TO COMPLETE	ACTION YOUR EMPLOYER TAKES
<p>You took a refund of your IMRF contributions. You want to pay back the refund and reinstate your service.</p>	<p>Reinstated Service Application for Reinstatement of Service Credit, Form 6.03</p>	<p>None</p>
<p>Your position qualified for IMRF, but your employer did not enroll you in IMRF.</p>	<p>Omitted Service Omitted Service Credit Verification, Form 6.05</p>	<p>Verify your position qualified for IMRF, then certify your wages and omitted months of service on IMRF Form 6.05, Omitted Service Credit Verification.</p>
<p>You wish to convert time served in the U.S. Military to IMRF service. The most common type is military service earned before you joined IMRF.</p> <p>However, if your military leave interrupted your IMRF service, you may be also eligible to purchase service under a different law. Contact IMRF for more information.</p>	<p>Military Service Application for Military Service Credit, Form 6.02]</p>	<p>Complete IMRF Form 63A, Military Leave Authorization for Military Service Prior to IMRF Participation.</p>
<p>You were working for your employer when it joined IMRF. You were granted the maximum free service (20% of your service up to 5 years) and wish to purchase your remaining service.</p>	<p>Prior Service Application for Prior Service Credit, Form 6.07</p>	<p>Certify your wages and months of qualifying service on Form 6.07, Application for Prior Service Credit.</p>
<p>You will take a leave of absence from your job. While on leave, you want to earn IMRF service credit and you want your IMRF disability and death protection to continue.</p>	<p>Benefit Protection Leave IMRF Benefit Protection Leave, Form 6.32. (Note: You should file this form before your leave begins.)</p>	<p>Certify your wages and months of leave on Form 6.32, IMRF Benefit Protection Leave. (The governing body must approve your leave by passing a resolution.)</p>

Summary of IMRF Past Service Types

YOUR SITUATION	TYPE OF SERVICE & IMRF FORM TO COMPLETE	ACTION YOUR EMPLOYER TAKES
<p>You are an elected official who held an office qualifying for IMRF. You now participate in IMRF and wish to purchase up to 50 months of previous elected official service.</p> <p>(Note: to purchase more than 50 months of previous elected official service credit, your governing body must have passed a resolution before January 1, 2002 to allow it, Form 6.81.)</p>	<p>Retroactive Service Application for Retroactive Service Credit, Form 6.04</p>	<p>Governing body must choose to approve and file a resolution finding that your elected official position qualified for IMRF, Form 6.64, if not previously filed. AND Certify your wages and months of qualifying elected official service on Form 6.04, Application for Retroactive Service Credit.</p>
<p>You have service credit with a public pension system in another state and wish to convert it to IMRF service credit.</p>	<p>Out-of-State Service Out-of-State Credit Authorization, Form 6.33</p>	<p>Governing Body must choose to authorize purchase of service and the amount you may purchase on Form 6.33, Out-of-State Credit Authorization.</p>
<p>You participate in the Elected County Officials (ECO) plan and want to convert your existing SLEP or Regular service credit to ECO service credit.</p>	<p>Conversion of service credit Conversion of Regular or SLEP Service Credit to ECO Service Credit, Form 6.06</p>	<p>None</p>
<p>You participate in the SLEP plan and want to convert your existing Regular service credit to SLEP service credit.</p>	<p>Conversion of service credit Conversion of Regular service credit to SLEP service credit for earnings previously reported to IMRF, Form 6.09</p>	<p>None</p>

Additional types of past service may also be available to purchase. Call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) for more information. Some other situations include:

- You work for a city hospital and participate in IMRF. Prior to joining IMRF, you worked for the hospital in a position qualifying for IMRF participation. You now want to purchase that previous service (up to 50 months).
- You are a member of the Illinois General Assembly who previously held an IMRF-qualified elected office and chose to not participate in IMRF. You now wish to purchase your previous elected official service and either transfer the service to the General Assembly Retirement System or leave the service with IMRF.
- You are a police chief currently participating in SLEP and wish to transfer service with a local police pension fund to IMRF.

Illinois Municipal Retirement Fund

Purchasing Past Service • Past Service Details • Reinstated Service Credit • Omitted Service Credit • Out-of-State Service Credit • Military Service Credit • Retroactive Service Credit • Prior Service Credit • Benefit Protection Leave • Conversion to ECO Service Credit • Conversion to SLEP Service Credit

IMRF

Past Service Types • Understanding your Past Service Payment Schedule • Impact of purchasing service on your pension • Is it "worth it" to purchase past service? • Paying for Past Service • Tax-deferred Payroll Deduction Program • When not to buy service • Concurrent Service Credit • Purchasing Past Service • Past Service Details • Reinstated Service Credit • Omitted Service Credit • Out-of-State Service Credit • Military Service Credit • Retroactive Service Credit • Prior Service Credit • Benefit Protection Leave • Conversion to ECO Service Credit • Conversion to SLEP Service Credit

Oak Brook Office

2211 York Road
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Oak Brook, IL 60523-2337

Springfield Regional Counseling Center

3000 Professional Drive
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Springfield, IL 62703

Members and employers should **mail all correspondence, forms, payments, etc. to our Oak Brook Office** (2211 York Road, Suite 500, Oak Brook, IL 60523-2337).

Member Services Representatives:

1-800-ASK-IMRF (1-800-275-4673)

www.imrf.org