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# Chapter 8: Retirement Benefits

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You've been preparing children for their futures while we've been building your retirement security. Whether you are retiring sooner or years from now, we can help with your retirement planning.



## **Retirement annuity**

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Your retirement benefit will be provided for your lifetime.

### **Eligibility**

Tier II requires teachers and administrators to be 67 years old and have accumulated at least 10 years of service credit in order to qualify for nonreduced benefits that a member has earned.

To be eligible for a TRS retirement annuity, the Illinois Pension Code requires you to terminate active service as a teacher. It is not permissible to prearrange post-retirement employment. To meet federal guidelines, TRS requires a genuine resignation and that the employment relationship be severed prior to the commencement of benefits.

To establish termination of service, two conditions must be met. First, you must formally resign from your teaching position. Second, you must wait 30 calendar days from the date of resignation before performing any post-retirement teaching for the same employer. The 30 calendar day wait period does not apply if the post-retirement teaching is for another employer.

An annuitant who has established termination of service may not return to post-retirement teaching in the same school year he or she last contributed to TRS.

Designations such as “temporary,” “interim,” and “independent contractor” will not suffice to establish termination of active service if the continued employment is with the same employer.

Once pension eligibility is established, retiring members must comply with post-retirement employment limitations. ([See Chapter 11: “Post-retirement Matters.”](#))

Under federal law, inactive members are required to take a TRS distribution at age 70½.

### **Average salary**

Benefits will be based on the member’s highest average salary earned during eight consecutive years out of the last 10 years of service.

### **Two ways annuities are capped**

#### **Maximum retirement benefit**

The maximum benefit a member can receive is 75 percent of his or her final average salary.

#### **Capping average salary**

In determining a final average salary, no member’s salary will exceed a limit that is tied to the Consumer Price Index. Benefits will still be determined by the formula of 2.2 percent multiplied by final average salary multiplied by years of creditable service.

### **Discounted retirement annuity**

Tier II members may retire at age 62 with at least 10 years of service, but will receive retirement benefits reduced 6 percent for every year the member is under age 67.

## **Reversionary annuity**

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When you retire, you will receive a standard annuity from TRS unless you elect to receive a reversionary annuity. The standard annuity provides the largest amount payable throughout your lifetime. A reversionary annuity reduces the retirement annuity amount to provide an additional monthly annuity to a surviving, designated dependent beneficiary after your death.

Electing to receive a reversionary annuity should be a careful decision because of its costs, possible reduction in death benefits, and irrevocability. If you elect a reversionary annuity, remaining contributions are not payable at the time of your death. ([See Chapter 15: “Refund of Retirement Contributions.”](#))

Regardless of the type of annuity you select, your dependent will receive death benefits from TRS after your death if you have named him or her to receive

such benefits on your Member Information and Beneficiary Designation (MIBD) form. ([See Chapter 14: “Death Benefits.”](#))

If you elect the reversionary annuity, you must designate the dependent beneficiary to whom you wish the reversionary annuity be paid. This beneficiary does not have to be the same as the death benefit designee.

### **Qualifying the beneficiary**

In order to qualify your dependent beneficiary for the reversionary annuity, the following **must occur prior to death**:

- resign from your position,
- complete and return the Retirement Application naming your beneficiary and,
- complete all required payments (optional service, etc.).

Once you have selected a dependent beneficiary to receive the reversionary annuity, the selection cannot be changed and there is no continuing requirement that a dependent relationship exist between you and the beneficiary. In other words, whether or not the beneficiary is dependent on you at the time of your death has no bearing on his or her eligibility to receive the reversionary annuity.

Election of a reversionary annuity is irrevocable. However, if your designated beneficiary predeceases you and you send us a certified copy of the death certificate, we will reinstate your retirement annuity to the full amount on the first day of the month after we receive your beneficiary’s death certificate. You will not receive any retroactive adjustments.

### **Single-sum retirement benefit**

If you have fewer than five years of creditable service, you are eligible to receive a single-sum retirement benefit at age 65. The benefit is the actuarial equivalent of a retirement annuity consisting of 1.67 percent of your final average salary for each year of creditable service. To be eligible for this benefit, you must

terminate TRS-covered employment and complete an application for a single-sum retirement annuity.

Once you receive the single-sum benefit, you may teach in a TRS-covered position without restriction and you will not be required to make contributions.

### **Refund of survivor benefit contributions**

#### **Eligibility**

When you apply for a retirement annuity or while you are receiving a retirement annuity, you may take a refund of your survivor benefit contributions if you do not have a dependent beneficiary. ([See “Types of beneficiaries” in Chapter 14](#))

The refundable amount is 1 percent of total gross creditable earnings for each year of teaching service.

#### **Effect of receiving a refund**

When you receive a refund of your survivor benefit contributions, you waive all rights to your beneficiaries’ receiving survivor benefits. However, your remaining accumulated retirement contributions, if any, still remain payable to your beneficiaries upon your death. The survivor benefit refund may be repaid with interest if you return to teaching and earn one year of creditable service.

#### **Application procedure**

When you are applying for retirement or at anytime thereafter, you may request a Refund of Survivor Benefit Contributions Application form from us. However, the form will not be sent until the processing of your retirement is complete. Return your completed form to our Springfield office. Within six weeks after we receive your completed application, we will process your refund and will forward it to the Office of the Comptroller for payment.

#### **Impact on Social Security**

If you qualify to receive a single-sum retirement benefit or take a refund from TRS instead of a monthly benefit, you may wish to ask if your Social Security benefits will be reduced. For Social Security information, you may call (800) 772-1213 or visit <http://www.socialsecurity.gov> online.