

**GENERAL
ASSEMBLY
RETIREMENT
SYSTEM
OF ILLINOIS**

Retiree & Survivor
BENEFITS

***Your Rights &
Responsibilities***
HANDBOOK

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General Assembly Retirement System of Illinois
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JANUARY 1, 2002

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This booklet has been prepared to assist retired members, survivors, and anyone receiving a lump sum death benefit from the General Assembly Retirement System (GARS).

It describes the benefits of GARS, effective January 1, 2002, in nontechnical language.

Please read the booklet carefully. Specific questions about benefits should be addressed to GARS.

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RETIREE REEMPLOYMENT

If a retiree returns to employment in a position outside of state government, there is no reason to notify GARS since these earnings do not affect GARS benefits. However, should a retiree return to a position covered by the General Assembly Retirement System, the retiree should notify GARS immediately.

If you retired under the provisions of the Reciprocal Act and receive a pension from more than one Illinois public retirement system, you must notify all the retirement systems involved.

Each system will determine if you are eligible to continue receiving your pension during reemployment.

Permanent Reemployment

If you are reemployed in a position covered by GARS, your GARS pension benefit is suspended. You will make contributions to GARS while you are employed, and will earn additional credited service for this period of employment. After returning to retirement, you must reapply for your pension.

Bridging Your Service

If you reenter service in the General Assembly after you are retired, you may qualify to have your subsequent retirement benefit computed as though you had not retired.

To do so, you must repay all benefits you received. The repayment can be made

in a lump sum or by installment payments. It must be repaid within six years after your reentry, or before your next retirement date, whichever is first. If you do not complete the installment payments within the six-year period, your installment payments will be refunded and your pension is not recomputed.

INCREASES FOR RETIREES

You will receive a 3% pension increase on January 1 or July 1 (whichever is applicable) following your first full year of retirement or attainment of age 60, whichever is later.

Future increases of 3% of your current pension will also be made each January 1 or July 1 thereafter. Future increases are not limited by the 85% maximum.

INCREASES FOR SURVIVORS

Survivors receiving a GARS monthly annuity due to the death of an **active** member, will receive a 3% increase on January 1 following one full year of annuity payments.

If you are receiving a monthly annuity due to the death of a **retired** member, you will receive a 3% increase on January 1 following the effective date of your benefit. Future increases of 3% of your current annuity are compounded and will be made each January 1 thereafter.

RETIREMENT ANNUITY PAYMENTS

First Retirement Annuity Payment

After GARS receives your pension application with the required information, we make every effort to process your first annuity payment within 30 days or less.

The first annuity payment is mailed from the Office of the Comptroller directly to your home. Attached to the check is a payment stub showing the payment amount, and all payments made in a calendar year. ***(See page 13 for a sample of this stub.)***

A Notice of Pension Approval, containing important information about your retirement annuity, and a tax brochure explaining the taxation of your annuity is mailed at approximately the same time.

Future Retirement Annuity Payments

Future annuity payments are mailed on the 19th of each month unless the 19th is on a weekend or holiday. In this case, they are mailed on the last working day before the 19th.

If your payment is mailed directly to your home, allow up to 10 days. If you do not receive your payment in the allotted time, please contact our office.

Failure to advise GARS of an address change could result in a payment delay.

Direct Deposit

When you apply for benefits with GARS, you will receive a Depository Agreement form, along with an explanation of this program. If you choose Direct Deposit, have the form completed by your financial institution and return it along with your application for benefits.

With this Depository Agreement, your first two payments are mailed to your home. All future payments are deposited into your bank account on the 19th of each month, but a payment stub is not generated for each payment.

The Office of the Comptroller only issues earning statements when the net amount of your benefit changes.

Taxation of the Retirement Annuity

Illinois law exempts all General Assembly Retirement System benefits from state income tax, but federal tax is due. As part of your application for benefits, GARS will request that you complete IRS Form W-4P, "Withholding Certificate for Pension or Annuity Payments."

The W-4P lets you elect not to have taxes withheld, or to designate the amount

of taxes to be withheld from your annuity. If the W-4P is not completed, taxes are withheld at a rate for a married individual claiming three exemptions. ***(Please see the sample W-4P on page 15.)***

The Office of the Comptroller is required to issue a 1099-R by January 31 of each year. This form shows the annuity amount you received for the past year, the portion that is taxable, and any federal or state income tax withheld.

This form is used to prepare your income tax return and should be attached to IRS Form 1040 when you file. ***(See the sample 1099-R on page 14.)***

Taxation of a Survivor Refund

The taxable portion of a survivor contribution refund is subject to a 20% automatic federal income tax withholding, unless the refunded amount is rolled over to another qualified plan.

The Office of the Comptroller is required to issue a 1099-R by January 31 of the year following your refund. This form shows the amount of the lump sum distribution, the portion that is taxable, and any federal tax withheld.

SURVIVOR ANNUITY PAYMENTS

There are no employment restrictions for a majority of the individuals receiving a survivor benefit from the General Assembly Retirement System.

First Survivor Annuity Payment

After GARS receives your survivor application along with the other required information, we process your first annuity payment within 45 days.

The first annuity payment is mailed by the Office of the Comptroller directly to your home. Attached to the annuity check is a payment stub showing the amount and all payments made in a calendar year. **(See page 13 for a sample of this stub.)**

A Notice of Benefit Approval containing important information about your annuity, and a tax brochure explaining the taxation of your annuity is mailed at approximately the same time.

Future Survivor Annuity Payments

Future annuity payments are mailed on the 19th of each month, unless the 19th is on a weekend or holiday. In this case, they are mailed on the last working day before the 19th. If your payment is mailed directly to your home, allow up to 10 days. If you do not receive your payment in the allotted time, please contact our office.

Marriage/Remarriage

Remarriage of a surviving spouse does not disqualify the spouse from GARS benefits. Survivor benefits payable to children are terminated when the child marries.

Direct Deposit

When you apply for benefits with GARS, you will receive a Depository Agreement form, along with an explanation of this program. If you choose Direct Deposit, have the form completed by your financial institution and return it along with your application for benefits.

With this Depository Agreement, your first two payments are mailed to your home. All future payments are deposited into your bank account on the 19th of each month, but a payment stub is not generated for each payment.

The Office of the Comptroller only issues earning statements when the net amount of your benefit changes.

Taxation of Survivor Annuity Payments

Illinois law exempts all General Assembly Retirement System benefits from state income tax, but federal tax is due. As part of your application for benefits, GARS will request that you complete IRS Form W-4P, "Withholding Certificate for Pension or Annuity Payments."

The W-4P lets you elect not to have taxes withheld, or to designate the amount of taxes withheld from your annuity. If the W-4P form is not completed, we withhold taxes at the rate for a married individual claiming three exemptions. **(A sample W-4P on page 15.)**

If you don't choose Direct Deposit, all annuity payments are mailed to your home.

Failure to advise GARS of an address change could result in a payment delay.

The Office of the Comptroller is also required to issue an IRS Form 1099-R by January 31 of each year. This form shows the annuity amount you received for the past year, the portion that is taxable, and any federal or state income tax withheld.

This form is used to prepare your income tax return, and should be attached to the IRS Form 1040 when you file.

(See the sample 1099-R on page 14.)

LUMP SUM DEATH BENEFITS AFTER RETIREMENT

When an annuitant dies and no survivor annuity is payable, the nominated beneficiary on file with GARS will receive any lump sum death benefit. This payment would consist of the contributions left in the annuitant's account, minus the total amount of pension payments received.

The Office of the Comptroller is required to issue a 1099-R to the beneficiary by January 31 of the year following the receipt of this payment.

The 1099-R will show the taxable portion of the lump sum, the portion attributable to capital gains and ordinary income, and any tax withheld. ***(Please see the sample 1099-R on page 14.)*** Refer to our Tax Information brochure if needed.

GROUP INSURANCE

Most retiree and survivor benefit recipients qualify for participation in the State of Illinois Employees' Group Insurance Program. Covered members may also enroll their eligible dependents and have appropriate premiums deducted from their monthly benefit.

Several group health plans are available, including the traditional State Group Plan. Benefits vary among the plans, but all coordinate their benefits with Medicare. In addition to the group health insurance, dental, vision, and prescription coverage is also available.

Most members also receive basic state-paid life insurance coverage and can purchase optional and dependent life coverages. For more information, contact GARS or refer to your State Group Insurance Booklet.

MEDICARE

Members who qualify for Social Security are also eligible for Medicare which is made up of two parts: Part A is free hospital insurance for those 65 or older, and Part B is optional medical insurance which requires a member-paid premium.

If members are enrolled for the free Medicare Part A, they are required to enroll in Part B. In certain situations, disabled members under age 65 may qualify for Medicare.

Contact the Social Security Administration if you have questions about Medicare.

The State of Illinois' Group Health Insurance Program coordinates with Medicare to provide overall comprehensive coverage between the two plans.

For GARS annuitants and survivors, the State group health plan pays a majority of the expenses left unpaid by Medicare.

GENERAL INFORMATION

Administration of the System

The Board of Trustees is responsible for the operation of GARS. The Board includes members of the Senate, House and one elected annuitant. The current members are:

Representative ***Lee Daniels***, Chairman

Senator ***Barack O'Bama***, Vice-Chairman

Senator ***Laura Kent Donahue***

Representative ***Kurt Granberg***

Representative ***Philip Collins***,
elected annuitant

Administrator

The GARS is administered by the board-appointed Executive Secretary, Michael L. Mory.

Employer Identification Number

The employer identification number for the General Assembly Retirement System is 37-1254629.

Service of Legal Process

Legal process may be served on Michael L. Mory, Executive Secretary.

GARS Addresses and Phone Numbers

2101 South Veterans Parkway
P. O. Box 19255
Springfield, IL 62794-9255
217-782-8500

State of Illinois Building
160 North LaSalle, Suite N-725
Chicago, IL 60601
312-814-5853

Office hours are 8:00 a.m. to 4:30 p.m.,
Monday thru Friday.

Authority

The official document describing GARS benefits is the Illinois Compiled Statutes, Chapter 40, Article 2 which legally governs GARS. If there is any variance between this booklet and the document, the document will rule.

Annuitant Newsletter

All retiree and survivor annuity recipients will receive at least two newsletters per year from GARS called ***The Solon***. This informative newsletter is normally mailed in January and August. Any additional information is also mailed to your home.

Annuitant Address Information

GARS is required to maintain a permanent home address for each annuitant. This is necessary to comply with Internal Revenue Service mailings, as well as assisting GARS in the administration of the Group Insurance Program.

It is imperative that you report and maintain your permanent address with GARS. You may report a change of address by calling or writing the Springfield or Chicago offices.

TDD Service

A Telecommunications Device for the Deaf (TDD) is available for members and annuitants who are hearing or speech-impaired. You may access this service at 217-785-7218.

Internet

GARS is on the Internet. We maintain a home page with a bulletin board to inform members of legislation and other information affecting you.

Our web site also contains a summary of our annual financial report, and a summary of the Illinois State Board of Investment annual financial report.

**SAMPLE
ANNUITY PAYMENT STUB**

- A. Indicates the month paid.
- B. The gross amount paid during the year to date- January 1 through December 31.
- C. Year-to-date federal income tax withheld.
- D. Year-to-date nontaxable portion of the annuity. If the cost of annuity has been recovered, this section will be blank.
- E. Year-to-date state tax withheld. GARS benefits are not subject to Illinois income taxes. However, annuitants can request state tax to be withheld if they have other taxable income which is reportable.
- F. The law under which the annuity is paid; the fund from which it is drawn.
- G. The gross amount of this annuity payment.
- H. Deductions would include: federal and state income tax withheld from this payment; other insurance carrier premiums; authorized credit union deductions; other authorized deductions, such as savings bonds.
- I. State health and life insurance premiums paid by the State.
- J. Nontaxable portion of this payment. This is blank if the cost of the annuity has been recovered.
- K. The net amount of this payment. (It should be identical to the amount on your warrant).

DANIEL W. HYNES
COMPTROLLER - STATE OF ILLINOIS

RETIREMENT
EARNINGS STATEMENT
FOR THE MONTH ENDING **A**

WARRANT NUMBER SRS	YEAR TO DATE EARNINGS INFORMATION GROSS B FEDERAL TAX C NON TAXABLE D STATE TAX E
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SOCIAL SECURITY ST PAID HLTH I DEDUCTIONS: LIFE INS	FUND F	LAW MISC INS	VOUCHER NUMBER	CURRENT EARNINGS AND DEDUCTIONS GROSS EARNINGS G TOTAL DEDUCTIONS NON TAXABLE J NET PAY K
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SAMPLE FORM 1099-R

- A.** Gross amount received.
- B.** Member's taxable portion of the distribution.
- C.** Amount determined for service before 1-1-74 and qualified for capital gain treatment (Lump sum death benefit only).
- D.** Amount contributed by member prior to 1-1-82.
- E.** See codes on back of this form.
- F.** Percentage of the total distribution received by the payee.
- G.** State tax withheld at recipient's request.
- H.** Federal tax withheld.

CORRECTED (if checked)

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$ A	OMB No. 1545-0119 2001	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		2a Taxable amount \$ B	Form 1099-R	
		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>	Copy C For Recipient's Records
PAYER'S Federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a) \$ C	4 Federal income tax withheld \$ H	
RECIPIENT'S name Street address (including apt. no.) City, state, and ZIP code		5 Employee contributions or insurance premiums \$ D	6 Net unrealized appreciation in employer's securities \$	This information is being furnished to the Internal Revenue Service.
		7 Distribution code E	8 Other \$ %	
Account number (optional)		9a Your percentage of total distribution % F	9b Total employee contributions \$	
		10 State tax withheld \$ G	11 State/Payer's state no.	12 State distribution \$
		13 Local tax withheld \$	14 Name of locality	15 Local distribution \$

Form **1099-R** (Keep for your records.) Department of the Treasury - Internal Revenue Service

SAMPLE FORM W-4P

1. Exemption from Withholding. Check this box if you do not want any tax withheld from your payment. You do not have to give a reason for claiming the exemption from withholding. If you receive non-periodic payments, this is the only item you can use on this form.

2. Withholding Based on Specified Withholding Allowances. For periodic payments, withholding is automatically based on rates for a married person claiming three allowances. If you want withholding to be based on a specified number of allowances, write the number on this line and check the appropriate filing status box.

3. Additional Amount You Want Deducted from Each Payment. If you are not having enough tax withheld, you may ask GARS to withhold more tax by entering an additional amount on line 3.

You may need to have additional tax withheld because you have other income such as interest, dividends, capital gains, rents, alimony, taxable social security benefits, etc.

Estimate the amount you want withheld, then divide that amount by the number of payments you will receive this year. Enter the additional amount you want withheld from each payment on line 3 of Form W-4P.

Form W-4P	Withholding Certificate for Pension or Annuity Payments	OMB No. 1545-0415 2002
Department of the Treasury Internal Revenue Service		▶ For Privacy Act and Paperwork Reduction Act Notice, see page 4.
Type or print your full name		Your social security number
Home address (number and street or rural route)		Claim or identification number (if any) of your pension or annuity contract
City or town, state, and ZIP code		
Complete the following applicable lines:		
1 Check here if you do not want any Federal income tax withheld from your pension or annuity. (Do not complete line 2 or 3.) ▶ <input type="checkbox"/>		
2 Total number of allowances and marital status you are claiming for withholding from each periodic pension or annuity payment. (You may also designate an additional dollar amount on line 3.) ▶ (Enter number of allowances.)		
Marital status: <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher "Single" rate		
3 Additional amount, if any, you want withheld from each pension or annuity payment. Note: For periodic payments, you cannot enter an amount here without entering the number (including zero) of allowances on line 2. . . . ▶ \$		
Your signature ▶	Date ▶	

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