



*Your
Rights & Responsibilities*

*EMPLOYEE
HANDBOOK*

TIER 2

*For Members Hired
After December 31, 2010*

JANUARY 1, 2011

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1. GENERAL INFORMATION

This handbook, provided by the State Employees' Retirement System (SERS), presents you with a general overview of your benefits. It explains SERS eligibility requirements, pension contributions, optional service credit and overall benefits. These benefits, when combined with other income, are designed to provide you with financial security in retirement.

This handbook describes SERS benefits in nontechnical language. SERS is governed by 40 ILCS 5/14 of the Illinois Compiled Statutes (Plan Document). If there is any variance between this handbook and the Plan Document, the Plan Document rules.

This information applies to all active state employees hired after December 31, 2010. When you terminate employment, your benefits will be determined by the laws in effect on that date. Read this booklet carefully and keep it for reference. Make sure your loved one is also familiar with this handbook and that he or she knows where your important papers are located.

The Member Handbook is intended to serve as a supplement to your Annual Benefit Statement, which includes personal benefit information pertaining to you. If you have questions about the information in this handbook, call us at the appropriate phone number listed on page 2.

ADDRESSES & PHONE NUMBERS

*You can contact us
Monday thru Friday
from 8 a.m. until
4:30 p.m. You may
e-mail us with any
questions and/or
comments at: sers@
srs.illinois.gov*

SPRINGFIELD

2101 S. Veterans Parkway, P. O. Box 19255
Springfield, IL 62794-9255

General: 217-785-7444 Fax: 217-785-7019

Accounting: 217-785-7191 Fax: 217-785-7019

Deaths: 217-785-7366 Fax: 217-524-2293

Disabilities: 217-785-7318 Fax: 217-785-6961

Insurance: 217-785-7150 Fax: 217-557-0510

Pensions: 217-785-7343 Fax: 217-524-2293

Refunds: 217-785-7164 Fax: 217-785-6964

Service: 217-785-7167 Fax: 217-785-6964

CHICAGO

Michael A. Bilandic Building
160 North LaSalle Street, Suite N725
Chicago, Illinois 60601
312-814-5853 Fax: 312-814-5805

TDD/TTY

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

INTERNET

SERS is on the Internet at <http://www.state.il.us/srs>. Our goal is to educate you about the retirement, disability and death benefits provided under SERS.

The website provides an overview of benefits, and gives you easy access to a variety of

information: current retirement issues, how to contact us, answers to frequently asked questions, and education opportunities through our Benefit Seminars and pre- and post-retirement workshops.

We also have a pension calculator which allows you to get an unofficial projection of your pension benefit. The calculator is an educational tool to help you develop personal retirement strategies.

Our website contains our annual financial report, a summary of the Illinois State Board of Investment annual financial report, and a link to other state agencies.

RECIPROCAL SYSTEMS

In addition to SERS, the following systems participate in the Retirement Systems' Reciprocal Act. For more information on the Reciprocal Act, see page 15.

Chicago Teachers' Pension Fund

203 North LaSalle, Suite 2600
Chicago, IL 60601
312-641-4464 Fax 312-641-7185
www.ctpf.org

County Employees' Annuity & Benefit Fund of Cook County

33 North Dearborn Street, Suite 1000
Chicago, IL 60602-3103
312-603-1200 Fax 312-603-9760

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County

33 North Dearborn Street, Suite 1000
Chicago, IL 60602-3103
312-603-1200 Fax 312-603-9760

General Assembly Retirement System

2101 South Veterans Parkway
P. O. Box 19255
Springfield, IL 62794-9255
217-782-8500 Fax 217-557-5154
www.state.il.us/srs

Judges' Retirement System

2101 South Veterans Parkway
P. O. Box 19255
Springfield, IL 62794-9255
217-782-8500 Fax 217-557-5154
www.state.il.us/srs

Illinois Municipal Retirement Fund

2211 S. York Road
Suite 500
Oak Brook, IL 60523-2337
800-275-4673 Fax 630-368-5399
www.imrf.org

Laborers' Annuity & Benefit Fund of Chicago

321 North Clark Street
Suite 1300
Chicago, IL 60654-4739
312-236-2065 Fax 312-236-0574

Metropolitan Water Reclamation District Retirement Fund

111 East Erie, Suite 330
Chicago, IL 60611-2898
312-751-3222 Fax 312-751-5699
www.mwrd.org

Municipal Employees' Annuity & Benefit Fund of Chicago

321 North Clark Street
Suite 700
Chicago, IL 60654-4767
312-236-4700 Fax 312-527-0192
www.meabf.org

Park Employees' Annuity & Benefit Fund of Chicago

55 East Monroe
Suite 2720
Chicago, IL 60603
312-553-9265 Fax 312-553-9114
www.chicagoparkpension.org

State Universities Retirement System

1901 Fox Drive
P. O. Box 2710
Champaign, IL 61825-2710
800-275-7877 Fax 217-378-9800
www.surs.org

Teachers' Retirement System

2815 West Washington Street
P. O. Box 19253
Springfield, IL 62794-9253
800-877-7896 Fax 217-753-0394
www.trs.illinois.gov

GENERAL BENEFIT INFORMATION

ANNUAL BENEFIT STATEMENT

In August, you will receive your Annual Benefit Statement. This statement includes information regarding your beneficiary(ies), credited service, contributions, retirement, disability, and death benefits.

BENEFIT CLAIMS

In order to receive any benefit, you must apply for it with the Claims Division and provide proof of age. Your agency's Retirement Coordinator can assist you in filing a claim.

After you begin receiving benefits, you should notify SERS if you change your name, address, or wish to change your beneficiary(ies) for the lump sum death benefit.

All SERS records are maintained according to your Social Security number. Therefore, make sure your Social Security number is correct when filing a claim.

SOCIAL SECURITY

All Social Security benefit claims must be made directly to the Social Security Administration. You will need to provide your Social Security number and proof of age.

GROUP INSURANCE

Upon approval of a SERS benefit claim, participation in the Group Insurance Program continues as described in your CMS group insurance handbook. Failure to pay your insurance premiums will result in termination of group coverage.

All benefit claims and appeals are reviewed by the SERS Executive Committee of the Board of Trustees.

If your claim is denied, or you question the payment of any benefit, you or your representative may file a written appeal or request a hearing before the Executive Committee.

Refer to the CMS Group Insurance Handbook for detailed information on insurance benefits and premiums while on a leave of absence.



SEMINARS & WORKSHOPS

SEMINARS

Benefit Seminars, which explain SERS benefits in detail, are conducted throughout the state by request.

Topics covered in all workshops include:

- *Financial Planning*
- *Deferred Compensation*
- *Entitlements*
- *Social Security*
- *Group Insurance*
- *Estate Planning*

PRE-RETIREMENT WORKSHOPS

Pre-retirement workshops are offered throughout the state for all state employees and their spouses.

Investing in Your Future (IYF) this introductory workshop is for employees under age 45. The main emphasis is money management, consumer debt, and investing for the future.

Education for Tomorrow's Choices (ETC) is a two-day workshop for employees 5-15 years from retirement. It asks participants to realistically assess their future needs and lifestyle, and take the necessary steps to achieve those goals. The ETC stresses medium-range planning.

Countdown to Retirement (CDR) reviews financial planning for and explains the transition to retirement. The CDR is for employees within three years of retirement.

To enroll in a Benefit Seminar or pre-retirement workshop, contact your agency's Retirement Coordinator. Your Retirement Coordinator's name is listed in your Annual Benefit Statement. If you have questions about the workshops, call us at 217-785-6979.

2. SERS MEMBERSHIP

CONTRIBUTIONS

COORDINATION WITH SOCIAL SECURITY

With certain exceptions, all members who join SERS must contribute to Social Security.

CONTRIBUTIONS

Contributions are based on a percentage of total compensation, including overtime pay. All contributions are credited to your account, regardless of the source.

EMPLOYER PICK-UP

Some state employees have all or a portion of their contributions “picked-up” or paid, by the State of Illinois. The elected official who oversees your agency, board or commission determines whether your agency participates in the Employer Pick-Up Program and the pick-up percentage.

If you receive a lump sum refund of contributions, the employer pick-up contributions are included, along with any contributions which may have been deducted from your pay. The employer pick-up is also included in the calculation of any death benefit involving member contributions.

EMPLOYEE CONTRIBUTIONS

REGULAR RETIREMENT FORMULA CONTRIBUTIONS

	<i>Pension</i>		<i>Survivors' Benefit*</i>		<i>Total</i>
Members with Social Security	3.5%	+	.5%	=	4.0%
Members without Social Security	7.0%	+	1.0%	=	8.0%

** If you have no eligible survivors when you retire, you will receive a refund of the survivors' portion of your contributions.*

ALTERNATIVE RETIREMENT FORMULA CONTRIBUTIONS**

					<i>Total</i>
With Social Security	8.0%	+	.5%	=	8.5%
Without Social Security	11.5%	+	1.0%	=	12.5%

*** If you do not qualify for the alternative formula when you retire, you will receive a refund of the alternative formula contributions in excess of the regular formula contributions.*

NOTE: Beginning on or after January 1, 2011, annual compensation on which contributions are taken cannot exceed \$106,800.

This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

SERVICE

MEMBERSHIP SERVICE

This includes full and partial months of state employment after December 31, 2010, when contributions were credited to your account.

CREDITED SERVICE

Credited service is the total amount of credit toward retirement, including any optional credit that may have been purchased and any free military service that may have been granted.

You earn credited service for each month you make the required contributions (**see below*). The amount of credited service affects the amount of your retirement; the more months of service, the greater the benefit.

OPTIONAL SERVICE CREDIT

Optional service credit is time that may be purchased to increase your pension. It includes: leaves of absence, military service (paid), and the repayment of a refund (refer to page 13).

All optional service credit must be paid and established before retirement.

HOW CREDITED SERVICE IS COMPUTED*

Monthly Employees	Hourly Employees	Daily (per diem) Employees	Monthly Credit
15 + days	75+ hours	10+ workdays	1
8 - 14 days	38 - 74 hours	5-9 workdays	1/2
< 8 days	< 38 hours	< 5 workdays	1/4

MAKING PAYMENTS FOR PERIODS WHEN YOU DID NOT CONTRIBUTE

If you wish to establish credited service for periods of employment when you did not contribute, you may make a retroactive payment of the contributions and interest, either in a lump sum or installment payments.

Leaves of Absence

You may establish service credit for periods of less than one year spent on an authorized leave of absence, provided the period of leave began on or after January 1, 1982.

You may also establish service credit for more than one authorized leave of absence. The total period of service established can then exceed one year.

Military Service

Military service includes active duty in the United States Army, Navy, Air Force, Marines, or Coast Guard, or any of the women's auxiliaries.



SERS grants two types of military service credit:

1. Free credit with no contributions if ALL of the following conditions are met:

- You were a state employee within 6 months immediately before entering military service.
- You returned to state employment within 15 months after honorable discharge.
- You establish creditable state service immediately before and after military service.

2. Paid credit, with contributions

If you do not qualify for free military service credit, you may purchase up to four years of military credit by paying the required employee and employer contributions, plus interest, provided:

- You were not dishonorably discharged;
- The service credit purchased does not exceed five years, when added to the military service granted under Item 1.

This service credit must be purchased while you are on the state payroll.

Interest is calculated from the date you last became a member of SERS. Contact the Service and Refunds Division of SERS to determine if you are eligible to establish additional service credit. You will be notified in writing of any amount due, and the credit that may be established.

Before any military credit can be granted, or any cost determined, SERS must receive a copy of form DD-214, or the appropriate separation or discharge papers verifying active duty

IF YOUR CONTRIBUTIONS WERE REFUNDED

If you terminated state employment, received a refund of your contributions and were later re-hired, you may reestablish your credited service by repaying the refund with interest after completing at least two additional years of credited service with SERS, or any of the Illinois Public Retirement Systems that participate in the Retirement Systems' Reciprocal Act.

TAX-DEFERRING OPTIONAL SERVICE PURCHASES

SERS allows you to tax-defer optional service credit purchases through payroll deduction. This lets you defer taxation until retirement. The tax-deferred withholding is made through an irrevocable payroll agreement for the total amount of service credit purchased.

You may also transfer funds from your Deferred Compensation account to purchase permissive service credit or repay a refund. Service credit is granted only after a refund or service purchase is paid in full. If you die, a partial service credit may be granted based on contributions and interest paid on the date of your death.

In the case of retirement, termination, or absences of more than one year, you can choose to make an after-tax lump sum payment for the balance due, or the contributed amount can be refunded with taxes withheld and reported as income in that calendar year. Any after-tax lump sum payment must be made no later than 30 days after SERS notifies you of the amount due.



If you are off the payroll for less than one year, the missed payroll deductions must be paid according to IRS rules and regulations. This may be done by either doubling your normal payroll deduction, or by a transfer from a qualified rollover account. No optional service purchase deductions can be made from a disability benefit payment.

LUMP SUM SALARY PAYMENTS

Most employees will receive a lump sum payment at retirement for unused vacation. This lump sum payment can be used to purchase any tax-deferred optional service credit. This election must be completed before you leave state service.

Unused Sick Leave

Unused and unpaid sick leave can be used to meet service eligibility requirements and increase your retirement benefit. This additional service credit does not affect final average compensation.

Paid Vacation Time

If you receive a lump-sum payment for vacation, or personal days when you retire, you may establish credit for this time to meet service eligibility requirements and increase your retirement benefit (21 days of sick & vacation leave equals one month of service credit).

This additional service credit does not affect final average compensation. You can make the required contributions on a pre or post-tax basis. To be eligible for this option, your retirement date must be effective within 90 days of resignation.



ROLLOVERS

You may rollover money from another qualified pension plan, or an Individual Retirement Account or Roth IRA, 403b or 457 containing money from a qualified total distribution to purchase optional service credit.

You may also transfer money while still employed from your Deferred Compensation account (457b) or tax-sheltered annuity (403b) to purchase permissive service credit or repay a refund. To do so, you must obtain and complete a Transfer/Rollover Certification form from the Service & Refunds Division.

SERVICE UNDER OTHER ILLINOIS PUBLIC RETIREMENT SYSTEMS

If you have at least one year of credited service with an Illinois Public Retirement System under the Reciprocal Act, your service under that system may be used to determine your eligibility for a benefit from SERS. This amount is based on the benefit formula and service credit in each system, and is paid to you by each system. Annual pension benefit increases are made in accordance with each system's statutes.

Under the Reciprocal Act, the highest final average compensation is used for computing benefits under all systems. However, total benefits cannot be higher than it would have been if all service were in one system. If benefits are being paid under reciprocity, and you are granted service credit by more than one system for the same period of time, each system will reduce its credit proportionately.

In general, the rules of each retirement system apply in determining eligibility for a benefit. For reciprocal system's addresses and phone numbers, refer to pages 3 & 4.

F A C

*Level
Income*

Pension Increases

*Nonoccupational
Disability*

Qualified Survivor

3. SERS BENEFITS

REGULAR RETIREMENT BENEFITS

RETIREMENT FORMULA

The regular retirement formula applies to most SERS members.

Covered: 1.67% for each year of service

Non-Covered: 2.2% for each year of service

ELIGIBILITY

To receive a pension benefit, you must have a minimum of 10 years of credited service with SERS. You may retire at:

- Age 67, with 10 years of credited service.
- Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).

Covered Example: The member is covered under Social Security, is 67 years old, has 30 years of credited service, and a final average compensation of \$3,600 per month.

$30 \text{ years} \times 1.67\% = 50.1\% \cdot 50.1\% \times \$3,600 \text{ FAC} = \$1,803.60$ per month, or **\$21,643.20** annually.

Non-Covered Example: The employee is not covered by Social Security, is 67 years old, has 30 years of credited service, and a final average compensation of \$3,800 per month.

$30 \text{ years} \times 2.2\% = 66\% \cdot 66\% \times \$3,800 \text{ FAC} = \$2,508.00$ per month, or **\$30,096.00** annually.

FINAL AVERAGE COMPENSATION

Your retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary earned (Social Security wage base). This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

The maximum regular retirement benefit is 75% of final average compensation.

REDUCED RETIREMENT BENEFIT

A regular formula member can retire between the ages of 62-67 with 10 years of credited service with a pension reduced 1/2 of 1% for each month under age 67.

ANNUAL PENSION INCREASES

If you retire at age 67 or older, you will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following your first full year of retirement.

If you retire before age 67 with a reduced retirement benefit, you will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after you turn age 67 and have been retired at least one full year. These pension increases are not limited by the 75% maximum.



ALTERNATIVE RETIREMENT BENEFITS

The maximum alternative retirement benefit is 80% of final average compensation.



RETIREMENT FORMULA

The Alternative Formula applies to members in certain positions with 20 years of alternative service.

Covered: 2.5% for each year of service

Non-Covered: 3.0% for each year of service

ELIGIBILITY

Members eligible for the alternative formula may retire at age 60 with 20 years of service.

FINAL AVERAGE COMPENSATION

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 earned (Social Security wage base). This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

Positions eligible for benefits under the alternative formula:

- State Policeman
- Fire Fighter
- Security Employee with the Department of Corrections or Juvenile Justice.

ANNUAL PENSION INCREASES

Alternative formula retirees receive their first pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, following the first full year of retirement after age 60. These increases are not limited by the 80% maximum.

Alternative Formula Example #1: The employee is not covered by Social Security, is 60 years old, has 26 years, 8 months (320 months) of credited service, and a final average compensation of \$5,000 per month.

26 Years, 8 months x 3% = **80%** • 80% x \$5,000 = **\$4,000** per month, or **\$48,000** annually.

Alternative Formula Example #2: The employee is covered by Social Security, is 60 years old, has 32 years (384 months) of credited service, and a final average compensation of \$4,000 per month.

32 Years x 2.5% = **80%** • 80% x \$4,000 = **\$3,200** per month, or **\$38,400** annually.

BENEFIT PAYMENTS

You must apply for benefits in order to receive them. Contact your agency's Retirement Coordinator and SERS approximately 30-90 days before retiring so we can begin the separation process.

We will mail you a retirement packet which includes a retirement application, forms and information regarding insurance, taxes, and electronic funds transfer.

Your retirement benefit is paid monthly for your lifetime. Your pension will start on the first day of the month following withdrawal from service. You will receive your first pension check approximately six weeks after your retirement date.

If you elect Direct Deposit, the first two checks are mailed to you. After that, all future checks will be electronically deposited into your bank account on the 19th of every month. You are required to notify SERS of any changes to your mailing address after retirement.

OPTIONAL FORMS OF PAYMENT

SERS allows you to choose several optional forms of payment.

Level Income

This option allows members who have paid into SERS and Social Security to receive their benefits at a level amount throughout their retirement years by combining their Social Security and SERS benefit. The Level Income option can be helpful when a member retires before the age when the member qualifies for a Social Security benefit.

The Level Income Option is an irrevocable election.

Under Level Income, SERS pays an amount (based on your estimated Social Security benefit) in addition to your regular retirement benefit until you qualify for Social Security benefits. At this time, your pension is reduced regardless of when you actually begin receiving Social Security and regardless of how much this benefit actually is. This reduced amount will be paid for your lifetime. If you choose Level Income, it is your responsibility to apply for Social Security benefits.

ALTERNATIVE FORMULA LEVEL INCOME OPTION EXAMPLES

An alternative formula member retires at age 60 with a monthly pension of \$3,000 from SERS. The member is coordinated with Social Security and eligible for a monthly Social Security benefit of \$2,000 at age 67.

At Age 60: The member's monthly SERS benefit would increase by \$932.80 from \$3,000 to \$3,932.80. Assuming the maximum 3% increase their benefit would increase to \$4,981.95 per month by age 67.

At Age 67: The member's monthly SERS benefit would reduce to \$2,981.95, because the Social Security benefit of \$2,000 per month would begin. The member's combined monthly benefit would still total \$4,981.95.

Reversionary Annuity

This option reduces your monthly retirement benefit to provide a lifetime income for your designated dependent after your death. The monthly amount paid to your dependent after your death may not be less than \$10, and may not exceed the amount of your reduced benefit. This benefit is in addition to the survivors' benefit.

The reversionary annuity is useful for providing income to a surviving spouse or other dependent who doesn't work, or worked very little, and won't receive much retirement or Social Security income. If you choose the reversionary annuity, it cannot be rescinded.

A spouse is assumed to be dependent for the Reversionary Annuity.

If the designated dependent dies before you, the reversionary annuity is void and your retirement benefit is not recalculated. The reversionary annuity does not have an annual cost of living increase.

Reversionary Annuity Example #1

A member is age 67 with a monthly retirement benefit of \$4,000 before the adjustment for the reversionary annuity, decides to provide their spouse with 100% of the member's retirement benefit after death by choosing the reversionary annuity at 100%. The member will receive a reduced retirement benefit of \$3,393.20 per month, and will also receive the yearly increase of 3% or one-half of the Consumer Price Index for the calendar year, whichever is less, until death.

After the member dies, the spouse will receive 100% of the retirement benefit being paid at the member's death for life, and may also be eligible for survivor benefits. If the spouse dies before the member, the reversionary annuity is void, and the member's retirement benefit cannot be recalculated.

Reversionary Annuity Example #2

A member, age 67 with a retirement benefit of \$4,000 per month, decides to provide the member's dependent spouse with 50% of the member's retirement benefit after death. In order for the member's spouse to receive 50% of the member's retirement benefit after death, the member chooses the reversionary annuity. The member's retirement benefit is reduced to \$3,671.60 per month, plus the member will receive the yearly increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, until death.

After the member dies, their spouse will receive 50% of the retirement benefit being paid at the member death for the spouse's lifetime, and may also be eligible for a survivor benefit. If the spouse dies before the member, the reversionary annuity is void, and the member's retirement benefit cannot be recalculated.

Qualified Illinois Domestic Relations Order (QILDRO)

A QILDRO allows for the division of a retirement benefit or a refund of contributions due to divorce. It does not establish a new benefit, nor does it create a new member or beneficiary.

Generally, the QILDRO orders the payment of a benefit to the spouse as the alternate payee. It may also be payable to a child or other dependent as the alternate payee.

A member may not choose a benefit type that would diminish the alternate payee's benefit without written consent from the alternate payee. The QILDRO is usually issued at the time of divorce and sent to the member's retirement system. It is recorded and retained until the member applies for a refund, retirement benefit or dies.

Certain restrictions apply to members choosing Level Income with a QILDRO on file with SERS prior to retirement.

Any member employed with a reciprocal retirement system before July 1, 1999 must sign a consent form for the QILDRO to go into effect. A member who begins employment with an Illinois public retirement system after July 1, 1999 accepts the QILDRO as a condition of employment. A copy of the QILDRO process may be obtained from SERS.

The QILDRO does not apply to survivor annuities, disability benefits or group insurance benefits.

RETURNING TO EMPLOYMENT AFTER RETIRING

If you return to state employment or full-time employment covered by a reciprocal system after retirement, you must notify the SERS Claims Division immediately. If you return to state employment on a contractual basis or to the private sector, your SERS retirement benefit is not affected.

75-Day employment must be certified by the member and the employing agency and submitted to SERS for verification.

Nonpermanent Reemployment

If your employment with the state lasts 75 working days or less during a calendar year (any part of a day is counted as a full day), you will continue to receive your pension payment. During your employment, you make no contributions to SERS, but you must contribute to Social Security. If you work more than 75 working days, your pension benefit will end on the 76th day, and you will resume contributing to SERS.



Permanent Reemployment

If you are reemployed by the State or other public employer on a full-time basis and become a member of a reciprocal system or fund (see page 3), you will not be eligible for SERS pension benefits while working. If you are reemployed by the State, you will make contributions to both SERS and Social Security during your employment and earn additional service credit. If you are reemployed by another employer and become covered by a reciprocal retirement system, you may be required to participate in that system.

After you again retire, you must reapply for a pension. If you are again retiring from state employment, your new pension amount will be your reinstated pension amount earned before reemployment, plus the pension amount earned during reemployment.

If you reenter state service within three years after retiring, you may qualify to have your new retirement benefit computed as though you never retired. To qualify, you must repay all of the pension benefits received prior to reemployment, plus interest. This repayment may be made in a lump sum, by installments paid within five years after your reemployment, or before your next retirement date, whichever is first.

If you choose not to complete installment payments before retirement or the end of the five-year period, your installment payments will be refunded and your pension will not be recomputed.

If you receive a pension from more than one reciprocal system, you must notify each system. All reciprocal systems will determine if you can receive pension benefits during your reemployment.

DISABILITY BENEFITS

All disability benefits pertain to the date of this printing. For specific questions, please refer to our website.

While you receive disability benefits, your SERS account will continue to be credited with service and contributions as if you were working.

If you become disabled and are unable to perform the duties of your position while actively employed, you may receive disability benefits which partially replace your working income.

For disability benefits, final average compensation is the rate of pay on the date of the disability, or the 96 highest consecutive months of service within the last 10 years, whichever is greater. The disability benefit is calculated on a maximum salary of \$106,800.

NON-OCCUPATIONAL DISABILITY BENEFITS

If you become ill or injured from causes not work-related, you could be eligible for non-occupational disability benefits if:

- SERS determines that you are disabled.
- You have at least 18 months of credited service with SERS (Teachers' or State Universities Retirement Systems service can be used to establish 18 months with SERS).
- You have used all your accumulated sick leave.
- You are granted a medical leave of absence.
- You and your agency have submitted the required forms to SERS.

APPLYING FOR BENEFITS

You must apply in order to receive benefits. It is important to file an application for a disability benefit with SERS when it appears your disability will continue beyond 30 days after you stop working. Your application must be

received within 90 days from the date you were removed from the payroll to prevent a possible loss of benefits.

The application process requires you to obtain a physician's report certifying you are unable to perform your assigned duties. You must also sign a release form giving SERS access to your medical records.

If you are eligible for Social Security benefits, SERS takes the initial amount of your Social Security benefit into account when determining your disability payment. A SERS representative may assist you with the Social Security disability application process.

WHEN PAYMENTS BEGIN & END

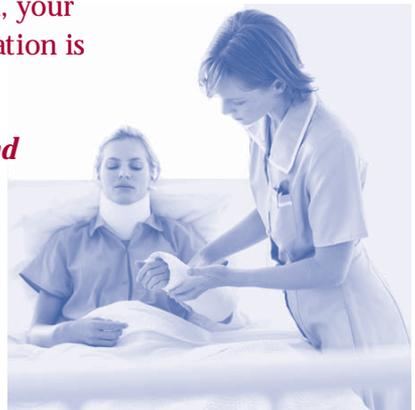
Once SERS determines your eligibility, benefits begin on the latest of:

- The 31st day of absence from work because of disability (including periods when sick pay was received).
- The last day you received wages (including periods when sick pay was received).
- If your application is not received within 90 days after your removal from the payroll, your benefit will begin on the date the application is received.

Nonoccupational Disability Benefits End When:

- You exhaust one-half of your credited service.
- Your disability ends.
- You resume employment.

If you receive, or are eligible for, any type of Social Security benefit while you are disabled, you must contact SERS. This may affect your SERS disability benefit.



- You reach age 65. (If your disability begins at age 60 or older, benefits are payable for up to five years.)

If your disability ends and you become disabled from the same cause within 60 days after you resume state employment, the 30-day waiting period is waived. The benefit amount for the second period of disability is the same as the first.

BENEFIT AMOUNT

Your disability benefit equals 50% of your final average compensation or your monthly rate of pay on the date you were removed from the payroll, whichever is greater. If you pay into Social Security and are under full retirement age, your benefit will be reduced by the amount payable from Social Security if you are approved for Social Security disability benefits. If you have reached full retirement age, your benefit will be reduced by the amount of pension you are eligible to receive from Social Security.

Any SERS disability benefits received during the same time as a retroactive Social Security payment will result in an overpayment. You are required to repay SERS the overage amount.

TERMINATION OF DISABILITY

If your benefit is terminated because you received disability benefits for one-half of your credited service, but you are still disabled, you become eligible for a retirement annuity if:

- You are age 67 and have at least 10 years of credited service.
- You are between the ages of 62-67 and have at least 10 years of credited service, a reduction applies.

SERS statutes require a member who is coordinated with Social Security to file for Social Security disability benefits within the first year of receiving SERS disability benefits.

SERVICE CREDIT

While you receive disability benefits, your SERS account will continue to be credited with service and contributions as if you were working.

BENEFIT INCREASE

Each non-occupational disability benefit paid by SERS is increased 7% on January 1 after four years of being granted the benefit. On each January 1 following the date of the 7% increase, there is a 3% benefit increase.

OCCUPATIONAL DISABILITY BENEFITS

Occupational disability benefits are paid if you are unable to work due to a work-related illness or injury.

Applying for Benefits

File a claim with the Illinois Workers' Compensation Commission (WCC), the Risk Management Division of your agency, or the Risk Management Division of Department of Central Management Services to determine if your disability is work-related.

File the required forms with the Claims Division of SERS either within:

- 12 months after your removal from the payroll.
- 12 months after becoming eligible for benefits under Workers' Compensation.
- 12 months after the Illinois WCC approves your Workers' Compensation benefit.

WHEN PAYMENTS BEGIN & END

Occupational Disability Benefits Begin When:

- SERS determines you are disabled.
- You receive benefits under the Workers' Compensation or Occupational Diseases Act.
- You are removed from your agency payroll.

Occupational Disability Benefits End When:

- Your disability ends.
- You resume employment.
- You reach age 65. (If your disability begins at age 60 or older, benefits are payable for five years).

BENEFIT AMOUNT

Your disability benefit equals 75% of your final average compensation or your monthly rate of pay on the date you were removed from the payroll, whichever is greater. This amount is reduced by any payments made under the Workers' Compensation Act, or the Workers' Occupational Diseases Act.

While you receive disability benefits, your SERS account will continue to be credited with service and contributions as if you were working.

SERVICE CREDIT

While you receive disability benefits, your SERS account will continue to be credited with service and contributions as if you were working.

BENEFIT INCREASE

Each occupational disability benefit paid by SERS is increased 7% on January 1, after four years of being granted the benefit. On each January 1 following the date of the 7% increase, there is a 3% benefit increase.

TEMPORARY DISABILITY BENEFITS

This benefit is available in disputed Workers' Compensation cases when your agency has formally denied all benefits, and an appeal has been filed with the Illinois WCC.

You may be eligible for the Temporary Disability Benefit if:

- SERS determines you are disabled.
- You have at least 18 months of credited service with SERS (Teachers' or State Universities Retirement Systems service can also be used to establish 18 months with SERS).
- You file an application within 12 months of the date a disability results in the loss of pay.
- Your claim for total temporary disability benefits under the Illinois WCC has been denied.
- You filed an appeal of a denial of total temporary disability benefits with the Illinois WCC.
- You submitted the required forms to SERS.
- You have not received, or had a right to receive, any compensation for at least 30 days.

If the Workers' Compensation benefit you are receiving is terminated, you may be eligible for temporary disability benefits if:

- SERS determines you are disabled.
- You have at least 18 months of credited service with SERS (Teachers' or State Universities Retirement Systems service can also be used to establish 18 months with SERS).

- You submitted the required forms to SERS.
- You have filed an appeal with the Illinois WCC, and requested an emergency hearing under Paragraph 19B1 of the Workers' Compensation Act.
- You have served a 150-day waiting period, or received a decision from the Illinois WCC on your emergency hearing.

APPLYING FOR BENEFITS

You must apply in order to receive benefits. It is important to file an application for a disability benefit with SERS after it appears your disability will continue beyond 30 days after your removal from the payroll, or when your Workers' Compensation benefit is terminated.

Your application must be received within 12 months from the date you were removed from the payroll, or within 12 months from the denial of Workers' Compensation benefits.

The application process requires you to obtain a physician's report certifying you are unable to perform in your position. You must also sign a release form giving SERS access to your medical records.

WHEN PAYMENTS BEGIN & END

Temporary Disability Benefits Begin:

- On the 31st day from the date you last received, or had a right to receive, any compensation if your claim was denied by the Workers' Compensation Act.

If you contribute to Social Security, SERS takes the amount of your Social Security benefit into account when determining your disability payment. A SERS representative may assist you with the Social Security application process.

- Disability benefits for all periods of disability are payable for a total period of time equal to one-half of credited service not earned while on disability.

Temporary Disability Benefits End When:

- You exhaust one-half of your credited service.
- Your disability ends.
- You resume gainful employment.
- You reach age 65. (*If your disability began at age 60 or older, benefits are payable for up to five years, subject to the one-half service credit limitation).*
- A payment is made after determining the state's liability under the Workers' Compensation Act or the Workers' Occupational Diseases Act.
- A final determination is made on the member's claim by the Illinois WCC.

SERVICE CREDIT

While you receive disability benefits, your SERS account will continue to be credited with service and contributions as if you were working.

BENEFIT AMOUNT

Your disability benefit equals 50% of your final average compensation or your monthly rate of pay on the date you were removed from the payroll, whichever is greater. If you pay into Social Security and are under full retirement age, your benefit will be reduced by the amount payable from Social Security if you're approved for Social Security disability benefits. If you have reached full retirement age, your benefit will be reduced by the amount of pension you are eligible for from Social Security.

Once the Illinois Workers' Compensation Commission makes its final determination on a disputed claim, SERS will calculate your benefit to determine if temporary benefits must be repaid.

Any member who accepts a temporary benefit acknowledges and authorizes the recovery rights of SERS.

DEATH BENEFITS

Beginning June 1, 2011, Illinois recognizes legal civil unions between two people. They are entitled to the same SERS benefits as spouses if they have been legal partners for one year. Throughout this booklet, the terms 'civil union partner' and 'spouse' are used interchangeably.

NON-OCCUPATIONAL DEATH

If your death results from a non-work related cause, your eligible survivors and beneficiaries may qualify for benefits.

Death Before Retirement

If you die while actively employed and have at least 18 months of service, your qualified survivors will be eligible for benefits (*see page 38*).

In addition to survivor benefits, your pension contributions and interest, will be paid to your named beneficiary(ies). If you die with no qualified survivors while actively employed, your named beneficiary(ies) will receive your contributions, plus interest, and one month's salary for each year of service, up to a maximum of six months' salary.

Death After Termination

If your death occurs after termination of state employment, but before retirement benefits begin, you must have ten years of service for your survivors to qualify for survivor benefits.

The survivor benefits payable are $66 \frac{2}{3}\%$ of your earned pension at death, split between all eligible payees. If you die after termination with no survivors, or with less than ten years of service, your named beneficiary(ies) will receive your contributions and interest.

Death After Retirement

If your death occurs after retirement, survivor benefits are $66 \frac{2}{3}\%$ of your pension at death, split between all eligible payees. If you have no survivors, your beneficiary(ies) will receive any remaining contributions and interest, or \$500, whichever is greater.

A Social Security offset will be applied to the survivor benefit if a retired member chose not to eliminate the offset. The Social Security offset will not reduce the survivor's benefit to less than 50% of the benefit otherwise payable.

For example, if a member's pension at death is \$3,000, the survivor benefit BEFORE the offset would be \$2,000, but AFTER the offset could be as little as \$1,000.

For survivor's of retired members, the survivor benefit is increased 3% or one-half of the Consumer Price Index on each January 1 for the preceding calendar year, whichever is less.

The survivor benefit is increased 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, each January 1, following the first anniversary of the benefit.

ELIGIBLE SURVIVOR BENEFITS

Your Spouse: If you are survived by your spouse age 50 or over, and you were married at least one year prior to your death, (s)he will receive \$1,000, plus a monthly annuity of 66 2/3% of your earned pension. (S)he will receive this benefit until death.

Your Spouse and Children: If your spouse supports your children under age 18 (22 if full-time student), or a disabled child over 18, (s)he can receive benefits before age 50. (S)he will receive \$1,000, plus a monthly annuity of 66 2/3% of your earned pension, split between all eligible payees. This benefit is payable until your last child reaches age 18 (22 if full-time student), marries, dies, or is no longer disabled.

Your Children: If you are not survived by a spouse, but have children under age 18 (22 if full-time student), or over 18 and disabled, they can receive \$1,000 plus a monthly annuity of 66 2/3% of your earned pension, split between all eligible payees. This benefit is payable until the last child reaches age 18 (22 if full-time student), marries, dies, or is no longer disabled.

Your Dependent Parents: If your spouse or children do not survive you, your dependent parents may be eligible for benefits.

OCCUPATIONAL DEATH BENEFITS

Eligibility

If you die before retirement from a work-related injury or illness, as determined by the Illinois Workers' Compensation Commission, your survivors are eligible for an occupational death benefit.

If you have no qualified survivors, your nominated beneficiary(ies) will receive your contributions and interest, and one month's salary for each year of service, up to a maximum of six months salary.

Benefits are paid to qualified survivors as described at right. These amounts are reduced by any payments awarded under the Workers' Compensation Act, or the Workers' Occupational Diseases Act.

Annual Increase

The occupational death benefit is increased by 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less. This increase will occur each January 1 following the first anniversary of the annuity.

Your Spouse: If you are survived by your spouse, (s)he will receive a monthly annuity equal to 50% of your FAC. This benefit is payable until death.

Your Spouse and Children: If your spouse has your children under his/her care who are under age 18 (22 if full-time student), or a disabled child over age 18, they can receive benefits up to a maximum of 75% of your FAC. This benefit is payable until your spouse dies, or your last child reaches age 18 (22 if full-time student), marries, dies, or is no longer disabled.

Your Children: If you are not survived by a spouse, but have children under age 18 (22 if full-time student), or over age 18 and disabled, they can receive a monthly annuity, up to 50% of your FAC. This benefit is payable until the last child reaches age 18 (22 if full-time student), marries, dies, or is no longer disabled.

Your Dependent Parents: If your spouse or children do not survive you, your dependent parents may be eligible for benefits.

LEAVING SERS

When you become eligible, you may restore any previous service by repaying your refunded contributions, plus interest. Payments may be made in a lump sum, or by installments on a pre-tax or post-tax basis. See the Service section for more information.

If you resign, are discharged, dismissed, or laid-off from state employment, you may choose to withdraw your contributions or leave them in SERS. ***You must be off the payroll for 14 days to be eligible for a refund of contributions.***

If you choose to leave your contributions in SERS:

- You must have ten years of service under SERS to qualify for a pension.
- You may use less than ten years of service to qualify for a reciprocal pension; however a member's combined service credits must meet each system's minimum service credit requirements.

If you choose to have your contributions refunded:

- You will receive no interest on your contributions.
- You will forfeit all rights to benefits for yourself and your beneficiaries.

If you withdraw your contributions and later return to state employment:

- You will be eligible to repay your refunded contributions and have your previous credited service restored after you have completed two additional years of credited service.

Credited service under the Retirement Systems' Reciprocal Act (listed on pages 3-4) can be used to meet this requirement.

WHEN BENEFITS OR REFUNDS ARE PAID TO YOU

- You will not be taxed on your contributions until you receive them since SERS is a qualified retirement plan under Section 401(a) of the Internal Revenue Code.
- You pay no Illinois state income tax.
- You will pay federal tax on most benefits. Specific information will be furnished when benefits are payable.
- All benefits and refunds must be declared as income in the year they are received.
- Occupational disability and occupational death benefits are exempt from federal income taxes.
- You may postpone taxation of refunds by 'rolling-over' the taxable portion of the payment to another employer plan that accepts it, or to an Individual Retirement Account or Roth IRA.



The best tax treatment for you depends on your individual financial situation. Therefore, we advise all members to check with a qualified tax consultant before receiving benefits or refunds.

Board of Trustees

***Defined
Benefit
Plan***

SERS Funding

4. APPENDIX

PLAN DOCUMENT

This handbook attempts to describe SERS benefits in nontechnical language. The official document describing SERS benefits is Illinois Compiled Statutes, 40 ILCS 5/14, which legally governs the operation of the plan. If there is any variance between this handbook and the plan document, the plan document rules.

BOARD OF TRUSTEES

The Board of Trustees is responsible for the operation of SERS. The Board meets four times a year to review disputed benefits, review and approve the annual operating budget, approve legislative initiatives, and administer policies & procedures.

The Board consists of the State Comptroller who acts as the Chairman, six trustees who are appointed by the Governor, four elected SERS members and two elected retirees.

ADMINISTRATION

SERS is administered by the board-appointed Executive Secretary.

DEFINED BENEFIT PLAN

The State Employees' Retirement System is a defined benefit plan governed by Section 401a of the Internal Revenue Code. In a defined benefit plan, the amount of your retirement benefit is based on your final average compensation and years of service credit.

SERS FUNDING

Contributions are made by the State and its members. All contributions not required for current operations are invested by the Illinois State Board of Investment for the exclusive benefit of our members and their beneficiaries.

To safeguard the proper operation and funding of this multi-billion dollar pension fund, operations are monitored both internally and externally. SERS' financial and administrative activities are subject to an annual audit by an independent accounting firm under the direction of the state's Auditor General.

Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments.

EMPLOYER IDENTIFICATION NUMBER

The Employer Identification Number of SERS is 37-1026227.

PLAN YEAR

For record-keeping purposes, the plan year is July 1 through June 30.

LEGAL PROCESS

Legal process may be served on the SERS Executive Secretary.

EMPLOYMENT RIGHTS

Membership in SERS does not guarantee continued state employment, nor does it guarantee a right or claim to any benefit not accrued under the terms of the plan document.



GLOSSARY OF TERMS

Agency Retirement Coordinator: Person in each state agency who interacts with the employees of their agency and SERS.

Alternative Retirement Formula: The retirement formula for state employees in certain high-risk jobs.

Annual Benefit Statement: The annual benefit statement is mailed in August to active members, and to inactive members in February. This statement summarizes the member's account and benefits. It includes information on service credit, projected and accrued pension benefits, and lists the member's beneficiaries.

3%

Automatic Increase in Retirement Annuity: An increase of 3% or one-half of the Consumer Price Index, whichever is less, during the preceding calendar year.

For alternative formula members, the increase is paid on January 1 following the first full year of retirement or age 60, whichever is later.

For survivor of active or inactive members or occupational death annuity, the increase is paid on January 1 following one full year of benefits.

Beneficiary for Lump-Sum Death Benefit: The beneficiary chosen by the member to receive SERS benefits. A beneficiary form is kept on file with SERS. This should not be confused with the Group Life Insurance beneficiary, or the Deferred Compensation beneficiary.

Civil Union Partner: A legal partner who is entitled to the same legal obligations, responsibilities, protections and benefits as spouses in Illinois.

Coordinated/Covered: A SERS member who contributes to Social Security.

Credited Service: The total service certified to a member's record.

DD214: A document issued by the U.S. Armed Forces to verify active duty as it pertains to military service credit.

Defined Benefit Plan: Provides a predetermined benefit amount using a formula combining service credit and salary.

Final Average Compensation (FAC): FAC may not exceed \$106,800; however, this amount may be adjusted annually.

FAC

For Retirement and Survivor Benefits - Final Average Compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. For alternative formula employees, FAC is the average of 96 out of the last 120 months.

For Death and Disability Benefits - Final Average Compensation is the average of the 96 highest consecutive months of service within the last 120 months from the date of death or disability.

Level Income Option: An option for coordinated/covered members when their SERS benefit is increased for the period before receiving Social Security benefits. Their SERS benefit is reduced when Social Security benefits begin.

This option provides an income leveling effect throughout an individual's retirement years.

Informers: The SERS newsletter for retirees and survivors that contains timely and pertinent information. This newsletter is usually mailed in January, March and September.

Medical Leave of Absence: An excused absence without pay, granted to an employee for an illness or injury not job-related.

Member: An active SERS employee, any former employee who has contributions credited to their account but has not received a refund, or is not receiving a retirement annuity.

Military Service: Service in the United States Army, Navy, Air Force, Marines, Coast Guard, or any women's auxiliary allowed as credit by SERS.

Non-Occupational Disability: A benefit paid to an individual for an injury or illness not work-related.

Non-Coordinated/Non-Covered: A SERS member who does not contribute to Social Security.

Occupational Disability: A benefit paid to a member for an injury or illness sustained while performing their duties as a state employee.

Optional Service Credit: Periods of employment that can be purchased for additional service credit. Examples include military time, repayment of refund and leaves of absence.



Pension: Retirement annuity paid for a member's lifetime.

Qualified Plan: A retirement plan qualified under the Internal Revenue Code allowing SERS and its members certain tax advantages.

Reciprocal Retirement Systems: There are thirteen Illinois public retirement systems participating in the Retirement Systems' Reciprocal Act.

Reciprocity: A member who has at least one year of credited service under another Illinois Public Retirement System, may use their service under that system to determine eligibility for a SERS benefit.

Regular Retirement Formula: The retirement formula for state employees in positions not designated as high-risk.

Reversionary Annuity: A member may elect to receive a lesser retirement benefit and provide a greater benefit for a designated beneficiary.

Retirement Systems' Reciprocal Act: Provides continuity of pension credits for individuals who have participated in more than one Illinois public employee retirement system. There are currently thirteen retirement systems participating in the Retirement Systems' Reciprocal Act.

Rollover: Postponing taxation of distributions by “rolling-over” the payment to another qualified plan, or to an Individual Retirement Account or Roth IRA.

SERS-O-GRAM: This newsletter is for active SERS employees. It contains timely and pertinent information, and is usually mailed in April and August.

Service: The total credited service certified to a member’s record.

Sick Leave: An absence from work due to illness, or the days that accrue for use in the event of illness. This time may be used to establish additional service credit at retirement.

State Employee: Any person who performs services for the State of Illinois.

Survivor Annuity Beneficiary: A beneficiary (spouse, civil union partner, child, dependent parent) designated by statute to receive a monthly annuity upon the death of the member.

Tax-Sheltered/Tax-Deferred: Contributions made by a member that are not taxed until a benefit is paid.

Temporary Disability: A benefit payable during a period when an injury or illness is being contested under the Workers’ Compensation Act. A temporary benefit eventually becomes a non-occupational or occupational disability.

Tier 2: Any member who begins employment with the state after December 31, 2010.

RETIREMENT TIMELINE

First Year of State Employment

- Carefully review your most recent Annual Benefit Statement to ensure that SERS records match yours.
- Purchase all allowable service credit. Optional service includes:
 - Military Service
 - Refunded Contributions
 - Leaves of Absence
- Visit our website and become familiar with its content.

Early in Your Career

- Carefully review your most recent Annual Benefit Statement to ensure that SERS records match yours.
- Purchase all allowable service credit.
- Attend the preretirement workshop *Investing in Your Future*.

5-15 Years from Retirement

- Carefully review your most recent Annual Benefit Statement.

- Purchase all allowable service credit.
- Attend the preretirement workshop *Education for Tomorrow's Choices*.

3 Years from Retirement

- Carefully review your most recent Annual Benefit Statement to ensure that SERS records match yours.
- Purchase all allowable service credit.
- Attend the preretirement workshop *Countdown to Retirement*.
- Utilize the estimates in your annual Benefit Statement for planning purposes.
- Contact the local Social Security office for an estimate of your Social Security benefit.

12 Months from Retirement

- Carefully review your most recent Annual Benefit Statement to ensure that SERS records match yours.
- Purchase all allowable service credit.

- Discuss benefit options with family members.
- Contact SERS for an official pension estimate.

1-2 Months from Retirement

- Carefully review your most recent Annual Benefit Statement to ensure that SERS records match yours.
- Purchase all allowable service credit.

• Request, complete and return the Application for Retirement Annuity Pension form #3004 to SERS within 30 days of your pension becoming effective.

Other documents which should be returned with your retirement application are:

- The Depository Agreement for SERS Benefit Payments (form #3967) if you want your annuity electronically deposited in your bank.
- A photocopy of your certified birth certificate, if requested on retirement application.
- Check with the Deferred Compensation office about distribution.

At Retirement

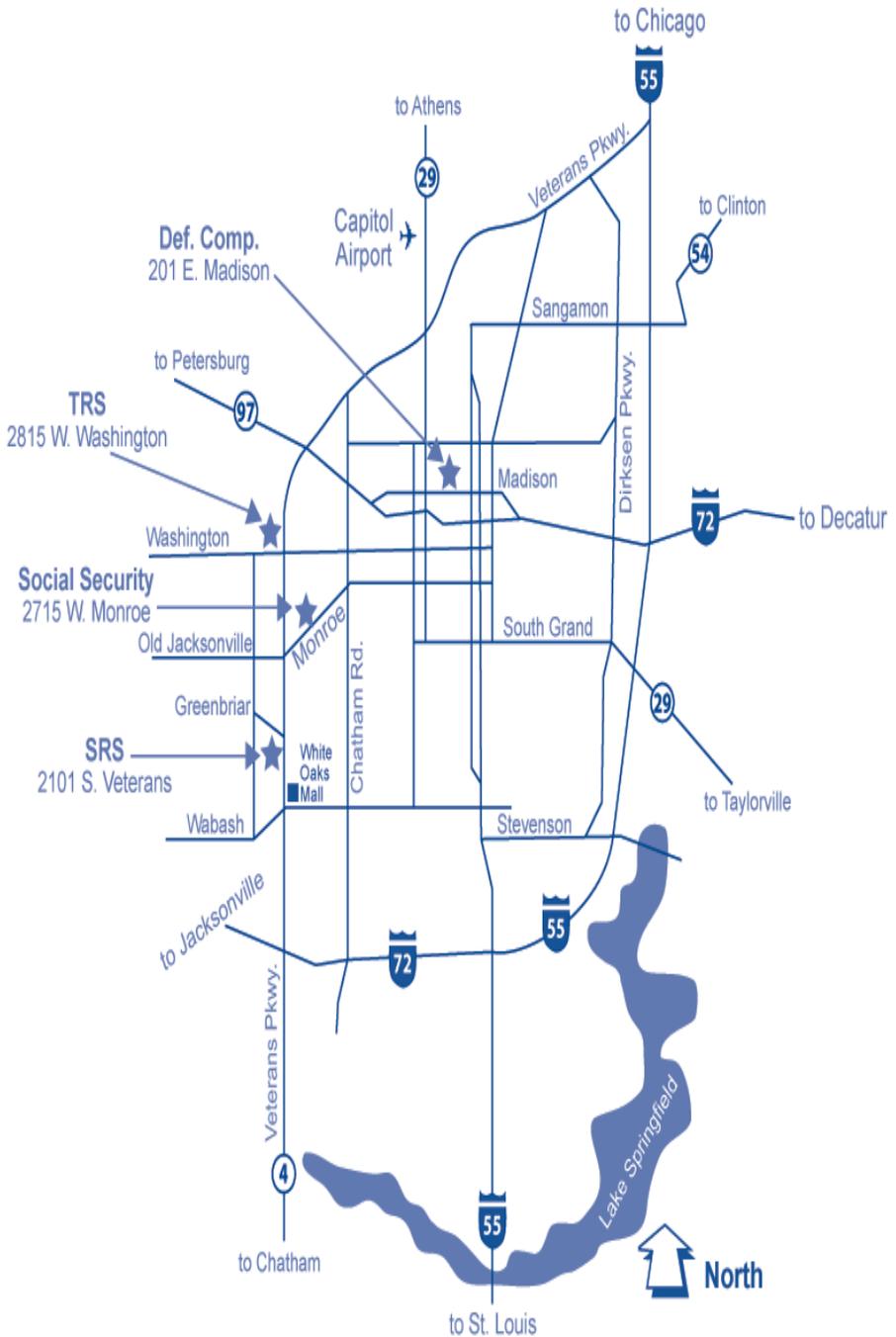
- Acquire additional service credit by purchasing your vacation days by completing Form #1404 with your agency payroll clerk before you terminate service.
- Notify your agency of your intent to retire and the date you wish to do so.
- If you need to change your SERS beneficiary, contact SERS for a Nomination of Beneficiary form #101.
- On your last day of employment, resign from your agency by signing the appropriate documents. If you are on disability, you must resign from your leave of absence in order to retire.

After Retirement

The State of Illinois **requires** plan participants who become eligible for premium-free Medicare Part A when turning age 65 or due to a disability before age 65, to enroll in Medicare Part B. Failure to enroll and maintain enrollment in Parts A & B results in a reduction of benefits and additional out-of-pocket expenses for medical services.

- After you retire, questions about the group insurance program should be made to SERS.

Springfield



SERS MISSION STATEMENT

To provide an orderly means whereby aged or disabled employees may be retired from active service, without prejudice or hardship, and to enable the employees to accumulate reserves for themselves and their dependents for old age, disability, death and termination of employment, thus effecting economy and efficiency in the administration of the State Government.