

# *Life Plans*



## **UNDERSTANDING OPTIONAL SERVICE**

*The Chicago Teachers' Pension Fund offers members several opportunities for purchasing optional service credit which will increase your pension and may allow you to retire sooner.*

# Life Plans

## THE BASICS

This brochure discusses the types of optional service, explains the advantages of a purchase, and outlines the general costs and payment options for service purchases.

### WHEN CAN I RETIRE?

Your retirement pension is calculated based on a formula that uses your final average salary and your total service credit. The requirements for a pension also depend on when you were hired.

#### TIER 1

Members who joined CTPF or a reciprocal system\* before January 1, 2011, are considered Tier 1 and can retire:

- at age 55 with 33.95 years of service credit, with an unreduced pension
- at age 55 with service credit between 20 and 33.95 years, with a reduced pension
- at age 60 with at least 20 years of service credit
- at age 62 with 5 or more years of service credit

#### TIER 2

Members who joined CTPF on or after January 1, 2011, are considered Tier 2 and can retire:

- at age 67 with 10 or more years of service credit
- at age 62 with 10 or more years of service credit, with a reduced pension

*\*See the brochure [Reciprocity and Your Retirement](#) for more information and a list of reciprocal systems.*

### WHY PURCHASE OPTIONAL SERVICE?

If you qualify, purchasing optional service allows you to increase your service credit and ultimately increase your retirement benefit.

### HOW MUCH WILL IT COST?

The cost of a service purchase can only be determined on an individual basis, but generally includes the contributions you would have made during the period you wish to purchase plus interest. Interest accrues each month, so the longer you wait to make a service purchase, the more it will cost.

## TYPES OF OPTIONAL SERVICE

Several types of optional service are available for purchase.

### APPROVED, UNPAID LEAVES

You may be eligible to purchase service credit for periods of unpaid leave approved by your employer. Leave types include sick leave, maternity/paternity leave, study/travel leave, and sabbatical leave granted by your employer. Members who contributed to CTPF after June 28, 2002, may establish a maximum of 36 months service credit. Members who did not contribute to CTPF after June 28, 2002, may establish a maximum of 12 months service credit.

### REFUNDED SERVICE

If you resigned from a CTPF-covered employer and accepted a refund of contributions, you forfeited your service for this period. You may reestablish the forfeited service provided that you return to work at

a CTPF-covered or reciprocal employer and establish at least two years of service credit. If you choose to reestablish service, you must be a current contributor to CTPF and you must purchase the entire refunded period.

### **PUBLIC TEACHING SERVICE**

You may be eligible to purchase service credit if your career includes teaching as a certified teacher in a public elementary or high school in Illinois, in another state, or in a school operated by or under the authority of the U.S. government. Purchase of public teaching service is limited to a total of 10 years. You must be a current contributor to CTPF in order to apply for this service.\*

### **MILITARY SERVICE**

You may be eligible to purchase service credit for time served in the U.S. military before you became a teacher or during a leave of absence from teaching. Purchase of military service is limited to five years, two of which may precede your teaching career. You must be a current contributor to CTPF in order to apply for this service.\*

### **1975-1976 ECONOMIC LAYOFF**

You may be eligible to purchase this time if you were a contributor to CTPF on the days immediately preceding the two-week layoff that began June 6, 1976. You must purchase the entire two-week period.

### **PRIVATE SCHOOL TEACHING SERVICE**

You may be eligible to establish up to two years of service credit for certified teacher/administrator employment in a private school recognized by or registered with the Illinois State Board of Education.

This service must have occurred prior to your participation in CTPF and is available only to currently contributing CTPF members. In addition, at retirement, you must have earned a minimum of 10 years of service credit with the Chicago Public Schools in order for the private school service to be included in the calculation of your pension. Your application for this service must be received by CTPF on or before June 1, 2009.\*

\* Please note: At retirement 60% of your total service credit must have been earned within the Chicago Public Schools or Chicago Charter Schools. Your combined service credit for public teaching service outside Chicago, military time, and/or private school service cannot exceed 40% of your total service credit at retirement.

### **OTHER TYPES OF OPTIONAL SERVICE**

You may purchase optional service for periods of employment as:

- a playground or recreational instructor for the City of Chicago, the Chicago Park District, or a Chicago Public School
- a member of the Chicago Board of Education
- a City of Chicago or Chicago Public Schools civil service librarian
- a school clerk employed by the Chicago Board of Education
- a lunchroom manager for the Chicago Board of Education

If you are a current contributing member of CTPF and want to see if your service qualifies for a purchase, contact Member Services.

## ADVANTAGES TO PURCHASING SERVICE

Increasing service credit may increase your retirement pension or allow you to retire sooner. If a purchase increases your service to 30 years or more, you may receive the 2.2 upgrade at no cost. Refer to the brochure Understanding the 2.2 Upgrade Option for more information.

The following examples illustrate how a purchase of service credit can increase your annual pension or allow you to retire sooner.

### Example: Purchase Increases Pension

Alice Brown is 65 years old and will have 24.95 years of service credit at the end of the school year. Brown meets the age and service requirements for a pension (see page 2 for more information).

Brown meets with a CTPF Member Services counselor and discovers several options that may increase her pension.

- Brown previously took a refund of contributions and in doing so forfeited 4.45 years of service.



- Brown took a one-year approved maternity leave.
- Brown began her service before the 2.2 pension formula was implemented. Her pension calculation for service prior to July 1, 1998, will be based on the step formula, with percentages as low as 1.67%. Brown can purchase an upgrade to have her pension calculated using the 2.2 formula. The upgrade cost will be waived if Brown's service reaches 30 years.

Brown considers her retirement options.

#### Option 1 – retire without a service purchase

If she retires without a service purchase or the 2.2 upgrade, Brown's pension would be \$34,605 annually.

#### Option 2 – retire with a service purchase

Brown can reestablish previous service by repaying her refund of contributions and purchasing the one-year approved leave at a cost of \$24,851.

With this option, Brown gains 5.45 years of service and increases her total service to 30.4 years. Brown would then qualify for the 2.2 upgrade option at no cost. Her annual pension would increase to \$48,373.

#### Weighing her options

If Brown chooses to purchase optional service, her pension will increase \$1,147 per month or \$13,768 per year. It will take her 22 months to recover the cost.

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## Example: Purchase Allows Earlier Retirement

Henry Jones is 61½ years old and will have 18.7 years of service credit at the end of the current school year. With his current service credit, Jones is eligible to retire when he turns age 62, in six months.

Prior to his teaching career, Jones served 1.8 years in the U.S. Navy. If he purchases the military time, he will reach 20.5 years of service, which will allow him to retire in June. Jones contacts CTPF to request retirement estimates with and without a service purchase.

Jones considers his retirement options.

### Option 1 – retire without a service purchase

Based on his current service, Jones does not qualify for retirement. He can wait six months and retire at age 62 with an annual pension of \$27,950.

### Option 2 – retire with a service purchase

Jones can establish an additional 1.8 years of service credit by purchasing his military service at a cost of \$19,374. With this purchase his service credit will increase to 20.5 years, and he can retire in June with an annual pension of \$30,689.

### Weighing his options

Jones must decide if paying for the service and retiring six months early fits with his life plans and financial goals.



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## COST OF PURCHASE

The cost of purchase varies depending on the type of service purchased and can only be determined on an individual basis. In general, the cost of the purchase increases monthly as interest accrues. The longer you wait to make a purchase, the more it will cost.

If you choose to purchase service, you must pay the entire cost; your employer does not pay any portion. Upon request, CTPF will provide members with estimates of pensions with and without a service purchase.

Because every situation is unique, CTPF recommends that you gather all the necessary information to make an informed decision and carefully consider your options. The decision to purchase service credit is similar to any other investment decision. Comparing the increase in your annual pension to the cost of the service purchase will give you an idea of how long it will take to recover the purchase cost. Other factors, including age, general health, and financial ability to pay the cost, will also influence your decision.

## STEPS TO PURCHASE SERVICE

To have the cost of a service purchase calculated, request the application form for the type of service you are considering. Forms are available from Member Services or at [www.ctpf.org](http://www.ctpf.org).

After you complete the application, return it to CTPF along with the required documentation. Once your materials are processed, CTPF will send a contract with cost information and payment options.

Review the contract carefully. The purchase of service credit is optional and the contract is not binding. If, after receiving the contract, you determine that you want to purchase a different amount of service, contact Member Services for a revised contract.

The purchase cost is only valid until the date specified on the contract. If you decide not to purchase service by the date specified, but later reconsider, you must request an updated contract with a new purchase price.

Service is credited when the cost is paid in full.

### PAYMENT OPTIONS

You must apply to purchase service and complete payment before you receive your first retirement check from CTPF or any other retirement system covered by the Illinois Reciprocal Act.

You may pay for optional service with after-tax or tax-deferred funds or a combination of both.

Payments can be made with personal checks, cashier's checks, or money orders. CTPF can also accept tax-deferred payments from qualified plans including a traditional IRA (not a Roth IRA), or a 401, 403(b), or 457(b) plan.

Lump-sum option – the applicant pays the total cost with a single payment

Installment payment option – the applicant pays for the service with a series of periodic payments. If you elect installment payments, it is your responsibility to complete payment by the date specified on the contract.

## ADDITIONAL INFORMATION

The CTPF newsletter, *Pension News*, and website, [www.ctpf.org](http://www.ctpf.org), contain important information about your pension benefits.

The nature of this publication is such that the omission of certain detail is a necessity, and therefore it should not be considered a substitute for the applicable pension law.



## CONTACT INFORMATION

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