

# *Life Plans*



## **MANAGING YOUR PENSION ASSETS**

*When you leave employment, you must decide how to manage the pension assets you have accumulated in the Chicago Teachers' Pension Fund. The decision you make can have a significant impact on your future financial security. This brochure explains your options and offers issues to consider.*

# Life Plans

## THE BASICS



Each pay period during covered employment, Chicago Teachers' Pension Fund (CTPF) members contribute a portion of their salary toward retirement. Members who participate in CTPF do not contribute to Social Security. Instead, vested members qualify for a lifetime pension at retirement.

A retirement pension is a valuable financial asset that is guaranteed for life, does not lose value or decrease with investment market conditions, and is protected from inflation.

If you leave a CTPF employer, you must decide what to do with the pension assets you have accumulated. Generally, your age and service credit determine your options. You may retire, defer a pension until retirement age, or take a refund of contributions. If you take a refund, you forfeit all future retirement benefits.

Understanding your options for managing pension assets is essential to making an informed decision. You may wish to consult with a financial advisor or schedule an appointment with a CTPF Member Services counselor, before making a decision.

## OPTIONS

When you leave employment, your age and service credit determine the options you have for managing pension assets.

### *Vested Member\**

If you have earned enough service credit to qualify for a pension, you may:

- **Retire.** You may retire with a pension, if you meet age requirements.
- **Defer your pension.** You may wait to apply for a pension until you reach retirement age.
- **Accept a refund of contributions and forfeit all future CTPF retirement benefits.** Contributions may be rolled over into another qualified retirement plan or paid to you.

### *Non-Vested Member\**

If you have not earned enough service credit to qualify for a pension, you may:

- **Leave your contributions and service credit in CTPF.** If you return to a CTPF employer or accept employment in an Illinois reciprocal system, your contributions and service credit can be combined, (see page six for reciprocal information).
- **Accept a refund of contributions and forfeit all future CTPF retirement benefits.** Contributions may be rolled over into another qualified retirement plan or paid to you. You may apply for a refund at any time.

\* The current minimum vesting requirement is 5 years of service for Tier 1 employees; 10 years of service for Tier 2 employees. See [www.ctpf.org](http://www.ctpf.org) for more information.

## ACCEPTING A REFUND

If you accept a refund of contributions, you forfeit your right to a pension for that employment period. A refund includes all contributions in your account, but does not include interest on those contributions. You also waive all future CTPF retirement benefits, including:

- a survivor pension for your eligible dependents
- a lump-sum death benefit for your designated beneficiaries
- access to CTPF's post-retirement health insurance programs

The brochure *Your Retirement from Teaching* provides additional information about these benefits.

## Distribution Options and Tax Consequences

If you choose a refund of contributions, the type of distribution determines if you will pay taxes, penalties, or both. Make sure you understand the tax implications of your options, before accepting a refund.

Your refund options may include:

- *Full distribution.* The distribution is paid directly to you, less any required IRS withholding.
- *Full rollover.* The distribution is sent to the qualified retirement plan of your choice.
- *Partial rollover and distribution.* The refund may be divided. A portion can be rolled over into a qualified retirement plan, and the balance paid directly to you, less any required IRS withholding.

The refund application contains further information regarding distributions, penalties, and tax obligations.

## Applying for a Refund of Contributions

If you decide to apply for a refund of contributions and have resigned from employment, download an Application for Refund of Contributions at [www.ctpf.org](http://www.ctpf.org), or request one from CTPF Member Services. Return the completed application to CTPF, along with a resignation form or verification of employment letter from your employer, and a copy of your photo id.

Your application will be processed when CTPF verifies:

- 1) you are no longer employed
- 2) you have not been employed for at least 60 days

Processing time for refunds varies depending on the availability of final information from your employer.

Individuals who resign from the CPS system after the 2006-2007 academic year, should expect substantial processing delays.



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## MORE INFORMATION

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### *Illinois Reciprocal Systems*

The provisions of the Illinois Retirement Systems Reciprocal Act (reciprocal act or reciprocity) allow individuals who earn at least one year of service in more than one covered system to combine service and coordinate benefits at retirement.

If you leave a CTPF employer and then join another Illinois reciprocal system, you can combine your service. Combining service may allow you to meet pension eligibility requirements, and receive pensions from all systems.

Public Act 96-0889, signed April 14, 2010, created a second tier of pension benefits for individuals who join most Illinois public pension systems on or after January 1, 2011. Members with contributions on deposit prior to January 1, 2011, are Tier 1. Members with contributions on deposit prior to January 1, 2011, who later join another reciprocal system, retain Tier 1 benefits in both systems.

Thirteen Illinois public pension systems participate in the reciprocal program. The brochure *Reciprocity and Your Retirement* has additional information on reciprocity, and a list of reciprocal systems.

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### *Repayment of a Refund of Contributions*

If you return to work at a CTPF employer or reciprocal employer and earn at least two additional years of service credit, you may repay a refund and reinstate forfeited service. You must repay the entire refund, plus interest. See the brochure, *Understanding Optional Service*, for more information.

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### *Counseling*

CTPF offers individual counseling sessions to discuss options and to answer benefit questions. Call Member Services at 312.641.4464 to schedule a counseling session.

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### *Other Resources*

You may access a variety of information including brochures and newsletters at [www.ctpf.org](http://www.ctpf.org). Contact Member Services, Monday to Friday from 8:00 a.m. - 5:00 p.m., at 312.641.4464.



## CONTACT INFORMATION

Member Services

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