

TRS RETIREMENT & D207 RETIREMENT PLAN

Frequently Asked Questions

- 1) When am I first eligible to retire from teaching in Illinois without a discounted (reduced) pension annuity?** *For teachers who upgraded all of their pre-1998 years to 2.2 the magic number is 35 total years of service credit (must be 55 years old) OR you must have 10 years of service credit and be age 60.*
- 2) What is a discounted pension annuity?** *Teachers are eligible to retire in IL with a discounted annuity IF they are at least age 55 but have not yet turned age 60 AND have at least 20 years of service credit. Your pension annuity will be reduced ½% for every month you are under age 60 or 6% for every year you are under age 60. Retiring after just turning 55 means your pension will be reduced 6% x 5 years or 30%....ouch! For teachers who retire at age 59, but who will turn age 60 in just a matter of a few months, might find it worth it to take a 1-2% reduction, especially if retiring means they are eligible for the D207 incentives.*
- 3) Does your age matter if you reach 35 years of credit? If you are 56 years & old & have 35 years of service are you eligible?** *Yes, age does matter as you must be at least age 55 if you have 35 years of service credit to retire. A 56 year old with 35 years of service can retire with the full pension of 75%. If you were first hired at age 21 and taught for 33 years and had 2 years of sick leave credit, you would still only be 54 years old and could NOT retire with a pension until you turned age 55 (this is a very rare situation).*
- 4) Can the ERO refund money be put into a Roth IRA?** *The final rules will be published by TRS in December and I have not seen any literature from TRS that gets specific into the types of IRA's that are eligible. A Roth IRA is a special retirement account where you pay taxes on money going into your account and then all future withdrawals are tax free. Thus, while you may be able to avoid the 10% early withdrawal penalty you will have to pay the taxes up front on that refund.*
- 5) If we contribute to a 403b and are close to maxing out our contributions, can we divide the money and sent it to two different accounts?** *Again, the final rules have not been published and I have not seen what the application looks like to be able to answer this question.*
- 6) Can we put the ERO \$ into a 529?** *While I do not know this answer for sure and I've not seen any TRS references to 529 plans. A 529 plan can be a pre-paid plan or a savings plan like works similar to an IRA. It may depend on which type of 529 you have, but you will have to wait for the final rules to be published.*
- 7) If the ERO refund is put into a retirement account will it be taxed now?** *That depends on what type of retirement account you send the refund money. A Roth IRA will have taxes taken out immediately. Teachers should contact their financial advisor for information on how to handle your ERO refund. If you need the name of a financial advisor, please contact Greg Dietz for a list of names and contact information.*
- 8) If my earnings exceed the 6% limit during one or more of my final four years of teaching who pays the penalty charged by TRS?** *The technical answer is the BOE pays the TRS penalty that is charged to the District; however, a teacher's incentive pot will be reduced using the formula in the Agreement to offset the costs of the TRS penalty. The teacher will never receive a bill from TRS nor will their pension be reduced in order to pay for the penalty. The BOE receives the bill and must pay it from available funds.*

9) You stated that about 51 teachers are in retirement “limbo” because they will not be eligible to retire during this contract that ends in 2020. Can those teachers put in for retirement during this current contract, but not retire until sometime during the next contract after August 2020? *Unfortunately, the answer is NO. The current contract says you must put in for retirement AND actually retire at some point before the current contract expires. For those teachers who will not become eligible to retire until late 2021 or thereafter must wait for a successor contract to be negotiated.*

10) It looks like I am one of those teachers who is stuck between contracts (retirement limbo you called it), so does that mean I must work 1 year longer than I had anticipated? *Unfortunately, the answer is YES if you want to retire with the maximum annuity percentage. Here are your options if the contract or 170-sick day provision is NOT approved by the MTA and the BOE:*

- a) Work one additional year before retiring to make up for the lack of 170 sick days;*
- b) If age 60, retire anyway, but with an annuity percentage that is 2.2% LOWER;*
- c) If under age 60, retire anyway using the discounted annuity option, but you will lose 2.2% of your annuity for the lack of 170 sick days PLUS you must take a 6% annuity reduction for every year you are under the age of 60.*

11) I will turn age 60 in April of 2022 and will have 27 years of service credit at that point. If I understood you correctly, does that mean I cannot get the 170 sick days because I cannot give a 5-year notice of retirement? *Unfortunately, your understanding of how it works is correct. Since you must wait for the next contract to be signed (hopefully in Spring 2020) you will not have 5 years before you retire. As a result, you will not be able to get the 170 sick days and your pension will not be increased by 2.2%.*

12) What are some things teachers can do during their final years of working in order to help their \$34,000 retirement pot last long enough to get the maximum benefit of four annual increases of 6%? *Teachers can do any work that is considered TRS creditable. Such creditable earnings from the TRS website include: salary increases (column and/or step changes), cost-of-living increases, substitute teaching (internal subbing), homebound tutoring, extra duty pay, supervisions, bonuses, longevity, stipends for National Board Certification, etc.*

13) I’m a working mother who took maternity leave after each of my three children were born. Between those leaves, my kids’ illnesses and my own illnesses, I have only a few sick days accumulated. I will not have 170 sick days when I retire so I will not get 1 year of service credit. What happens to my 53 sick days when I retire?

Sick days have value, regardless of how many you have accumulated over your career. TRS will prorate your service credit, so even though 170 days are needed to get 1 year, your 53 sick days will add 0.31 years of service credit to your total.

14) My state representative from Barrington Hills just introduced House Bill 6613. Basically, the bill intends to prohibit all “post-retirement educator bonuses” not required under a valid contract entered into before the effective date of the amendatory act. It uses the term “bonus” but defines it as “any payment” made by a school district to a licensed educator who has retired and is collecting a retirement annuity from TRS. How would this impact our District’s retirement incentive?

The only “payments” to retired D207 educators would be any sum of money that is left over from the incentive pot of \$34,000 or the insurance incentive payments up to \$3500 annually (until age 65) for those D207 educators who leave the D207 health insurance plan. While very few people end up have a surplus of retirement incentive money, the payments to staff members who leave D207 insurance are great. The maximum potential benefit of \$35,000 (ten years at \$3500 annually) would likely no longer be allowed under HB 6613 after 2020 since the MTA/BOE would then lose its grandfather status.

