

The 2.2 formula improves retirement benefits for TRS members. Service prior to July 1998 can be upgraded to this formula by making an optional payment.

What is 2.2?

The 2.2 formula improves the retirement benefit for TRS members by accelerating the rate at which future retirement benefits accrue. Formerly your retirement benefit accrued at a slower rate in your early years as an educator and at a faster rate as your service credit increased. The table below compares the previous four-step formula to the 2.2 formula.

Years of service	Annual Accrual Rate	
	Four-step formula	2.2% formula
First 10 years	1.67%	2.2%
Second 10 years	1.9%	2.2%
Third 10 years	2.1%	2.2%
Years beyond 30	2.3%	2.2%

Note: all service earned on or after July 1, 1998 accrues at the 2.2 percent formula

Who should upgrade?

Only years **before** the 98-99 school year need to be upgraded. If you have only a few years of service prior to July 1, 1998, upgrading is probably not necessary. The program has a provision that for every three years of service earned after June 30, 1998, one year of pre-1998 service is upgraded for free.

How does 2.2 affect the calculation of my retirement benefit?

The 2.2 formula allows you to reach the maximum retirement benefit of 75 percent of your final average salary in 34 years

instead of 38 required under the four-step formula.

Your retirement benefit is determined by multiplying your final average salary times an accrual percentage times your total years of service. This accrual percentage is 2.2 percent per year for all service earned **after** July 1, 1998. For service earned **before** July 1998, the percentage varies based on the four-step formula, unless you upgrade that service to the higher 2.2 percent accrual rate. However, if you had at least 24 years of service on July 1, 1998, you will continue to receive 2.3 percent per year for years of service beyond 30 unless you upgrade your pre-July 1998 service to the 2.2 formula.

If you are qualified to receive a benefit of at least 74.6 percent of final average salary, we will round this percentage up to the 75 percent maximum.

If you retire before age 60 and have fewer than 35 years of total creditable service, you will receive a discounted retirement benefit.

What is the 2.2 upgrade?

The 2.2 upgrade is a program that allows credit earned before July 1, 1998 to be upgraded to the 2.2 formula by making an optional payment. If you do not upgrade pre-July 1998 service, benefits for this service will be based on the four-step formula. The upgrade to the 2.2 formula is entirely voluntary and may be elected by contacting the TRS Member Services Department.

What does it cost to upgrade?

Your upgrade cost is determined by multiplying 1 percent times the number of years taught before July 1, 1998, by your highest salary rate during the four school years before you apply to make the upgrade contribution. You must upgrade all years under the four-step formula, but the maximum charge is 20 percent, or 20 years, times the 1 percent contribution rate. Because salaries of most educators increase annually, you may pay a smaller amount if you upgrade sooner rather than later.

How may I pay for the upgrade?

You may pay for the upgrade in any one or a combination of the following ways during a maximum five-year period:

- a lump-sum amount through a rollover,
- a periodic payment in substantially equal amounts for up to 24 months through a reduction in your retirement benefit, or
- a post-tax payment paid by check or money order.

When may I upgrade?

You may make an election to upgrade only once during a five-year period. The election will remain in effect for five years from August 15 following your election to upgrade.

You cannot make an election to upgrade once you have retired. If you are nearing retirement, you may wish to contact a financial consultant to determine if the upgrade option is advantageous to you.

All TRS benefit estimates include pension amounts with and without the 2.2 upgrade for a comparison.

How is the cost determined for reciprocal systems that offer the 2.2 upgrade?

There is no upgrade cost for service under the other state retirement systems with the exception of the Chicago Teachers' Pension Fund (CTPF).

If you have reciprocal service with CTPF, you **may** upgrade both TRS and CTPF service or you may choose to upgrade one or the other. Each system will determine the upgrade charge based upon credit and salary rates within that system. The maximum upgrade charge for each system will be 20 percent of each system's designated salary rate.

Do I need to upgrade my optional service to 2.2?

All years of service prior to July 1, 1998, including purchased optional service, must be upgraded if you elect 2.2. The total number of TRS years to be upgraded will never exceed 20, including both earned and optional service.

For example, assume you have already upgraded 18 years of TRS service. If you purchase two years of pre-July 1998 optional service, you must upgrade these years. If you purchase three years, only two will require an upgrade because the total number of years requiring an upgrade is capped at 20.

The upgrade cost for optional service will be calculated using the same salary rate as the original upgrade if payment is made within the same five-year period as the original upgrade.

If I'm an inactive member, do I need to upgrade?

You may. Inactive members frequently retire with an actuarial benefit based on contributions, interest, and life expectancy.

You will **not** need to upgrade if your benefit is based on an actuarial calculation. In addition, the cost to upgrade will not increase while you remain inactive because the cost is based on the highest salary in the previous four years of employment under TRS.

Do I need to upgrade if I have taught only a few years?

You may not need to upgrade if you have only a few years of service credit earned before July 1998. The law forgives one year of the upgrade cost for each three full years worked after July 1, 1998.

How can my 2.2 upgrade charge be reduced?

At retirement we will recalculate the upgrade charge and reduce or refund (if paid) the contribution by one year (1 percentage point) for each three full years worked after July 1, 1998. Sick leave service granted at retirement will not be considered for the three years worked. Refunds will include interest compounded at 6 percent annually.

Should you work beyond the 34 years required to reach the maximum benefit, the upgrade charge will be reduced or refunded with interest – 25 percent for each year beyond 34 years. Partial years are prorated. Sick leave service granted at retirement will be considered for years after 34.

For members upgrading and retiring with more than 34 years of service, including some optional service, the optional service may be refunded back to 34 years without interest. Members with more than 34 years of service will receive the larger of the two refund options.

Refunds will be paid following retirement, either through a rollover to a tax-qualified plan or account, or directly to the member. Direct payments will be subject to federal tax withholding requirements in effect at the time of distribution.

Will my survivor benefits be paid based on the 2.2 formula?

If you die before paying your 2.2 upgrade in full, all payments made will be refunded with interest to your beneficiaries and survivor benefits will be based on the lower four-step formula.

If you die before you retire and your upgrade is paid in full, survivor benefits will be based on the 2.2 formula.

If you die while you are in retirement and you are paying the 2.2 upgrade through a reduction in your retirement benefit, any remaining balance is forgiven and survivor benefits will be based on the 2.2 formula.

If I pay the 2.2 upgrade charge, can I change my mind and request a refund?

At retirement you may request a refund of the 2.2 upgrade charge if you do not wish to have your retirement benefits calculated using the 2.2 formula. The refund will be paid **without** interest.

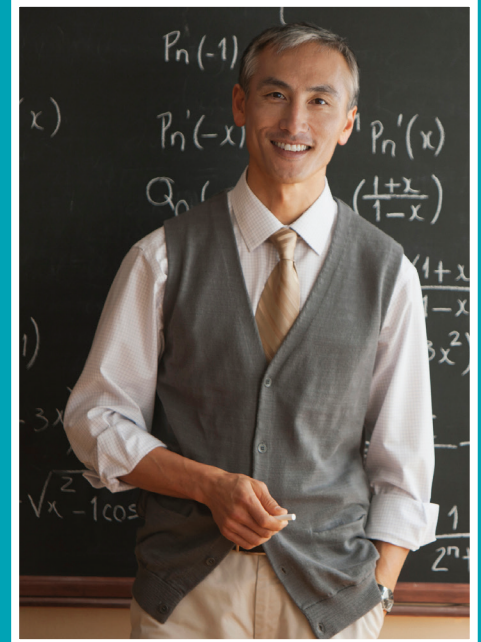
What if I do not upgrade?

Members who do not upgrade to the 2.2 formula and who retire with more than 34 years of service credit will receive a refund of the 1 percent member contributions for 2.2 paid after the attainment of 34 years of service or July 1, 1998, whichever is later. The refund will be made following retirement.

What about annuitants?

The 2.2 benefit formula does not apply to retired TRS members because they are receiving a retirement benefit.

UNDERSTANDING THE 2.2 BENEFIT FORMULA



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OF THE STATE OF ILLINOIS**