



Vested Inactive Buyout

The Fiscal Year 2019 budget implementation law (Public Act 100-587), signed June 4, 2018, amended the Illinois Pension Code and created provisions for a Vested Inactive Buyout. The Vested Inactive Buyout is an option to receive a total lump-sum buyout instead of any pension benefit otherwise payable from SURS. This buyout will be available to SURS members who meet the eligibility requirements during the period July 1, 2019, through June 30, 2024.

Eligibility Requirements

To be eligible for a Vested Inactive Buyout, a member:

- Must have terminated employment with all SURS-covered employers
- Must meet minimum service credit requirements for vesting status (with SURS service only)
 - Tier I (began participation with SURS or a reciprocal system prior to 1/1/2011)
 - At least five years of service credit
 - Tier II (began participation with SURS or a reciprocal system on or after 1/1/2011)
 - At least 10 years of service credit
- Must not have elected to receive the Tier I AAI Buyout (the other buyout created by PA 100-587)
- Must not have received a SURS retirement benefit
- Must not be enrolled in the Self-Managed Plan

Calculation and Payment

The Vested Inactive Buyout amount will be calculated based on your annuity on your first eligible date of retirement and will be equal to 60 percent of the present value of the total pension benefit. SURS will calculate the Vested Inactive Buyout payment using actuarial factors.

If you elect the Vested Inactive Buyout, you will be giving up your right to future benefits provided by SURS, including a lifetime monthly retirement benefit, death benefits and survivor benefits.

Payments will be made by SURS and will be funded through the sale of state of Illinois bonds issued for this purpose. Payments will take several months. Buyout payments must be rolled over to an eligible retirement plan and will be taxable at the time of distribution from the rollover institution. Buyout payments will be made until the bond proceeds are exhausted. If that occurs, the Vested Inactive Buyout will end prior to the deadline date of June 30, 2024.

Insurance Eligibility

If you elect the Vested Inactive Buyout, you may retain your eligibility in the health insurance program applicable to you.

If you are not old enough to qualify for a monthly benefit at the time you elect the Vested Inactive Buyout, your insurance coverage may become effective when you reach the age which you would have first been eligible to retire had you not taken the Vested Inactive Buyout. If you already meet the age requirements for a lifetime monthly benefit at the time you elect the Vested Inactive Buyout, your insurance may begin the first of the month in which SURS receives your Vested Inactive Buyout Election Form *and* your Insurance Participation Election Form.

Please refer to the Frequently Asked Question regarding insurance eligibility for more information.

Frequently Asked Questions

When can I apply for the Vested Inactive Buyout?

Applications for the Vested Inactive Buyout will be available to members between July 1, 2019, and June 30, 2024. However, the offer may end prematurely if the bond proceeds funding the buyouts are exhausted.

Can I retire under the Reciprocal Act and get a Vested Inactive Buyout?

No, if you elect a Vested Inactive Buyout from SURS, the service and earnings associated with the buyout cannot be used for a retirement calculation at SURS or any other reciprocal agency. In addition, once the buyout is elected, this service can never be repaid.

How can I find out what my estimated Vested Inactive Buyout amount would be?

The online benefit estimator has been updated so it can provide estimated buyout amounts. SURS counselors will also provide this information during counseling appointments. You can access the online benefit estimator or request a counseling appointment by logging into the secure member website at www.surs.org.

Is the Vested Inactive Buyout taxable?

You are required to do a direct rollover of your Vested Inactive Buyout payment into an eligible retirement plan (such as a 401(a), 401(k), 403(b), 457 or IRA) to the extent allowed by federal law. The amounts rolled over will not be taxable until you take a distribution from the plan that received the funds. However, if you roll your funds into a Roth IRA, those funds become taxable at the time of the rollover.

What is the application process?

Applying for the Vested Inactive Buyout is a two-step process:

Step 1) Application Process: Inactive members who are interested in applying for the Vested Inactive Buyout must call the SURS Call Center at (800) 275-7877 to initiate the process. If you meet the eligibility requirements, SURS will mail you the Application for Vested Inactive Buyout. When you return the application, SURS will begin the process of calculating the Vested Inactive Buyout amount. At the end of this process, which can take six months or longer, you will receive a “final offer” including detailed buyout information.

Step 2) Offer and Election Process: Once you receive the final offer letter, you will need to make your final election to either keep your lifetime monthly retirement annuity or accept the Vested Inactive Buyout and give up your right to future retirement, death and survivor benefits (if eligible) from SURS.

Once I receive the final offer how much time do I have to return the election form?

- You have 120 days from the date on the offer letter to make an election. If you do not make an election to receive the Vested Inactive Buyout within 120 days, your application will become void.
- SURS will only issue **one** buyout offer per fiscal year so if you do not elect the Vested Inactive Buyout within the 120-day window, you must wait until the start of the new fiscal year to re-apply.
- The Vested Inactive Buyout election is irrevocable upon SURS’ receipt of the election form.

When can I expect the buyout payment?

Buyout payments are not made until after the final election form is received by SURS. This may be six months or more after the receipt of the application. Given this timeframe and the fact that these payments must be rolled over, the Vested Inactive Buyout should not be considered a short-term solution in times of financial hardship. Buyout payments are also contingent upon the availability of funds from the state of Illinois.

What if I accept a Vested Inactive Buyout at retirement and then return to work?

- If you return to work with a SURS-covered employer prior to SURS’ receipt of your buyout election form, you will lose your eligibility for the Vested Inactive Buyout.
- If you are reemployed by a SURS-covered employer after taking the Vested Inactive Buyout, you will retain your original tier status and plan election. However, you will be considered a new employee and will be subject to all other qualifying conditions for participation and eligibility for benefits applicable to new employees. Any future benefits will be calculated only on new service accrued after the election of the buyout.

What if I have a Qualified Illinois Domestic Relations Order (QILDRO)?

If you are subject to a QILDRO and you are interested in taking the Vested Inactive Buyout, your buyout election form must be returned with the QILDRO Calculation Court Order (if required due to division of benefits based on percentage of benefit or percentage of marital portion) and a stipulated court order specifying that you are allowed to elect the buyout and further specifying how the Vested Inactive Buyout payment is to be shared between you and the alternate payee on your account.

What are the insurance eligibility requirements?

To be eligible to participate in the State Employees Group Insurance Program (SEGIP), you must have at least five years of service with a SURS-covered state employer (or 10 years if you are Tier II). Part-time employees who meet this requirement may also qualify. The SEGIP includes health, vision, prescription, dental and life insurance.

To be eligible for the College Insurance Program (CIP), you must have been a full-time employee eligible for group health benefits while employed at a community college. The CIP includes health, vision, dental and prescription coverage.

For members eligible for the SEGIP or the CIP who elect the Vested Inactive Buyout, participation in the insurance program may become effective when you reach the earliest age upon which you would have first been eligible to receive a retirement benefit had you not taken the Vested Inactive Buyout. If you already meet the age requirements for a lifetime monthly retirement benefit at the time you elect the Vested Inactive Buyout, your insurance may begin the first of the month in which SURS receives your Vested Inactive Buyout Election Form *and* your insurance Participation Election Form.

Can I elect a Vested Inactive Buyout if I am required to take a Required Minimum Distribution?

The IRS laws and regulations require that members not currently employed by a SURS-covered agency or reciprocal system within the state of Illinois must begin distributions of their retirement benefits beginning on April 1 of the calendar year following the calendar year in which they reach the age of 72 or terminate their SURS or reciprocal employment, whichever is later. (Members born on or before June 30, 1949, must begin distributions beginning on April 1 of the calendar year following the calendar year in which they reach age 70 ½). Due to these requirements, SURS will not accept applications for a Vested Inactive Buyout from members who are within 12 months of their April 1 Required Minimum Distribution deadline.

Disclaimer and Assumptions

“Future value” is an estimated total of future lifetime pension benefits based on your monthly benefit at retirement. For the purpose of these calculations, “future value” includes annual increases and applicable survivor benefits. To determine present value, the stream of future payments is discounted by a specified rate of return (the discount rate.) The discount rate used to calculate the buyout payment is SURS’ prescribed rate of interest which is currently set at 6.75 percent.

All actuarial tables used to calculate the buyout amount are based on the most recent actuarial assumptions adopted by the SURS Board of Trustees. Life expectancies are based on the mortality assumptions used in SURS’ 2018 Actuarial Valuation, which indicates an average life expectancy ranging between 86 and 90 years of age.

The buyout payment amount provided in estimates and on final offer letters represents the calculated buyout amount only. It does not include any potential investment returns that may be earned outside of SURS after the payment has been made.

All aspects of administration of the State Universities Retirement System (SURS), including but not limited to benefit calculation and payment, must comply with state and federal law. No employee of SURS has the authority to bind the System to take action contrary to law, even in the event of misstatement of fact or law. Furthermore, the information contained herein states SURS’ current understanding of the law which could change over time due to court opinions, statutory changes, or other legal matters or interpretations (e.g., attorney general opinions). SURS is required under law to correct any mistake in benefit amount, even after payments have begun. This document was created for general information only. Any information provided by SURS does not represent personal tax or legal advice, either express or implied. You are encouraged to seek professional legal and/or tax advice for your personal income tax questions and for all other legal purposes.