**Section 1600.460 Accelerated Pension Benefit Payment In Lieu of Any Pension Benefit**

a) Purpose. This Section implements Section 15-185.5 of the Code providing for an accelerated pension benefit payment in lieu of any pension benefit, to be referred to in this Section as the "Vested Inactive Buyout" or "VIB".

b) Definitions. For purposes of Section 15-185.5(a), the following terms shall have the meanings specified in this subsection (b).

1) Eligible Person. An eligible "person" shall mean a person who satisfies the following conditions.

A) The *person has terminated* all *service,* meaning the person has terminated employee status under Section 15-107 of the code as of the date SURS receives the VIB application and has continuously remained in non-employee status as of the date SURS receives the election to accept the VIB offer.

B) The *person has accrued sufficient service credit to be eligible to receive a retirement annuity under Article 15,* meaning the person must meet the applicable retirement eligibility requirements under Section 15-135 of the Code solely with respect to service credit as of the date SURS receives the VIB application. For this purpose, service credit shall include only service credited under Article 15. No service credited at a reciprocal retirement system or pension fund shall count under this subsection (b)(1)(B).

C) The *person has not received any retirement annuity under Article 15*, meaning the person must not have received any retirement annuity or Preliminary Estimated Payments as of the date SURS receives the VIB application.

D) The *person has not made the election under Section 15-185.6*.

E) The *person is not a participant in the Self-Managed Plan under Section 15-158.2*.

2) Implementation Date. *"Implementation date" means the earliest date upon which the Board authorizes eligible persons to begin irrevocably electing the accelerated pension benefit payment option under Section 15-185.5. The Board shall endeavor to make such participation available as soon as possible after June 4, 2018* *and shall establish an implementation date by Board resolution.* [40 ILCS 5/15-185.5(a)]

3) Pension Benefit. The "pension benefit" upon which the VIB shall be calculated shall consist of one or more of the following benefits, as applicable:

A) Traditional Benefit Package

i) Tier 1 Members. Retirement benefits under the applicable provisions of Section 15-136 of the Code and, if a permanent survivor (as defined under subsection (b)(4)) exists, survivors insurance benefits under Section 15-145 of the Code, subject to the minimum total survivors annuity payable under Section 15-146(b) of the Code.

ii) Tier 2 Members. Retirement benefits under the applicable provisions of Section 15-136 and, if a permanent survivor (as defined under subsection (b)(4)) exists, survivors insurance benefits under Section 15-145.1 of the Code.

B) Portable Benefit Package

i) Tier 1 Members. Retirement benefits based on the actuarial equivalent of a single-life annuity described under Section 15-136.4(b) of the Code with automatic annual increases under Section 15-136.4(l).

ii) Tier 2 Members. Retirement benefits based on the actuarial equivalent of a single-life annuity described under Section 15-136.4(b) with automatic annual increases under Section 15-136(d-5).

C) Refund of Survivors Contributions. If the eligible person has no permanent survivor as of the VIB application date, then the refund that would have been payable as of the assumed retirement date under Section 15-154(c) of the Code.

D) Refund of Additional Contributions. The refund that would be payable as of the assumed retirement date under Section 15-154(d), if applicable.

E) Refund of Excess Service Credit. The refund that would be payable as of the assumed retirement date under Section 15-154(e) for excess or waived service credit.

F) Refund of Police and Firefighter Contributions. The refund that would be payable as of the assumed retirement date under Section 15-154(f), if the eligible person elects to waive the application of Rule 4 of Section 15-136 of the Code.

4) Permanent Survivor. For purposes of this Section, the term "permanent survivor" shall mean a person who:

A) is living as of the earlier of the assumed retirement date or the date on which the VIB offer is issued; and

B) is the youngest (i.e., has the longest actuarially assumed life expectancy) from among the following:

i) a "surviving spouse" under Section 15-127 of the Code (without regard to any one-year minimum marriage requirement) or an "eligible spouse" under Section 15-136.4(a) (without regard to any one-year minimum marriage requirement); or

ii) a "child" under Section 15-129 of the Code who is unmarried and dependent upon the person by reason of a physical or mental disability that began prior to the date the child attained age 18.

● If the child is age 18 or older as of the application date, the child will be deemed to be disabled on the basis of a written certificate from one or more licensed and practicing physicians stating that the child is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months. The physician's determination of disability shall be determined in accordance with 20 CFR 416.905 through 416.911.

● If the child is under age 18 as of the application date, the child will be deemed to be disabled on the basis of a written certificate from one or more licensed and practicing physicians stating that the child has a medically determinable physical or mental impairment or combination of impairments that causes marked and severe functional limitations, and that can be expected to cause death or that has lasted or can be expected to last for a continuous period of not less than 12 months. The physician's determination of disability shall be determined in accordance with 20 CFR 416.905 through 416.911.

c) VIB Application. Beginning on the implementation date, an eligible person may apply for a VIB calculation in writing in the form prescribed by SURS, subject to the following conditions:

1) Application Deadline. SURS must receive the application by June 30, 2024. However, in no event shall SURS accept an application less than 12 months prior to the date on which the eligible person must begin receiving Required Minimum Distributions under Section 1-116.1 of the Code and IRC section 401(a)(9).

2) Termination of Application

A) A pending application shall terminate prior to SURS' receipt of the election to receive the VIB on the earliest of the eligible person's:

i) revocation of the application;

ii) re-employment;

iii) death;

iv) required beginning date for Required Minimum Distributions under Section 1-116.1; or

v) election to receive an Automatic Annual Increase Buyout (AAI Buyout) under Section 15-185.6 and Section 1600.461 of this Part.

B) No election to accept a VIB offer shall be effective upon or after the termination of a pending application.

C) The eligible person may not withdraw or revoke a pending application as of the date SURS receives the completed VIB election form.

3) Other Benefits. The eligible person may not apply for a refund, disability benefit, or disability retirement annuity while a VIB application is pending.

d) VIB Offer Amount. After receipt of a VIB application, SURS shall calculate the VIB offer amount as soon as practicable. The VIB offer amount shall be 60% of the present value of the applicable pension benefit payable as of the assumed retirement date. The calculation shall be subject to the following conditions:

1) Actuarial Assumptions

A) All actuarial tables used to calculate the VIB offer amount shall use actuarial assumptions most recently adopted by the Board as of the time of the calculation.

B) The present value date shall be the first of the month on or immediately following the date that SURS receives the VIB application.

C) The discount rate used to calculate the present value of any benefit shall be the prescribed rate of interest.

D) The effective rate of interest for fiscal years prior to the fiscal year containing the date of the calculation shall be the historical rates set by the Board or the State Comptroller, as applicable. The effective rate of interest for fiscal years inclusive of and after the fiscal year containing the date of the calculation shall be the last known effective rate of interest set by the Board or the State Comptroller, as applicable.

2) Service Credit

A) All service credit purchases must have been completed by the date SURS receives the VIB application.

B) Service credit for unused, unpaid sick leave under Section 15-113.4 of the Code shall apply only if the eligible person was an employee within 60 days immediately preceding the assumed retirement date.

3) Assumed Retirement Date. The assumed retirement date shall be the retirement annuity commencement date determined as follows.

A) If the eligible person has attained the earliest applicable retirement age under Section 15-135 of the Code as of the date SURS receives the VIB application, the VIB offer amount shall be based on a retirement annuity that commences on the first of the month on or immediately following the date that SURS receives the VIB application (subject to any applicable early age reductions under Section 15-136).

B) If the eligible person has not attained the earliest applicable retirement age under Section 15-135 as of the date SURS receives the VIB application, the VIB offer amount shall be based on a retirement annuity that commences on the first of the month following the birthday on which the person will have attained the earliest applicable retirement age under Section 15-135 (subject to any applicable early age reductions under Section 15-136).

4) Survivor Benefits. The assumed dates of death of the eligible person and eligible permanent survivor with respect to any assumed survivor benefit shall be based on the most recent mortality assumptions adopted by the Board as of the date of the calculation.

5) Frequency. No more than one VIB offer amount shall be calculated in a State fiscal year.

6) Appeals. An eligible person may seek an appeal of the calculation of the VIB offer amount within 35 days after the issuance of the offer, in accordance with Section 1600.500.

e) VIB Election. The election to accept the VIB offer shall be made in the manner and form prescribed by SURS. SURS may require additional documentation or proof to verify any fact or record necessary for the administration of the election.

1) Election Deadline. The eligible person shall elect to accept the VIB offer within 120 days after the date the VIB offer was issued. If no election is submitted by the deadline, the eligible person shall be deemed to have rejected the VIB offer.

2) Election Date. The date of the election to accept the VIB offer shall be the date SURS receives the completed VIB election form.

3) Survivor Consent. The election shall be accompanied by written and notarized consent of any permanent survivor. If a permanent survivor who was identified in the VIB application no longer qualifies as a permanent survivor, then the election shall be, instead, accompanied by documentation proving the disqualifying condition as follows:

A) Death. Death shall be proven by a certified copy of the death certificate.

B) Divorce. A dissolution of marriage shall be proven by a certified copy of the judgment of dissolution of marriage or civil union.

C) Child's Non-Disability. A child's non-disability shall be proven by a written certificate from one or more licensed and practicing physicians stating that the child is no longer disabled under subsection (b)(4)(B)(ii).

4) Effect of Acceptance. Upon SURS' receipt of the election to accept the VIB offer amount, the eligible person shall be subject to the following conditions:

A) The election to accept the VIB offer shall be irrevocable unless:

i) the State Comptroller fails to remit the full VIB amount to SURS within a year after SURS has submitted a voucher under Section 15-185.5(f); or

ii) SURS has knowledge of specific and articulable facts, taken together with rational inferences from those facts, that would lead a reasonable person to believe that the election to accept the VIB was made under fraud, duress, undue influence, illegality or incapacity.

B) The eligible person may not elect to proceed under the Retirement Systems Reciprocal Act [40 ILCS 5/Art. 20] with respect to any service to which the VIB pertains.

C) The eligible person may not purchase service credit under Article 15 of the Code with respect to any service credit attributable to the VIB or any accelerated pension benefit payment under Section 14-147.5, 14-147.6, 16-190.5 or 16-190.6 of the Code.

D) The eligible person shall no longer be a participant of SURS and forfeits all accrued rights and credits in SURS and no other benefit shall be paid under Article 15 based on those forfeited rights and credits, including any retirement, survivor or other benefit; except, to the extent that participation, benefits or premiums under the State Employees Group Insurance Act of 1971 are based on the amount of service credit.

E) The VIB may not be repaid to SURS, and the forfeited rights and credits may not under any circumstances be reinstated.

F) If the eligible person returns to participation under Article 15, any benefits under SURS earned as a result of that return to participation shall be based solely on the person's credits and creditable service arising from the return to participation. Upon return to participation, the person shall be considered a new employee subject to all the qualifying conditions for participation and eligibility for benefits applicable to new employees, except the person shall retain the same Tier status and program elections previously made under Section 15-134.5 of the Code.

G) An election to accept the VIB offer shall be deemed to be a waiver of any appeal rights under Section 1600.500 with respect to the VIB.

f) VIB Voucher and Payment

1) As soon as administratively practicable after SURS' receipt of the election to accept the VIB offer, SURS shall submit one or more vouchers to the State Comptroller for the payment of the VIB. SURS shall pay the VIB as soon as administratively practicable after SURS' receipt of the VIB amount from the State Comptroller. In no event shall SURS pay the VIB without having received the amounts sufficient to pay the VIB in full from the State Comptroller.

2) The VIB shall be paid in the form of a direct rollover to an "eligible retirement plan" as defined under Section 1600.140(h)(6) (including any supplemental defined contribution plan administered by SURS) to the extent permissible under IRC section 401(a)(31), except for any amounts attributable to Required Minimum Distributions under Section 1-116.1 of the Code or amounts paid under the Excess Benefit Arrangement under Section 1600.430 of this Part. The eligible person may not elect to receive any portion of the direct rollover as cash.

3) If the eligible person dies after having elected to accept the VIB offer amount, but prior to payment of the VIB, the VIB shall be payable to the eligible person's estate.

(Source: Amended at 44 Ill. Reg. 17714, effective October 22, 2020)