**Section 1650.3300 General Provisions**

The following terms, phrases, and requirements shall apply to the System's administration of the buyout programs established under Sections 16-190.5 and 16-190.6 of the Code.

a) Definitions

"Accelerated Annual Increase Buyout" or "AAI Buyout" means the accelerated pension benefit payment for a reduction in annual retirement annuity and survivor's annuity increases provided in Section 16-190.6 of the Code.

"Accelerated Pension Benefit Buyout" or "APB" means the accelerated pension benefit payment in lieu of any pension benefit provided for in Section 16-190.5 of the Code.

"Article 16" means Article 16 of the Pension Code (Teachers' Retirement System of the State of Illinois).

"Buyout Payment" means an accelerated pension benefit payment issued under Section 16-190.5 or 16-190.6 of the Code.

"Buyout Programs" means the provisions of Section 16-190.5 allowing for member election of an accelerated pension benefit payment in lieu of any pension benefit, and the provisions of Section 16-190.6 allowing for member election of an accelerated pension payment for a reduction in annual retirement annuity and survivor's annuity increases.

"Code" means the Pension Code [40 ILCS 5].

"Effective Date of the Election" means the date the System receives the member's election to receive a buyout payment in the form prescribed by the System.

"Election Window" means a period of time of not less than 90 days designated by start and end dates determined by the System during which an eligible member may elect the buyout.

"Factor" refers to actuarial assumptions, as determined by the System's actuaries pursuant to Section 16-176 of the Code, specifically developed to calculate buyout payments in accordance with Sections 16-190.5 and 16-190.6.

"Terminated", as used in Section 16-190.5, means an inactive member who has separated from service with a TRS-covered employer for at least four consecutive months, as provided in Section 16-151 of the Code.

"Valid Election" means the System has received the member's buyout application form prescribed by the System, proof of birth if not already on file with the System, and the alternate payee's written consent if required by Section 1650.3330.

b) Assumptions, Information and Payments

1) For purposes of calculating buyout payments and administering the buyout programs in a reasonable and efficient manner within the constraints imposed by the Code, the System will apply uniform assumptions as determined by the System for all eligible members using the TRS rate of return for discounting future benefit streams and the member's actual age, but irrespective of individual demographic characteristics such as marital status, gender, dependents, etc.

2) The System will use its best efforts to provide accurate and sufficient information to allow an eligible member to make an informed decision whether to elect either of the buyout programs. The member is solely responsible for his or her decision and is encouraged to seek personal financial, legal or other professional advice as necessary and appropriate given individual circumstances. In no event will the System bear any liability for the member's buyout decision.

3) All buyout payments will be funded from the State Pension Obligation Acceleration Bond Fund (see Sections 16-190.5(f) and 16-190.6(d-5) of the Code). The System will administer buyout payments as long as bond proceeds are available (see Section 7.7 of the General Obligation Bond Act [30 ILCS 330]). To protect the System's tax-qualified status as contemplated in Sections 16-190.5(h) and 16-190.6(f), under no circumstances, including unavailability or depletion of bond proceeds, will trust assets of the System be used for any buyout payment.

4) If bond proceeds from the State Pension Obligation Acceleration Bond Fund are depleted or otherwise unavailable to fund buyout payments, the buyout election will be cancelled and any benefits or refunds due the member or member's designated beneficiaries will be calculated according to Articles 1 and 16 of the Code that would apply in the absence of the buyout election.

c) Rollover Distributions

1) All buyout payments will be issued in accordance with Section 1650.470.

2) Notwithstanding the language contained in Sections 16-190.5(e) and 16-190.6(d) of the Code, in order for the System to maintain its tax-qualified status as contemplated in Sections 16-190.5(h) and 16-190.6(f), the member may elect to have a portion of the buyout payment paid to an eligible retirement plan in a direct rollover and to have the remainder paid as a direct distribution to the member.

(Source: Amended at 44 Ill. Reg. 7905, effective April 24, 2020)