**Section 1650.416 Optional Increase in Retirement Annuity – 1% Contribution Reduction**

a) Section 16-129.1(b) of the Pension Code [40 ILCS 5/16-129.1(b)] entitles a member who chooses to upgrade creditable service accrued prior to July 1, 1998 to the 2.2% level established by Section 16-133(a)(B)(1) of the Code to a reduction in the cost of the upgrade. The reduction shall equal 1% of the salary used to calculate the contribution required for the upgrade for each 3 years of regular creditable service earned after June 30, 1998. The System will calculate this reduction at the time of retirement, when the number of years of post-June 30, 1998 service is known, and refund that amount to the member.

b) If a member has upgraded creditable service to the 2.2% level more than once (i.e., an upgrade of regular service credit and a subsequent purchase and upgrade of optional service credit) at times when different salary rates were used in determining the contribution required for the individual upgrades, the System will calculate the reduction by the following formula:

• the number of years of creditable service after June 30, 1998

• divided by 3 (omitting any fractional period)

• divided by the number of years of upgraded service

• multiplied by the member's total upgrade contribution

EXAMPLE:

A member has 15 years of pre-July 1, 1998 service and chooses to upgrade that service to the 2.2% flat formula on August 15, 1998. The cost of the upgrade is determined as follows:

$50,000 (highest salary of the 4 years prior to 1998) x 1% = $500 x 15 years = $7500

The $7500 cost is paid in full by August 15, 2003 as required by Section 16-129.1(b) of the Code.

In early 2006, the member purchases 5 years of pre-July 1, 1998 optional service credit and must upgrade that past service to the 2.2% level as well. The cost to upgrade the 5 years of optional service credit is determined as follows:

$60,000 (highest salary of the 4 years prior to 2006) x 1% = $600 x 5 years = $3000

The $3000 cost is paid in full by the retirement date.

The member retires late in 2008, having accumulated 10 years of service between July 1, 1998 and the date of retirement. The reduction to be refunded to the member is determined as follows:

10 years of service

÷ 3 = 3% reduction (fractional period deleted)

÷ 20 years of service credit upgraded = 15%

x $10,500 (total upgrade cost: $7500 + $3000)

= $1575

(Source: Added at 28 Ill. Reg. 10055, effective June 29, 2004)