**Section 1540.255 Pick-up Option for Optional Service Contributions**

a) "Member" as used in this Section means any person who is entitled to reinstate past service credits previously refunded or purchase permissive service credits under the Act creating the State Employees' Retirement System of Illinois.

b) A member choosing to make contributions for the reinstatement (purchase) of past service credits previously refunded or the purchase of permissive service credits shall have the option to have those contributions treated as either after-tax or before-tax (picked up) contributions. In order for contributions for the reinstatement of past service credits or purchase of permissive service credits to be considered as picked up (before-tax) contributions under Section 414(h)(2) of the Internal Revenue Code (Code), the member must make an irrevocable election to have the contributions made by payroll deduction through the Comptroller's office by providing a copy of the election to the member's payroll officer. Any contributions for the purchase of past service credits or permissive service credits which are made directly by the member or when the payroll deduction election is not irrevocable will be considered as after-tax contributions (not picked up).

c) The member wishing to make contributions for the purchase of past service credits previously refunded or permissive service credits shall have the following contribution options:

1) The contributions may be made directly by the member in installments or by a lump sum payment and the contributions may be terminated by the member at any time;

2) If the member is receiving compensation for personal services rendered, on a warrant issued pursuant to a payroll voucher and which is drawn by the State Comptroller upon the State Treasurer, the contributions may be made by voluntary payroll deduction and the payroll deduction may be terminated by the member at any time; or

3) If the member is receiving compensation for personal services rendered, on a warrant issued pursuant to a payroll voucher drawn by the State Comptroller upon the State Treasurer, the contribution may be made by an irrevocable payroll deduction by which the member chooses to have the contributions picked up by the employer under the Code.

Only the contribution method described in subsection (c)(3) will qualify the contributions as contributions picked up by the employer for Code purposes. Those members electing to make such contributions pursuant to subsection (c)(3) shall complete and sign an irrevocable payroll authorization form provided by the State Employees' Retirement System (System). That form must be provided to both the System and the member's payroll officer.

d) The irrevocable payroll deduction form must indicate:

1) the total amount to be deducted;

2) the amount per pay period to be deducted; and

3) the total number of pay periods (one or more) over which the designated amount is to be deducted.

All payroll deduction payments must be completed no later than the final payroll payment made to the member in conjunction with the member's retirement or termination from employment. The payroll deduction form when executed must be on such terms as would result in the payment, by the member's anticipated retirement date, of the necessary amounts to purchase the permissive service credit or the service credits previously refunded. During the period of the irrevocable payroll deduction no voluntary payments will be accepted by the System from the member towards the purchase of past service credits or for the purchase of permissive service credits for which an irrevocable payroll deduction is in place. The amount to be withheld per pay period need not be the same amount for each pay period.

e) The irrevocable payroll deduction election of the member shall remain in effect until the earlier of:

1) the payroll deductions or the purchase of the service credits as indicated in the form are completed;

2) the death of the member;

3) the member is disabled from performing his/her services as an employee for more than one year;

4) the member is absent from employment due to layoff or strike for more than one year;

5) employment is terminated either voluntarily or involuntarily; or

6) the payroll deduction is 120 days delinquent, either in whole or in part.

f) If an irrevocable payroll deduction becomes delinquent, then the member shall bring the payments current, by payroll deduction, within 120 days after the original delinquency. Absence from employment due to layoff, strike or disability will not be construed as a delinquency in the payroll deduction. Failure to bring a delinquent payment current within 120 days after the original delinquency will result in termination of the member's irrevocable election with all contributions made by the member under the irrevocable payroll deduction being refunded to the member less the appropriate tax withholding. The right to make up a delinquency cannot be used for the purpose of amending or modifying the terms of the original irrevocable payroll deduction election.

g) In the case of the death of a member, the irrevocable payroll deduction will terminate and the member's account will be granted partial service credit based upon contributions made to the date of death as described in Section 1540.250.

h) In the case of retirement, termination of employment of the employee or absence from employment in excess of one year due to layoff, strike, or disability, the member will have the choice of:

1) Making an after-tax lump-sum payment in the amount of the balance due to complete the purchase of the service credits originally intended;

2) Electing to make an eligible trustee-to-trustee transfer or other eligible rollover in the amount of the balance due to complete the purchase of the service credits originally intended; or

3) The amounts contributed to date under the irrevocable payroll authorization will be refunded, less appropriate tax withholding.

i) A member shall be considered as being "disabled from performing his/her services as an employee" when the member has been granted a leave by the employer because the member is physically or mentally unable to perform the duties of the job.

j) A member who is changing job positions but will still be employed by the State of Illinois may substitute an irrevocable payroll deduction in the new position for the irrevocable payroll deduction effective in the former position so long as the terms of the new payroll deduction are not changed, except to make up any delinquency resulting from a break in service between positions. In such a case the irrevocable payroll deduction election will not terminate as provided for in subsection (e)(4) of this Section unless the provisions of subsection (e)(5) of this Section would require termination of the election.

(Source: Amended at 26 Ill. Reg. 16575, effective October 22, 2002)