

Policemen's Annuity and Benefit Fund of Chicago

Welcome

2019 Retirement Seminar

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Comptroller



When Should I Retire?

- ★ The most **appropriate** time to retire . . .

Any date that is suitable to you.

- ★ The most **practical** date to retire . . .

The quickest turnaround for payment is the close of business (cob) on the 15th of any month. Your first pension check will be disbursed approximately 6 weeks thereafter.

First Payment Timing

- ★ Last day worked June 15, 2019; benefits calculated and presented at the July 25, 2019, Board meeting; payment on July 31 for six weeks of pension.
- ★ Last day worked June 30, 2019; benefits calculated and presented at the August 29, 2019, Board meeting; payment on August 31 for eight weeks of pension.
- ★ Minimum six weeks from last day worked to first pension check. However, if over age 50, pension benefits will always accrue back to the day after termination.

Note: Assumes the member has met with a Pension Fund benefits counselor and has submitted all required documentation by the last date worked.

What do I need to Retire?

- ★ A printed copy of your Personnel Action Request (PAR) form and Exit Interview is required
- ★ Documentation on file should include:
 - Certified Copies of (County issued)
marriage certificates, birth certificates, divorce decrees,
death certificates, et al
- ★ Social Security Numbers:
 - All dependents that will continue on your healthcare coverage

What is the Process?

- ★ Application process takes approximately one hour
- ★ 2 - 4 weeks prior to your last day plan on visiting our office - Appointments are highly recommended and should be scheduled within the 30 days prior to your last day
- ★ 221 North LaSalle Street, Suite 1626
- ★ Application By Appointment
312-744-3891 (Pax - 0357 or 0358)

Annuity Calculations

- **Tier 1 Formula Annuity** = combination of age, service, and average salary for the last four years
- Effective date of annuity is the later of:
 - Age 50
 - Date of resignation
- 20 years = 50% of 4-year average salary
- 2.5% for each year of service thereafter
 - One day past anniversary date of employment constitutes a full year of service
- 29 years and one (1) day = maximum of 75%

Annuity Calculations (continued)

Different calculations apply to:

Tier 2 members –

- Members employed as sworn officers with the CPD after January 1, 2011

Tier 1 members –

- Members with less than 20 years of service upon retirement
- Members with less than 20 years of service that work up-to and including their 63rd birthday

These calculations are not discussed in this presentation. If applicable to you, please call the pension office for further information.

Annuity Calculation

Your annuity is the result of two important numbers:

- ★ Final Average Monthly Salary
- X
- ★ Service credit multiplier

Sample Annuity Benefits

Police Officer retiring June 15, 2019, based on the following Years of Service:

Years of Service	Final Avg. Salary	Percentage of Final Avg. Salary	Accrued Monthly Benefit
30	\$8,222.31	75.00%	\$ 6,166.73
25	\$7,999.13	62.50%	\$ 4,999.45
20	\$7,724.31	50.00%	\$ 3,862.16

Final average salary in this example includes Duty Availability

Final Average Monthly Salary

- Highest 4 consecutive years out of the last ten years of service
- Based on wage grade and step rate
- Includes paid duty availability
- If Exempt, you must have been compensated three out of the last four consecutive years based on the exempt rank salary schedule

Service Credit

SERVICE CREDIT IS.....

- ★ Years of service as a sworn Chicago Police officer
- ★ Includes purchased service time (such as Military)
- ★ ANY service purchase requests must be approved by the Board of Trustees and paid by retirement!!!
- ★ Paid duty disability and ordinary disability are included in service credit
- ★ Service credit does NOT include any unpaid time (such as leave of absence, suspensions, etc.)

Maximum Annuities

- Your annuity continues to increase after your 30th year worked, even though the annuity factor does not increase

<u>Date of Retirement</u>	<u>Final Average Salary</u>	<u>Monthly Benefit</u>	<u>Percentage</u>
06/15/2019	\$8,222.31	\$6,166.73	75%
08/15/2019	\$8,235.94	\$6,176.95	75%
12/15/2019	\$8,263.19	\$6,197.39	75%

- This happens because as you work more, higher monthly salaries are being used to determine your final average wages

Example of an Annuity

Employee hire date: 06/02/1994

Employee retires: 06/15/2019 (cob)

Annuity effective: 06/16/2019

Employee Date of Birth: 07/19/1962

If unmarried on date of resignation a spousal accumulation refund is due

4-Year Average Salary

2019	6 months @	\$7,779.50	=	\$46,677.00
2018	12 months @	\$7,779.50	=	\$93,354.00
2017	12 months @	\$7,779.50	=	\$93,354.00
2016	6 months @	\$7,702.50	=	\$46,215.00
2016	6 months @	\$7,551.50	=	\$45,309.00
2015	6 months @	\$7,476.50	=	<u>\$44,859.00</u>
				\$369,768.00

Total Salary to Apply for Average

Wage and Grade salary applied	=	\$369,768.00
Plus duty availability salary	=	<u>\$ 14,190.00</u>
Total pensionable salary	=	\$383,958.00
	÷	48 months
4 year average salary	=	\$ 7,999.13

Service Credit Calculation

Date of Resignation	2019 - 06 - 15
Date of Hire	<u>1994 - 06 - 02</u>
Gross Service Credit	25 - 00 - 13
Less Lost Time*	<u>00 - 00 - 11</u>
Net Service Credit	25 - 00 - 02

Formula @ 20 years = 20 - 00 - 00 = 50%

Years over 20 (5+) = 6 x 2.5% = 05 - 00 - 01 = 15%

(Maximum % Service credit allowed is 75%) 65%

Lost Time

Any day(s) a pension deduction is not made and forwarded to the Pension Fund. This may occur for any of the following reasons, but not limited to:

- Suspension
- Leave of Absence (LOA)
- Military; if the City has not forwarded pension deductions for the entire LOA
- Settlement agreement which do not include pensionable wages or contributions

Service + Salary

Automatic Increase (COLA)

Calculated on Base annuity

48 month average salary *	=	\$7,999.13
Service Credit %	X	65%
Awarded Annuity	=	\$5,199.43 per month
If born before 1/1/1966	3% =	\$155.98
If born on or after 1/1/1966	1.5% =	\$77.99

**In this example the member receives the first increase with the 7/31/2020 payment*

Automatic Increase (COLA)

- ★ If born prior to January 1, 1966:
 - ★ 3% of the base annuity the first of the month following attainment of age 55 or first anniversary of retirement, whichever comes later, each January 1st thereafter, for life
- ★ If born on or after January 1, 1966:
 - ★ 1.5% of the base annuity first of the month following attainment of age 60 or first anniversary of retirement, whichever comes later, payable for 20 years

Spouse Annuity



Award is 1/2 of the annuity that the retiree is receiving at the time of death, including all cost of living increases accrued.

EXAMPLE:

Base monthly annuity	=	\$5,199.43	
1 st increase	=	\$ 155.98	
2 nd increase	=	<u>\$ 155.98</u>	
Monthly Annuity at death	=	\$5,511.39	
Award to spouse	=	\$2,755.70	per month

Retired & Unmarried

- ★ You will receive a refund of the spousal portion of your contributions.

Average range is approximately \$20,000 to \$40,000, which is based on your contributions to the Fund over your CPD career. The longer you work the more you contribute.
- ★ 10% penalty no longer applies to public safety personnel, Pension Protection Act of 2006.
- ★ All are subject to mandatory 20% withholding, unless rollover election is chosen.
- ★ If you remarry after retirement and have received this refund, you **MUST** repay the refund within one year from date of marriage in order for your spouse to be eligible for a survivor's annuity.

Death Benefit Directive

- Active members contribute \$1.25 each pay period
- Paid to member's designee
- If first designee(s) are deceased, contingent designee(s) will receive the benefit
- Will be reviewed and updated during retirement application process
- May be changed at any time

Death Benefit Directive (continued)

- Value is \$12,000 for an active member age 49 or younger
- Value reduces by \$400 beginning at age 50 for active members
- Value is \$6,000 at retirement and thereafter
- If you make your death benefit directive to a trust, an Employer Identification Number (EIN) specific to the trust (i.e. NOT your SSN) needs to be established prior to payment to the trust

Benefits Management Office

- Currently, the City offers group health benefits to certain annuitants and their eligible dependents
- If a retiring member is eligible, the Pension Fund, as a courtesy to our members, requests the member complete the BMO required enrollment form during his/her retirement appointment
- The signed and completed form is forwarded to the City, and thereafter BMO issues the member new medical/insurance card(s)
- According to the member's coverage, the Pension Fund deducts the applicable amount for premium costs from his/her annuity disbursement, which is forward to the City each month
- The Pension Fund does not have access to BMO records or the insurance carriers' information, i.e. BCBS, claims, coverage, dependents, etc.
- Retired members should contact the Benefit Management Services at 877-299-5111, concerning any issues regarding health coverage

Important Healthcare Considerations

- ★ When does “free” healthcare end?

The earlier of....

Death of the retiree OR

Medicare age eligibility of the retiree

- ★ What happens when “free” healthcare ends?

You and your dependents are no longer eligible for healthcare coverage provided by the City of Chicago

Consider factors such as dependent children, age of spouse, and other healthcare alternatives.

Pension Protection Act

- May allow for tax-deferral of insurance premium, up to a maximum of \$3,000 for eligible of insurance coverage **when paid from the retired public safety officer's pension assets**
- Applies only to the retired public safety officer
- Widows and other family members are not eligible
- Consult your tax professional

ELIGIBLE PREMIUMS PAID:

- Annuitant Healthcare Plan
- Dental & Vision premiums

Additional Comments

- Any retroactive salary adjustments will be pensionable and all annuities are adjusted retroactively
- Retirement Calculator on the PABF website
- Qualified Illinois Domestic Relation Order (QILDRO)
- Retiree healthcare and Medicare eligibility

Additional Comments

Once retired, is there anything a retiree needs to do?

- **KEEP CURRENT ADDRESS AND PHONE NUMBER ON FILE WITH THE FUND!!!!**
- Update the Fund on life events (marriage, death, divorce, etc.)

Summary

Visit the Fund office:

- ✓ Call **312-744-3891** for an appointment
- ✓ 2 - 4 weeks prior to effective date
- ✓ Bring any and all certified documents
- ✓ Application process is an hour or less
- ✓ Watch for Award Letter
- ✓ Use Direct Deposit

www.chipabf.org

Addendum

- ★ Reversionary Annuity
- ★ State Income Tax Policy Chart
- ★ QILDRO (Court Orders pertaining to Divorce)
- ★ Key Phone Numbers
- ★ Document Check List



THANK YOU FOR YOUR SERVICE!!!

Enjoy your retirement!!!

