

# Policemen's Annuity & Benefit Fund Chicago

**Welcome . . . .**

**2017 Retirement Seminar**

**Presented by Regina M. Tuczak**

**Executive Director**



# When Should I Retire?

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- ★ 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

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- ★ Last day worked June 15, 2017; benefits calculated and presented at the July 2017 Board meeting; payment on July 31 for six weeks of pension.
- ★ Last day worked June 30, 2017; benefits calculated and presented at the August 2017 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 at termination, pension benefits will always accrue back to the day after termination.

# What do I need to Retire?

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- ★ A printed copy of your 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 dependants that will continue on your  
healthcare coverage.

# What is the Process?

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- ★ 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 N. LaSalle Street - Suite 1626
- ★ Application By Appointment  
312-744-3891 (Pax - 0357 or 0358)

# Annuity Calculation

- **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 & 1/2 % for each year of service thereafter
  - One day past anniversary date of employment constitutes a full year of service
- 29 years & 1 day = maximum of 75%

# Annuity Calculation

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Your annuity is the result of two important numbers:

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

# Sample Annuity Benefits

Police Officer retiring June 15, 2017, based on the following Years of Service:

<b>Years of Service</b>	<b>Final Avg. Salary</b>	<b>Percentage of Final Avg. Salary</b>	<b>Accrued Monthly Benefit</b>
30	\$8,009.54	75.00%	\$ 6,007.16
25	\$7,792.17	62.50%	\$ 4,870.10
20	\$7,524.42	50.00%	\$ 3,762.21

Final average salary in this example includes Duty Availability.



# Final Average Monthly Salary

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- 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

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## 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

<b><u>Date of Retirement</u></b>	<b><u>Final Average Salary</u></b>	<b><u>Monthly Benefit</u></b>	<b><u>Percentage</u></b>
<b>06/15/2017</b>	<b>\$8,009.54</b>	<b>\$6,007.16</b>	<b>75%</b>
<b>08/15/2017</b>	<b>\$8,033.26</b>	<b>\$6,024.94</b>	<b>75%</b>
<b>12/15/2017</b>	<b>\$8,080.69</b>	<b>\$6,060.52</b>	<b>75%</b>

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

# Example of an Annuity

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Employee hire date: 06/02/1992

Employee retires: 06/15/2017(cob)

Annuity effective: 06/16/2017

Employee Date of Birth: 07/19/1956

If unmarried on date of resignation a spouse accumulation refund is due.

# 4-Year Average Salary

2017	6 months @	\$7,779.50	=	\$46,677.00
2016	6 months @	\$7,702.50	=	\$46,215.00
2016	6 months @	\$7,551.50	=	\$45,309.00
2015	12 months @	\$7,476.50	=	\$89,718.00
2014	12 months @	\$7,402.50	=	\$88,830.00
2013	6 months @	\$7,257.50	=	<u>\$43,545.00</u>
				\$360,294.00

# Total Salary to Apply for Average

Wage and Grade salary applied	=	\$360,294.00
Plus duty availability salary	=	<u>\$ 13,730.00</u>
Total pensionable salary	=	\$374,024.00
	÷	48 months
<b>4 year average salary</b>	=	<b>\$ 7,792.17</b>

# Service Credit Calculation

Date of Resignation	2017 - 06 - 15
Date of Hire	<u>1992 - 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 65%

# Lost Time

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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
- Military; if the City has not forwarded pension deductions for the entire LOA
- Settlement agreement which do not include pension compensation



# Service + Salary

## Automatic Increase (COLA)

*Calculated on Base annuity*

48 month average salary *	=	\$7,792.17
Service Credit %	X	65%
Awarded Annuity	=	\$5,064.91 per month
If born before 1/1/1966	3% =	\$151.95
If born after 1/1/1966	1.5% =	\$75.97

*\*This example individual would receive the first increase with his 7/31/2018 payment*

# Automatic Increase (COLA)

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- ★ 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	=	\$5,064.91	
1 <sup>st</sup> increase	=	\$ 151.95	
2 <sup>nd</sup> increase	=	<u>\$ 151.95</u>	
Monthly Annuity @ death	=	\$5,368.81	
Award to spouse	=	\$2,684.41	per month

# Retired & Unmarried

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- ★ You will receive a refund of the spousal portion of your contributions.  
Range is anywhere from \$22,000 up to \$36,000, which is based on your contributions. 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

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- Paid for with the \$1.25 payroll deduction
- Will be reviewed and updated during retirement application process
- Payable to the person(s) you designate, no restrictions
- Value is set at \$6,000.00 at retirement
- May be changed at any time

# Benefits Management Office

- Currently, the City offers group health benefits to some annuitants and their eligible dependents
- The Pension Fund, as a courtesy to our members, completes the BMO required enrollment form, which is part of the retirement process
- Your signed and completed form is forwarded to the City, and thereafter BMO issues your new medical/insurance card(s)
- According to your selected coverage, the Pension Fund deducts the appropriate amount, if applicable, for premium costs from your annuity disbursement, which is forward to the City each month
- The Pension Fund does not have access to BMO records or Blue Cross Blue Shield information, i.e. claims, coverage, dependents, etc.
- Retired members should contact Benefit Management Services @ 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?

If retiree is eligible for Medicare A and B (BOTH SHOULD BE ELECTED), and the annuitant is not eligible for retiree coverage by the City, the annuitant will need to obtain coverage (for the annuitant and ALL dependents on the policy regardless of age) from an external provider.

If the annuitant selects coverage with any of following plans developed by the parties listed, the Pension Fund will deduct the premium from the retiree’s pension check, if authorized by the annuitant:

Aetna/Labor First (FOP)

Blue Cross Blue Shield (City)

United American (Sergeants’ Association)

# Pension Protection Act

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May allow for tax-deferral of insurance premium deductions, up to a maximum of \$3,000 for all types of insurance coverage which are deducted from pension. Applies only to the retired employee, widows are excluded.

## ELIGIBLE PREMIUMS PAID:

- Annuitant Healthcare Plan
- Dental & Vision premiums



# Impact on Annuity of PPA 2007

**Up to a maximum of \$3,000 can be excluded from income per year for any premiums paid**

*Example of Tax savings:*

- ★ Based on a 15% tax bracket,
- ★ maximum of 3,000 x 15% = \$450.00 per year
- ★ Based on a 28% tax bracket

maximum of 3,000 x 28% = \$840.00 per year

IRS Guidelines due before implementation

*\* If you subtract the premiums from income, you cannot use the premium amount in your itemized medical deductions on Schedule A.*

# Additional Comments

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- Any retroactive salary adjustments will be pensionable and all annuities are adjusted retroactively
- Retirement Calculator on our website
- QILDROs
- Retiree healthcare and Medicare eligibility

# Summary

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Visit the Fund office:

- ✓ 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](http://www.chipabf.org)

# Addendum's

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



# THANK YOU FOR YOUR SERVICE!!!

Enjoy your retirement!!!

