

Policemen's Annuity & Benefit Fund Chicago

Welcome

2016 Retirement Seminar

Presented by Regina M. Tuczak

Executive Director



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, 2016; benefits calculated and presented at the July 2016 Board meeting; payment on July 31 for six weeks of pension.
- ★ Last day worked June 30, 2016; benefits calculated and presented at the August 2016 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.

What do I need to Retire?

- ★ 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?

- ★ 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

Your annuity is the result of two important numbers:

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

Sample Annuity Benefits

Police Officer retiring June 15, 2016, based on the following Years of Service:

Years of Service	Final Avg. Salary	Percentage of Final Avg. Salary	Accrued Monthly Benefit
30	\$7,860.13	75.00%	\$ 5,895.09
25	\$7,646.81	62.50%	\$ 4,779.26
20	\$7,384.06	50.00%	\$ 3,692.03

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>
06/15/2016	\$7,860.13	\$5,895.09	75%
08/15/2016	\$7,879.74	\$5,909.80	75%
12/15/2016	\$7,918.96	\$5,939.22	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: 06/02/1991

Employee retires: 06/15/2016(cob)

Annuity effective: 06/16/2016

Employee Date of Birth: 07/19/1956

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

4-Year Average Salary

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	12 months @	\$7,257.50	=	\$87,090.00
2012	6 months @	\$7,115.00	=	<u>\$42,690.00</u>
				\$353,637.00

Total Salary to Apply for Average

Wage and Grade salary applied	=	\$353,637.00
Plus duty availability salary	=	<u>\$ 13,410.00</u>
Total pensionable salary	=	\$367,047.00
	÷	48 months
4 year average salary	=	\$ 7,646.81

Service Credit Calculation

Date of Resignation	2016 - 06 - 15
Date of Hire	<u>1991 - 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

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 *	=	\$7,646.81
Service Credit %	X	65%
Awarded Annuity	=	\$4,970.43 per month
If born before 1/1/1955	3% =	\$149.11
If born after 1/1/1955	1.5% =	\$74.56

**This example individual would receive the first increase with his 7/31/2017 payment*

Automatic Increase (COLA)

- ★ If born prior to January 1, 1955:
- ★ 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 after January 1, 1955:
- ★ 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	=	\$4,970.43	
1 st increase	=	\$ 74.56	
2 nd increase	=	<u>\$ 74.56</u>	
Monthly Annuity @ death	=	\$5,119.55	
Award to spouse	=	\$2,559.78	per month

Retired & Unmarried

- ★ 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

- 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 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), the City’s policy becomes a supplement and secondary to Medicare. A premium for Medicare supplemental coverage is charged to the retiree.

All dependents on the policy, REGARDLESS of age, are charged a premium for healthcare continuation.

Pension Protection Act

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

- 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

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

Addendum's

- ★ 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!!!

