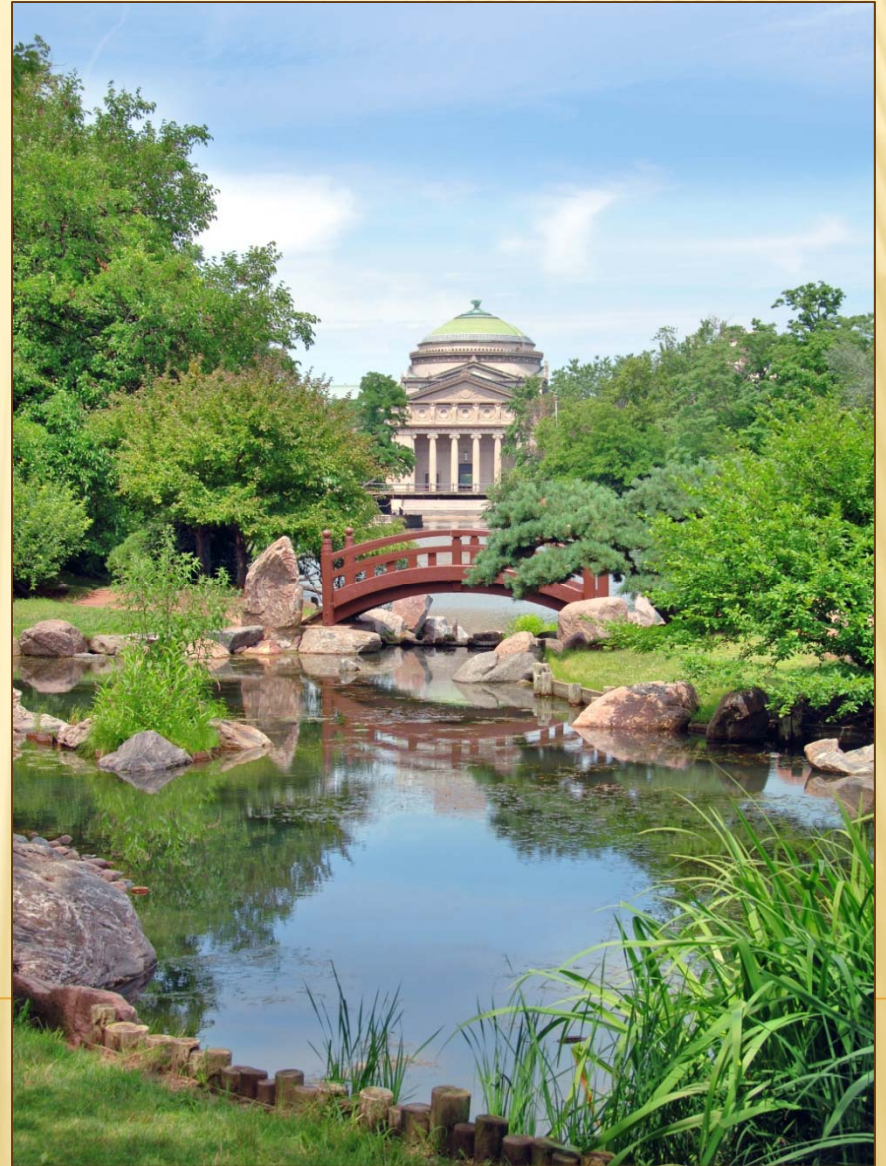


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# Park Employees' Annuity and Benefit Fund of Chicago

## PENSION TRAINING



# KELLY HUNT, BENEFITS MANAGER

- ✖ [www.chicagoparkpension.org](http://www.chicagoparkpension.org)
- ✖ My Email: [kelly@chicagoparkpension.org](mailto:kelly@chicagoparkpension.org)
- ✖ My Direct Line: 312-553-9318
- ✖ Main Office Line: 312-553-9265
- ✖ Fax: 312-553-9114
- ✖ Location: 55 E Monroe, Suite 2720



# PENSION SERVICE CREDITS

- ✖ Current contribution rate = 9% (7% employee, 1% spouse, 1% AI)
- ✖ The Pension Fund is on a calendar year basis – December 31<sup>st</sup>
- ✖ Your anniversary date does not necessarily mean the same as the amount of pension credits you have with the Fund.
- ✖ Pension service credits are as follows:
  - + 1 – 2 months = 0.25 years
  - + 3 – 5 months = 0.50 years
  - + 6 – 8 months = 0.75 years
  - + 9 or more months = 1 year
- ✖ You must work at least 45 hours in a month in order to qualify for a month of pension credit.
- ✖ You would have to work through until September 30<sup>th</sup> of a calendar year in order to receive 1 year of pension service credit.



# TIER 1 OR TIER 2 EMPLOYEE?

- ✖ Tier 1 – employees hired prior to January 1, 2011, who made contributions to the Park Pension Fund or a reciprocal Fund prior to this date.
- ✖ Tier 2 – employees hired after January 1, 2011, who made contributions to the Fund after this date.





# HOW TO CALCULATE PENSION BENEFITS

- ✘ Members of the Fund are entitled to a retirement pension based on a fixed benefit formula.
- ✘ Current percentage rate that applies to all credited years of service is 2.4% and applies to any member that retires while actively working after 1/1/2004.
- ✘ The 2.4% is multiplied by the number of pension service years.
- ✘ Maximum pension is 80% or 33.5 years of pension service
- ✘ The total percentage is then multiplied by the Final Average Salary (FAS)
  - + For Tier 1 employees – FAS is the average of the highest 48 consecutive months over the last 10 years of service.
  - + For Tier 2 employees – FAS is the average of the highest 96 consecutive months over the last 10 years of service.
- ✘ Example: 20 years of pension service and FAS is \$40,000 per year
  - +  $20 \text{ years} \times 2.4\% = 48.0\%$
  - +  $48.0\% \times \$40,000.00 = \$19,200 \text{ per year}$
  - +  $\$19,200 / 12 \text{ months} = \$1,600 \text{ pension per month}$



# WHEN IS THERE A REDUCTION IN PENSION?

## ✖ Tier 1 employees:

- + If you are under age 60 and have less than 30 years of service, your pension will be reduced by 0.25% for every month you are under age 60.
- + For example, if you have 20 years of service and are 55 years and 1 month old at the time of retirement, the number of months under the age of 60 is 59 months.
  - ✖  $59 \text{ months} \times 0.25\% = 14.75\%$  reduction in pension
  - ✖  $20 \text{ years} \times 2.4\% \text{ rate} = \underline{48.0\% \text{ before reduction}}$
  - ✖  $48.0\% \times 85.25\% (100\% - 14.75\%) = \underline{40.92\% \text{ after reduction}}$





# WHEN IS THERE A REDUCTION IN PENSION?

## ✖ Tier 2 employees:

- + If you are under age 67, your pension will be reduced 0.50% per month for every month you are under age 67.
- + For example, if you have 20 years of service and are 62 years and 1 month old at time of retirement, the number of months under the age of 67 is 59 months.
  - ✖  $59 \text{ months} \times 0.50\% = 29.50\%$  reduction in pension
  - ✖  $20 \text{ years} \times 2.4\% \text{ rate} = \underline{48.0\% \text{ before reduction}}$
  - ✖  $48.0\% \times 70.50\% (100\% - 29.50\%) = \underline{33.84\% \text{ after reduction}}$
- + Final Average Salary is limited. In 2019, final average salary is limited to \$114,951.83.



# ANNUAL INCREASE

## ✕ Tier 1 employees:

- + At least 30 years of service or at age 60, you are eligible for an annual increase (cost of living adjustment or COLA).
- + Payable following the first 12 months of pension benefits on either the next January 1<sup>st</sup> or July 1<sup>st</sup>.
- + 3% fixed benefit increase based on the original granted pension.
- + For example, an annuitant was granted pension of \$1,000.00 per month effective February 1, 2018.
  - ✕ COLA increase would be \$30.00 per month.
  - ✕ 1<sup>st</sup> increase would be effective July 1, 2019 to \$1,030.00.
  - ✕ Effective July 1, 2020, the pension would increase to \$1,060.00.





# ANNUAL INCREASE

## ✖ Tier 2 employees:

- + At age 67, you are eligible for an annual increase (cost of living adjustment or COLA).
- + Payable following the first 12 months of pension benefits on the next January 1<sup>st</sup>.
- + The increase is the lesser of  $\frac{1}{2}$  Cost of Living Increase or 3% fixed benefit based on the original granted pension.



# RETIREMENT APPLICATION PROCESS

- ✗ What is the process to retire?
  - + Health insurance – if you are an active employee of the Park District when you retire, you should contact the Human Resources Department in regards to the cost of retiree health insurance.
    - ✗ Park District administers the health benefits.
    - ✗ May be required to pre-pay 2 months of health insurance premiums.
    - ✗ Once on pension, the Park will instruct the Fund how much to withhold going forward.
    - ✗ You must elect at time of retirement. You cannot choose to enroll at a later date.





# RETIREMENT APPLICATION PROCESS

- ✕ What is the process to retire?
  - + Retirement application – contact the Pension Fund office to complete retirement paperwork at least 60 days prior to retirement.
    - ✕ Retirement application
    - ✕ Birth certificates (member and spouse)
    - ✕ Marriage certificate
    - ✕ Divorce decree (if applicable)
    - ✕ Copy of Resignation Letter to the Park (please inform your HR Manager)
  - + The Fund office will mail you a letter when we have received your application and if there is any missing documents.



# RETIREMENT APPLICATION PROCESS

## ✖ When will I receive my first check?

- + Once you stop working, the Fund office has to wait for your final payroll to be posted.
- + It is better to retire at the end of the month. Pension is effective on the 1<sup>st</sup> following the month you retire.
- + Pensions are presented to the Board on the 3<sup>rd</sup> Thursday of the 2<sup>nd</sup> month following your retirement.
  - ✖ If you retire June 30<sup>th</sup>, your pension is effective July 1<sup>st</sup>. Your pension will be approved at the August board meeting (3<sup>rd</sup> Thursday in August).
  - ✖ If you retire June 15<sup>th</sup>, your pension is effective July 1<sup>st</sup>. Your pension will be approved at the August board meeting (3<sup>rd</sup> Thursday in August).
  - ✖ The August check will be manual and covers the months of July and August.
  - ✖ Beginning September 1<sup>st</sup>, you will receive a direct deposit to your account, providing you have submitted the proper documentation.





# IS MY SPOUSE ELIGIBLE FOR PENSION?

- ✘ Must be married at time of retirement for your spouse to be eligible for a spousal pension.
- ✘ If spouse who you were married to at time of retirement precedes you in death, no spousal pension will be payable.
- ✘ If you marry after you retire, spouse is not eligible for a spousal pension.
- ✘ If unmarried, divorced or widowed at time of retirement, you will receive a refund of spousal contributions.



# PENSION ESTIMATE

- ✕ How do I request a pension estimate?
  - + You may call our office at 312-553-9265 or submit an estimate request via our website [www.chicagoparkpension.org](http://www.chicagoparkpension.org).
  - + It is best to ask for different retirement options when requesting a pension estimate (at 20 years, age 58, and age 60 for example).
  - + Pension estimate should take about 2-3 weeks (during open enrollment it may take longer).
  - + We ask that you please request an estimate only once a year. Your pension estimate should not change that much if you ask for an estimate a couple months later since it is based on your final average salary.
  - + Pension estimates are based on Final Average Salary; therefore, we cannot forecast a pension beyond 10 years.





# WHAT IS THE PROCESS IF YOU LEAVE ACTIVE EMPLOYMENT?

## ✕ Tier 1 employees

- + Must have 10 years of service to be vested.
- + You can pull your pension as early as age 50.
- + Locked into a pension at age 55 with 10 years of pension service.
- + Locked into a pension at age 60 with 5 years of pension service.



# WHAT IS THE PROCESS IF YOU LEAVE ACTIVE EMPLOYMENT?

- ✘ Tier 2 employees
  - + Earliest retirement is at age 62 with 10 years of service.
- ✘ Tier 1 and Tier 2 employees
  - + Pension benefit formula is based on the rate at the time you left active employment. Current benefit rate is 2.4% per year as of 1/1/04.





# SOCIAL SECURITY BENEFITS

- ✘ The Windfall Elimination Provision Act can affect how your Social Security retirement benefits are calculated.
- ✘ Since the Chicago Park District is considered a government agency and does not withhold social security taxes from your salary, your retirement benefits that you will receive from the Fund can reduce your Social Security benefits.
- ✘ For more information, please contact the Social Security Administration office prior to retirement.



# MISCELLANEOUS ITEMS

- ✘ Membership Record – every member of the Fund must have a Membership Record on file in order pay out any benefits.
- ✘ Beneficiary Form – besides spouse, please list an individual or several individuals on this form. If you are actively working at the time of retirement a death benefit is available at the time of your passing.
- ✘ Please contact our office to make sure you have both forms on file.





# MISCELLANEOUS ITEMS

## ✕ Can I purchase time?

- + If you have actively contributed to the Pension Fund for at least 2 years, you can purchase additional time that you worked at the Park District that may not have been subject to pension contributions.
  - ✕ Additional service
  - ✕ Pre-entry (this is if you started prior to 1/1/92)
  - ✕ Military/government
- + If you left the Park and took a refund of your contributions, then came back to the Park, you can repay the Fund for those contributions plus interest.



# MISCELLANEOUS ITEMS

- ✗ Can I purchase time?
  - + You can rollover monies from Deferred Compensation to pay for the cost of additional service tax free.
  - + OR a personal check/cashier's check would be payable to the Fund.
- ✗ Have you contributed to a Reciprocal Fund?
  - + If you contributed to a Reciprocal Fund, you may be eligible to retire under the Reciprocal Act. Some of these funds include MEABF, Laborers, Cook County, etc. Please contact the Fund office.





# MISCELLANEOUS ITEMS

- ✘ A member's pension may be revoked if convicted of a work related felony or a court mandated action. This would include, but is not limited to, fraud in regard to a member's time.

# WEBSITES

- ✘ [www.chicagoparkpension.org](http://www.chicagoparkpension.org)
- ✘ <https://www.ssa.gov/pubs/EN-05-10045.pdf>  
(Windfall Elimination Provision)
- ✘ <https://www.medicare.gov/your-medicare-costs/> (Your Medicare Costs)
- ✘ <https://www.ssa.gov/benefits/retirement/>  
(Retirement Benefits from Social Security Administration)



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# QUESTIONS?

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