

**PRINCIPAL PROVISIONS
of the
PARK EMPLOYEES' ANNUITY and BENEFIT FUND**

**A summary of Fund benefits in effect
for the employees of the
Chicago Park District**

The Park Employees' and Retirement Board Employees' Annuity and Benefit Fund (the "Fund") was established by the Illinois Legislature in June of 1919 and has added numerous provisions since its inception.

The official plan document that legally governs the operation of the Fund is found in the Illinois Compiled Statutes, Act 5 of Chapter 40, Article 12. A copy of the law is on file in the Fund office. If there is any variance between Article 12 and this summary, Article 12 will control.

***On January 7, 2014, Governor Quinn signed Senate Bill 1523 into law which is now Public Act 098-0622. The benefit changes have been included herein.*

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MEMBERSHIP. Any person who becomes an employee of the Chicago Park District (the “CPD”) is required to be a member of the Fund as a condition of employment, provided they are employed in a position, that requires the person to work 6 months or more per calendar year. An employee hired before January 1, 1992 may purchase the 6 month pre-entry period after 10 years of service or after attaining age 60, whichever first occurs. In 2010 the Illinois Legislature created a 2 Tier Benefit System. Employees hired prior to January 1, 2011, or who were contributing members of a reciprocal public pension fund prior to January 1, 2011 are Tier I employees. Employees hired on or after January 1, 2011, AND WHO WERE NOT CONTRIBUTING MEMBERS IN THIS FUND OR A RECIPROCAL FUND PRIOR TO JANUARY 1, 2011, are Tier II Employees. ***Please note that for all purposes the term “spouse” refers to marriage spouse and civil union spouse.***

CONTRIBUTIONS BY EMPLOYEES. Effective January 1, 2015, under Public Act 098-0622, a contribution of 10% is deducted from a participant’s gross salary. 8% is allocated to an employee for retirement pension; 1% for the surviving spouse's pension; 1% for the post retirement increase in the retirement pension. A deduction of \$3.60 per month is also taken for the Single Sum Death Benefit. Tier II employees have a limit on their pensionable salaries that was set by law and which is increased by the Consumer Price Index-U (CPI-U). The salary limitation for 2015 is \$111,571.63.

Under Public Act 098-0622, the employee contribution will increase to 11% on January 1, 2017 and 12% on January 1, 2019. Employee contributions will remain at 12% until the Fund is 90% funded, at which time, employee contributions will drop to 10.5%, as long as the Fund remains at or above 90% funded. Employee contributions are excluded from the employee's gross taxable income. Federal income tax is deferred until the employee receives retirement benefits, obtains a refund after withdrawal from service or upon the death of an employee or an annuitant. Retirement and surviving spouse's pensions are not currently subject to Illinois state income tax.

CONTRIBUTIONS BY EMPLOYER. Under Public Act 098-0622, the CPD contributes through a property tax 1.70 times the employee contribution (\$1.70 for every \$1.00 contributed by an employee). The revenue from the CPD contributions along with the employee contributions and income from investments, are used to cover the cost of benefits provided by the Fund. The CPD contribution rate will remain 1.70 for 2015 and 2016, increase to 2.3 (\$2.30 for every \$1.00 contributed by an employee) for 2017 and 2018, and 2.9 (\$2.90 for every \$1.00 contributed by an employee) for 2019. The 2.9 contribution rate will remain until the Fund is 90% funded, at which time, the employer contribution will be the lesser of the 2.9 contribution rate or the amount necessary to remain 90% funded. In addition the employer is making supplemental contributions to the Fund as follows: \$12.5 million in 2015; \$12.5 million in 2016; and \$50 million in 2019.

REFUND OF CONTRIBUTIONS. An employee who terminates CPD employment before qualifying for a pension is entitled to a refund of employee contributions only, without interest. The refund is payable to an employee who withdraws before age 55, regardless of length of service. It is also payable to an employee who withdraws after age 55 and before age 60 with less than 10 years of service and to an employee who withdraws at age 60 or over with less than 5 years of service. An employee not meeting these conditions has no right to a refund and must accept a pension.

MEMBERSHIP RECORD. Each participant **must** file with the Fund, an accurate membership record showing date and place of birth, marital status and family information, such as name of spouse and names and dates of births of children. PLEASE UPDATE YOUR RECORDS IN THE EVENT OF YOUR MARRIAGE, DIVORCE OR BIRTH OF A CHILD.

BENEFICIARY. A participant **must** name a beneficiary or beneficiaries (Designation of Beneficiary Form) to receive a refund of the employee's pension contributions and/or the Single Sum Death Benefit in the event of death. This form may be obtained from the office of the Fund or the Fund's website. PLEASE UPDATE YOUR RECORDS IN THE EVENT OF YOUR MARRIAGE, DIVORCE, OR THE DEATH OF YOUR BENEFICIARY.

COMPUTATION OF SERVICE CREDIT. Generally, 9 months or more of service during a year (January 1 to December 31) are counted as one year of service; 6 to 8 months inclusive, $\frac{3}{4}$ of a year; 3 to 5 months inclusive, $\frac{1}{2}$ of a year; less than 3 months, $\frac{1}{4}$ of a year; with 15 days or more during a month counted as a month of service.

RETIREMENT PENSION. An employee must submit an application for pension with the Fund in order to receive any benefits. An employee, who is a member of the Fund, is entitled to a retirement pension based on a fixed benefit formula. The current percentage rate that applies to all credited years of service is 2.4, and this accrual rate applies to all retirements (or termination from service) on or after December 31, 2003. The 2.4% will be multiplied by the member's years of service to formulate an overall pension rate (the maximum is 80% with 33.5 years of service). This total percentage (years of service multiplied by 2.4) will be applied to the "final average salary".

The following illustrates the specific pension requirements:

	Tier I	Tier II
Retirement Eligibility -Minimal	10 years of service and 50 years of age Under Public Act 098-0622, minimum retirement age increases from 50 to 58 for those employees' younger than 45 on January 1, 2015	60 years of age with 10 years of service (discount applies regardless of years of service if under age 65)
	4 years of service and 60 years of age, member has an option to either refund their contributions or take a monthly pension	
	5 years or more of service and 60 years of age, member is locked into a monthly pension	
	Mandatory pension benefit applies if member is over age 55 with 10 or more years of service (discounted if under age 60)	
-Full (non-discounted)	Age 60 or over with 5 years of service, or age 50 or over with 30 years of service	Age 65 or over, with 10 years of service
	Maximum pension is 80% of average salary	Maximum pension being 80% of average salary
Average Salary Computation	Based on the highest 48 consecutive months over the last 10 years of service	Based on the highest 96 consecutive months over the last 10 years of service

Computation of Discount	If retiree is under age 60 with less than 30 years of service, a discount of ¼ of 1% for each month retiree is under age 60	If retiree is under age 65 a discount of ½ of 1% for each month retiree is under age 65
Salary Limitations	Total gross salary received, exclusive of overtime, F-time or V-time is used in the computation of average salary	In addition to Tier 1 limitations, the earnings for pension calculation purposes are limited to \$111,571.63 in 2015

POST RETIREMENT INCREASE IN RETIREMENT PENSION. Any employee receiving a lifetime benefit will be entitled to an annual increase based on the annuity granted at the time of retirement. Depending on the Tier of a participant, the specifics of post retirement increases are as follows:

	Tier I	Tier II
Eligibility for Annual Increase	Age 60 or over Age 50 with at least 30 years of service	Age 65 or over
Requirement	Payable following the first 12 months of benefits on either the next January 1 st or July 1 st Under Public Act 098-0622, the payment of the annual increase is suspended in years 2015, 2017 and 2019	Payable following the first 12 months of benefits on the next January 1st
Rate	Under Public Act 098-0622, effective January 1, 2015, the increase is adjusted to the lesser of ½ of CPI-U or 3% simple	Under Public Act 098-0622, effective January 1, 2015, the increase is adjusted to the lesser of ½ of CPI-U or 3% simple

SURVIVING SPOUSE'S PENSION. A surviving spouse is the employee's spouse on the date of retirement and/or death, if death occurs prior to retirement. The surviving spouse is entitled to a pension upon the death of an employee while in service or upon retirement. If the surviving spouse remarries before attaining age 55, the spousal annuity is canceled. Based on the Tier of a participant/annuitant, the specifics of the surviving spousal pension are as follows:

	Tier I	Tier II
Passing of Annuitant		
- Less than 20 years of service	Spouse is entitled to the lesser of: <ul style="list-style-type: none"> • A money purchase calculation • 50% of highest salary • 75% of granted pension 	66 2/3% of the benefit being received by the participant/annuitant at date of death
- 20 or more years of service	The greater of the above computed entitlement or 50% of the annuitant's benefit at time of death	
Passing of employee	See computation for "Passing of Annuitant", with possible reductions due to age of surviving spouse	66 2/3% of the annuity earned by the member at date of death, without a reduction due to age of surviving spouse
Annual increases	3% compounded increase at each January, subsequent to one full year after the date of death of the participant or annuitant	3% compounded increase at each January, subsequent to one full year after the date of death of the participant or annuitant

CHILDREN'S PENSION. Unmarried children under the age of 18 of a deceased employee having at least 2 years of service are entitled to a pension. If one parent is living, the pension is \$100.00 per month. If no parent survives, the pension for each child is \$150.00 per month. The total amount payable to a surviving spouse and/or children may not exceed 60% of the employee's final salary except where the employee's death resulted from death on duty.

SINGLE SUM DEATH BENEFIT. A lump sum death benefit is payable upon the death of an employee in service. The amount payable is as follows:

- \$ 3,000 benefit during the first year of membership
- \$ 4,000 benefit during the second year of membership
- \$ 5,000 benefit during the third year of membership
- \$ 6,000 benefit during the fourth through ninth year of membership
- \$10,000 maximum benefit after 10 or more years of membership.

Upon retirement, the \$10,000 maximum benefit is reduced to \$6,000 if death occurs during the first year of retirement. Thereafter, it is reduced by \$1,500 for each year or fraction of a year while on retirement, but shall not be less than \$3,000. Upon retirement with less than 10 years of service the death benefit payable is the amount shown for the years of membership less \$1,500 for each year or fraction of a year while on retirement, but shall never be less than \$3,000. Please note, by law no death benefit is payable unless the employee's retirement application was made within 60 days from the date of withdrawal from service.

The death benefit is payable to a surviving spouse. If there is no surviving spouse, it is payable to a designated beneficiary. If there is neither a surviving spouse nor a designated beneficiary, it is payable to the employee's/annuitant's estate.

ORDINARY DISABILITY BENEFIT. This benefit is payable to an employee medically certified as disabled after eight (8) consecutive days' absence without pay, who was in actual service or salary status prior to the disability. Payment begins subsequent to the completion of the required form from the first day of sickness. The payment is 45% of salary. In addition, a credit is made to the employee's pension account of an amount equal to the pension contribution the employee would have made while working. The benefit is payable for a period of time not to exceed $\frac{1}{4}$ of the employee's credited service or 5 years, whichever is less. (Note: An employee who is out of pay status for more than 30 days and reenters service will not qualify for ordinary or duty disability benefits for 6 months unless he or she was qualified to receive the ordinary or duty disability benefit before he or she left pay status).

DUTY DISABILITY BENEFITS. Employees who become disabled as a direct result of an injury on duty with the CPD are entitled to a duty disability benefit of 74% of salary. Under Public Act 098-0622, an employee is entitled to a duty disability benefit of 73% of salary effective January 1, 2017; and 72% of salary effective January 1, 2019. Employees are entitled to the duty disability benefit from the first day of absence without pay. The duty disability benefit is offset by any total temporary disability benefits received under the Workers' Compensation Act i.e. for a 75% duty disability benefit, Workers' Compensation pays 66-2/3% and the Fund pays 8-1/3% (through December 31, 2014). The portion of the disability benefit payable by the Fund will be suspended upon the filing of an application for adjustment of claim with the Illinois Workers' Compensation Commission. If, upon resolution of the application the Workers' Compensation payments exceed the 75% duty disability benefit, then the portion of the duty disability benefit will not be paid by the Fund and the employee will be required to repay any duty disability benefits received from the Fund. If, upon resolution of the application, the Workers' Compensation payments do not exceed the 75% duty disability benefit, then the portion of the duty disability benefit will be paid by the Fund. In addition, the pension contribution account is credited with the amount the employee would have contributed while at work. The employee shall also receive an additional benefit of \$20 per month for each eligible minor child. The combined payments together with the pension credit may not exceed the monthly salary rate at date of disability. This benefit is

payable during disability until the employee attains age 65 if disability is incurred before age 60 or for 5 years if disability is incurred at age 60 or older.

DUTY DISABILITY DEATH BENEFIT. Upon the death of an employee resulting from an accident incurred in the performance of duty, the surviving spouse is entitled to a benefit of 50% of salary and a monthly payment of \$100.00 is made for each unmarried minor child under 18. The combined payments to a family may not exceed 75% of the employee's final salary, reduced by Workers' Compensation payments. Pension credits for the regular pension to a spouse continue to accumulate during the period of payment of the duty disability death benefit.

PENSION CREDIT FOR OTHER RETIREMENT SYSTEMS, MILITARY SERVICE OR FEDERAL GOVERNMENT SERVICE. An employee who has accumulated pension credit with another retirement system covered by the State of Illinois' Reciprocal Act may make use of this credit for pension purposes. Also, an employee may purchase additional pension credit for military service and/or periods of employment by the United States Federal Government. Contact the Fund Office for additional information regarding these credits.

QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER ("QILDRO"). Effective July 1, 1999, the Fund recognizes QILDRO's that permit an alternate payee to receive a portion of a member's pension benefits. Specific rules must be followed to properly implement a QILDRO. Contact the Fund Office for additional information regarding the processing of a QILDRO.

BEFORE YOU RETIRE, PLEASE CONSIDER:

- Federal tax laws periodically change and may affect the taxability of your pension.
- Participation in the CPD's deferred compensation plan could supplement your retirement income.
- Are you eligible for Social Security? Are you subject to the Windfall Elimination and/or Pension Offset provisions?

These and other issues should be considered well in advance of retirement. **You should also consult your tax advisor.**

Should you have any questions, contact the Fund Office at **(312) 553-9265**.

Visit the Fund's website at www.chicagoparkpension.org for current pension news and if you need to update your Membership Record or Designation of Beneficiary Form. Be sure to complete the entire form and have it *notarized* (if required) before submitting it to the Fund. Online, you also have the ability to request a pension estimate. Other forms are also available for download.