

**Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
Minutes of Regular Board Meeting No. 1000**

August 21, 2018

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**LABORERS' & RETIREMENT BOARD EMPLOYEES'
ANNUITY & BENEFIT FUND OF CHICAGO**

August 21, 2018

Report of Meeting No. 1,000 held on August 21, 2018, starting at 1:02 p.m. at the office of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("Fund" or "LABF"). The following notes attendance:

| | | |
|----------------------|----------------------|--|
| Board Members: | Victor Roa | – President (Union Appointed Member) |
| | Erin Keane | – Vice President (City Comptroller, City of Chicago) |
| | Michael LoVerde | – Secretary (Active Employee Elected Member) |
| | Carol Hamburger | – Trustee (Managing Deputy Comptroller, City of Chicago) |
| | Kurt Summers, Jr. | – Trustee (City Treasurer, City of Chicago) |
| | James Capasso, Jr. | – Trustee (Annuitant Elected Member) |
| | James Joiner | – Trustee (Active Employee Elected Member) |
| Staff & Consultants: | Graham Grady | – Taft Stettinius & Hollister LLP, Fund's Counsel |
| | Cary Donham | – Taft Stettinius & Hollister LLP, Fund's Counsel |
| | Dr. Terence Sullivan | – Fund's Physician |
| | James Wesner | – Marquette Associates, Fund's Investment Consultant |
| | Kweku Obed | – Marquette Associates, Fund's Investment Consultant |
| | Neil Capps | – Marquette Associates, Fund's Investment Consultant |
| | Joe McGuane | – Marquette Associates, Fund's Investment Consultant |
| | Michael Walsh | – Executive Director and Chief Investment Officer |
| | Peggy Grabowski | – Comptroller |
| | John Carroll | – Compliance Administrator |
| | Sheila Jones | – Administrative Coordinator |
| | Nadia Oumata | – Manager of Accounting and Investments |
| | Tina Rhoten | – Benefits Manager |
| | Paul Rzeszutko | – Assistant Benefits Manager |
| | Nicole Evangelista | – Payment Services Coordinator |
| | Tracey Oates | – Payment Services Assistant |
| | Vicki Milaitis | – Senior Benefits Analyst |
| | Christopher Lucas | – Staff Actuary/Senior Developer |
| Absent: | Carole Brown | – Trustee (Chief Financial Officer, City of Chicago) |
| Observers: | None | |

President Roa determined that a quorum was present after Secretary LoVerde took attendance.



*Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago*

Board Members:

I am transmitting herewith the minutes for the meeting of the Retirement Board which was held on **August 21, 2018**. The minutes are comprised of the following:

- Public Participation
- Approval of Minutes from Prior Meetings
- Schedule A: Applications for Refunds
 1. Refund of Contributions Due to Separation from Service
- Schedule B: Applications for Annuities
 1. Employee Annuities
 2. Spouse and Child Annuities
- Schedule C: Adjustment Refunds to New Annuitants
- Schedule D: Applications for Duty Disability Benefits
- Schedule E: Applications for Ordinary Disability Benefits
- Schedule F: Applications for Extension of Duty Disability Benefits
- Schedule G: Applications for Extension of Ordinary Disability Benefits
- Schedule H: Payment of Uncashed Checks of Deceased Members
- Schedule I: Payment of Administrative Expenses
- Pre-Approval of Expenses
- Investments Report
- Executive Session No. 1
- Executive Session No. 2
- Executive Session No. 3
- Administrative Report
- Legal Report
- Executive Session No. 4
- Adjournment

All the foregoing matters were checked upon receipt in the office of the Retirement Board and were found to be hereinafter set forth.

Sincerely,

Michael R. LoVerde
Retirement Board Secretary

**LABORERS' & RETIREMENT BOARD EMPLOYEES'
ANNUITY & BENEFIT FUND OF CHICAGO**

August 21, 2018

PUBLIC PARTICIPATION

None.

APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

It was moved by Trustee LoVerde, seconded by Trustee Capasso, that the regular minutes of Meeting No. 999 held on July 24, 2018 be approved as submitted.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers and Capasso.
Against -- None
Abstain -- Trustee Joiner.

It was moved by Trustee LoVerde, seconded by Trustee Capasso, that the minutes of Executive Sessions 1, 2, 3 and 4 of Meeting No. 999 held on July 24, 2018 be approved as submitted.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers and Capasso.
Against -- None.
Abstain -- Trustee Joiner.

SCHEDULE A – APPLICATIONS FOR REFUNDS

1. Refund of Contributions Due to Separation from Service

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the applications presented for Refunds of Contributions Due to Separation from Service be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

SCHEDULE B – APPLICATIONS FOR ANNUITIES

1. Employee Annuities

It was moved by Trustee Capasso, seconded by Trustee LoVerde, that the applications for Employee Annuities be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

2. Spouse and Child Annuities

It was moved by Trustee Hamburger, seconded by Trustee LoVerde, that the applications for Spouse and Child Annuities for case numbers 2 and 3 in this section of the Proposal be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

Note: Case number 1 of the Spouse and Child Annuities applications was discussed out of order. See "Tier 2 Widow Benefit" on page 7.

It was moved by Trustee LoVerde, seconded by Trustee Capasso, that the application for a Spouse and Child Annuity for case number 1 in the Spouse and Child Annuities section of the Proposal be approved and ordered paid.

Roll-call: For -- Trustees Roa, LoVerde, Hamburger, Capasso and Joiner.
Against -- None.
Abstain -- Trustees Keane and Summers.

SCHEDULE C – ADJUSTMENT REFUNDS TO NEW ANNUITANTS

It was moved by Trustee Joiner, seconded by Trustee Summers, that the Adjustment Refunds to New Annuitants be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

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SCHEDULE D – APPLICATIONS FOR DUTY DISABILITY BENEFITS

It was moved by Trustee Joiner, seconded by Trustee Capasso, that the applications for Duty Disability Benefits be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

SCHEDULE E – APPLICATIONS FOR ORDINARY DISABILITY BENEFITS

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the applications for Ordinary Disability Benefits be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

SCHEDULE F – EXTENSION OF DUTY DISABILITY BENEFITS

It was moved by Trustee Joiner, seconded by Trustee Capasso that the applications for Extension of Duty Disability Benefits, be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

SCHEDULE G – EXTENSION OF ORDINARY DISABILITY BENEFITS

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the applications for Extension of Ordinary Disability Benefits be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

SCHEDULE H – PAYMENT OF UNCASHED CHECKS OF DECEASED MEMBERS

None.

SCHEDULE I – PAYMENT OF EXPENSES

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that Administrative Expenses be approved and ordered paid.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

PRE-APPROVAL OF ADMINISTRATIVE EXPENSES

Mr. Walsh informed the Board of the upcoming Conference of Consulting Actuaries in Colorado Springs, CO which he would like the Fund's staff actuary to attend to meet the continuing education requirements necessary to maintain his Enrolled Actuary credential.

It was moved by Trustee Capasso, seconded by Trustee LoVerde, to approve and pay the enrollment cost and the cost of the travel expenses associated with the actuarial educational conference for LABF's staff actuary.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

INVESTMENTS REPORT

Market Tracker

Mr. Wesner reviewed the July 2018 market performance.

**LABORERS' & RETIREMENT BOARD EMPLOYEES'
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2nd Quarter Performance Report

Mr. Obed reviewed the 2nd quarter performance report.

July 31, 2018 Preliminary Performance Report

Mr. Obed reviewed the Fund's July 31, 2018 Preliminary Performance Report.

Hedge Fund RFP

This topic was discussed in executive session.

EXECUTIVE SESSION NO. 1

At 1:34 p.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(7) to discuss the sale or purchase of securities, investments or investment contracts. Trustee Summers seconded the motion.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

At 2:19 p.m., Trustee LoVerde made a motion, seconded by Trustee Hamburger, that the executive session be adjourned and that the Board return to open session.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

The Trustees took no action. The Trustees instructed Fund staff and Marquette to proceed in scheduling the presentations as discussed.

Watch List

This topic was discussed in executive session.

EXECUTIVE SESSION NO. 2

At 2:20 p.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(7) to discuss the sale or purchase of securities, investments or investment contracts. Trustee Summers seconded the motion.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

At 2:22 p.m., Trustee LoVerde made a motion, seconded by Trustee Joiner, that the executive session be adjourned and that the Board return to open session.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

The Trustees took no action.

Asset Allocation Follow-Up/Discussion

This topic was discussed in executive session.

EXECUTIVE SESSION NO. 3

At 2:22 p.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(7) to discuss the sale or purchase of securities, investments or investment contracts. Trustee Joiner seconded the motion.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

At 2:32 p.m., Trustee Hamburger made a motion, seconded by Trustee LoVerde, that the executive session be adjourned and that the Board return to open session.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

The Trustees took no action.

**LABORERS' & RETIREMENT BOARD EMPLOYEES'
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ADMINISTRATIVE REPORT

Employee Handbook

Mr. Walsh informed the Trustees that Fund staff prepared a draft of an Employee Handbook and highlighted the four main parts of the draft which contained substantive changes for the Trustees to consider. The main sections reviewed were (1) Comp Time, (2) Vacation Leave, (3) Paid Sick Leave and (4) Tuition Reimbursement. Mr. Walsh reviewed the updates and changes to each of these sections with the Trustees and explained the rationale for the suggested changes. The Trustees suggested some alternative approaches. Mr. Walsh said he would review these approaches with counsel and report at next month's meeting.

Mr. Walsh also noted that he wanted to include an updated Ethics Policy as well as an updated Harassment Policy to be included as attachments to any newly adopted handbook. Mr. Walsh then reviewed some of the reasoning for the suggested updates to the Ethics Policy and the Harassment Policy and mentioned that draft amendments to those policies would be circulated prior to the next regular Board meeting.

Some of the Trustees expressed an interest in further reviewing the draft handbook.

Tier 2 Widow Benefit

Mr. Walsh gave an overview of the Tier 2 Survivor Benefits matter and presented Trustees with a "Tier 2 Widow's Annuity (Death-in-Service) Decision Matrix". See attached document. Mr. Walsh walked the Trustees through the Tier 2 Widow's Annuity Decision Matrix and the Trustees determined that Option 3, without reduction (i.e. \$53.14 per month) and with a COLA, was the appropriate benefit in the situation being discussed. The Board's vote on this matter is recorded on page 4 of these minutes in the Spouse and Child's Annuities section of Schedule B.

Disability Administration Discussion

Mr. Walsh reviewed the LABF Duty Disability Offsets document which highlighted some of the current LABF practices related to the administration of disability offsets and disability overpayment recovery. The Trustees requested that Fund staff initiate a meeting with the City of Chicago's Committee on Finance regarding the recovery of disability overpayments directly from settlements/awards paid by the Committee on Finance. See attached document.

Trustee Hamburger also suggested that the Fund should send out letters to recipients of disability payments reminding them that they may owe the Fund a repayment if they receive a Worker's Comp settlement/award related to their disability. Trustee Capasso suggested that the Fund should require everyone receiving disability payments to sign and have notarized a statement confirming that they understand that if they receive a Worker's Comp settlement/award, they may be required to repay some or all of the disability payments they received from LABF.

Legislative Matters

Mr. Walsh informed the Board that the Illinois Governor used his amendatory veto power with respect to House Bill 4811, which includes provisions affecting LABF. Mr. Walsh stated that it is not yet clear which portion(s) of the bill were amended by the Governor and he will keep the Trustees updated on this matter.

Miscellaneous

Member Transfer Matter - Mr. Donham discussed Legal Counsel's memo which was requested by the Board at the July Board meeting in response to a letter from an LABF member who requested to transfer a portion of his LABF pension service credits from LABF to the General Assembly Retirement System. Mr. Donham stated that Fund Counsel had reviewed the applicable sections of the law, including 40 ILCS 5/11-125.1, and concluded that the transfer of anything less than all transferrable credit was not permissible.

Senate Special Hearings – Mr. Walsh informed the Trustees of the Senate Special Committee on State Pension Fund Investments to be held on October 16-17, 2018.

Year-to-Date Educational Hours – Mr. Carroll provided each Trustee a year-to-date summary of their educational hours earned in 2018.

Marquette Symposium - Mr. Walsh reported that the Marquette Symposium is scheduled for Friday, September 28, 2018 and noted staff could coordinate registration for Trustees who are interested in attending.

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LEGAL REPORT

Review of Executive Session Minutes

It was moved by Trustee Hamburger, seconded by Trustee LoVerde, to make available for public inspection items 1 – 5 of the memo that was presented to Trustees at the meeting.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

A Copy of the memo is on file at the Fund office.

Underwood Litigation

Mr. Donham gave a brief update on the status of the Underwood matter and noted that Judge Cohen is scheduled to make a ruling on the Motion to Compel that is before the court on September 25, 2018.

Fraud Matter

This topic was discussed in executive session.

EXECUTIVE SESSION NO. 4

At 4:23 p.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(11) to discuss current or potential litigation involving the Fund. Trustee Capasso seconded the motion.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

At 4:24 p.m., Trustee LoVerde made a motion, seconded by Trustee Capasso, that the executive session be adjourned and that the Board return to open session.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

The Trustees took no action.

Appeal of Denied Benefits

Mr. Donham reported that an appeal hearing regarding the denial of annuity benefits for Dedrick Moore is schedule to take place at the September 18, 2018 Board meeting.

ADJOURNMENT

With no further business, at 4:25 p.m., Trustee LoVerde made a motion to adjourn the meeting. Trustee Capasso seconded the motion.

Roll-call: For -- Trustees Roa, Keane, LoVerde, Hamburger, Summers, Capasso and Joiner.
Against -- None.

Duty Disability Offsets

Applicable Illinois Pension Code:

40 ILCS 5/11-158

Sec. 11-158. When disability benefit not payable.

(c) Before any action is taken by the Board on an application for a duty disability benefit or a widow's compensation or supplemental benefit, the employee or widow shall file a claim with the employer to establish that the disability or death occurred while the employee was acting within the scope of and in the course of his or her duties.

Any amounts provided to the employee or surviving spouse as temporary total disability payments, permanent total disability payments, a lump sum settlement award, or other payment under the Workers' Compensation Act or the Workers' Occupational Diseases Act shall be applied as an offset to the disability benefit paid by the Fund, whether duty or ordinary, or any widow compensation or supplemental benefit payable under this Article until a period of time has elapsed when the benefit payable equals the amount of such compensation, payment, or award. The duty disability benefit shall be offset at the rate of the amount of temporary total disability payments or permanent disability payments made under the Workers' Compensation Act or the Workers' Occupational Diseases Act.

If such amounts are not readily determinable or if an employee has not received temporary total disability payments or permanent weekly or monthly payments for the entire period of disability up to the time of the compensation, payment, or award under the Workers' Compensation Act or the Workers' Occupational Diseases Act, the disability benefit paid by the Fund shall be offset by 66 2/3% of the employee's salary on the date of disablement. The offset shall not be greater than the amount of disability benefits due from the Fund. The offset shall be applied until a period of time has elapsed when the benefit payable equals the amount of such compensation, payment, or award. This offset shall not apply to the initial days of disability when workers' compensation would not ordinarily be payable.

The amount of compensation or supplemental annuity payable to a widow shall be offset by any compensation, payment, or award until a period of time has elapsed when the benefit payable equals the amount of such compensation, payment, or award.

If an employee who has been disabled has received ordinary disability from the Fund and also receives any compensation or payment for specific loss, disability, or death under the Workers' Compensation Act or the Workers' Occupational Diseases Act, then the ordinary disability benefit must be repaid to the Fund before any other benefit under this Article may be granted or paid. If no other benefit is applied for, then the ordinary disability is offset according to the provisions of this Section.

The employee and the employer shall provide the Fund, on a timely basis, with the entry of the settlement contract lump sum petition and order settlement of any such lawsuit, including all details of the settlement.

LABF Administration of Disability Offset/Overpayment Recovery

1. Current LABF practices regarding Workers' Compensation disputes (i.e. Illinois Workers' Compensation Commission claims) that necessitate offsets/recoveries
 - a. If member was denied Workers' Compensation benefits at the outset and decision is being formally disputed, LABF allows member to apply for ordinary disability (50% of salary) benefits pending a resolution to the dispute
 - b. If member received Workers' Compensation benefits, but the employer has ceased paying benefits and the member is formally disputing the stoppage of Workers' Compensation benefits, LABF allows member to continue to receive duty disability benefits (typically 8-1/3% of salary) pending a resolution to the dispute
 - c. If member is receiving Workers' Compensation benefits and the member is formally disputing the decision, presumably under the belief the benefit does not provide adequate compensation, LABF allows member to continue to receive duty disability benefits (typically 8-1/3% of salary) pending a resolution to the dispute

If necessary upon resolution in either scenario and based on applicable law (typically coinciding with a settlement or award), LABF recovers any overpayments made to the member and/or offsets future benefits.

2. Recent LABF initiatives to improve access to resolved disputes
 - a. Access to Committee on Finance database reports (iVos)
 - b. Better communication with Committee on Finance
 - c. Use of FOIA
3. LABF communication with members regarding issue
 - a. On Ordinary/duty disability applications, members agree to certain conditions, one of which is that they will reimburse LABF if a Worker's Compensation settlement/award results in an overpayment by LABF
 - b. Initial letter going to members when LABF becomes aware of settlement/award; second letter including findings sent upon LABF's review
 - c. Updated "warrant" (coming soon)
 - d. LABF letter to member upon identification of pending dispute (coming soon)
4. Prevalence of IWCC claims
 - a. Staff began notating open IWCC claims on the monthly proposal beginning in April 2018
 - b. See August proposal
5. Administrative Issues:
 - a. Collection
 - i. Risk of not collecting back overpayments
 - ii. Members upset regarding collection of overpayments
 - iii. Widows required to repay
 - b. Complications
 - i. Members retiring off of disability
 - ii. Post-refund settlements
 - iii. Switching back and forth between duty and ordinary status
 - c. Prospective or retroactive administration
6. Possible Alternative Approaches
 - a. Cease granting ordinary disability benefits pending the outcome of a duty disability dispute
 - b. Cease payment of duty disability benefits when member ceases receiving Worker's Compensation benefits even in situations where the employer's right to cease such payments is being formally disputed.
 - c. Convince the Committee on Finance to contact LABF prior to distribution of award/settlement, so as to determine the net the amount owed to LABF

Tier 2 Survivor Benefit

40 ILCS 5/1-160. Provisions Applicable to New Hires.

(f) The initial survivor's or widow's annuity of an otherwise eligible survivor or widow of a retired member or participant who first became a member or participant on or after January 1, 2011 shall be in the amount of 66 2/3% of the retired member's or participant's retirement annuity at the date of death. **In the case of the death of a member or participant who has not retired and who first became a member or participant on or after January 1, 2011, eligibility for a survivor's or widow's annuity shall be determined by the applicable Article of this Code. The initial benefit shall be 66 2/3% of the earned annuity without a reduction due to age.** A child's annuity of an otherwise eligible child shall be in the amount prescribed under each Article if applicable. Any survivor's or widow's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity or (2) in other cases, on each January 1 occurring after the first anniversary of the commencement of the annuity. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted survivor's annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

(j) **In the case of a conflict between the provisions of this Section and any other provision of this Code, the provisions of this Section shall control.**

Select Annuity Provisions Applicable to Widows

| Section: | Benefit Type | Calculation | Requirements |
|--|--|---|---|
| 11-139. Widow's annuity-Present employee and future entrants—Death in service before 65. | Age and Service Annuity ("Money Purchase Annuity") | Based on factor of employee and employer contributions for annuity and survivor's benefits (4 contribution lines) | No min yrs. of service |
| 11-145.1(k). Minimum Annuities for Widows | Minimum Formula Annuity | 50% of minimum formula annuity with no reduction for age: (50%) x (2.4%) x (yrs. of service) x (final avg. salary) | Minimum of 10 yrs. of service AND 10 yrs. of marriage if otherwise eligible |
| 11-145.1(g). Minimum Annuities for Widows | Conversion to Minimum Annuity | Annuities converted to \$800/mo. | <ul style="list-style-type: none"> • Minimum of 5 yrs. of service • \$100 ≤ pre-conversion annuity < \$800 |
| 11-152. Term annuities. | Conversion to Term Annuity No COLA (11-134.1) | Term annuity of equal actuarial value of \$100/mo. until credits exhausted | Pre-conversion annuity < \$100 |
| 11-167. Refunds in lieu of Annuity | Refund in lieu of Annuity | Total remaining employee contributions | Annuity < \$800 |

Select Annuity Provisions Applicable to Members

| Section: | Benefit Type | Calculation | Requirements |
|---|--|--|---|
| 11-170 To collect for Age and Service 11-128 thru 11-131 | Age and Service Annuity (Money Purchase Annuity) | Based on factor of employee and employer contributions for annuity benefits (2 contribution lines) | <ul style="list-style-type: none"> • 10 yrs. of service if under age 60, OR • No service minimum if resign at 60 or older |
| 11-145.1(k). | Minimum Formula Annuity | (2.4%) x (yrs. of service) x (final avg. salary) | 10 yrs. of service 10 yrs. of marriage |

Tier 2 Widow's Annuity (Death-in-Service) Decision Matrix

| | Option 1: 66-2/3% of Member's Minimum Formula Annuity [§11-145.1(k)] | Option 2: 66-2/3% of Member's Money Purchase Annuity [§11-128 through §11-131] | Options 3: Widow's Money Purchase Annuity [§11-139] |
|---------------------------------|--|--|--|
| Required Underlying Assumptions | None; "66 2/3% of the <u>earned annuity</u> without a reduction due to age" in §1-160(f) clearly refers to <u>member's</u> minimum formula annuity. | Requires concluding that "66 2/3% of the <u>earned annuity</u> without a reduction due to age" in §1-160(f) ALSO refers to <u>member's</u> money purchase annuity. | Requires concluding that since §1-160(f) states eligibility is "determined by the applicable Article", Option 3, which is a stand-alone <u>widow's</u> annuity benefit in Article 11 that is not a function of the member's "earned annuity", is in addition to, and does not conflict with, Options 1 and/or 2. [See §1-160(j) re: conflicts.] or concluding that under this section the member "earned" this annuity for widow |
| Service Requirement | 10-year minimum required | No minimum required | No minimum required |
| Age Requirement | None. §1-160(f) states "66 2/3% of the earned annuity <u>without a reduction due to age</u> "; therefore, precludes (1) ineligibility based on age, or (2) formula-based age penalty | | None. Annuity not subject to reduction or eligibility restriction based on age. |
| Benefit Calculation Methodology | Formula-based: 2.4% x (yrs. of service) x (final avg. salary) x 66-2/3% | 66-2/3% of employee money purchase annuity (based on employee and employer contributions for annuity benefits) | Widow's money purchase annuity (based on employee and employer contributions for annuity and survivor's benefits). Younger of member or spouse age factor |
| Refund of member contributions | Only available if widow is ineligible for an annuity; amount adjusted for anticipated annuity(ies) payable to child(ren), if applicable | | |
| Minimum Annuity [§11-145.1(g)] | Minimum annuity of \$800 available if member has at least 5 years of service | | |
| Term Annuity [§11-152] | N/A; §11-152 requires that an annuity of less than \$100/month be converted to a \$100 term annuity (assumes no COLA) AND §1-160(f) requires a COLA for any widow's annuity, which is adjusted annually based on inflation; therefore, since future COLA amounts are unknown, a "term" cannot be a determined in advance. According to §1-160(j), §1-160 prevails in the event of a conflict; therefore, term annuity <u>assumed</u> to be inapplicable for tier 2 widows. | | |
| Refund in Lieu Option [§11-167] | Only available if (1) eligible for annuity, and (2) annuity less than \$800 | | |
| Annual Increase ("COLA") | Yes; however, creates administrative challenge for term annuities due to variable COLA (administration TBD) | | |

Example Scenario (given above assumptions): - Tier 2 member dies at age 32 with 2.5 years of service - Total employee contributions: \$7,041.60
 - Member is survived by wife and three minor children - Total expected child annuities: \$98,560.00

| | Option 1: 66-2/3% of Member's Minimum Formula Annuity [§11-145.1(k)] | Option 2: 66-2/3% of Member's Money Purchase Annuity [§11-128 through §11-131] | Options 3: Widow's Money Purchase Annuity [§11-139] |
|--------------------------------|---|---|--|
| Eligibility | Ineligible ; less than 10 years of service | Eligible | Eligible |
| Amount of Annuity | N/A | \$28.77/mo. | \$53.17/mo. (or \$35.45/mo. if "earned annuity") |
| Term Annuity | N/A | N/A (see "term annuity" above) | N/A (see "term annuity" above) |
| Refund in Lieu Option | N/A | \$7,041.60 (see "refund in lieu option" above) | \$7,041.60 (see "refund in lieu option" above) |
| Refund of member contributions | \$0 ; contributions of \$7,041.60 reduce by amt. of expected child annuities bringing total to \$0 | N/A since eligible for annuity | N/A since eligible for annuity |
| Minimum Annuity | N/A ; less than 5 years of service | | |

Kanerva v. Weems, 2014 115811 ¶ 36, 55: "where there is any question as to the legislative intent and the clarity of the language of a pension statute, it must be liberally construed in favor of the rights of the pensioner"