

# B FOR YOUR BENEFIT



FALL 2017 ISSUE 37

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

## NEW PENSION LAW PROMISES SOLVENCY

*And Requires Tier 2 Members to Take Action by November 15, 2017*



**O**n July 6, 2017, Senate Bill 42 was enacted into law, becoming Public Act 100-0023 ("Act"). The Act provides for increased employer contributions to the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF") and puts the LABF on a path toward reaching 90% funded status by the year 2058. Without the funding that the Act promises, LABF would be insolvent by approximately the year 2027.

The Act also creates a new "tier" of pension benefits for any member of LABF who first became a contributing member of LABF or another Designated Reciprocal Fund<sup>1</sup> on or after July 6, 2017. Furthermore, the Act gives any current or former member of LABF who first became a contributing member of the LABF or another Designated Reciprocal Fund<sup>1</sup> on or after January 1, 2011, but prior to July 6, 2017 (commonly referred to as "Tier 2 Member"), the option to irrevocably elect to:

- be subject to the new alternative retirement benefit eligibility and employee contribution requirements as provided in the Act (hereinafter, "Tier 3 Benefits"), or
- remain subject to their current retirement benefit eligibility and employee contribution requirements ("Tier 2 Benefits").

Please see the *Summary Comparison* table printed on page 2 of this newsletter for more details.

### MAKING THE IRREVOCABLE ELECTION

Election forms were mailed to all Tier 2 Members and included instructions regarding the election. Eligible current and former City of Chicago ("City") employees received the mailing from the City and their responses must be returned to the City by mail in the return envelope provided. Eligible current and former retirement board employees received the mailing directly from the LABF and their responses must be returned to the LABF by mail in the return envelope provided. By law, the irrevocable election must be made between October 1, 2017 and November 15, 2017. Any election postmarked after November 15, 2017 will be deemed invalid. If the election is not made, or is not made during the specified election period, the Tier 2 member will be deemed to have chosen to remain subject to Tier 2 Benefits.

## 2018 RETIREE HEALTHCARE INSURANCE

In 2018, the City of Chicago will again sponsor Blue Cross Blue Shield of Illinois ("BCBS") healthcare plan options for employee annuitants who retired on or after August 23, 1989 and their eligible beneficiaries. Information regarding 2018 healthcare coverage has been provided by the City. See page 5 for details.

*Please note: The LABF is providing this information for your convenience and, by law, cannot and does not endorse any healthcare plan.*

## IRREVOCABLE ELECTION: FREQUENTLY ASKED QUESTION

### Q: Which option (Tier 2 or Tier 3) is better for me?

A: The LABF cannot offer advice as to which option is better for you. Each person's situation is unique. Therefore, you may want to consult a financial advisor to assist you. As a reference, please see the *Summary Comparison* table to the right to view the differences in benefit and contribution structures.

### Q: Why do I owe additional contributions to LABF if I elect Tier 3 benefits?

A: The Act was written such that you cannot elect Tier 3 benefits until after October 1, 2017 (and no later than November 15, 2017); however, as soon as you make the election, the associated increase in contributions is retroactive back to July 6, 2017.

### Q: How much in additional contributions will I owe if I make the Tier 3 election and how do I make the payment?

A: Employers (either the City or a retirement fund board depending on your specific situation) will begin deducting 9.5% contributions from your pensionable salary beginning with the late-November/early-December payroll. You will owe an additional 1% on your pensionable earnings retroactive back to July 6, 2017. The LABF will send you a letter in December of 2017 with the precise amount you owe along with payment options. Your payment will be due by June 30, 2018. No interest will accrue so long as you make your payment in full to the LABF by the stated deadline.

### Q: What is "Normal Cost"?

A: The way the Act was written, your employee contributions become the lesser of 11.5% of pensionable salary or a percentage based on the Normal Cost beginning on January 1, 2019. "Normal Cost," an actuarial term, is essentially the annual cost of providing retirement benefits. The idea behind this formula is to protect members from paying more for their benefits than they are worth. It is unlikely that the normal cost will be less than 11.5% in the near future.

### Q: Do I need to do anything if I want to keep my current Tier 2 benefits?

A: No. You will remain subject to the Tier 2 benefit and contribution structure unless you explicitly elect the Tier 3 benefit and contribution structure.

## SUMMARY COMPARISON DIFFERENCES BETWEEN TIER 2 AND TIER 3

|  | TIER 2<br>Illinois Public Act 98-0889 Enacted April 14, 2010   | TIER 3<br>Illinois Public Act 100-0023 Enacted July 6, 2017  |
|--|--|--|
| <b>Tier Eligibility</b>  | <ul style="list-style-type: none"> <li>Any LABF member who first became a member or participant under any Designated Reciprocal Fund<sup>1</sup> on or after January 1, 2011, but prior to July 6, 2017 (a "Tier 2 Member")</li> </ul>   | <ul style="list-style-type: none"> <li>Any LABF member who first became a contributing member or participant under any Designated Reciprocal Fund<sup>1</sup> on or after July 6, 2017 (a "Required Tier 3 Member"); or</li> <li>Any current or former Tier 2 Member who, subject to PA 100-0023, irrevocably elects to be subject to the Tier 3 benefit structure (an "Elective Tier 3 Member")</li> </ul>  |
| <b>Benefits Structure</b>  | <p><b>Eligibility for Employee Annuity:</b></p> <ul style="list-style-type: none"> <li>Eligible for unreduced minimum formula annuity at age <b>67</b> with 10 years of service</li> <li>Eligible for reduced minimum formula annuity at age <b>62</b> with 10 years of service; reduction for early retirement equal to ½ of 1% per month for each full month below age <b>67</b></li> </ul> <p><b>Eligibility for Annual Increase in Employee Annuity<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>Begins on January 1 occurring on or after the latter of:                             <ul style="list-style-type: none"> <li>♦ attainment of age <b>67</b>, or</li> <li>♦ the first anniversary of the annuity start date</li> </ul> </li> </ul> | <p><b>Eligibility for Employee Annuity:</b></p> <ul style="list-style-type: none"> <li>Eligible for unreduced minimum formula annuity at age <b>65</b> with 10 years of service</li> <li>Eligible for reduced minimum formula annuity at age <b>60</b> with 10 years of service; reduction for early retirement equal to ½ of 1% per month for each full month below age <b>65</b></li> </ul> <p><b>Eligibility for Annual Increase in Employee Annuity<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>Begins on January 1 occurring on or after the latter of:                             <ul style="list-style-type: none"> <li>♦ attainment of age <b>65</b>, or</li> <li>♦ the first anniversary of the annuity start date</li> </ul> </li> </ul> |
| <b>Employee Contributions</b><br><small>(as percentage of capped salary)</small> | <ul style="list-style-type: none"> <li>8.5%</li> </ul>   | <ul style="list-style-type: none"> <li>Required Tier 3 Member:                             <ul style="list-style-type: none"> <li>♦ 11.5% beginning immediately<sup>3</sup></li> </ul> </li> <li>Elective Tier 3 Member:                             <ul style="list-style-type: none"> <li>♦ 9.5% beginning July 6, 2017<sup>3</sup>;</li> <li>♦ 10.5% beginning January 1, 2018; and</li> <li>♦ 11.5% or Normal Cost (subject to 8.5% floor), whichever is less, beginning January 1, 2019</li> </ul> </li> </ul> <p><b>Note: When 90% funded status is reached (currently projected to occur in the year 2058), employee contributions drop from 11.5% to 7.5% and remain at 7.5% unless the funded ratio falls below 75%</b></p>                               |

For a more extensive summary comparison of benefit and contribution structures, visit the LABF website at [LABFChicago.org](http://LABFChicago.org).

#### Footnotes:

- Designated Reciprocal Fund** shall refer to any of the following pension funds or retirement systems: (1) Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, (2) Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago, (3) Illinois Municipal Retirement Fund, (4) County Employees' and Officers' Annuity and Benefit Fund, (5) Forest Preserve District Employees' Annuity and Benefit Fund, (6) Park Employees' and Retirement Board Employees' Annuity and Benefit Fund, (7) Metropolitan Water Reclamation District Retirement Fund, (8) State Employees' Retirement System of Illinois, (9) State Universities Retirement System, (10) Teachers Retirement System of the State of Illinois, and (11) Public School Teachers' Pension and Retirement Fund of Chicago.
- Annual increase in annuity:** Commonly referred to as "COLA."
- Employee Contribution Receivables:** Any receivable that accrues in a member's account as a direct result of insufficient pension deductions being withheld from the member's salary during the initial implementation of PA 100-0023 shall be payable to LABF by June 30, 2018. No interest will be charged so long as the payment is made by the deadline.

## SUMMARY ANNUAL FINANCIAL REPORT FOR YEAR ENDED DECEMBER 31, 2016

## FINANCIAL PLANNER FINDING THE RIGHT ADVISOR

### THINGS TO CONSIDER

This section summarizes information contained in the 2016 Actuarial Valuation Report and the 2016 Financial Statements. The LABF encourages you to review the full reports which are available on our website at [LABFChicago.org/publications](http://LABFChicago.org/publications).

### ACTUARIAL VALUATION

The funded ratio represents the percentage of assets available to pay future benefits. According to the December 31, 2016 Actuarial Valuation Report, the LABF's funded ratio based on the actuarial value of assets was 50.4% as compared to 53.0% in 2015. The decline is largely attributable to the LABF receiving contributions of less than the Actuarially Determined Contribution.

### FINANCIAL STATEMENTS

As of December 31, 2016, LABF's net assets was \$1.2 billion, representing a decline of \$70.9 million, or 5.7% from the prior year. The decline is largely attributable to the liquidation of investment assets needed to offset LABF's severe cash flow deficit caused by inadequate funding.

Member contributions, employer contributions, and investment proceeds are the funding sources for the LABF. In 2016, total additions were \$89.7 million, an \$80.6 million increase from 2015 that was primarily due to the difference in investment returns from year to year. The LABF's most significant expenses were benefit and refund payments which represented 97.5% of the LABF's total 2016 expenditures.

### INVESTMENTS

From a financial markets perspective, 2016 was a turbulent year marked by political upheaval. The LABF's investment portfolio experienced a modest return in 2016. The total investment return, net of fees, was 5.3% in 2016 as compared to -1.5% in 2015. In absolute terms, with the exception of international equity, all the asset classes positively contributed to the total performance.

The following table represents LABF's asset allocation as of December 31, 2016:

| ASSET CLASS             | ACTUAL | TARGET |
|-------------------------|--------|--------|
| Fixed Income            | 19.5%  | 16.0%  |
| Equities                | 54.4%  | 50.0%  |
| Global Asset Allocation | 10.0%  | 7.0%   |
| Hedge Funds             | 7.0%   | 8.0%   |
| Private Equity          | 3.0%   | 4.0%   |
| Private Debt            | 0.1%   | 3.0%   |
| Real Estate             | 5.5%   | 8.0%   |
| Private Real Assets     | 0.0%   | 4.0%   |
| Cash & Short Term       | 0.5%   | 0.0%   |

**Seek a Certified Financial Planner ("CFP").** CFPs are licensed and regulated. They also take mandatory classes on various aspects of financial planning.

#### Look for a fiduciary.

This means the financial planner has pledged to act in a client's best interests and should adhere to a specified code of ethics. This point is critical and should be a deal breaker.

#### Consider the pay structure.

Be sure that your financial planner's compensation arrangement ensures that his or her interests align with your own. Beware of pay structures that create incentives to lead clients in a particular direction.

#### Do background checks.

Ask questions... Have you ever been convicted of a crime? Has any regulatory body or investment-industry group ever put you under investigation, even if you weren't found guilty or responsible?

Request references of current and former clients.

#### Confirm credentials.

Research them. Find out who administers the designation, then call that administrator to verify that the credentials are valid.

#### Beware of braggarts.

Be cautious of financial planners who boast of the ability to outperform the market averages. No one can honestly make that guarantee. A financial planner should be willing to accept guidance from you about what risks you are willing to take to help you achieve your goals.

Reference: The Wall Street Journal.  
<http://guides.wsj.com/personal-finance/managing-your-money/how-to-choose-a-financial-planner/>

# Important Information

## EMPLOYEE RIGHTS AND BENEFITS CLAIM WHAT'S YOURS

### UNCLAIMED CONTRIBUTIONS

Currently, the LABF holds contributions from members who have left their employment with the City or a retirement board and never filed for a refund of contributions or pension benefits. The LABF is trying to find these members.

Please visit our website at [LABFChicago.org/members/inactive-members](http://LABFChicago.org/members/inactive-members) to review the unclaimed contributions list to see if you or someone you know may be owed a refund of contributions or a benefit. If so, contact the LABF by following the corresponding link on the site.

Also, the heirs of deceased members may be entitled to a refund or a benefit. If you know the heirs of a deceased member whose name appears on the unclaimed contributions list, please refer them to the website to request a call from a counselor for information on determining eligibility. Thank you for your help with this matter.

### DISABILITY BENEFITS

The LABF provides disability benefits to qualified members who are unable to work due to illness or injury. Members are required to make application with the LABF in order to receive disability benefits. Time restrictions apply. While in receipt of disability benefits, members continue to earn credit toward retirement.

To determine eligibility, call the LABF at (312) 236-2065 (*press 3 for "Benefits", then 2 for "Disability"*).

If you already receive a disability benefit and need a replacement warrant, you can print a warrant directly from the LABF website at: [LABFChicago.org](http://LABFChicago.org). Click, *MEMBERS, DISABILITY*, then select the type of disability benefit that you receive. Scroll to the section describing *warrants* and click the word *WARRANT* to complete and print the form. Be sure to answer all "*required*" fields before mailing the warrant to the LABF.

### BENEFICIARY DESIGNATION

Upon your death, if pension contributions are to be refunded, who would you like to receive your contributions?

Check your annual Participant Statement to confirm your beneficiary designation. If you would like to change your designation(s), you can obtain a Beneficiary Designation Form from the LABF website or by contacting the LABF office. This form must be signed and notarized to be valid.

### WORK AFTER RETIREMENT

Employee annuitants who work for any of the following Employers may face having their annuity payments suspended:

- City of Chicago
- Chicago Board of Education
- Retirement Boards of Chicago Pension Funds
- Reciprocal Pension Fund or Retirement System (*from which you are receiving a proportional annuity*)

Contact the LABF before beginning employment with any employer listed above. Upon subsequent retirement, annuity payments may resume. If 3 years of additional LABF service is rendered, the annuity amount will be recalculated to include the additional service.

## IMPORTANT PHONE NUMBERS AND WEBSITES

**Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago**  
(312) 236-2065  
[www.labfchicago.org](http://www.labfchicago.org)

**Benefits Management Office (City of Chicago)**  
(877) 299-5111  
[www.cityofchicago.org/benefits](http://www.cityofchicago.org/benefits)

**Blue Cross Blue Shield (Active Employees)**  
PPO: (800) 772-6895  
HMO: (800) 730-8504  
[www.bcbsil.com](http://www.bcbsil.com)

**Blue Cross Blue Shield (2017 Healthcare Options for Retirees)**  
Medicare Advantage: (877) 566-8520  
Non-Medicare: (800) 292-6398  
[www.bcbsil.com/cityofchicago](http://www.bcbsil.com/cityofchicago)

**Committee on Finance (Workers' Compensation)**  
(312) 744-2931

**Deferred Compensation (Nationwide Retirement Solutions)**  
(312) 443-1975  
[www.nrsforu.com](http://www.nrsforu.com)

**Social Security Administration**  
(800) 772-1213  
[www.ssa.gov](http://www.ssa.gov)

**Medicare**  
(800) 633-4227  
[www.medicare.gov](http://www.medicare.gov)

**Prudential (Active Employee Life Ins.)**  
(800) 778-3827  
[www.prudential.com](http://www.prudential.com)

**MetLife (Underwritten by TexasLife)**  
(800) 638-6855  
[www.empben.com/CityofChicagoUL](http://www.empben.com/CityofChicagoUL)

## FOR DOCUMENTS IN COOK COUNTY:

**Cook County Clerk's Office**  
*For Birth, Death, or Marriage Certificates*  
(312) 603-7790  
[www.cookctyclerk.com](http://www.cookctyclerk.com)

*For Divorce Decrees*  
(312) 603-6300  
[www.CookCountyClerkofCourt.org](http://www.CookCountyClerkofCourt.org)

*Birth and death certificates may also be obtained, for a fee, at most local currency exchanges. Death certificates for deaths within the past six months in the City of Chicago may be obtained from the Chicago Board of Health at (312) 744-3800. Birth certificates for children under three months old and born in Chicago may be obtained from the Chicago Board of Health at (312) 744-3799. For recent deaths and births in the suburban area, contact the appropriate local government office.*



# Annuitant Announcements

## A MESSAGE FROM THE CITY OF CHICAGO REGARDING 2018 RETIREE HEALTHCARE INSURANCE...

### COVERAGE THROUGH BLUE CROSS BLUE SHIELD

The City again is sponsoring several fully-insured healthcare coverage options on a retiree-pay-all basis through Blue Cross Blue Shield of Illinois (“BCBS”) for 2018. There will continue to be three Medicare Advantage Plan options and two Non-Medicare Plan options. Certain options will have different benefit terms for 2018 than for 2017. The chart below is a summary of the changes; specific information on all the changes will be mailed to current participants by BCBS.

BCBS will be communicating directly with the retirees as to the rates and the specific changes to their healthcare coverage options; there will be no City mailing to these retirees. Members will remain enrolled for 2018 in their current BCBS plan unless they chose to cancel or change the health coverage directly with BCBS.

The Non-Medicare Open Enrollment packets mailing will take place between October 19th and October 23rd with enrollment between November 15th and December 1st. The Member Service Center will be ready to answer questions beginning on October 19, 2017.

For the Medicare (“MAPD”) plans, enrollment will start on November 15th and end at the close of business December 1st. The Annual Notice of Change will be mailed out at the end of October with the Member Service Center ready to answer questions beginning October 23, 2017.

The Member Service Center is open seven days a week from 8:00 a.m. to 8:00 p.m. for Medicare Eligible retirees and from 8:00 a.m. to 5:30 p.m., Monday through Friday for Non-Medicare Eligible retirees. The telephone numbers are:

**Medicare – 1-877-566-8520**

**Non-Medicare – 1-800-292-6398**

#### MEDICARE ELIGIBLE RETIREE MAPD PLAN OPTIONS

|          | 2017 RATES | 2018 RATES | NOTES FOR THE 2018 BCBS PLANS  |
|----------|------------|------------|--|
| Option 1 | \$339      | \$426      | \$500 Out of Pocket Max; \$20 copays for doctor’s office visits. The prescription drugs covered by the plan will change. |
| Option 2 | \$236      | \$275      | The prescription drugs covered by the plan will change.  |
| Option 3 | \$59       | \$83       | No changes   |

#### NON-MEDICARE ELIGIBLE RETIREE COVERAGE OPTIONS

|                               |         |         |  |
|-------------------------------|---------|---------|--|
| PPO for Single                | \$1,466 | \$1,514 | Office visit co-pays apply for doctor’s office visits. |
| PPO for Couple                | \$2,610 | \$2,696 | Office visit co-pays apply for doctor’s office visits. |
| PPO for Family                | \$3,622 | \$3,741 | Office visit co-pays apply for doctor’s office visits. |
| Blue Choice Option for Single | \$1,295 | \$1,337 | No changes   |
| Blue Choice Option for Couple | \$2,305 | \$2,381 | No changes   |
| Blue Choice Option for Family | \$3,198 | \$3,303 | No changes   |

The City makes no representations or promises that it will sponsor any future healthcare plans for non-Korshak/Window retirees after 2018. These changes do not apply to retirees who are part of the Korshak/Window group, which includes those who retired from the City prior to August 23, 1989. They will receive a separate notice from the City regarding annuitant contribution rates for 2018.

## ANNUITANT MEMBER TRUSTEE ELECTION RESULTS

*In accordance with State law, an election was held to select the retirement board trustee representing the LABF’s annuitants for a term that begins December 2, 2017 and ends December 1, 2020.*

*The Election Committee certifies that*

**JAMES CAPASSO, JR.**

*is the elected trustee.*

*We are pleased to congratulate James Capasso, Jr. and are grateful for his continued service on the Board of Trustees.*





*Laborers' and Retirement Board Employees'*  
*Annuity and Benefit Fund of Chicago*  
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# THE LATEST NEWS ABOUT YOUR PENSION

**NEW PENSION LAW PROMISES SOLVENCY FOR THE LABF**  
And Requires Tier 2 Members to Take Action by November 15, 2017

**BOARD OF TRUSTEES 2017 ELECTION RESULTS**  
For the Term of December 2, 2017 - December 1, 2020

**2018 RETIREE HEALTHCARE INSURANCE**  
A Message From the City of Chicago



**VICTOR ROA**  
President/Appointed Trustee, Secretary of Local 1001  
**ERIN KEANE**  
Vice President/Ex-Officio Trustee, City Comptroller  
**MICHAEL LOVERDE**  
Secretary/Elected Trustee, Laborer

**CAROL HAMBURGER**  
Appointed Trustee, Managing Deputy Comptroller  
**KURT SUMMERS, JR.**  
Ex-Officio Trustee, City Treasurer  
**CAROLE BROWN**  
Appointed Trustee, Chief Financial Officer

**JAMES CAPASSO, JR.**  
Elected Trustee, Retiree  
**JAMES M. JOINER**  
Elected Trustee, Safety Specialist-Water Management