



Summary Comparison of “Tier 2” and “Tier 3” Benefits

	“Tier 2” Benefits Illinois Public Act 96-0889 Enacted April 14, 2010	“Tier 3” Benefits Illinois Public Act 100-0023 Enacted July 6, 2017
Members Impacted	<ul style="list-style-type: none"> Any person who first became a contributing member or participant under any Designated Reciprocal Fund¹ on or after January 1, 2011, but prior to July 6, 2017 (a “Tier 2 Member”) 	<ul style="list-style-type: none"> Any person who first becomes a contributing member or participant under any Designated Reciprocal Fund¹ on or after July 6, 2017 (a “Required Tier 3 Member”); or Any 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”)
Benefits Structure	<p><u>Eligibility for Employee Annuity:</u></p> <ul style="list-style-type: none"> Member is eligible for unreduced minimum formula annuity at age 67 with 10 years of service Member is eligible for reduced minimum formula annuity at age 62 with 10 years of service; reduction for early retirement equal to ½ of 1% per month for each full month below age 67 <p><u>Employee Annuity Amount:</u></p> <ul style="list-style-type: none"> Benefit is 2.4% for each year of service multiplied by final average salary Final average salary is based on an 8-year average salary which is capped at \$106,800 in 2011, increased annually at the lesser of 3% or 50% of CPI-U for the 12 months ending with the September preceding each November 1 (As of January 1, 2017: \$112,408.42) Annual increase in annuity (commonly referred to as the “COLA”) is the lesser of 3% or 50% of CPI-U for the 12 months ending each preceding September; applied to original employee annuity amount (not compounded) <p><u>Eligibility for Annual Increase in Employee Annuity</u></p> <ul style="list-style-type: none"> Begins on the January 1 occurring on or after the latter of: <ul style="list-style-type: none"> attainment of age 67, or the first anniversary of the annuity start date <p><u>Survivor Annuity Amounts (subject to eligibility):</u></p> <ul style="list-style-type: none"> Spouse annuity: <ul style="list-style-type: none"> Benefit is equal to 66⅔% of participant’s annuity or earned annuity Annual increase in spouse annuity (commonly referred to as the “COLA”) is the lesser of 3% or 50% of CPI-U for the 12 months ending each preceding September; applied to original spouse annuity amount (not compounded) Child Annuity: <ul style="list-style-type: none"> Benefit is \$220 per month if a spouse annuity is payable or \$250 per month if no spouse annuity is payable (payable until age 18) <p><u>Eligibility for Annual Increase in Spouse Annuity</u></p> <ul style="list-style-type: none"> Begins on the January 1 occurring on or after the: <ul style="list-style-type: none"> start date of the annuity if the deceased member was in receipt of annuity at death, or first anniversary of the spouse annuity start date 	<p><u>Eligibility for Employee Annuity:</u></p> <ul style="list-style-type: none"> Member is eligible for unreduced minimum formula annuity at age 65 with 10 years of service Member is eligible for reduced minimum formula annuity at age 60 with 10 years of service; reduction for early retirement equal to ½ of 1% per month for each full month below age 65 <p><u>Employee Annuity Amount:</u></p> <ul style="list-style-type: none"> Same as Tier 2 <p><u>Eligibility for Annual Increase in Employee Annuity</u></p> <ul style="list-style-type: none"> Begins on the January 1 occurring on or after the latter of: <ul style="list-style-type: none"> attainment of age 65, or the first anniversary of the annuity start date <p><u>Survivor Annuity Amounts (subject to eligibility):</u></p> <ul style="list-style-type: none"> Same as Tier 2 <p><u>Eligibility for Annual Increase in Spouse Annuity</u></p> <ul style="list-style-type: none"> Same as Tier 2
Employee Contributions (as percentage of capped salary)	<ul style="list-style-type: none"> 8.5% 	<ul style="list-style-type: none"> Required Tier 3 Member: <ul style="list-style-type: none"> 11.5% beginning immediately Elective Tier 3 Member: <ul style="list-style-type: none"> 9.5% beginning July 6, 2017; 10.5% beginning January 1, 2018; and 11.5% or normal cost (subject to 8.5% floor), whichever is less, beginning January 1, 2019 <p>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%</p>

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.
- Treatment of 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.