



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

# Summary Plan Description

*Summary of Your Retirement and Disability Benefits*



The benefits described in this booklet are effective as of January 16, 2004. These rules apply to you if you are currently an active employee. If you have not recently worked as a City of Chicago or Board of Education employee, the benefits and rules may be different for you. You are encouraged to contact the LABF office to schedule an appointment in order to discuss your specific benefits.

Address all communications to:  
Laborers' and Retirement Board Employees'  
Annuity and Benefit Fund of Chicago  
221 North LaSalle Street, Suite 748  
Chicago, Illinois 60601  
(312) 236-2065  
(312) 236-0574 (*fax*)

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***What is the Laborers' Annuity and Benefit Fund?***

Established in 1935 by the Illinois legislature, the Laborers' and Retirement Board Employees' Annuity and Benefit Fund ("LABF") was created to provide retirement and disability benefits to its members and their beneficiaries. LABF covers individuals who are employed by the City of Chicago in positions classified as "labor service." Certain Board of Education employees under the labor service classification and individuals employed by a retirement board are also members of the Fund. Because we are a defined benefit plan, the amount of the retirement benefit is based upon the member's age, years of service, and final average salary.

This booklet provides a brief summary of your benefits as a LABF member. It is not intended to contain, nor does it contain, a summary of all provisions of the law. The full text of the law is available online at [www.legis.state.il.us](http://www.legis.state.il.us) and supersedes anything stated or implied in this booklet. Your rights and obligations as a LABF member are governed by Chapter 40, Act 5, Article 11, of the Illinois Compiled Statutes.

***How is LABF administered?***

A board of trustees called "The Retirement Board" administers the Fund. It is composed of eight members. There are two ex-officio members, the City Treasurer and the City Comptroller (or their appointment). Two persons are appointed by the Civil Service Commission or the Department of Personnel. One person is appointed by the president of the local labor organization representing a majority of the employees participating in the Fund. Two members are elected by and from the group of current employees who are contributing to the Fund. One member is elected by and from the group of former employees receiving a retirement annuity from the Fund.

State law requires the Retirement Board to hold a meeting each month. Among its many other duties, it is required by law to: (a) approve benefits; (b) invest the monies of the Fund; (c) create rules for the proper administration of the Fund; (d) initiate a yearly audit by a certified public accountant; (e) engage an enrolled actuary to provide an annual actuarial statement and (f) submit a yearly report to the State of Illinois.

The Retirement Board trustees employ an actuarially trained office staff. The staff is supervised by the Fund's Executive Director who oversees all administrative functions. Our staff is eager to assist you. Please call the LABF office to schedule an appointment in order to discuss your individual retirement benefits. We encourage you to speak with the LABF staff in advance of your resignation in order to better serve you.

## **BENEFITS**

### **Benefits at a Glance**

The following is a brief summary of benefits available to active members. An active member is an individual who is employed by the City of Chicago, the Board of Education or a Retirement Board and also has pension contributions forwarded to LABF. The eligibility requirements for each benefit are explained in detail later in this booklet.

#### **Refund of member contributions**

If you are 1) under age 55 or 2) under age 60 with less than 10 years of service and you terminate your employment, you may be eligible to receive a refund of your member contributions. It is important to note that if you take a contribution refund, you give up all rights to future LABF benefits and retiree medical coverage.

#### **Retirement benefits**

If you meet the age and service requirements, when you retire from your City or Board position, you will receive a monthly annuity (pension) for the rest of your life. If your total service credits provide an annuity of less than \$100 per month, an annuity of \$100 per month would be payable for a limited time.

A retired member must fulfill the age and service requirements that are detailed in state statutes. The minimum requirements for an annuity are as follows:

##### **Money Purchase Annuity**

10 years of service, payable no earlier than age 55;

##### **Minimum Formula Annuity**

30 years of service, payable no earlier than age 50,

20 years of service, payable no earlier than age 55,

10 years of service, payable no earlier than age 60;

##### **Minimum Annuity**

10 years of service with withdrawal from service no earlier than age 60

#### **Death benefits**

If you are married at the time of resignation or die while in service, your eligible spouse, upon your death, would be entitled to benefits for the rest of his/her life. Any eligible minor children would be entitled to benefits until their 18th birthday.

LABF also has a provision for a reversionary annuity if the employee dies after retirement. Prior to withdrawal from service, you can make an election to have a portion of your annuity “set aside” in order to provide a life

annuity for a spouse, parent, child, brother or sister. This reversionary annuity would then begin upon your death.

### **Disability benefits**

There are two classifications of disability benefits:

- 1) **Duty Disability** benefits are available to you if you are accidentally injured as a result of performing your job duties. Workers' Compensation (Committee on Finance for most City employees) must process your claim before LABF benefits can be paid. Refer to page 11 for more details on Duty Disability. In coordination with Workers' Compensation, a maximum benefit of 75% of salary can be awarded.
- 2) **Ordinary Disability** benefits are provided to those who become injured while off the job or sick from a disease or illness that is not associated with performing job duties. Ordinary Disability benefits are limited to 50% of salary. For more information on ordinary disability benefits, refer to page 11.

When you are receiving disability, it is important to remember that you must pay your health insurance premiums directly to the City's Benefits Management Office.

Employees continue to earn service credit while collecting disability benefits because the amounts normally contributed by the employee for pension purposes are contributed by the City of Chicago for Duty Disability benefits and as of January 1, 2001, by LABF for Ordinary Disability benefits. Pension contributions paid by the City or LABF on behalf of the employee for periods of disability are not refundable.

### Membership

#### *Am I eligible to be a member of the LABF?*

State law requires you to contribute to LABF if you are in a position classified as “labor service” or employed by a retirement board. Employees immediately become members of the LABF when they are hired.

#### *What documents do I need to provide to the Fund?*

In order for the Fund to accept a benefit application, an applicant must submit a birth certificate, marriage certificate, death certificate, and divorce papers, if applicable.

Proof of the following should be submitted as soon as possible:

- 1) Birth date;
- 2) Spouse’s birth date;
- 3) Names and birth dates of all children under 18;
- 4) Marriage date; and
- 5) Changes in marital status.
- 6) Resignation and acceptance letter.

Such proof must be provided whenever benefits are payable. The Fund cannot process a benefit application until the proper documentation is received.

#### *Does every laborer contribute to LABF?*

The Fund excludes (a) individuals already receiving an employee annuity from another City annuity and benefit fund; (b) individuals employed by the City or Board of Education while eligible to contribute to another annuity and benefit fund in the City.

#### *What if I don’t want to participate in LABF?*

State law makes participation in LABF mandatory for all eligible full time city employees whose service is classified as labor service.

#### *I started as a laborer but now I have a different job title. What fund do I belong to now?*

Once you are a member of LABF, you always remain a member of LABF even if your job title changes. The only way your participation in LABF will change is if you resign your position and take a refund of all your contributions.

## Contributions

### ***How much must I contribute toward my LABF pension?***

According to Illinois State Statutes, you must contribute 8.5% of your gross salary every payday. This deduction finances three separate benefits; 6.5% provides you with a pension when you retire, 1.5% provides your spouse's benefit after your death, and .5% provides you with an automatic annual cost of living increase during retirement.

You earn interest on your contributions (except on the .5% deduction toward your cost of living increases) during your time in service and up to six months after withdrawal from service.

### ***Are pension deductions taken on all the wages I earn?***

No. Pension deductions are not taken on overtime wages or on your final vacation check.

### ***Does the City match my contributions?***

Through the annual tax levy, the City contributions increase your account by 6.0% and your spouse's account by 2.0% of your salary. These contributions are for annuity purposes only and are never refundable.

### ***Can I take a loan out against my contributions?***

No. Unlike some corporate plans, this plan does not permit loans or a partial withdrawal.

### ***When can I take a refund of my contributions?***

Only people who are no longer employed by the City or the Board are eligible for a refund. You can take a refund if you withdraw from service and are under the age of 55 (with any length of service) or withdraw between the ages of 55 and 60 with less than 10 years of service. If you withdraw your contributions, you are no longer eligible to receive *any* benefits under this plan, including retiree medical coverage.

### ***Are the contributions the City made on my behalf included in my refund?***

No. According to state statutes only the amount you contributed is refundable to you. Contributions made by the City or LABF while you were active or contributions credited to your account for Duty Disability received after January 1, 1984 and for Ordinary Disability benefits received after January 1, 2001 are not refundable to you.

## CONTRIBUTIONS

### ***I received a refund years ago. Can I obtain service credit if I pay back the refund?***

Yes. An employee who has received a refund can re-establish service credit if he or she again becomes a contributor to LABF or another fund under the Reciprocal Act. To re-establish service credit, you must complete at least two years of service with a reciprocal fund or at least 90 days of service with the City and also repay the refund with interest.

You are not required to re-establish service credit for the entire refunded period. You may elect to establish credit for only a fraction of the period in six months increments. Credit will be restored in the order in which service was earned.

Full or partial payment must be made while you are in service or within 90 days after withdrawal from City service.

### ***Can I receive credit for previous time that I worked for the City?***

You can pay for creditable service with the City or Board of Education if it is not part of your current work record. Any payments for “past service” must be made while in City/Board service, or within 90 days after withdrawal from City/Board service, or while in reciprocal service. This service credit is utilized for all annuity and ordinary disability purposes. If you do not need to buy the entire period of past service, you may elect to establish credit for only a fraction of that service in six month increments. The amount payable for past service will be based upon your earliest service and will equal the amount of the contributions that would have been paid, plus the interest that accrued on those contributions.

If pension deductions were not taken from your salary, then the contributions plus interest, starting from the point that service was rendered must be paid in return for service credit. Service credit will not be granted until full payment for the chosen amount of service is paid.

### ***Can I obtain credit for service outside of City or Board employment?***

Subject to certain limitations and restrictions, former Chicago Transit Authority service credit may be obtained. There are periods of military service or service with a local labor organization for which an employee may also establish service credit.

Service as a City of Chicago policeman, firemen, or teacher may also be paid to LABF if the employee does not have credit for that service in another fund.

***Can I use my deferred compensation funds to pay for prior service?***

Yes. Current federal law allows the transfer or rollover of your 457 deferred compensation plan assets for the purchase of past service credits. Please talk to a counselor before attempting to send any funds. There are forms that need to be completed before we can accept your rollover check.

***What is a “Participant Statement”?***

All active employees are sent an annual statement that details their existing balances in their individual retirement accounts.

***If I am not married, why do I have to contribute toward a spouse’s pension?***

State law requires a contribution rate of 8.5% from all employees regardless of their marital status. If you do not have an eligible spouse on the date you retire on annuity, the contributions you made toward the spouse’s benefit will be refunded.

***What if my wife dies after I retire, can I receive a “no-spouse” refund?***

No. If your wife pre-deceases you *after* you retire, the contributions made on the spouse’s behalf are not refundable.

***What if I don’t collect an annuity long enough to recover all my pension contributions? What happens to the money?***

Generally, an employee will “collect back” all their contributions within two years of retirement. Any accumulated contributions that were not paid out, in either the form of an annuity for an employee, spouse, children or as a reversionary annuity, are refunded to the employee’s designated beneficiary.

***Who is my designated beneficiary?***

Your designated beneficiary is anyone you choose. If you are married, state law establishes a surviving spouse’s annuity benefit for your eligible spouse immediately after your death regardless of whether a beneficiary form is on file. However, if you do not have an eligible spouse or your spouse does not receive an annuity long enough to “collect back” all your contributions, the person you designated as your beneficiary(ies) would receive any remaining contributions. The Beneficiary Form must be notarized and filed with LABF before the employee’s death.

## CONTRIBUTIONS

It is wise to review your designation of beneficiary periodically and update it as your life circumstances change. This ensures that your designation is accurate and up-to-date. The annual Participant Statement that you receive from LABF lists the beneficiary(ies) that you currently have designated.

### ***Where do my contributions go if I die without designating a beneficiary?***

If there is no designated beneficiary, then the remaining employee contributions will be payable to your children in equal parts, with the children of a deceased child taking the share of their parent. If there is no designated beneficiary or descendants surviving the employee, the refundable amount will be paid to the employee's estate or heirs.

## **Disability Benefits**

### *What benefits are available?*

There are two types of disability benefits:

- 1) **Duty Disability benefits** are provided to employees who become disabled as the result of an accidental injury incurred while performing job duties. Disability caused by heart attacks, strokes, or coronary disease is not considered to be the result of an accidental injury incurred in the performance of job duties. However, if the employee is receiving payments from Workers' Compensation for such a disability, the employee would be eligible for Duty Disability salary deductions for annuity purposes. You must apply for Duty Disability benefits in order to receive service and salary credit toward your annuity. Service and salary credit are earned even if the Fund does not pay a disability benefit.
- 2) **Ordinary Disability benefits** are provided to employees who become disabled as the result of any cause other than an accidental injury incurred while performing job duties.

In addition to the disability payments to the employee, the City or the Fund contributes 8.5% of the employee's salary toward your pension. Therefore, the employee's annuity rights continue to increase as though the individual was working. The City contributes for duty disability periods while the Fund contributes for ordinary disability periods. The 8.5% contributed by the City or the Fund during disability is not refundable and will be used only for annuity purposes.

Employees receiving disability benefits are required to disclose any outside earned income or employment changes. Employment changes not reported to the Fund will affect your future disability, refund or annuity payments.

### *How do I apply for these benefits?*

If you are disabled, you may apply in person at the Fund office, by mail or by telephone. For duty disability claims, an application must be filed within one year from the date of injury. No Duty Disability benefits are payable for any period of time more than one year prior to the date on which the application for disability is received by the Board.

#### **Application Steps for Duty Disability**

1. File an accident report with your department.
2. Have your injury examined by an approved City doctor.

## DISABILITY BENEFITS

3. Apply for the Fund's share of your Duty Disability benefit at the LABF office.
4. Contact the City's Benefits Management Office to arrange your payment of your health insurance premiums while on disability.

### **Application Steps for Ordinary Disability.**

1. Notify your department of your illness or injury and sign a leave of absence.
2. Contact the LABF office and apply for benefits.
3. Ask your doctor to submit a report to the Fund.
4. Contact the City's Benefits Management Office to arrange your payment of your health insurance premiums while on disability.

### ***What amount of disability benefits will I receive?***

Both Duty and Ordinary Disability benefits are based upon your salary on the date of injury or illness. Salary increases granted after you become disabled do not increase your disability benefit unless the salary increase is retroactive to the date of injury or illness.

**Duty Disability**—The full Duty Disability amount equals 75% of salary at the date of injury. However, if your disability, in any measure, resulted from any physical defect or disease which existed at the time such injury was sustained, the Duty Disability benefit is reduced to 50% of salary. Duty Disability begins on the first day for which you fail to receive salary. This benefit is calculated on a per day basis and disbursed monthly.

If your Duty Disability continues for more than 5 years, the benefits shall be increased by 10% on January 1 of the sixth year. The City contributions for pension purposes will remain 8.5% of the salary at the date of injury.

Recipients of Duty Disability benefits also have a right to receive a Child's Disability benefit of \$10 per month for each unmarried child under age 18. Children's Disability benefits shall not exceed 15% of the employee's salary. The total Duty Disability benefit and Children's Disability benefits combined shall not exceed 90% of the employee's salary at the time of injury.

**Ordinary Disability**—The Ordinary Disability benefit equals 50% of your annual salary at the date of injury or illness. This benefit is calculated on a per day basis and disbursed monthly. The Ordinary Disability benefit begins 30 days after the last day worked. Although you will not receive an Ordinary Disability benefit during the first 30 days, you can use your available vacation and/or sick time from your employer as compensation.

***How long may I receive disability benefits?***

**Duty Disability**—If your injury occurs before you reach age 60, Duty Disability benefits are payable while you are disabled until you reach age 65. If your injury occurs after age 60, the maximum period you could collect Duty Disability benefits would be five years.

**Ordinary Disability**—The Ordinary Disability benefit is payable until you are able to return to work and as long as you have disability credit. Disability credit is 25% of your total service up to a maximum of five years. Any service for which pension deductions have been paid is considered credit for disability purposes except other periods of ordinary disability. An employee whose disability continues after the exhaustion of the ordinary disability credit, and who withdraws from service while still so disabled, is entitled to receive an annuity regardless of age.

***How do Workmen's Compensation awards affect Duty Disability benefits?***

Employees disabled as the result of an accidental injury have a right to receive benefits under the provisions of the Workers' Compensation Act. According to Illinois State Statutes, any amount received under such Act will be deducted from LABF payments of Duty Disability benefits.

***What is direct pay of health insurance?***

Employees who are receiving disability payments must pay their health care insurance premiums directly to their employer. Because this cost varies, you should contact the City's Benefits Management Office (312-747-8660) to determine your specific premium. Board of Education employees should contact the Board of Education at 773-535-8000.

***Is a "leave of absence" required for Ordinary Disability?***

Yes. You must obtain an *approved* leave of absence (LOA) from your department in order to remain recognized as a City or Board of Education employee. Furthermore, you must extend this LOA every three months. Each LOA extension will have a specific expiration date. Only your department can process your LOA; however, you must submit a copy of each approved LOA to the Fund in order to receive ordinary disability payments.

**Retirement Benefits**

*What are my retirement benefits?*

A monthly annuity is payable to qualifying retirees. Your annuity is paid in equal monthly installments and is payable on the first day of each month. This benefit is payable to you for as long as you live. An annual 3% cost of living increase is granted to those members who qualify. More information on annual increases can be found on page 22.

*After I retire, will I be covered by a health insurance plan?*

The City of Chicago has agreed to continue to offer its retirees healthcare coverage through June 30, 2013. The City of Chicago and LABF share in the cost of healthcare thereby reducing the premium for the individual retiree.

For those individuals retiring on or after July 1, 2005, the City’s share of the annuitant health care premium will be based upon the number of years of city service you have at retirement. The percentage of payment towards the total premium is as follows for eligible retirees and their dependents:

**City of Chicago’s Share**

<b>If you retire;</b>	<b>City’s Percentage of Plan Costs</b>
<i>before June 30, 2005 (regardless of years of service)</i>	55%
<i>between July 1, 2005, and June 30, 2013:</i>	
and have 20 or more years of city service	50%
and have 15 to 19 years of city service	45%
and have 10 to 14 years of city service	40%

**Laborers’ Annuity and Benefit Fund Share**

State statute allows the Fund to pay the following monthly subsidy on behalf of the eligible retirees:

	<b>Medicare Ineligible</b>	<b>Medicare Eligible</b>
July 1, 2003 – June 30, 2008	\$85	\$55
July 1, 2008 – June 30, 2013	\$95	\$65

*How do I qualify for an annuity?*

Your retirement benefit is based on age, years of service and your final average salary. Your age and number of years of service dictate which method is utilized to calculate your annuity.

*What is the earliest age at which I can retire?*

The earliest age at which you can retire is age 50, if you have 30 years of

service. Your annuity would be calculated using the Minimum Formula method and you would not be discounted for age. Refer to the age and service requirements listed below for the types of annuity available given your situation.

***What if I resign my position but I am not old enough to collect my pension?***

This event is called a “withdraw and wait”. If you resign with enough service credit for a Money Purchase Annuity or a Minimum Formula Annuity, but have not reached the age required for the annuity to become payable, you may keep your contributions in LABF. The annuity would begin after you have reached the required age. It is extremely important that you file your application for annuity shortly before your birthday as you approach the required age. Annuity payments will not begin until an application has been filed.

***If I am convicted of a felony, how will my benefits be affected?***

No benefits will be paid to any employee who is convicted of any felony relating to or arising out of or in connection with his service as an employee. You would have the right to obtain a refund of your contributions.

***What are the calculation methods utilized to determine an employee’s annuity?***

There are three methods used to calculate an employee’s annuity. These methods, along with the age and service requirements, are as follows:

- 1) Money Purchase Annuity  
10 years of service, payable no earlier than age 55;
- 2) Minimum Formula Annuity  
30 years of service, payable no earlier than age 50,  
20 years of service, payable no earlier than age 55,  
10 years of service, payable no earlier than age 60;
- 3) Minimum Annuity  
10 years of service with withdrawal from service no earlier than age 60

**Example:**

***I am 56 years old with 11.5 years of service, what method would be used to calculate my annuity?***

Based on your age of 56 and service of 11.5 years, your annuity would be calculated using the Money Purchase method. If you deferred retirement to age 60, your annuity would be calculated using the minimum formula method, which generally yields a higher monthly annuity. However, if the calculated annuity is less than \$800 a month, you may elect to receive a refund of contributions in lieu of the annuity.

## RETIREMENT BENEFITS

### ***What is a Money Purchase Annuity?***

The Money Purchase Annuity method uses the total amount of deductions withheld from your salary and the amount of City contributions that have been applied to your account. As previously noted, an employee has 6.5% of his salary deducted each pay period for his own annuity. In addition, the city contributes an amount equal to 6.0% of salary.

### ***How is a Money Purchase Annuity calculated?***

When an eligible employee retires, the total amount of earned credit is used to purchase an annuity which is computed according to the Combined Annuity Mortality Table at 3% interest. If an employee retires under age 60 with less than 20 years of service, the amount of City contributions is reduced by 10% for each year of service under 20 years. The annuity payments begin no earlier than age 55.

If retirement is due to expiration of ordinary disability credit, the full amount of City contributions are utilized to determine the annuity. The annuity payments begin after the last disability payment regardless of age. More information on expiration of ordinary disability credit can be found on page 13.

### ***What is the maximum amount that I can receive from a Money Purchase calculated annuity?***

The maximum allowable annual Money Purchase Annuity is 60% of your highest annual salary.

### ***Who is eligible for a Minimum Formula Annuity?***

An employee is eligible for a Minimum Formula Annuity if he or she withdraws from service with:

- at least 30 years of service credit and attains age 50, or
- at least 20 years of service credit, and attains age 55, or
- at least 10 years of service credit, and attains age 60.

The Minimum Formula Annuity is calculated by utilizing a combination of service credit, age, and salary. This type of annuity is based upon your number of years of service multiplied by an accrual rate of 2.4% up to a maximum limit of 80% of your highest average salary.

### ***How does my age affect the calculation of a Minimum Formula Annuity?***

Age is the primary factor which determines if an employee is eligible to retire. Age also affects the final annuity amount in cases where an employee retires early. If an employee retires prior to age 60 with less than 25 years of

service, the annuity is discounted .25% for each month that the employee is under age 60. If you have 30 years of service, you can retire at age 50 without being discounted. If you retire on or after age 55 and have 25 years of service, you will also not be discounted.

### ***How is service credit calculated?***

Service credit is based upon your work history with the City, the Board of Education or the Retirement Boards. Pension contributions must be received in order for service credit to be granted. In computing service credit under a Minimum Formula Annuity method, one full month of work in a calendar year constitutes one-half year of service credit. Furthermore, working in five additional months constitutes one full year of service credit. Additional service credit earned by working for a participating system (as defined in the Retirement Systems Reciprocal Act) can be added to your calculation if you elect to retire as a reciprocal annuitant with them. For more on reciprocal service, refer to page 22.

The following periods of time are considered service credit for annuity and ordinary disability purposes when the required contributions are made:

- a) time during which the member performed the duties of his or her position;
- b) paid vacations (except final vacation);
- c) leaves of absence with whole or part pay;
- d) leaves of absence without pay not longer than 90 days (leave of absence without pay does not count for minimum annuity purposes or ordinary disability credit);
- e) leaves of absence without pay during which the member is employed full-time by a local labor organization;
- f) periods of disability for which the employee receives disability benefits from LABF (periods of ordinary disability do not further increase ordinary disability credit);
- g) periods of disability because of heart attacks, strokes, or coronary disease for which the employee is not eligible for Duty Disability benefits but is receiving payments from Workers' Compensation.

No credit will be granted toward any type of benefit for periods of time while on a suspension.

### ***How is salary calculated?***

For annuity purposes, salary consists of regular straight-time earnings. Overtime or any other types of salary payment are not included.

The normal salary base is a twelve month year consisting of a five day work week of eight hours a day at a straight time rate of earnings. The normal

## RETIREMENT BENEFITS

salary base may be adjusted according to a position's normal and established work period. The annual salary for any year is the greater of:

- 1) the monthly, weekly, daily or hourly rate that was applicable for the greatest number of months, weeks, days or hours in the year under consideration, or
- 2) the average of monthly, weekly, daily, or hourly rate which was applicable for the total number of months, weeks, days, or hours, respectively in each year under consideration.

### *How is a Minimum Formula Annuity calculated?*

The calculation of a Minimum Formula Annuity is a five-step process.

#### **Step 1—Determine the final average salary (FAS).**

FAS is the highest average monthly salary for any four consecutive years within the last ten years of service immediately preceding the date of retirement.

Example of final average salary calculation:

	<b>Annual Salary</b>
Final year	\$ 46,000
One year earlier	44,000
Two years earlier	41,000
Three years earlier	<u>37,000</u>
Total	\$168,000

Divide by 48 months (4 years x 12 months) for final average monthly salary of \$3,500.

#### **Step 2—Determine the percentage of entitlement.**

The total number of years of service is multiplied by 2.4%. The maximum annuity allowed by state statutes is 80% of your final average salary.

**Example:** 23 Years of Service:

$$23 \text{ years} \times 2.4\% = 55.2\%$$

#### **Step 3—Determine the age discount if retirement is earlier than age 60 with less than 25 years of service.**

As previously mentioned, there is a discount of .25% per month for every month or fraction thereof that an employee is under age 60 at retirement. There is no reduction for retirement on or after age 60 or with more than 25 years of service or age 50 with 30 years of service.

**Schedule of Age Discount**

Age at Retirement	Age Discount
60	0%
59	3%
58	6%
57	9%
56	12%
55	15%

**Step 4—Adjust the percentage of entitlement for age.**

Multiply the percentage of entitlement determined in Step 2 by the difference between 100% and the age discount determined in Step 3. For example, at age 55 using the age discount (15%), the annuity is 100% minus 15% or 85% of the unreduced annuity.

**Example:** 23 Years of Service:

Age at Retirement	% from Service × Discount Factor	= Age Adjusted %
60	55.2% × (100%)	= 55.20%
59	55.2% × (100–3%)	= 53.54%
58	55.2% × (100–6%)	= 51.89%
57	55.2% × (100–9%)	= 50.23%
56	55.2% × (100–12%)	= 48.58%
55	55.2% × (100–15%)	= 46.92%

A table of the factors that combine the age discount with the percentage per year of service follows this example.

**Step 5—Multiply the final average salary by the percentage determined in Step 4 to calculate the monthly annuity.**

Using the final average salary of \$3,500 from our example, the amount of annuity would be:

Age at Retirement	FAS × % of Salary	= Monthly Annuity
60	\$3,500 × .5520	= \$1,932.00
59	\$3,500 × .5354	= \$1,873.90
58	\$3,500 × .5189	= \$1,816.15
57	\$3,500 × .5023	= \$1,758.05
56	\$3,500 × .4858	= \$1,700.30
55	\$3,500 × .4692	= \$1,642.20

## RETIREMENT BENEFITS

**Table Showing Percentage of Salary Payable Under  
the Minimum 10-Year-Service Formula**

Years of Service	Age 50-54		Age 55 Yr., 6 Mo.		Age 56 Yr., 6 Mo.		Age 57 Yr., 6 Mo.		Age 58 Yr., 6 Mo.		Age 59 Yr., 6 Mo.		Age 60 Yr. or Over	
10														24.00%
11														26.40
12														28.80
13														31.20
14														33.60
15														36.00
16														38.40
17														40.80
18														43.20
19														45.60
20		40.80%	41.52%	42.24%	42.96%	43.68%	44.40%	45.12%	45.84%	46.56%	47.28%	48.00		
21		42.84	43.60	44.35	45.11	45.86	46.62	47.38	48.13	48.89	49.64	50.40		
22		44.88	45.67	46.46	47.26	48.05	48.84	49.63	50.42	51.22	52.01	52.80		

*Continued on following page*

**RETIREMENT BENEFITS**

**Table Showing Percentage of Salary Payable Under  
the Minimum 10-Year-Service Formula (continued)**

Years of Service	Age	Age	Age	Age	Age	Age	Age	Age	Age	Age	Age	Age	Age
	50-54	55 Yr. 6 Mo.	55 Yr. 6 Mo.	56 Yr. 6 Mo.	57 Yr. 6 Mo.	57 Yr. 6 Mo.	58 Yr. 6 Mo.	58 Yr. 6 Mo.	59 Yr. 6 Mo.	59 Yr. 6 Mo.	59 Yr. 6 Mo.	60 Yr. 6 Mo.	60 Yr. 6 Mo.
23	46.92%	47.75%	48.58%	49.40%	50.23%	51.06%	51.89%	52.72%	53.54%	54.37%	55.20%		
24	48.96	49.82	50.69	51.55	52.42	53.28	54.14	55.01	55.87	56.74	57.60		
25	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00		
26	62.40	62.40	62.40	62.40	62.40	62.40	62.40	62.40	62.40	62.40	62.40		
27	64.80	64.80	64.80	64.80	64.80	64.80	64.80	64.80	64.80	64.80	64.80		
28	67.20	67.20	67.20	67.20	67.20	67.20	67.20	67.20	67.20	67.20	67.20		
29	69.60	69.60	69.60	69.60	69.60	69.60	69.60	69.60	69.60	69.60	69.60		
30	72.00%	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00		
31	74.40	74.40	74.40	74.40	74.40	74.40	74.40	74.40	74.40	74.40	74.40		
32	76.80	76.80	76.80	76.80	76.80	76.80	76.80	76.80	76.80	76.80	76.80		
33	79.20	79.20	79.20	79.20	79.20	79.20	79.20	79.20	79.20	79.20	79.20		
33.5	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*		
34+	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*	80.00*		

\*Maximum

## RETIREMENT BENEFITS

### *What is the minimum annuity I could receive?*

Any employee withdrawing from service at age 60 or over with at least 10 years of Laborers' service credit will receive a minimum annuity of \$850 per month for life.

If the total service credit for an employee provides an annuity of less than \$100 a month, an annuity for a limited period of time at \$100 a month is payable.

### *How soon after I retire will I receive a cost of living increase?*

If you are receiving a lifetime annuity, you are entitled to receive an annual cost of living increase that is equal to 3% of the current monthly annuity. When you receive the increase depends on your age when you retire.

#### **If you retire on or after age 60**

You will receive your first cost of living increase in the January following your first annuity payment.

For example: If you retire at age 60 on June 30, 2004, with an annuity of \$2,000 per month, in January, 2005, your monthly annuity would be increased by \$60. In January, 2006, your monthly annuity would increase by \$61.80 (.03 x \$2,060.00) to \$2,121.80. This percentage increase would then occur each January, thereafter.

#### **If you retire between age 50 and 60**

Generally, your increase will occur in the third year after retirement or in the year in which you reach age 60. All increases are given with the January annuity payments.

For example: If you retire at age 53 on June 30, 2004, with an annuity of \$2,000 per month, in January, 2007, your monthly annuity would be increased by \$60. In January, 2008, your monthly annuity would increase by \$61.80 (.03 x \$2,060.00) to \$2,121.80. This percentage increase would then occur each January, thereafter.

If you retire at age 58 on June 30, 2004, with an annuity of \$2,000 per month, in January, 2006, your monthly annuity would be increased by \$60. In January, 2007, your monthly annuity would increase by \$61.80 (.03 x \$2,060.00) to \$2,121.80. This percentage increase would then occur each January, thereafter.

Annual increases do not apply to surviving spouse and child annuitants.

### *What is a reciprocal annuity?*

Under certain conditions, you may receive an annuity based upon the combined service credit from two or more systems listed in the Retirement

Systems Reciprocal Act. Each system pays its proportional share of the benefit directly to you based on combined service time.

The purpose of the Reciprocal Act is to assure full and continuous pension credit for all service in any of the following retirement systems:

- State Employees' Retirement System of Illinois
- State Teachers' Retirement System of Illinois
- State Universities Retirement System of Illinois
- Illinois Municipal Retirement Fund
- Judges' Retirement System of Illinois
- General Assembly Retirement System of Illinois
- County Employees' and Officers' Annuity and Benefit Fund  
of Cook County
- Forest Preserve District Employees' Annuity and Benefit Fund  
of Cook County
- Municipal Employees' Annuity and Benefit Fund of Chicago
- Laborers' and Retirement Board Employees' Annuity and Benefit  
Fund of Chicago
- Park Employees' Annuity and Benefit Fund of Chicago
- Metropolitan Water Reclamation District Retirement Fund
- Public School Teachers' Pension and Retirement Fund of Chicago

Because reciprocal cases are complex, before you retire you should contact both LABF and any other retirement fund to which you may have contributed for further information. It is important to obtain information from each fund since benefits may begin at different dates.

### ***What if I don't like retirement and want to go back to work?***

If you return to work for the City, Board of Education, Park District, Police Department, Fire Department, or a Retirement Board, then your annuity will be suspended. If you return to work at a job which is covered by a reciprocal system from which you are receiving a proportional annuity under the Reciprocal Act, your proportional annuity from all participating system will be suspended during your period of re-employment. The provisions of the retirement plan which would cover such employment are used to determine whether you have returned to employment under that system.

If you are considering employment with any governmental employers within the state of Illinois, please contact LABF to find out if such employment will affect your annuity.

## RETIREMENT BENEFITS

When you subsequently retire, your annuity will begin again. The original annuity amount will be recalculated to reflect the additional service if you have rendered at least three years of additional Laborers' service.

***Every year since I have been on annuity, I have received a form requiring my signature. Why must I return it?***

Each year LABF mails a "Signature Verification Card" to each annuitant in order to obtain your signature and address. This process insures that you are receiving your payments and that we have your correct address on file. It is important that LABF has a current address for you at all times. This is especially true for those annuitants who have their checks electronically deposited in their bank. If we do not receive the Signature Verification Card by the deadline, your annuity payment may be suspended until the card is returned to the LABF office.

## Dependent Benefits

### *Does my spouse qualify for any benefits?*

The following surviving spouses are entitled to a spouse's annuity:

- 1) the spouse of an employee whose death occurs while he/she was still in service;
- 2) the spouse of an employee whose death occurs after the employee's retirement on annuity, if the marriage occurred before the employee withdrew from service.
- 3) the spouse of an employee whose death occurs after withdrawal from service but before he or she went on annuity provided: a) that the employee did not take a refund of their contributions to LABF; b) the employee had at least ten years of service credit; and c) the marriage occurred before withdrawal from service.

Surviving spouses are entitled to a spouse's annuity for duty death when the death results from an injury incurred in the performance of any act of duty.

If the total credits toward a spouse annuity provide an annuity for life of less than \$100 per month, a term annuity of \$100 per month is paid instead for a limited period of time.

### *When would my spouse not be entitled to an annuity?*

The following spouses are not entitled to a surviving spouse's annuity:

- 1) The spouse of an employee who withdraws and dies while out of service if the employee and spouse were not married while the employee was in service;
- 2) The spouse of an employee who dies while out of service and who has received a refund of all contributions;
- 3) The spouse of an employee who dies out of service while not eligible for an employee annuity;
- 4) The former spouse of an employee whose judgment of dissolution of marriage (formerly known as a divorce decree) has been vacated or set aside after the employee's death, unless the proceedings to vacate or set aside the judgment were filed in court within five years after the entry of the judgment and within one year after the employee's death, and unless the board is made a party defendant to such proceedings;
- 5) The spouse whose marriage to the employee took place while the employee was receiving disability benefits, unless the employee re-

## DEPENDENT BENEFITS

entered service following the marriage for a period of at least one year or died while in service.

### *When does the spouse's benefit become payable?*

A spouse's benefit begins upon the death of the employee. This monthly benefit always begins on the first of the month following the date of the employee's death and is payable for life unless the annuity is a term annuity. A term annuity, as its name indicates, is payable for a given period of time.

### *How much will my spouse receive as a monthly benefit?*

Like an employee's annuity, there are three methods used to calculate a spouse's annuity; 1) Money Purchase; 2) Minimum Formula Annuity; 3) Minimum Annuity

#### **1) Money Purchase Annuity**

The Money Purchase method uses the total amount of deductions withheld from your salary and the amount of City contributions that have been applied to your account, plus interest. Currently, an employee has 1.5% deducted from their salary for the purposes of providing an annuity for their spouse. The City contributions are 2% of salary.

The spouse's annuity amount depends upon the employee's service, salary, and age. The spouse's age is also considered in the calculation. If an employee dies in service or after withdrawal from service but before attainment of the age necessary to receive an annuity, the spouse's annuity will be based on the amount of employee contributions credited for employee and spouse annuity purposes with certain limitations.

If the retiree dies while receiving annuity, the spouse's annuity amount will depend upon the amount of the accumulated contributions for the spouse as of the date of the employee's retirement. The ages of the employee and spouse are utilized in this calculation.

The mortality tables and interest credits used in these computations are similar to those used in the computations for the employee's annuity.

#### **2) Minimum Formula Annuity**

A spouse would receive a Minimum Formula Annuity if the employee dies in service or retires from service after reaching age 55 with at least 20 years of service, or after reaching age 50 with at least 30 years of service.

The amount of the Minimum Formula Annuity for a spouse is equal to 50% of the annuity the employee would have been entitled to had he or she retired from service on the day preceding their death or 50% of the annuity the employee was receiving on the date of death. The spouses' annuity will

be discounted .25% for each month that the spouse is less than age 55 if the employee had less than 25 years of service or age 50 if the employee had at least 25 years of service.

If the employee dies in service with at least 10 years of service and 10 years of marriage, the spouse will receive 50% of what the employee's annuity would have been at the date of death. Neither the employee nor the spouse would be subject to age discounting.

### **3) Minimum Annuities for Spouses**

If an employee dies in service with at least 5 years of service, the spouse's minimum annuity will be \$800 per month for life. If the employee dies after retirement, the spouse's minimum annuity would be \$800 per month if the employee had at least 10 years of service.

#### ***What is the maximum amount my spouse can receive?***

The maximum annuity that your spouse can receive is 50% of your highest salary unless the death is a duty-related death.

In the case of duty related death, the maximum spouse's annuity is 60% of your highest salary, which would be paid until the date upon which you would have turned 65 years old. After that date, your spouse would receive an annuity equal to that which would have been provided had you lived and continued in service until attainment of age 65 at the rate of salary as of the date of death.

If the spouse receives any award from the Industrial Commission as a result of the duty death, the compensation portion of the surviving spouse's annuity will be reduced by the amount of the award.

#### ***Do my children qualify for any benefits?***

An unmarried child under the age of 18 who was conceived before withdrawal from service would receive an annuity until age 18 if any of the following conditions were met:

- 1) the death of the employee occurs in service; or
- 2) the deceased employee is eligible for an immediate annuity at withdrawal; or
- 3) the retiree dies while receiving an annuity, having retired after reaching age 55 or after reaching age 50 with at least 30 years of service.

The child (or children) of an employee is defined as the natural child or children, or any child or children legally adopted by the employee at least one year prior to the death of the employee.

## DEPENDENT BENEFITS

The child's annuity is \$220 a month when there is an eligible surviving spouse and \$250 a month when there is no eligible surviving spouse. The combined monthly annuities for the surviving spouse and/or children cannot exceed 60% of the deceased employee's highest salary.

### ***Can I purchase an annuity for a family member?***

Yes. You can establish a reversionary annuity for a spouse, parent, child, brother or sister which will begin upon your death. A reversionary annuity is a reduction in your employee annuity to provide a life annuity for a spouse, parent, child, brother or sister. Once you start receiving the reduced annuity you cannot withdraw your request.

### ***What needs to be done to establish a reversionary annuity?***

Before you retire or at retirement, you must notify LABF in writing that you wish to establish a reversionary annuity. This designation must indicate the amount by which you wish to reduce your annuity and the person to whom the reversionary annuity is payable.

Again, the written designation can be revoked at any time prior to your retirement. It is also cancelled by virtue of any of the following events:

- 1) upon your death if the death occurred prior to your retirement on annuity; or
- 2) upon the death of the designated person if it occurs prior to your death; or
- 3) upon your death if the death occurs before the expiration of one year (365 days) from the date the written designation was filed with the Retirement Board for a reversionary annuity for a parent, child, brother, or sister. There is no such waiting period if the beneficiary is a spouse.

Remember, the decision to elect this reversionary option must be made before or at the time of retirement.

### ***What amount is payable under a reversionary annuity?***

The amount of the monthly reversionary annuity is determined by multiplying the amount of the monthly reduction in your annuity by a factor shown in the following table.

This factor is based on the age of the employee and the difference between the age of the employee and the age of the reversionary annuitant as of the retirement date of the employee. In determining ages, months are disregarded.

**Benefit Payable for Every \$1 Reduction in the Employee's Annuity**

Designated Person's Age:	Employee's Age							
	50-51	52-54	55-57	58-60	61-63	64-66	67-69	70+
Years Younger								
30 or more	3.03	2.56	2.18	1.84	1.55	1.29	1.08	0.91
25-29	3.16	2.68	2.29	1.94	1.63	1.37	1.15	0.97
20-24	3.35	2.85	2.44	2.07	1.75	1.48	1.25	1.06
15-19	3.60	3.08	2.65	2.26	1.92	1.63	1.39	1.19
10-14	3.96	3.40	2.94	2.53	2.16	1.85	1.59	1.37
5-9	4.46	3.84	3.35	2.90	2.51	2.16	1.88	1.64
0-4	5.15	4.47	3.93	3.44	3.00	2.61	2.29	2.02
Years Older								
1-5	6.12	5.36	4.76	4.21	3.71	3.26	2.88	2.56
6-10	7.48	6.61	5.93	5.30	4.71	4.16	3.70	3.29
11-15	9.37	8.35	7.58	6.83	6.11	5.40	4.82	4.32
16-20	11.99	10.78	9.84	8.93	8.02	7.13	6.43	5.87
21-25	15.59	14.06	12.91	11.82	10.73	9.66	8.88	8.35
26-30	20.42	18.49	17.15	15.96	14.80	13.65	12.97	12.82
31 or more	27.07	24.72	23.34	22.32	21.45	20.62	20.85	23.28

## DEPENDENT BENEFITS

For example, if you are age 65 on the date of retirement and have designated a reversionary annuity to someone who was four years younger, for every \$1 reduction in your annuity, the reversionary annuity would be \$2.61 (subject to limitations). A monthly reduction of \$100 by you would give the designated person an amount of \$261 per month.

### ***When is a reversionary annuity payable?***

The annuity to the designated person will begin on the first day of the month following your death and will continue to be paid monthly thereafter until the death of the designated person.

### ***For reversionary purposes, what is the maximum amount that I can reduce my annuity?***

The amount by which you can reduce your annuity is subject to the following limitations:

- 1) You may reduce your retirement annuity up to a maximum of \$400 per month.
- 2) The amount of the reversionary annuity may not be less than \$50 a month.
- 3) The amount of the reversionary annuity to a spouse plus the amount of spouse's annuity may not exceed 100% of the reduced annuity payable to the employee.

### ***How does the reversionary reduction affect my cost of living increase?***

The 3% annual automatic increase after retirement is based on the full, unreduced retirement benefit.

### ***What if my designated person dies before I do?***

If your designated person dies before you, your full retirement annuity will be restored beginning with the payment after the date of the designated person's death. You must contact LABF upon the death of this person and provide a death certificate in order for your full payment to begin.

### ***Can I assign my annuity over to another person or organization?***

No. State law does not allow you to assign your benefit over to another person or organization.

If you should become mentally or physically disabled or are confined to a nursing home, the board has the ability to approve payment of your benefit to a caretaker, nursing home, or hospital as long as it is used for the sole benefit of your care. Medical certification is required in these instances.

***If I divorce, is my ex-spouse entitled to any benefits?***

We cannot give any legal advice about proper division of marital and retirement assets. However, you should be aware that LABF is subject to legislation that created the Qualified Illinois Domestic Relations Order (QILDRO). A QILDRO may require LABF to pay all or a portion of your retirement benefits to an “alternate payee”. An alternate payee is usually a member’s former spouse, but may also be a current spouse, child or other dependent of the member. A QILDRO allows for the division of retirement benefits or refund of contributions due to divorce or legal separation. It does not establish a new benefit nor does it create a new member or beneficiary and it does not apply to lump sum death benefits, survivor annuities or disability benefits.

***How does a QILDRO work?***

Generally, the QILDRO is issued at the time of divorce and sent to the member’s retirement system. It should be sent to LABF as soon as it is entered into court. It will be recorded and retained by the Fund until the employee applies for a refund or a retirement annuity. We will notify both the employee and the alternate payee when the order is received at the Fund office.

The QILDRO must state when it will go into effect and the specific dollar amount to be deducted from the refund or retirement annuity. No QILDRO payments can be made until the employee resigns and receives a benefit.

Any employee in service before July 1, 1999 must sign a consent form for the QILDRO to go into effect. Any employee who began service after July 1, 1999 accepts the QILDRO legislation as a condition of employment.

Any employee who has questions about a QILDRO should discuss it with his or her attorney. LABF has an information booklet and required forms available upon request. The QILDRO booklet has suggested timelines to be followed. Please be aware that you need to contact us well in advance of any property settlement or court date.

This booklet is not intended to contain, nor does it contain, a synopsis of all provisions of the law governing the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. There may be exceptions and modifications in the case of statements, explanations, and answers given. A detailed and complete coverage of all applicable law would defeat the purpose of this intended general outline. The full text of the law governing the Fund may be found in Chapter 40, Act 5, Article 11 of the Illinois Compiled Statutes, available online at [www.legis.state.il.us](http://www.legis.state.il.us), and supersedes anything stated or implied in this booklet.





Laborers' and Retirement Board Employees'  
Annuity and Benefit Fund of Chicago  
221 North LaSalle Street, Suite 748  
Chicago, Illinois 60601

The benefits described in this booklet are effective as of January 16, 2004. These rules apply to you if you are currently an active employee. If you have not recently worked as a City of Chicago or Board of Education employee, the benefits and rules may be different for you. You are encouraged to contact the LABF office to schedule an appointment in order to discuss your specific benefits.

Address all communications to:  
Laborers' and Retirement Board Employees'  
Annuity and Benefit Fund of Chicago  
221 North LaSalle Street, Suite 748  
Chicago, Illinois 60601  
(312) 236-2065  
(312) 236-0574 (*fax*)

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Elected Member

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