ANNUITY AND REFUNDS

HANDBOOK FOR

TIER 1 PARTICIPANTS

"INQUIRE BEFORE YOU RETIRE"

Our experienced counselors are here to help you navigate through the benefits in order to make an informed decision that is right for you.

Call us today at 312-603-1200

IMPORTANT

DO NOT THROW AWAY

County Employees' and Officers' Annuity and Benefit Fund of Cook County
Forest Preserve District Employees' Annuity and Benefit Fund of Cook County
70 W Madison St, Suite 1925 | Chicago, IL 60602 | 312.603.1200 | 312.603.9760 fax
www.cookcountypension.com | info@countypension.com

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INTRODUCTION

GENERAL OVERVIEW

The County Employees' and Officers' Annuity and Benefit Fund of Cook County, Illinois, and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County, Illinois, (the "**Fund**") administers the annuity and refund benefits provided in the Illinois Pension Code [40 ILCS 5/1-101 et. Seq.] (the "**Pension Code**") to active and eligible employees of Cook County and the Forest Preserve District of Cook County (the "**County**").

The summary of benefits, which follows, is intended only as a general description of the current annuity and refund benefits available to Tier 1 employees of the County in accordance with the Pension Code. Tier 1 employees include any person who first contributed to the Fund prior to January 1, 2011 and any person who first contributed to a Reciprocal Retirement System, other than Judges' or General Assembly Retirement Systems, prior to January 1, 2011; if you are a Tier 2 employee, see the Tier 2 Handbook. Please note that the benefits discussed in the Handbook are provided by statute and could be modified or changed by the legislature at any time. To the extent there is a conflict between the statutory provisions set forth in the Pension Code and the provisions of the Handbook, the statutory provisions of the Pension Code will control.

The goal of this Annuity and Refunds Handbook is to present and explain available annuity and refund benefits and the related application and eligibility requirements in language that is easy for you, as a member, to understand. In developing this Handbook, however, the Fund is limited by certain statutory terms that are specific to annuities and refunds and must be used when discussing such benefits. Some of these terms are listed alphabetically and defined in the **Glossary**.

As of the effective date hereof, this Handbook and the procedural rules set forth herein, shall supersede all prior rules and regulations in effect at the Fund regarding the filing and processing of annuity and refund applications. Changes in the procedural rules relating to the filing and processing of applications may be made by the Retirement Board at any time in the future, with or without prior notice. A copy of this Handbook will be posted on the Fund's website and updated when changes to the procedural rules or applicable statutory provisions are enacted.

Please read the information in this Handbook carefully so you will have an understanding of your annuity and refund benefits and the process you must follow to obtain those benefits. If you want more information or have any questions about your annuity and refund benefits, please contact the Fund.

CONTACTING THE FUND

ADDRESS	Cook County Pension Fund 70 West Madison Street, Suite 1925 Chicago, IL 60602
WEBSITE	http://www.cookcountypension.com
EMAIL ADDRESS	info@countypension.com
PHONE	312-603-1200
FAX	312-603-9760

CONTRIBUTIONS

The total contribution amount withheld for pension purposes is 8.5% of salary for County and 9% of salary for Cook County Sheriff's Police Officers. See ***ADJUSTMENTS TO SHERIFF'S POLICE OFFICERS CONTRIBUTIONS*** on page 26 for additional information. The amount withheld for contributions is not calculated on overtime or extra salary.

The 8.5% (9% for Sheriff's Police) contribution is divided as follows:

- 6.5% (7% for Sheriff's Police) is for the purpose of providing an annuity for the participant.
- 1.5% is for the purpose of providing a spouse's annuity. Please note this amount is deducted whether or not the participant is married. See ***UNMARRIED PARTICIPANTS*** on page 21 for additional information.
- 0.5% is for the purpose of providing the annual annuity increase. Interest does not accrue on this portion of the contributions. See ***ANNUAL ANNUITY INCREASES*** on page 29 for additional information.

For all active Fund participants the effective interest rate earned on their contributions is 3% annually. Interest is added from the end of the month in which the contribution was made and is compounded annually.

Contributions are made on a tax-deferred basis; the amount withheld is calculated before taxes are deducted therefore the amount of income reported on the participant's W-2 is reduced. Taxes will be due on these contributions when they are paid out to you or your beneficiary.

DISCONTINUING CONTRIBUTIONS

Any participant who has contributed to the Fund for at least 35 years may request that contributions being deducted from their paycheck be stopped. Contact the Fund at least 60 days prior to the date the deductions are to stop and request a *Notice of Election to Discontinue Salary Deductions for Pension Contributions* form.

Note: Once made, this election is irrevocable and your benefits will be calculated as of the date the contributions are discontinued. No additional salary or service will be added to the benefit amount between the date the contributions are discontinued and the date the benefits start.

OPTIONAL PLAN CONTRIBUTIONS

Between April 1, 1986 and July 1, 2005 County employees, on a voluntary basis, were allowed to make additional contributions of 3% of their salary under the Optional Plan. Contributions can no longer be made to the Optional Plan; all contributions made will remain in your account and continue to earn interest at the effective interest rate until the date of separation from service.

See ***OPTIONAL PLAN BENEFITS*** on page 20 for additional information.

SERVICE CREDIT

Service credit is earned for the following situations:

- While a participant is actively working for the County and making contributions to the Fund. (A participant needs to receive full salary for at least half a calendar month in order to earn service credit for the month.)
- For paid vacation where contributions are made to the Fund (does not apply to lump-sum vacation payouts for employees hired on or after June 1, 2014).
- Any period of disability a participant applied for and was granted disability benefits by the Fund.

In addition to the situations listed above, additional service credit may be granted based on one or more of the situations below:

SICK LEAVE

A participant hired before June 1, 2014 can elect to pay the 8.5% (9% Sheriff's Police) contribution to purchase unused sick leave. Up to 180 days of accumulated unused sick leave can be used for additional service credit on the date of separation from service. Purchased sick time increases service credit, but is not used to calculate Final Average Salary. To receive additional service credit for unused sick leave the following needs to be done within 30 days from the date of separation from service:

- Have the number of unused sick leave hours certified by the County Comptroller or the employee's Department Head. County Comptroller or Department Head must provide the number of remaining sick hours you have in writing on their letterhead.
- Bring the letter to the Fund and have cost of purchasing unused sick leave calculated.

- Pay the amount calculated by the Fund. All payments must be received within 30 days after the date of separation from County employment.
- Members of the Cook County Deferred Compensation plan can have the amount due rolled over directly from Nationwide Retirement Solutions to the Fund; if interested in this option you will need a *Deferred Comp* form from the Fund to initiate the rollover.

For more information about receiving service credit and making payments for unused sick leave please contact a Benefits Counselor at the Fund.

CREDIT FOR MILITARY SERVICE

A participant in the Fund can purchase additional service credit for military service based on one of the two criteria shown below:

1. Any employee who leaves service with the County to serve in the armed services of the United States and returns to service with the County within 90 days of being discharged from military service may elect to contribute to the Fund for the time period they served in the military. No interest will be charged if purchase is made within five years of returning to employment.
2. An employee who was making contributions to the Fund on January 1, 1993 and has at least 25 years of service credit may elect to make contributions for up to 2 years of military service, regardless of when the military service occurred.

Note: In order to purchase additional service credit you must have been honorably discharged from the military and provide the Fund with a copy of your DD214.

All payments must be received in full by the Fund while the participant is a contributing member of the Fund. Members of the Cook County Deferred Compensation plan can have the amount due rolled over directly from Nationwide Retirement Solutions to the Fund; if interested in this option you will need a *Deferred Comp* form from the Fund to initiate the rollover.

For more information about receiving service credit and making payments for military service please contact a Benefits Counselor at the Fund or visit www.cookcountypension.com to obtain a copy of the Fund's Military Service Policy.

PAYMENTS FOR SERVICE CREDIT WHEN CONTRIBUTIONS WERE NOT ALLOWED – FORMER SERVICE

All County employees are considered members of the Fund and should be contributing based on the current contribution rate and their salary. For some periods in the past, especially for service during the "waiting period" in effect between July 1, 1957 and January 1, 1984 participants had to work for a period of time prior to making contributions and therefore no service credit was granted. Participants can establish service credit for periods in which contributions were not made by paying the contributions that would have been made, together with interest.

<u>All payments must be received in full by the Fund while the participant is a contributing member of the Fund or a retirement plan included in the Retirement Systems Reciprocal Act.</u> Members of the Cook County Deferred Compensation plan can have the amount due rolled over directly from Nationwide Retirement Solutions to the Fund; if interested in this option you will need a *Deferred Comp* form from the Fund to initiate the rollover.

For more information about receiving service credit and making payments for former service credit please contact a Benefits Counselor at the Fund to discuss your situation.

REPAYMENT OF REFUNDS

A participant who previously withdrew and took their pension contributions as a refund may be allowed to pay back the refund amount if they re-enter service. A participant must be back at work and contributing to the pension fund for two or more years after taking a refund in order to be eligible to pay it back. This is a voluntary opportunity; it is not required when re-entering service. See ***REPAYMENT RULES*** below for additional requirements.

REPAYMENT RULES

- A participant must re-enter service and have at least 2 years of contributed service credit after the date of the last refund before any repayments can be made. Service credit can be with the County or any of the retirement plans participating in the Retirement Systems Reciprocal Act. See ***RETIREMENT PLANS INCLUDED IN THE RECIPROCAL ACT*** on page 12 for a list of participating retirement plans.
- <u>All payments must be made while the participant is a contributing member of the Fund or a retirement plan included in the Retirement Systems Reciprocal Act.</u>
- A participant will have to pay back the gross amount of the refund (amount before taxes) plus interest from the application date of the refund to the date of repayment.
- Refunds must be repaid in full before service credit is reinstated. No service credit will be reinstated for partial payments.
- If a participant withdraws from service or dies before the refund is repaid in full then the amount paid will be refunded, without any accrued interest. See ***REFUND OF CONTRIBUTIONS (LUMP SUM)*** on page 40 for additional information.

- Refunds can be repaid in a single payment or through installment payments. If payments are made through installments, interest will continue to accrue on the unpaid portion of the refund; interest is accrued monthly. The minimum installment payment is $200.00.
- Checks should be made payable to Cook County Pension Fund.
- Members of the Cook County Deferred Compensation plan can have the amount due rolled over directly from Nationwide Retirement Solutions to the Fund; if interested in this option you will need a *Deferred Comp* form from the Fund to initiate the rollover.

Example of refund repayment

A participant with 7 years of service credit at the time of the refund who re-entered service with Cook County could pay back the refund following the rules above. Once the refund was paid back the 7 years of service credit the participant had prior to the refund would be reinstated. If the participant worked another 23 years the participant would have a total of 30 years of service credit.

For more information about receiving service credit and making payments for refunded contributions please contact a Benefits Counselor at the Fund.

ORDINARY DISABILITY CREDIT EXPIRATION

A participant on ordinary disability who exhausts all entitlements to ordinary disability and does not return to work is eligible to purchase up to one additional year of service credit for annuity purposes. A participant has 30 days from their last disability payment to request what it would cost to purchase the additional year from the Fund; they then have 30 days after cost information is provided to pay for the additional year of service credit.

See ***ANNUITIES FOLLOWING DISABILITY*** on page 28.

For additional information on disability rules and regulations please refer to the ***DISABILITY BENEFITS HANDBOOK***.

For more information about making payments for up to an additional year of service credit due to expiration of disability credits please contact a Benefits Counselor at the Fund.

ILLINOIS RETIREMENT SYSTEMS RECIPROCAL ACT

GENERAL INFORMATION

The Illinois Retirement Systems Reciprocal Act (the "**Reciprocal Act**") was created to allow employees who have worked for and contributed to more than one of the pension plans included in the Reciprocal Act to combine their service credits from each plan to possibly enhance their retirement benefits.

By combining service credit from different pension plans included in the Reciprocal Act a participant may be eligible for benefits they would not have been eligible for if they retired from each pension plan separately. The Reciprocal Act does not override or change any provisions of the individual pension plans. The specific requirements of each pension plan must be met before reciprocity can be applied.

In addition, each pension plan uses your highest final average salary regardless of whether your highest final average salary is with your current pension plan or not.

For most participants combining service credits from the various pension plans will result in a higher monthly annuity, however, for some participants their monthly annuity may be higher if they retire separately from each pension fund.

RETIREMENT UNDER THE RECIPROCAL ACT IS OPTIONAL; the choice to begin an annuity under the Reciprocal Act is strictly the choice of the participant. See ***ILLINOIS RETIREMENT SYSTEMS RECIPROCAL ACT ANNUITIES*** on page 22 for additional information about reciprocal annuities.

Additional information about the Reciprocal Act can be found in the *Retirement Systems Reciprocal Act* pamphlet available at the Fund's office.

ELIGIBILITY RULES

In order to be eligible to retire under the Reciprocal Act a participant must meet the following requirements:

- Generally a participant must have received service credit of at least one year with each pension plan to qualify.
- Participant must have left their contributions with each of the pension plans to be combined; contributions cannot have been previously annuitized or refunded. Note: County employees who have had their contributions refunded may have the option of paying back the refund, see ***REPAYMENT OF REFUNDS*** on page 9 for additional information. If the refund was taken from another pension plan you will need to contact that plan to find out what their rules are concerning the repayment of a refund.

RETIREMENT PLANS INCLUDED IN THE RECIPROCAL ACT:

Chicago Teachers' Pension Fund
203 North LaSalle, Suite 2600
Chicago, IL 60601
Phone: 312-641-4464
Fax: 312-641-7185
www.ctpf.org

County Employees' Annuity and Benefit Fund of Cook County
Forest Preserve District Employees' Annuity and Benefit Fund of Cook County
70 West Madison Street, Suite 1925
Chicago, IL 60602
Phone: 312-603-1200
Fax: 312-603-9760
www.cookcountypension.com

General Assembly Retirement System
Judges' Retirement System
2101 South Veterans Parkway
P.O. Box 19255
Springfield, IL 62794-9255
Phone: 217-782-8500
Fax: 217-557-5154
www.state.il.us/srs/GARS/home_gars.htm
www.state.il.us/srs/Judges/home_jrs.htm

Illinois Municipal Retirement Fund
2211 York Road, Suite 500
Oak Brook, IL 60523-2337
Phone: 1-800-275-4673
Fax: 630-368-5399
www.imrf.org

Laborers' Annuity and Benefit Fund of Chicago
321 N Clark Street, Suite 1300
Chicago, IL 60654-4739
Phone: 312-236-2065
Fax: 312-236-0574
www.labfchicago.org

Metropolitan Water Reclamation District Retirement Fund
111 East Erie Street, Suite 330
Chicago, IL 60611-2898
Phone: 312-751-3222
Fax: 312-751-5699
http://mwrdrf.org

Municipal Employees' Annuity and Benefit Fund of Chicago
321 N Clark Street, Suite 700
Chicago, IL 60654-4767
Phone: 312-236-4700
Fax: 312-527-0192
http://www.meabf.org

Park Employees' Annuity and Benefit Fund of Chicago
55 East Monroe, Suite 2720
Chicago, IL 60603
Phone: 312-553-9265
Fax: 312-553-9114
http://www.chicagoparkpension.org

State Employees' Retirement System of Illinois
2101 South Veterans Parkway, P.O. Box 19255
Springfield, IL 62794-9255
Phone: 217-785-7444
Chicago Office: 312-814-5853
Fax: 217-524-2293
http://www.state.il.us/srs/SERS/home_sers.htm

Teachers' Retirement System
2815 W. Washington Street – P.O. Box 19253
Springfield, IL 62794-9253
Phone: 800-877-7896
Fax: 217-753-0394
http://trs.illinois.gov

State Universities Retirement System
1901 Fox Drive, P.O. Box 2710
Champaign, IL 61825-2710
Phone: 800-275-7877
Fax: 217-378-9800
http://www.surs.com/homepage.surs

ESTIMATES

Upon request the Fund provides estimates of annuities for members. Estimates aid in financial planning and provide participants with an approximation of their monthly annuity. Requests can be made based on a specific date, age, years of service credit or percentage of salary (maximum percentage is 80%). In preparing an estimate, the Fund will project future service credit but not future salary (your present salary is used when projecting a future Final Average Salary). All estimates show the gross monthly annuity prior to any deductions.

Requests for an estimate can be made by participants interested in retiring under the Illinois Retirement Systems Reciprocal Act. If you are interested in combining service credit under the Reciprocal Act you need to write or call the pension fund under which you are currently contributing. Inform them you are considering retiring under the Reciprocal Act and tell them which retirement plans are to be included; that Fund will contact all reciprocal funds regarding your estimate.

Estimates can also be used to provide the costs associated with purchasing service, see ***SERVICE CREDIT*** on page 7 for additional information about what types of service can be purchased. The estimate will reflect your current service credit and will show how payments would increase your service credit and annuity benefit.

If you are interested in an Estimate please contact a Benefits Counselor at the Fund.

PARTICIPANT ANNUITIES

Plan ahead - it generally takes 2½ months to receive your first pension check.

GENERAL INFORMATION

Participants eligible for an annuity will receive a monthly benefit based on either a Money Purchase Annuity or Minimum Formula Annuity. See pages 16 – 20 for eligibility rules and explanation of annuity calculations.

Annuities are paid on a monthly basis typically for the life of the participant.

Annuities usually start on the first of the month following the date of the employee's separation from service. A participant can choose a retroactive date during the first 90 days following their date of separation from service; after 90 days a participant can only choose a future date. After the first 90 days the annuity start date will be defaulted to the first of the month after the application form is received unless a later date is specified.

Example of Annuity Start Dates

Participant separates from service on September 30, 2011 and on December 12, 2011 the participant applies for their benefits, since the application form was received by the Fund within 90 days from the date of separation from service the participant's annuity will start on October 1, 2011 unless a later date is specified.

Participant separates from service on October 1, 2011 and on January 15, 2012 the participant applies for benefits, since the application was received more than 90 days from the date of separation from service, the participant's annuity start date will be February 1, 2012 unless a later date is specified.

ELIGIBILTY RULES

- A participant has to be a minimum of age 50 and have at least 10 years of service credit to begin receiving an annuity.

- Participants who are eligible to receive a Minimum Formula annuity will receive an unreduced annuity if they are age 60 or older or have at least 30 years of service credit as of the annuity start date. See ***MINIMUM FORMULA ANNUITY*** on page 18 for more information.

- Participants who are eligible to receive a Minimum Formula annuity will receive a reduced annuity if they are under age 60 and have less than 30 years of service credit as of the annuity start date. The annuity will be reduced by .5% per month for each month under age 60. See ***MINIMUM FORMULA ANNUITY*** on page 18 for more information.

- A participant who withdraws from service after age 60 with less than 10 years of service credit is eligible to receive a Money Purchase annuity.

Note: a participant who separates from service before age 50 with at least 10 years of service credit can leave their contributions on account until at least age 50 and then request an annuity to begin. If the participant's annuity will be reduced for being under age 60, the reduction will be based on the participant's age on the annuity start date.

See ***ANNUITY CALCULATIONS*** on page 17 for additional information.

Note: Participants who are at least age 50 and less than age 55 with a minimum of 10 years of service credit or participants age 60 or older with less than 10 years of service credit are eligible for an annuity or a refund; if interested in a refund see ***REFUND OF CONTRIBUTIONS (LUMP SUM)*** on page 40 of this Handbook.

ANNUITY CALCULATIONS

Annuity benefits are based on either a Money Purchase Annuity or Minimum Formula Annuity. When applicable both methods are calculated for the participant, whichever method provides the participant the greatest annuity amount will be used to calculate their monthly annuity. Each method is outlined on the following pages.

MONEY PURCHASE ANNUITY

The Money Purchase Annuity is calculated by taking the contributions in the participant's account and dividing it by a life expectancy factor to determine the monthly annuity amount.

The maximum monthly annuity for a Money Purchase annuity cannot exceed 60% of the participant's highest monthly salary earned up to the date of separation.

Example of a Money Purchase Annuity Calculation

- A participant separates from service at age 60 with 6 years of service credit. The participant's contributions are $100,000.00 at time of separation.

  $100,000.00 divided by life expectancy factor = **$700.44** (monthly annuity).

MINIMUM FORMULA ANNUITY

The Minimum Formula Annuity is calculated based on the participant's age, years of service credit and final average salary. The final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service credit. Final average salary does not include overtime or extra salary.

The maximum monthly annuity for a Minimum Formula annuity cannot exceed 80% of the participant's final average salary on the date of separation.

Explanation of Minimum Formula Maximum Annuity

Members withdrawing on or after June 30, 2002* receive an annuity factor of 2.4% for each year of service credit up to 80%. See Table I - Percentage of Final Average Salary Payable for an Annuity under the Minimum 10 Years of Service Formula (Tier 1) on page 53 of this Handbook for the percentage you could receive based on your years of service credit.

Example: If a participant's final average salary was $3,695.00 per month the maximum monthly annuity he/she could receive is $2,956.00 (80% of $3,695.00).

See ***OPTIONAL PLAN BENEFITS*** on page 20 of this Handbook.

*Participant's who withdrew prior to June 30, 2002 should contact the Fund for information regarding annuity factors used to calculate their retirement benefits.

Example of a Minimum Formula Annuity Calculation for an Unreduced Annuity

- A participant separates from service at age 60.
- Participant's retirement date is December 31, 2012
- Participant has 15 years of service credit.
- Participant's Final Average Salary is $5,500.00 monthly.

To calculate this participant's annuity based on the above information:

1. Multiply years of service credit times 2.4%: 15 years x 2.4% = 36%
2. Multiple Final Average Salary times percentage from above: $5,500.00 x 36% = **$1,980.00** (monthly annuity).

Example of a Minimum Formula Annuity Calculation for a Reduced Annuity

Annuities are reduced .5% for each month participant is under age 60.

- A participant separates from service on January 1, 2026 at age 58.
- Participant's date of birth is June 13, 1967.
- Participant has 15 years of service credit.
- Participant's Final Average Salary is $5,500.00 monthly.

To calculate this participant's annuity based on the above information:

1. Multiply years of service credit times 2.4%: 15 years x 2.4% = 36%
2. Multiply Final Average Salary times percentage from above: $5,500.00 x 36% = $1,980.00 (monthly annuity)
3. Monthly annuity will be reduced 9%. Participant is 18 months short of age 60.

   2027 – 07 – 01 Age 60 annuity start date
   2026 – 01 – 01 Annuity start date
   1 - 6 Participant is one year and six months short of age 60.

Participant's annuity will be reduced 9% (18 months times .5%).

4. Monthly annuity times reduction percentage equals reduction: $1,980.00 x 9% = $178.20
5. Monthly annuity less reduction equals participant's final monthly annuity: $1,980.00 - $178.20 = **$1,801.80** (monthly annuity).

OPTIONAL PLAN BENEFITS

The Optional Plan began July 1, 1986 and ended July 1, 2005. Annuity benefits paid from the Optional Plan are subject to the same rules and regulations as regular annuity benefits. If the participant's monthly annuity will be reduced then the Optional Plan benefits will also be reduced.

For participants who retire under the Minimum Formula Annuity, the Optional Plan provides the participant with an additional 1% benefit for each year of service credit, (1/12 of 1% for each month), for which contributions were paid.

Example of Minimum Formula Calculation using Optional Plan Benefits

- Participant is receiving an unreduced annuity.
- A participant's final average salary is $4,000.00 monthly.
- The participant has 30 years of regular service credit.
- The participant has paid for 5 years and 6 months of service credit through the Optional Plan.

To calculate this participant's annuity based on the above information:

1. Multiply years of service credit times 2.4%: 30 years x 2.4% = 72%
2. Multiply Optional years and months times 1%: 5 years and 6 months x 1% = 5.5%
3. Add percentages from 1 & 2 together: 72% + 5.5% = 77.5%
4. Multiple Final Average Salary times percentage from above: $4,000.00 x 77.5% = **$3,100.00** (monthly annuity).

Optional contributions in excess of the maximum annuity of 80% will be refunded to the participant as a lump sum less 20% federal tax withholding, if not rolled over. The refund check will be mailed to your address on file at the same time the first annuity payment is sent.

For participants who receive a Money Purchase annuity, all Optional Plan contributions will be refunded to the participant as a lump sum less 20% federal tax withholding, if not rolled over. The refund check will be mailed to your address on file at the same time the first annuity payment is sent.

See ***OPTIONAL PLAN CONTRIBUTIONS*** on page 7 for additional information.

UNMARRIED PARTICIPANTS

Participants who are not married on the annuity start date will receive a lump sum refund of the spousal contributions made to their account. The amount will be refunded to the participant as a lump sum less 20% federal tax withholding if not rolled over. The refund check will be mailed to your address on file at the same time the first annuity payment is sent.

See ***CONTRIBUTIONS*** on page 6 for additional information on spousal contributions.

ILLINOIS RETIREMENT SYSTEMS RECIPROCAL ACT ANNUITIES

The Illinois Retirement Systems Reciprocal Act (the "**Reciprocal Act**") was created to allow employees who have worked for and contributed to more than one of the pension plans included in the Reciprocal Act to combine their service credits from each plan to possibly enhance their retirement benefits. See ***ILLINOIS RETIREMENT SYSTEMS RECIPROCAL ACT*** on page 11 for additional information about the Reciprocal Act.

Each pension plan will calculate your annuity based on their plan rules; however, each fund will generally use the highest final average salary to calculate the annuity.

Example of a Reciprocity Calculation

- A participant separates from service from Fund A at age 60 with 12 years of service credit from January 1, 2001 through December 31, 2012.
- The participant has 10 years of service credit with Fund B from June 1, 1990 through May 31, 2000.
- Participant's final average salary is $4,000.00 per month.
- Fund A uses an annuity factor of 2.4% for each year of service credit.
- Fund B uses an annuity factor of 1.67% for each year of service credit.

Fund A would pay the participant an annuity of $1,152.00 per month:
12 years x 2.4% = 28.80% x $4,000.00 = $1,152.00

Fund B would pay the participant an annuity of $668.00 a month: 10 years x 1.67% = 16.70% x $4,000.00 = $668.00

The participant will receive a total monthly annuity of $1,820.00 in two separate checks, one from each Fund for their portion of the monthly annuity.

When combining service credit under the Reciprocal Act each plan will pay a proportional annuity based on your years of service credit with each plan. The total reciprocal annuity paid to a participant cannot exceed the highest maximum benefit allowed by the plans involved in the Reciprocal Act calculation.

Example of a Reciprocity Calculation with a Maximum Benefit Limitation

- A participant separates from service from Fund A at age 65 with 22 years of service credit from March 1, 1990 through February 28, 2012.
- The participant has 12 years of service credit with Fund B from January 1, 1978 through December 31, 1989.
- Participant's final average salary is $5,000.00 per month.
- Both Funds use an annuity factor of 2.4% for each year of service credit.
- Maximum Benefit allowed by both Funds is 80% of the participant's final average salary (80% x $5,000.00 = $4,000.00).

Fund A would pay the participant an annuity of $2,588.24 per month:
22 years x 2.4% = 52.8% x 5,000.00 = $2,640.00
$2,640.00/$4,080.00* x $4,000.00 = $2,588.24

Fund B would pay an annuity of $1,411.76 per month:
12 years x 2.4% = 28.8% x 5,000.00 = $1,440.00
$1,440.00/$4,080.00* x $4,000.00 = $1,411.76

*Note: Participant total percentage was 81.6% (52.8% + 28.8%), at this percentage their monthly annuity would be $4,080.00 (81.6% x $5,000.00) however maximum benefit allowed is 80% of the final average salary (which in this example is $4,000.00) therefore each pension plan had to reduce their portion of the annuity down to a total percentage of 80%.

The participant will receive a monthly annuity of $4,000.00 in two separate checks, one from each Fund for their portion of the monthly annuity.

CONCURRENT SERVICE CREDIT

Concurrent service credit occurs when a participant earns service credit from more than one pension fund for the same time period. A participant cannot receive overlapping service credit from two or more plans if they are retiring under the Illinois Retirement Systems Reciprocal Act. When concurrent service occurs a reduction is made to service credit to eliminate the overlapping service.

If there are prolonged periods of concurrent service credit, it can often be beneficial to retire separately from the funds involved as opposed to electing to retire under the Illinois Reciprocal Act.

Retiring under the Reciprocal Act can be complex – contact the last fund where you made contributions to obtain specific information about your benefits.

ANNUITIES FOR SERVICE AS A COOK COUNTY SHERIFF'S POLICE OFFICER

A Cook County Sheriff's Police Officer (9% contributor) can elect to receive an annuity using the Sheriff's Police Formula instead of receiving an annuity based on a Money Purchase or Minimum Formula as explained previously on pages 17 - 20.

ELIGIBILITY

- A Police Officer must have a minimum of 20 years of Sheriff's contributions.
- A Police Officer must be a minimum of age 50, regardless of whether participant becomes age 50 while working or after resignation.

BENEFIT

The Sheriff's Police Formula is based on 50% of final average salary for first 20 years of service credit plus 2% of final average salary for each year or fraction of a year over 20 years of service credit. Maximum annuity is 80% of the participant's final average salary.

Example of a Sheriff's Police Formula Calculation

- A Police Officer separates from service at age 50.
- Police Officer has 24 years and 1 month of service credit.
- The Police Officer's final average salary is $5,000.00 monthly.

To calculate this participant's annuity based on the above information:

1. A fraction of a year is credited as a full year therefore the 24 years and 1 month of service credit for this participant becomes 25 years of service credit.
2. 20 years equal 50%
3. Multiply number years over 20 by 2%: (i.e. 25 years – 20 years) 5 years x 2% = 10%
4. Add the base percentage of 50% and the percentage for years over 20: 50% + 10% = 60%
5. Multiply final average monthly salary times percentage calculated above: $5,000.00 x 60% = $3,000.00.

   Based on Sheriff's Police formula this participant would receive a monthly annuity of **$3,000.00**.

ADJUSTMENTS TO SHERIFF'S POLICE OFFICERS CONTRIBUTIONS

A Police Officer with at least 15 years of 9% contributions may convert prior County service credit (8.5% contributions) to the Sheriff's Police Formula. The participant must pay the .5% difference (8.5% increased to 9%) with interest to have the County service credit included in the Sheriff's Police Formula.

Police Officers who separate from service and retire under the Minimum Formula annuity instead of the Sheriff's Police Formula will be refunded the additional .5% contributions (9% decreased to 8.5%) that were withheld for the Sheriff's Police Formula.

Optional Plan contributions paid into the Fund will be refunded to any Police Office retiring under the Sheriff's Police Formula.

See ***CONTRIBUTIONS*** on page 6 for additional information.

For more information about increasing contributions and making payments for the Sheriff's Police Formula please contact a Benefits Counselor at the Fund.

ANNUITIES UNDER $150.00 PER MONTH

When a participant's total monthly annuity is less than $150.00 per month, their monthly annuity will automatically be increased to $150.00 and will be paid for a specific period of time (known as a term annuity). The specific period of time is based on the age and account balance of the participant and varies from participant to participant. If this situation applies to your annuity you will receive a letter with your first annuity payment indicating how long your annuity will last. **This rule does not apply to participants receiving an annuity under the Reciprocal Act unless combined annuities are under $150.00.**

Note: Your health benefits coverage will be terminated when the term annuity ends. If you have any questions about health benefits please contact a Health Benefits Counselor at the Fund.

A participant who is receiving a term annuity will not receive annual cost-of-living increases. The .5% that was contributed by the participant for annual increases will be refunded to the participant as a lump sum less 20% federal tax withholding, if not rolled over. The refund check will be mailed to your address on file at the same time the first annuity payment is sent.

A participant who is eligible for a term annuity may choose to receive a refund of their contributions instead of receiving an annuity. See ***REFUND OF CONTRIBUTIONS (LUMP SUM)*** on page 40 for additional information.

REVERSIONARY ANNUITIES

A reversionary annuity occurs when a participant elects to reduce their monthly annuity in order to provide a life annuity for a spouse, parent, child, brother or sister to start upon the participant's death.

A reversionary annuity election must be made prior to the annuity start date by filing a written request with the Fund; the request must indicate how much the participant wants to reduce their annuity by and to whom the revisionary annuity would be payable (designated recipient).

A reversionary annuity request will be revoked or cancelled under the following situations:

- By the participant any time prior to the annuity start date; request must be made in writing.
- The death of the participant if it is before the annuity start date.
- The death of the participant if the death occurs within 730 days from the date of the written request, whether or not the participant has started to receive an annuity.
- The death of the designated recipient prior to the participant's annuity start date.

The amount by which a participant may reduce their monthly annuity must be based on the following rules:

- Minimum reduction is $50.00.
- Maximum reduction is 25% of monthly annuity.
- If the designated recipient will be the participant's surviving spouse then the revisionary annuity plus the surviving spouse's annuity, if applicable, cannot be greater than 80% of the participant's reduced annuity.

If the designated recipient predeceases the participant then the participant's reduced annuity will resume at the original annuity amount prior to reduction as of the first of the month after the date of death of the designated recipient. There are no retroactive payments for the difference between a reduced and an unreduced annuity.

Upon the death of the participant receiving an annuity, the reversionary annuity will be payable to the designated recipient beginning the first of the month following the death of the participant. Payments will be made monthly until the death of the designated recipient.

Annual cost-of-living increases for the participant's portion of a Reversionary Annuity are based on the full amount of the annuity prior to the reduction for the designated recipient's portion. The designated recipient's portion of a Reversionary Annuity is not eligible for annual increases.

For more information about Reversionary Annuities please contact a Benefits Counselor at the Fund.

ANNUITIES FOLLOWING DISABILITY

Participants who are disabled and have exhausted eligibility for ordinary disability benefits have the option of starting an annuity regardless of their age. The rules regarding what type of annuity they are eligible for are listed below:

- If the participant is **under age 50 with less than 20 years of service credit** the annuity will be based on a Money Purchase annuity.
- If the participant is **under age 50 with 20 or more years of service credit** their benefit will be either a Money Purchase or a Minimum Formula annuity whichever pays the greater benefit.
- If the participant is **over age 50 with less than 10 years of service credit** the annuity will be based on a Money Purchase annuity.
- If the participant is **over age 50 with 10 or more years of service credit** their benefit will be either a Money Purchase or a Minimum Formula annuity whichever pays the greater benefit.

See ***ORDINARY DISABILITY CREDIT EXPIRATION (ODCX)*** on page 10.

ANNUAL ANNUITY INCREASES (COST-OF-LIVING ADJUSTMENT – COLA)

A 3% annual cost-of-living increase is provided to participants who are at least age 60 or have at least 30 years of service credit and are receiving a life annuity. The first increase will be applied on January 1st following the first anniversary of their annuity start date.

Examples of When Annual Increase Begins

Participant separated from service on December 31, 2011 at age 60 and began their annuity on January 1, 2012; the first annual increase will be on January 1, 2013. First January after the participant has been receiving an annuity for one year.

Participant separated from service on May 31, 2011 at age 60 and began their annuity on June 1, 2011; the first cost-of-living increase will be on January 1, 2013. First January after the participant has been receiving an annuity for one year.

- Participants who have an annuity start date before age 60 and with less than 30 years of service credit are not eligible for an increase until January 1st of the year following their 60th birthday.

Example of When Annual Increase Begins

Participant began their annuity on June 1, 2011 at age 58 with less than 30 years of service credit, participant will turn 60 on May 13, 2013; their initial increase will be on January 1, 2014.

- Annual cost-of-living increases are compounded:

> **Example of Annual Increase Calculations**
>
> A participant who started to receive a monthly annuity of $2,500.00 on December 1, 2008 at age 62 would receive the following increases:
>
> January 1, 2010: $2,500.00 x 3% = $75.00 New annuity amount for 2010 is $2,500.00 + $75.00 = $2,575.00
>
> January 1, 2011: $2,575.00 x 3% = $77.25 New annuity amount for 2011 is $2,575.00 + $77.25 = $2,652.25
>
> January 1, 2012: $2,652.25 x 3% = $79.57 New annuity amount for 2012 is $2,652.25 + $79.57 = $2,731.82
>
> Increases continue to compound annually until the annuity benefit ends.

A participant who is receiving a term annuity will not receive annual cost-of-living increases. The .5% that was contributed by the participant for annual increases will be refunded to the participant as a lump sum less 20% federal tax withholding, if not rolled over. The refund check will be mailed to your address on file at the same time the first annuity payment is sent.

See ***ANNUITIES UNDER $150.00 PER MONTH*** on page 26.

Annual cost-of-living increases for the participant's portion of a Reversionary Annuity are based on the full amount of the annuity prior to the reduction for the designated recipient's portion. The designated recipient's portion of a Reversionary Annuity is not eligible for annual increases.

See ***REVISIONARY ANNUITIES*** on page 27.

DEATH AND BENEFICIARY BENEFITS

OVERVIEW OF BENEFITS

Upon the death of a participant one or more of the following benefits could be paid out:

1. A one-time lump sum death benefit of $1,000.00 may be payable to the designated beneficiaries of a Retired or Active (including Disability) participant.
2. Retired participants who are receiving an annuity:
    a. With a spouse – spouse may be eligible to receive a portion of the participant's retirement annuity for the rest of his or her life.
    b. Without a spouse –
        - If contributions made by the participant, plus interest, for annuity purposes have been completely paid to the participant then benefits end with his or her death.
        - If contributions made by the participant, plus interest, for annuity purposes have not been completely paid to the participant then any unpaid contributions would be paid to their designated beneficiaries as a lump sum.
    c. Children unmarried and under age 18 may be entitled to a monthly annuity.
3. Active participants:
    a. With a spouse – spouse may receive a monthly annuity for the rest of his or her life.
    b. Without a spouse – Contributions made by the participant, plus interest, for annuity purposes may be refunded to their designated beneficiaries as a lump sum.
    c. Children unmarried and under age 18 may be entitled to a monthly annuity
4. Inactive participants:
    a. With a spouse – spouse may receive a monthly annuity for the rest of his or her life.
    b. Without a spouse – Contributions made by the participant, plus interest, for annuity purposes may be refunded to their designated beneficiaries as a lump sum.
    c. Children unmarried and under age 18 may be entitled to a monthly annuity.

For purposes of a spousal annuity a spouse is defined as anyone who is legally married to the participant at the time of the participant's death. Marriage includes traditional marriages and civil unions.

See ***SURVIVING SPOUSE ANNUITIES, ANNUITIES FOR CHILDREN*** and ***NON-SPOUSE BENEFICIARY BENEFITS*** on pages 32 - 39 for detailed information on survivor benefits.

SURVIVING SPOUSE ANNUITIES

ELIGIBILTY

The following Surviving Spouses are entitled to an annuity:

- The spouse of an active participant (includes participants receiving disability benefits from the Fund).

- The spouse of a retired participant as long as the marriage occurred prior to the participant's retirement date.

- The spouse of a retired participant who married after retirement if:
  - The surviving spouse was married to the participant for at least one year prior to the participant's death
    AND
  - The surviving spouse pays back any spousal contribution previously refunded to the participant for not having a spouse as of the annuity start date; plus 6% interest from the date of the refund through the date of repayment.

- The spouse of a participant who dies while inactive if the participant:
  - Had at least 10 years of service credit **OR** separated from service after age 60
    AND
  - Did not take a refund of contributions from the Fund
    AND
  - Marriage occurred while the participant was actively working for the County.

Note: If the surviving spouse is not eligible for an annuity then any remaining contributions will be refunded as a lump sum less 20% federal tax withholding unless rolled over.

BENEFITS

Annuities are paid on a monthly basis typically for the life of the surviving spouse.

A surviving spouse who is eligible for an annuity will be entitled to either a Minimum Formula annuity or a Money Purchase annuity; they will receive whichever formula pays a higher monthly benefit. The information about annuities provided on the following pages applies to both ordinary and duty deaths; however there may be additional benefits payable for duty deaths. Contact the Fund for additional information on duty deaths.

A surviving spouse's monthly annuity generally begins on the first of the month after the date of the participant's death. Annuities are paid on the first of each month; the last annuity payment will be the first of the month in which the death of the surviving spouse occurs.

In cases where a surviving spouse's total monthly annuity is less than $150.00 per month, an annuity of $150.00 per month will be paid for as a term annuity (an annuity that is payable for specific period of time) instead of for the life of the surviving spouse; the specific period of time will vary on a case by case basis. Benefits will terminate at the end of the term period or with the death of the surviving spouse, whichever is earlier.

See ***ANNUITIES UNDER $150.00 PER MONTH*** on page 26 for additional information.

Note: Your health benefits coverage will be terminated when the monthly annuity ends. If you have any questions about health benefits please contact a Health Benefits Counselor at the Fund.

SURVIVING SPOUSE OF A RETIRED PARTICIPANT

The annuity for the surviving spouse of a retired participant will be based on whichever one of the following calculations pay the highest monthly annuity:

1. The surviving spouse will receive a monthly benefit equal to 65% of what the participant was receiving on the date of the participant's death if:
   - The participant had <u>10 or more years</u> of service credit as of the annuity start date
     AND
   - The surviving spouse is age 55 or older **OR** the retiree had 30 or more years of service.

   If the participant had <u>at least 10 years</u> of service credit but less than 30 years of service credit and the surviving spouse is under age 55 then the spouse's annuity will be reduced .5% for each month the spouse is under age 55.

2. The surviving spouse will receive a monthly benefit equal to 50% of what the participant was receiving on the date of the participant's death if:
   - The participant had <u>less than 10 years</u> of service credit on the annuity start date
     AND
   - The surviving spouse is age 55 or older.

   If the surviving spouse is under age 55 then the spouse's annuity will be reduced .5% for each month under age 55.

3. A Money Purchase Annuity which is calculated by taking the participant's contributions on the date of separation and dividing it by a life expectancy factor to determine the monthly annuity amount.

SURVIVING SPOUSE OF AN ACTIVE PARTICIPANT (INCLUDING PARTICIPANTS ON DISABILITY)

The annuity for the surviving spouse of an active participant will be based on whichever one of the following calculations pay the highest monthly annuity:

1. If the participant would have been eligible for an annuity on the date of their death (participant had to be at least age 50 with at least 10 years of service credit), the surviving spouse is eligible to receive a monthly benefit up to 65% of the annuity the participant would have been eligible to receive on the date of the participant's death.

   If the participant had less than 30 years of service credit and the surviving spouse is under age 55 then the spouse's annuity will be reduced .5% for each month the spouse is under age 55.

2. The surviving spouse is eligible to receive 10% of the participant's final average salary.

3. The surviving spouse is eligible to receive a Money Purchase Annuity, which is calculated by taking the participant's account balance and dividing it by a life expectancy factor to determine the monthly annuity amount. The maximum Money Purchase annuity payable to a surviving spouse is 50% of the participant's highest monthly salary.

SURVIVING SPOUSE OF AN INACTIVE PARTICIPANT

A annuity for the surviving spouse of an inactive participant is eligible for a Money Purchase annuity which is calculated by taking the participant's account balance and dividing it by an life expectancy factor to determine the monthly annuity amount, if:

- The participant was at least age 60 on the date of separation
  OR
- The participant had at least 10 years of service credit**.**

ANNUAL ANNUITY INCREASES FOR SURVIVING SPOUSES (COST-OF-LIVING ADJUSTMENT – COLA)

A 3% annual cost-of-living increase is provided to surviving spouses who are receiving a life annuity. The first increase will be applied on January 1st following the one year anniversary of the participant's death.

Example of When Annual Increase Begins

Participant died May 21, 2011 and the surviving spouse began their annuity on June 1, 2011; the first cost-of-living increase will be on January 1, 2013. First January after one year anniversary of participant's date of death.

- Annual cost-of-living increases are compounded:

Example Calculation of Annual Increases

A surviving spouse who started to receive a monthly annuity of $2,500.00 on June 1, 2011 would receive the following increases:

January 1, 2013: $2,500.00 x 3% = $75.00 New annuity amount for 2013 is $2,500.00 + $75.00 = $2,575.00

January 1, 2014: $2,575.00 x 3% = $77.25 New annuity amount for 2014 is $2,575.00 + $77.25 = $2,652.25

January 1, 2015: $2,652.25 x 3% = $79.57 New annuity amount for 2015 is $2,652.25 + $79.57 = $2,731.82

Increases continue to compound annually until the annuity benefit ends.

ANNUITIES FOR CHILDREN

ELIGIBILITY

For a child to be eligible for a survivor benefit he or she must meet all of the requirements listed below:

- Child must be unmarried.
- Child must be under age 18.
- Child must have been born before the participant retired or before the death of an active participant.

In addition to the eligibility requirements above **one of the following requirements** needs to be met:

- A retired participant must have retired at age 50 or older.
- An active participant whose death is an ordinary death (death is not job-related) must have at least four years of service credit and at least two years from latest re-entrance.
- An active participant whose death is a duty death (a death resulting from an injury that occurred while the participant was performing their job). There are no service credit requirements for this situation.
- An inactive participant must have withdrawn from service after age 50 and must have been receiving an annuity or was eligible to receive an annuity.

BENEFIT

The child's annuity is equal to 10% of the participant's final monthly salary or $140.00 per month, whichever is greater. A child's monthly annuity begins on the first of the month after the date of the participant's death. Annuities are paid on the first of each month; the last annuity payment will be the first of the month prior to the child's 18th birthday.

INCREASE FOR SURVIVING CHILD ANNUITIES

Child annuities do not receive annual cost-of-living increases.

MAXIMUM SPOUSAL AND CHILD BENEFITS

The maximum monthly benefit to the family of a participant whose death is an ordinary death (death is not job-related) is 60% of the participant's final monthly salary. If the combined benefits will be greater than 60% then the child's annuity would be proportionally reduced.

The maximum monthly benefit to the family of a participant whose death is a duty death (a death resulting from an injury that occurred while the participant was performing their job) is 70% of the participant's final monthly salary. If the combined benefits will be greater than 70% then the child's annuity would be proportionally reduced.

NON-SPOUSE BENEFICIARY BENEFITS

The following explains how benefits will be paid out when an active, retired or inactive participant dies without a surviving spouse and/or child who is eligible for an annuity. See ***GLOSSARY*** on page 51 for definition of Surviving Spouse and Child.

Death of a Retired Participant:

Contributions made by the participant for annuity purposes, less any annuity and refund amounts received by the participant, will be paid to their designated beneficiaries or estate as a lump sum less 10% federal tax unless contributions are rolled over to an inherited IRA.

> **Example of Remaining Contributions**
>
> A participant contributed a total of $87,000.00 for annuity purposes. Between the annuity start date and the date of death the Fund paid out $75,000.00 to the participant as a monthly annuity. The remaining unused contributions of $12,000.00 will be paid to the participant's designated beneficiaries.

Death of an Active Participant (including participants on disability):

All contributions made by the participant for annuity purposes will be refunded to their designated beneficiaries or estate as a lump sum less 10% federal tax withholding unless contributions are rolled over to an inherited IRA.

Death of an Inactive Participant:

All contributions made by the participant for annuity purposes which are still with the Fund on the date of death will be refunded to their designated beneficiaries or estate as a lump sum less 10% federal tax withholding unless contributions are rolled over to an inherited IRA.

See ***DESIGNATION OF BENEFICIARIES AND ROLLOVER*** on pages 46 and 48 for additional information.

> **DESIGNATIONS OF BENEFICIARY - KEEP YOUR INFORMATION UP TO DATE – PLEASE COMPLETE A NEW *DESIGNATION OF BENEFICIARY* FORM AS EVENTS IN YOUR LIFE CHANGE.**

INCOME TAX INFORMATION FOR SURVIVING SPOUSE AND CHILDREN ANNUITIES

Surviving Spouse and Children receiving annuities and Non-Spouse Beneficiaries follow the same tax withholding process as participants. See ***INCOME TAX INFORMATION FOR PARTICIPANT ANNUITIES*** on page 44 and ***INCOME TAX INFORMATION FOR REFUNDS*** on page 47 for additional information.

REFUND OF CONTRIBUTIONS (LUMP SUM)

GENERAL INFORMATION

- A refund includes:
  - Contributions made for the participant
  - Contributions made for the spouse
  - Accrued interest

- A participant must wait at least 30 days after receiving their last payroll before being eligible to receive a refund. However, the total processing time is 8 – 10 weeks after the date of separation or the date the Fund received the application form, whichever is later.

- A refund can only be a lump-sum refund. Partial refunds are not allowed.

- Upon receipt of the refund, the participant surrenders and forfeits all rights to any annuity or other benefits for the participant or for any other persons who might have benefited through the participant.

The rules of the Plan do not provide for refunds for the purpose of hardship, emergencies or borrowing. Refunds are only allowed when the participant is separated from service.

ELIGIBILITY RULES

A participant is eligible for a refund when they separate from service and are off **payroll** for a period of at least 30 days if the:

- Participant is under age 55 with any number of years of service credit on the date of separation.
  OR
- Participant has less than 10 years of service credit on the date of separation regardless of age.

Note: Participants who are at least age 50 and less than age 55 with a minimum 10 years of service credit or participants age 60 or older with less than 10 years of service credit are eligible for an annuity or a refund; if interested in an annuity see ***PARTICIPANT ANNUITIES*** on page 15 of this Handbook.

INTEREST

Interest does not accrue after the participant's last payroll date.

> **Example of Last Interest Accrual Date**
>
> A participant withdraws from service; their last payroll is dated April 30, 2011. The participant does not request a refund until September 19, 2012; no interest is earned on the balance in their account after April 30, 2011.

ALTERNATIVE RETIREMENT CANCELLATION PAYMENT

In 2007 participants were offered a chance to voluntarily terminate their positions with the County. In exchange for terminating their position the participant was offered a refund of their contributions multiplied by 1.5 (50% bonus). A condition of this 50% bonus was if the participant ever returned to work for the County they would have to first repay the 50% bonus plus 6% annual interest to the Fund. Payments can be made all at once or through partial payments however any unpaid balance will continue to accrue interest at 6% annually.

The 50% bonus plus interest must be paid prior to being able to exercise the right to re-establish service credit. See ***REPAYMENT OF REFUNDS*** on page 9 for additional information.

If a participant returns to work for the County without repaying the 50% bonus amount owed then the amount owed will be deducted from any future benefits payable to the participant from the Fund.

HOW TO APPLY FOR ANNUITY OR REFUND BENEFITS

In order to receive an annuity or a refund from the Fund a participant must apply with the Fund for the benefits, see information on pages 42 - 46 if applying for an annuity and pages 47 - 48 if applying for a refund.

IN ADDITION TO APPLYING WITH THE FUND YOU MUST RESIGN WITH YOUR DEPARTMENT.

TO APPLY FOR AN ANNUITY

About a month prior to your annuity start date you can begin the application process. Either come to the Fund office to complete your annuity application packet or call the Fund to request an annuity application packet be mailed out to you. See ***CONTACTING THE FUND*** on page 5.

- If you elect to come into the office you will meet with a Benefits Counselor who will walk you through the annuity application process, answer any questions you may have and assist you in filling out the forms. The Counselor will also discuss health benefits. Please see the ***REQUIRED DOCUMENTATION*** on page 43 and bring any required documentation not already provided to the Fund when you come in to apply for benefits.

- If you elect to have the forms mailed to you please complete and mail the forms and required documentation to the Fund. Please see the ***REQUIRED DOCUMENTATION*** on page 43. If you need any assistance please call a Benefit Counselor to assist you with the forms and any questions you may have.

Are you retiring under the Illinois Retirement Systems Reciprocal Act?

You <u>must</u> apply for your annuity at each of the separate pension plans where you have service credit.

REQUIRED DOCUMENTATION

The following documents are required before an annuity benefit can be calculated and paid out. If these forms are not received prior to annuity start date, it may delay the receipt of your first annuity payment. These forms can be sent in anytime after becoming a member of the plan.

Married Participants:

- Employee's proof of birth*
- Spouse's proof of birth*
- Marriage Certificate or Civil Union Certificate
- Note: You will need to know your Spouse's Social Security Number.

Single Participants (Never Married):

- Employee's proof of birth*

Divorced or Widowed Participants:

- Employee's proof of birth*
- Copy of Divorce Decree (s)
- Copy of Death Certificate

*Acceptable proof of birth includes: Birth Certificate, U.S. Passport or Naturalization Certificate.

Health Benefits:

If you are eligible and signing up for health benefits please bring your current health insurance card. Also bring proof of birth and know the Social Security Numbers of any dependents being covered under your health benefits plan.

Participants and/or spouses age 65 or older or participants under age 65 who are covered by Medicare will also need one the following:

- Medicare card showing Part A and Part B
- Copy of Entitlement Letter from the Social Security Administration – indicating you have applied for and are <u>eligible</u> for Medicare Part A and Part B and effective date.
- Copy of Entitlement Letter from the Social Security Administration – indicating you have applied for and are <u>not eligible</u> for Medicare Part A and Part B.

INCOME TAX INFORMATION FOR PARTICIPANT ANNUITIES

All annuities are subject to federal income tax. Presently annuities are not subject to Illinois State income tax; however, the taxability for participants living in other states may vary according to individual state laws. The Fund cannot withhold state taxes from annuity payments for participants living outside of Illinois. It is recommended that you consult IRS publications 17, 575 and 939, as well as a tax advisor, prior to filing your income tax return, as many provisions of the law are very complex.

A participant has three choices regarding federal taxation of their annuity:

1. A participant can elect not to have any taxes withheld from their monthly annuity.
2. A participant can elect to have taxes withheld using the IRS tax tables which are based on the participant electing single or married and the number of exemptions they wish to claim.
3. A participant can elect to have a specific dollar amount withheld from their monthly annuity.

Participants who are entitled to receive a partial refund have the following choices regarding federal taxation of their refund(s):

1. A participant can elect to have 20% of taxable monies withheld (IRS minimum amount that can be withheld).
2. A participant can elect to have more than 20% of taxable monies withheld.
3. A participant can elect to have all taxable monies rolled over to an IRA or other qualified plan. No taxes will be withheld on taxable portion and non-taxable portion (if applicable) will be refunded to the participant.
4. A participant can elect to have a part of their taxable monies rolled over to an IRA or other qualified plan. No taxes will be withheld on amount rolled over. 20% tax will be withheld on taxable portion not rolled over and non-taxable portion (if applicable) will be refunded to the participant.

See ***ROLLOVERS*** on page 48 for additional information.

Note: If refunds are not rolled over to an IRA or other qualified plan there may be a 10% federal tax penalty due at time of tax filing for early withdrawal prior to age 55.

ELECTRONIC FUNDS TRANSFER (EFT)

A participant can elect to have their monthly annuity payment electronically deposited into a checking or savings account. The participant's first annuity check will be mailed to their home along with a blank *Depository Agreement for Electronic Funds Transfer for Benefit Payments* form. Complete the form and return it to the Fund in order to have your annuity payment electronically deposited.

If at any time you need to change your bank account information call the Fund and request a new *Depository Agreement for Electronic Funds Transfer for Benefit Payments* form. Forms are also available on our website at:
http://www.cookcountypension.com/retiree_benefits/forms.aspx.

If you want to cancel your EFT and have your annuity payment mailed to your home you will need to send a letter to the Fund requesting we stop your EFT.

Please note refund checks cannot be electronically deposited – all refund checks will be mailed to the address provided on the refund application form.

Upon your death there may be contributions and/or a death benefit payable. Therefore it is very important to designate beneficiaries. Your designated beneficiary is the person or persons to whom the Fund will pay any applicable benefits in the event of your death. By law, if you are married at the time of your death, your spouse will be your primary beneficiary regardless of whether or not your beneficiary form designates a different beneficiary.

We encourage all participants to have named beneficiaries on file with the Fund and to keep the information up to date. A *Designation of Beneficiary* form should be completed when you start employment with the County.

We recommend you keep a copy of your beneficiary form with your Will or estate papers. Also inform the people you named as beneficiaries so they will know to contact the Fund upon your death.

KEEP YOUR DESIGNATED BENEFICIARY INFORMATION UP TO DATE.

THE FOLLOWING ARE EVENTS WHEN YOU SHOULD REVIEW YOUR DESIGNATED BENEFICIARY INFORMATION AND SEND A NEW FORM TO THE FUND:

- **MARRIAGE OR CIVIL UNION**
- **DIVORCE**
- **BIRTH OF A CHILD**
- **ADOPTION OF A CHILD**
- **DEATHS OR**
- **IF YOU JUST DECIDE TO CHANGE YOUR DESIGNATED BENEFICIARIES**

NEW DESIGNATION OF BENEFICIARY FORMS CAN BE RECEIVED BY CALLING THE FUND OFFICE OR ONLINE AT http://www.cookcountypension.com

TO APPLY FOR A REFUND

To apply for a refund call a Refund Counselor at the Fund and they will answer any questions you have about refunds and send you a refund application form. You can also come into the Fund office and fill out a refund application form. ***A refund application can only be sent or given to a participant who has already separated from service.***

IN ADDITION TO APPLYING WITH THE FUND YOU MUST RESIGN WITH YOUR DEPARTMENT.

REQUIRED DOCUMENTATION

In order to process a refund you must submit a copy of your Driver's License, State ID or U.S. Passport along with the refund application form.

INCOME TAX INFORMATION FOR REFUNDS

Refunds are subject to federal income tax. Presently refunds are not subject to Illinois state income tax; however, the taxability for participants living in other states may vary according to individual state laws. The Fund cannot withhold state taxes from refund checks for participant's living outside of Illinois. It is recommended that you consult IRS publications 17, 575 and 939, as well as a tax advisor, prior to filing your income tax return, as many provisions of the law are very complex.

Participants who are entitled to receive a lump sum refund have the following choices regarding federal taxation of their refund(s):

1. A participant can elect 20% of taxable monies be withheld (IRS minimum amount that can be withheld).
2. A participant can elect to have all taxable monies rolled over to an IRA or other qualified plan. No taxes will be withheld on taxable portion and non-taxable portion (if applicable) will be refunded to the participant.
3. A participant can elect to have a part of their taxable monies rolled over to an IRA or other qualified plan. No taxes will be withheld on amount rolled over. 20% tax will be withheld on taxable portion not rolled over and non-taxable portion (if applicable) will be refunded to the participant.

See ***ROLLOVERS*** on page 48 for additional information.

Note: If refunds are not rolled over to an IRA or other qualified plan there may be a 10% federal tax penalty due at time of tax filing for early withdrawal prior to age 55.

ELECTRONIC FUNDS TRANSFER (EFT)

Please note refund checks cannot be electronically deposited – all refund checks will be mailed to the address provided on the refund application form.

ROLLOVERS

A rollover occurs when a participant transfers their contributions from the Fund to an IRA or other qualified plan to avoid incurring any tax consequences at the time of the rollover.

Only the taxable portion of a participant's refund can be rolled over, any non-taxable monies will be refunded directly to the participant.

The Fund does not mail rollover checks directly to the receiving financial institution. Checks are made payable to the name of the financial institution indicated on the application form, for the benefit of the participant. The check is then mailed to the participant's address and it is the participant's responsibility to deliver the rollover check to their financial institution. There is no need to send rollover papers to the Fund; we only require the name of the financial institution where the check is to be deposited.

FREQUENTLY ASKED QUESTIONS

- **Can I receive a hardship withdrawal from the Fund?**

  No, the Illinois Pension Code which governs the Fund does not allow for Hardship withdrawals. However if you are a member of the Cook County Deferred Compensation Plan with Nationwide Retirement Solutions they may be able to assist you with a Hardship withdrawal.

  Nationwide Retirement Solutions
  205 W Randolph Street, Suite 1540
  Chicago, IL 60606-9933
  Phone: (855) 457-2665 or 312-443-1975

- **Can I take a partial refund from my account?**

  No, any participant who is eligible for a refund must take 100% of their account as a lump-sum refund; see ***REFUND ELIGIBILITY RULES*** on page 40. A participant can have part of their refund made payable to them and then roll over the balance, but their account has to be fully disbursed at the time of the refund.

- **Can I pick up my annuity payment or refund check from the Fund office?**

  No, checks are produced through an automated process and individual checks cannot be sorted for pickup.

- **Can I buy additional years of service credit?**

  No, there are no provisions which allow a participant to purchase service credit for periods not actually worked. There are two possible exceptions to this rule: military service and sick time. See ***SERVICE CREDIT*** page 7 for additional information.

- **I divorced my spouse. Is he or she entitled to a portion of my benefit?**
  The only time the Fund can give a portion of your monthly annuity to a spouse you have divorced or are divorcing is if there is a court ordered Qualified Illinois Domestic Relations Order (QILDRO) on file with the Fund. QILDRO instructions and forms can be found on the Fund's website at http://www.cookcountypension.com.

- **Once I retire, when will my health benefits coverage begin and what benefits are offered?**

  To be eligible for benefits under the Group Health Benefit, you must be receiving an annuity and you must have been last employed with the County. As a retired participant you are eligible to begin health benefits coverage on the first day your annuity begins. Health benefits include medical, prescription and limited vision coverage. There is also an optional dental plan. For additional information on health benefits coverage please contact the Fund and request a ***GROUP HEALTH BENEFIT HANDBOOK*****.**

- **What happens if I return to work with the County after I retire and start receiving my annuity?**

  - If you retired under one of the County's prior early retirement incentive (ERI) programs and you return to work for any County agency, your annuity will be suspended while you are working. When you leave service again you must apply for your annuity benefits to restart. If you worked for less than three years after your original annuity start date your annuity will resume at the same amount it was before you returned to work. If you worked for three or more years after your original annuity start date your annuity will be recalculated to account for your new service credit, salary and age. In either case **you will lose your ERI benefits.**

  - If you retired from the County and you return to work for any County agency, your annuity will be suspended while you are working. When you leave service again you must apply for your annuity benefits to restart. If you worked for less than three years after your original annuity start date your annuity will resume at the same amount it was before you returned to work unless the annuity was calculated under an ERI program. If you worked for three or more years after your original annuity start date your annuity will be recalculated to account for your new service credit, salary and age.

  - If you retired under the reciprocal act and return to work for any of the Funds included in your reciprocal annuity then your annuity will be suspended by all Funds while you are working. When you leave service again you must apply for your annuity benefits to restart. If you worked for less than three years after your original annuity start date your annuity will resume at the same amount it was before you returned to work. If you worked for three or more years after your original annuity start date your County annuity will be recalculated to account for your new service credit, salary and age.

GLOSSARY

Active Participant – An employee of the County who is currently having payroll deductions for contributions deducted from their paycheck for annuity purposes; this includes participants currently receiving disability benefits.

Annuity – A monthly benefit from the Fund payable upon separation from service; also known as a Pension.

Beneficiary – A surviving spouse, child or person designated as a beneficiary by the Participant; can also be a Trust or an Estate.

Child – a person born to or adopted by the participant prior to the participant's annuity start date or date of death for active participants and who is age 18 or under.

Duty Death – a death that occurs as a result of an injury occurring while participant is performing his or her job-related duties.

Effective Interest Rate – current interest rate earned on account balances. Currently the effective rate is 3% and has been since January 1, 1954.

Final Average Salary – Tier 1 – The highest average monthly salary for any 48 consecutive months within the last 10 years; final average salary is based only on pensionable earnings; it does not include overtime or extra salary.

Inactive Participant – An employee who is no longer working for the County and who made contributions in the past to the Fund and still has contributions on account with the Fund.

Inherited IRA - An IRA that is established for the non-spouse beneficiary of the IRA; the inherited IRA must be maintained in the name of the decedent and the beneficiary, and the tax identification number of the beneficiary.

Life Annuity – A monthly annuity that is paid for the life of the annuitant. Life annuities occur when a participant's total monthly benefit is more than $150.00 a month. The total monthly benefit would include benefits from both the County and any Reciprocal Plans included when the monthly benefit was calculated.

Minimum Formula Annuity – Annuity calculated using participant's age, years of service credit and final average salary.

Money Purchase Annuity – Annuity calculated using participant's age, contributions and life expectancy factor.

Ordinary Death – A death that occurs not due to job-related duties.

Pensionable Earnings – The portion of a participant's salary used to calculate the amount of contributions to be withheld from their paycheck. This includes regular salary and vacation pay, it does not include comp time, overtime or extra salary.

Reduced Benefit (Annuity) – A monthly benefit which is reduced 0.5% per month for each month the participant is under age 60. This applies to participants with less than 30 years of service credit.

Retired Participant – An employee who is receiving a monthly annuity from the Fund; also known as an annuitant.

Separation from service – When a member resigns or is discharged from their position with the County.

Service credit – 1) The actual period of time the employee contributes or has contributed to the Fund. 2) Periods of time that are certified by a reciprocal plan for use under the reciprocal act. See ***SERVICE CREDIT*** on page 7 for additional information.

Surviving Spouse – 1) A person who is married to the participant prior to the participant's annuity start date and is still married to the participant on the date of the participant's death or 2) a person who is married to an active participant prior to the date of death or 3) a person who married the participant after the participant's annuity start date and was married for at least one year after the participant's annuity start date or 4) a person who was married to an inactive participant prior to their date of separation. Marriage refers to both legal marriages and civil unions.

Term Annuity – A monthly annuity paid for a specific period of time. Term annuities occur when a participant's total monthly benefit is less than $150.00 or less a month. The total monthly benefit would include benefits from both the County and any Reciprocal Plans included when the monthly benefit was calculated.

Tier 1 Participants – Any person who first contributed to the Fund prior to January 1, 2011 and any person who first contributed to a Reciprocal Retirement System, other than Judges' or General Assembly Retirement Systems, prior to January 1, 2011.

Tier 2 Participants – Any person who first contributed to the Fund or a Reciprocal Retirement System on or after January 1, 2011.

Unreduced Benefit (Annuity) – A monthly annuity not reduced due to the participant being under age 60 with less than 30 years of service credit.

TABLE 1

Table I - Percentage of Final Average Salary Payable for an Annuity under the Minimum 10 Years of Service Formula – For All Tier 1 Members withdrawing on or After June, 30 2002*

Retirement Age

Years of Service Credit	Age 50	Age 51	Age 52	Age 53	Age 54	Age 55
10	9.60%	11.04%	12.48%	13.92%	15.36%	16.80%
11	10.56%	12.14%	13.73%	15.31%	16.90%	18.48%
12	11.52%	13.25%	14.98%	16.70%	18.43%	20.16%
13	12.48%	14.35%	16.22%	18.10%	19.97%	21.84%
14	13.44%	15.46%	17.47%	19.49%	21.50%	23.52%
15	14.40%	16.56%	18.72%	20.88%	23.04%	25.20%
16	15.36%	17.66%	19.97%	22.27%	24.58%	26.88%
17	16.32%	18.77%	21.22%	23.66%	26.11%	28.56%
18	17.28%	19.87%	22.46%	25.06%	27.65%	30.24%
19	18.24%	20.98%	23.71%	26.45%	29.18%	31.92%
20	19.20%	22.08%	24.96%	27.84%	30.72%	33.60%
21	20.16%	23.18%	26.21%	29.23%	32.26%	35.28%
22	21.12%	24.29%	27.46%	30.62%	33.79%	36.96%
23	22.08%	25.39%	28.70%	32.02%	35.33%	38.64%
24	23.04%	26.50%	29.95%	33.41%	36.86%	40.32%
25	24.00%	27.60%	31.20%	34.80%	38.40%	42.00%
26	24.96%	28.70%	32.45%	36.19%	39.94%	43.68%
27	25.92%	29.81%	33.70%	37.58%	41.47%	45.36%
28	26.88%	30.91%	34.94%	38.98%	43.01%	47.04%
29	27.84%	32.02%	36.19%	40.37%	44.54%	48.72%
30	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%
32	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%
$33^{1}/_{3}$ or more	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%

*No optional benefits are included. Age discounts have been applied when necessary.

Table I - Percentage of Final Average Salary Payable for an Annuity under the Minimum 10 Years of Service Formula – For All Tier 1 Members withdrawing on or After June, 30 2002*

Retirement Age

Years of Service credit	Age 56	Age 57	Age 58	Age 59	Age 60+
10	18.24%	19.68%	21.12%	22.56%	24.00%
11	20.06%	21.65%	23.23%	24.82%	26.40%
12	21.89%	23.62%	25.34%	27.07%	28.80%
13	23.71%	25.58%	27.46%	29.33%	31.20%
14	25.54%	27.55%	29.57%	31.58%	33.60%
15	27.36%	29.52%	31.68%	33.84%	36.00%
16	29.18%	31.49%	33.79%	36.10%	38.40%
17	31.01%	33.46%	35.90%	38.35%	40.80%
18	32.83%	35.42%	38.02%	40.61%	43.20%
19	34.66%	37.39%	40.13%	42.86%	45.60%
20	36.48%	39.36%	42.24%	45.12%	48.00%
21	38.30%	41.33%	44.35%	47.38%	50.40%
22	40.13%	43.30%	46.46%	49.63%	52.80%
23	41.95%	45.26%	48.58%	51.89%	55.20%
24	43.78%	47.23%	50.69%	54.14%	57.60%
25	45.60%	49.20%	52.80%	56.40%	60.00%
26	47.42%	51.17%	54.91%	58.66%	62.40%
27	49.25%	53.14%	57.02%	60.91%	64.80%
28	51.07%	55.10%	59.14%	63.17%	67.20%
29	52.90%	57.07%	61.25%	65.42%	69.60%
30	72.00%	72.00%	72.00%	72.00%	72.00%
31	74.40%	74.40%	74.40%	74.40%	74.40%
32	76.80%	76.80%	76.80%	76.80%	76.80%
33	79.20%	79.20%	79.20%	79.20%	79.20%
$33^{1}/_{3}$ or more	80.00%	80.00%	80.00%	80.00%	80.00%

*No optional benefits are included. Age discounts have been applied when necessary.