

Life Plans



UNDERSTANDING SURVIVOR AND DEATH BENEFITS

The survivor and death benefits provided by the Chicago Teachers' Pension Fund are an important part of a family's financial future. Understanding these benefits can bring comfort and peace of mind to members and their families.

Life Plans

THE BASICS



The Chicago Teachers' Pension Fund (CTPF) provides survivor and death benefits that may include:

- a survivor pension payable to a member's eligible spouse* and/or eligible minor child(ren)
- a reversionary pension payable to anyone designated by the member
- a lump-sum death benefit payable to a member's designated beneficiaries or estate
- a refund of contributions payable to a member's designated beneficiaries or estate

* Effective June 1, 2011, all pension benefits previously made available to a married person and his or her spouse, are now benefits available to the parties to a civil union. Parties to a civil union may be same- or opposite-sex couples. When the words spouse, survivor, family, immediate family, dependent, next of kin, or any words that denote the spousal relationship are used, those words mean and include a party to a civil union.

SURVIVOR PENSIONS

The eligible spouse and eligible minor children of an active or retired member may qualify for a survivor pension. The amount of the survivor pension varies depending on the service credit and member's status (active or retired) at the time of death. Survivor pensions are payable beginning the month following the death of the member.

Qualifying Factors

- A couple must have been married or united in a civil union for at least one year immediately prior to the member's date of death.
- A surviving spouse must be at least 50 years old unless an eligible minor child or children also survive. The survivor pension is paid even if the spouse remarries or becomes a party to a civil union.
- Eligible children* must not be married or united in a civil union and under age 18.

* To be eligible, a minor child must be born to or legally adopted by the member. Dependent adult children are not eligible for a survivor's pension.



PAYMENT OF SURVIVOR BENEFITS

Single Survivor

A survivor pension is 50% of a retiree's pension benefit.

A survivor pension is 50% of the pension an active member would have received or 30% of the average salary (max. \$400), whichever is greater. The active member must have had at least 1½ years of service for survivors to receive a pension.

Multiple Survivors

A survivor pension is divided equally between a member's eligible spouse and minor children. The child portion of the pension is paid to the surviving parent or legal guardian. The spouse's pension is paid immediately if the spouse is age 50 or if the spouse has custody of the member's minor children.

When a minor child loses eligibility, the benefit is recalculated and divided equally among the remaining eligible survivors. When all minor children lose eligibility, the benefit may be suspended until the surviving spouse turns age 50. If the surviving spouse has already attained age 50, the benefit will continue uninterrupted.

Refer to the chart on page 6 for more specific information on survivor pension calculations.

Annual Increase

Once eligible, a survivor pension increases 3% annually.

Reversionary Pensions

A reversionary pension offers a member the option of providing a lifetime pension for **any** designated individual. A reversionary pension is funded through a reduction in the amount of the member's retirement pension and is paid upon the member's death. This option must be established prior to the member's retirement date by submitting CTPF Form 706, Designation of Reversionary Beneficiary.

Qualifying Conditions

- A reversionary designation must be filed with CTPF prior to the effective date of the member's retirement.
- If the member dies within 730 days from the date the designation is filed at CTPF, no reversionary pension will be paid.
- The reversionary pension remains a fixed amount throughout the recipient's lifetime.
- The reversionary pension cannot be less than \$40 per month or more than the reduced pension payable to the member as a result of this reversionary option.

There are additional conditions regarding this reversionary option. For further information, please contact CTPF Member Services.



SURVIVOR PENSION SUMMARY

	MEMBERS IN ACTIVE SERVICE	RETIRED MEMBERS
ELIGIBILITY	<ul style="list-style-type: none"> ■ The active member must have had at least 1½ years of active CTPF service for survivors to qualify for a pension. A member with inactive or deferred status, must have earned 10 years of CTPF service for survivors to qualify for a pension. ■ A couple must have been married or united in a civil union for at least one year immediately prior to the member’s date of death. ■ A surviving spouse must be at least 50 years old unless an eligible minor child or children also survive. The survivor pension is paid even if the spouse remarries or becomes a party to a civil union. ■ Eligible children (born to or legally adopted by the member) must not be married or united in a civil union and under age 18. 	<ul style="list-style-type: none"> ■ A couple must have been married or united in a civil union for at least one year immediately prior to the member’s date of death. ■ A surviving spouse must be at least 50 years old unless an eligible minor child or children also survive. The survivor pension is paid even if the spouse remarries or becomes a party to a civil union. ■ Eligible children (born to or legally adopted by the member) must not be married or united in a civil union and under age 18.
SINGLE SURVIVOR <i>Spouse or child</i>	<ul style="list-style-type: none"> ■ Pension is based on 30% of average salary (\$400 maximum) or 50% of the retirement pension earned by the member, whichever is greater. ■ Eligible minor child’s pension is paid to the child’s surviving parent or guardian until the child marries, becomes a party to a civil union, or turns 18. ■ Spouse’s pension is payable when spouse reaches age 50, for life. 	<ul style="list-style-type: none"> ■ Pension is based on 50% of member’s retirement pension. ■ Eligible minor child’s pension is paid to the child’s surviving parent or guardian until the child marries, becomes a party to a civil union, or turns 18. ■ Spouse’s pension is payable when spouse reaches age 50, for life.
MULTIPLE SURVIVORS <i>Spouse and/or eligible minor children</i>	<ul style="list-style-type: none"> ■ Pension based on 60% of total average salary at time of death (\$600 maximum) or 50% of the retirement pension earned by the member, whichever is greater. Pension is divided equally among all eligible survivors. ■ Pension is paid until a child marries, becomes a party to a civil union, or turns 18; at that time the benefit is recalculated and split among the remaining survivors. ■ Spouse’s pension is payable immediately while member’s eligible child(ren) are under age 18 and in the spouse’s custody or at age 50, for life. ■ Pensions increase 3% each January 1 on or following the one year anniversary of the eligibility date. 	<ul style="list-style-type: none"> ■ Pensions are based on 50% of member’s retirement pension, divided equally among all eligible survivors. ■ Pension is paid until the child marries, becomes a party to a civil union, or turns 18; at that time the benefit is recalculated and split among the remaining survivors. ■ Spouse’s pension is payable immediately while member’s eligible child(ren) are under age 18 and in the spouse’s custody or at age 50, for life. ■ Pensions increase 3% each January 1, on or after the eligibility date.

DEATH BENEFITS

LUMP-SUM DEATH BENEFIT

Designated beneficiaries of active and retired members qualify for a lump-sum death benefit.

- Beneficiaries of active members receive a benefit based on the member's monthly salary and service credit, with a \$10,000 maximum.
- Beneficiaries of retirees receive between \$5,000 and \$10,000 depending on the number of years the member was retired.

REFUND OF CONTRIBUTIONS

Following a member's death, CTPF calculates the pension benefits due to survivors. If a member's contributions exceed the amount required to fund survivor pensions, the beneficiaries may receive a refund, minus the amount required to fund a survivor's pension. The refund amount can only be determined upon a member's death.

Payment of Death Benefits

Death benefits are paid to individuals listed on a member's Designation of Beneficiary form. Death benefits and refunds are paid:

- to the primary beneficiaries listed on the most recently completed Designation of Beneficiary form on file with CTPF
- to the alternate beneficiaries listed if no primary beneficiary survives
- to the member's estate if no beneficiaries survive or if a Designation of Beneficiary form has not been filed with CTPF

DESIGNATING A BENEFICIARY

Designating a beneficiary ensures that the lump-sum death benefit and any refund of contributions are paid according to a member's wishes.

Any person, trust, church, charity, or organization can be named as a beneficiary. If more than one individual or organization is named, all share equally in the benefit unless specific percentages are designated.

Benefits payable to a minor child are paid in care of the minor's guardian. Members may establish a custodian other than the minor's guardian under the Illinois Uniform Transfers to Minors Act.

A creditor **may not** be named as a beneficiary as a means of providing security for a debt.

It is important to update the Designation of Beneficiary form as life events occur, including marriage, civil union, death, birth, or divorce.

A member may change the designation at any time by submitting a new form to CTPF. The designation form must be on file at CTPF prior to the member's death.

The information contained on the Designation of Beneficiary form is confidential and will not be disclosed to anyone. Members who cannot locate a copy of the current designation and/or cannot recall the named beneficiary, should contact CTPF to request a new designation form.

The only person who may sign and submit a new Designation of Beneficiary form is the CTPF member. No representative, including a power of attorney, guardian, conservator, trustee, or representative payee, can sign this form or submit a new form.

HEALTH INSURANCE

A surviving spouse and/or dependent children who receive a survivor pension may qualify for CTPF health insurance coverage and for the health insurance premium rebate if CTPF was the deceased member's final retirement system.

SURVIVOR PENSION CALCULATIONS

EXAMPLE 1: DEATH IN ACTIVE SERVICE

Jane, a career teacher and a single parent of 16-year-old twin boys, died at age 55. She had 30 years of service credit and a final average salary of \$55,000.

Jane's earned pension:

$$2.2\% \times 30 \text{ years} \times \$55,000 = \$36,300 \text{ annually}$$

Total survivor pensions:

$$50\% \times \$36,300 = \$18,150 \text{ annually}$$

Jane's sons will each receive an annual survivor pension of \$9,075 (half of \$18,150) through their 18th birthday. Their pensions will increase 3% in January following the one-year anniversary of their first benefit payment. Their pensions will be paid to the boys' guardian, Jane's mother.

Jane designated her sister, Martha, as her primary beneficiary. Martha will receive the lump-sum death benefit. Since Jane's contributions during her lifetime exceeded the amount required to fund the twins' pensions, Martha will receive a refund of Jane's contributions, minus the amount required to fund the survivors' pensions.

EXAMPLE 2: DEATH AFTER RETIREMENT

John, 74, died after 12 years of retirement. At the time of his death he received an annual pension of \$45,000. John's wife Margaret, 72, qualifies for a survivor pension of 50% of John's pension.

Margaret's survivor pension:

$$50\% \times \$45,000 = \$22,500$$

Margaret will receive the survivor pension for life. Her pension increases 3% annually beginning the January following her first payment.

John designated his daughter, Claire, as his primary beneficiary. Claire receives the \$5,000 lump-sum death benefit.

Since all of John's contributions were used to fund his pension during his 12 years of retirement, there is no refund of contributions.

EXAMPLE 3: REVERSIONARY PENSION

Robert is 65 years old and ready to retire with 40 years of service. His wife preceded him in death and he lives with his 30-year-old son who has special needs. When Robert dies, his son will not qualify for a survivor pension because he is not a minor child.

In order to ensure his son's financial future, prior to retirement, Robert elects to provide a reversionary pension for his son. When Robert dies, the reversionary pension will be paid to his son or his son's guardian each month.



CONTACT INFORMATION

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