



EMPLOYER BULLETIN

2014-15 Tier II Annual Salary Rate and Creditable Earnings Limitation

November 2014

Public Act 96-0889 created a two-tiered retirement system for individuals covered by public pension systems in Illinois. Individuals who first contributed to the Teachers' Retirement System (TRS) or another reciprocal system prior to January 1, 2011 are classified as Tier I members. Those who first contributed to one of these retirement systems after December 31, 2010 are classified as Tier II members. Reportable compensation differs based upon whether an individual is a Tier I or a Tier II member.

The Tier II member annual salary rate limitation specified at 40 ILCS 5/1-160(b-5) may be adjusted on a yearly basis. The annual salary rate limitation for 2014-15 is \$111,571.63.

If a Tier II member works a partial year, reportable creditable earnings are prorated based upon the annual salary rate limitation.

For example, a Tier II member works six out of 12 months at a rate of \$200,000. He earns \$100,000 ($\$200,000 / 12 \times 6$). His annual salary rate would be reported as \$111,571.63 and his creditable earnings as \$55,785.82 ($\$111,571.63 / 12 \times 6$). Please note that the reportable earnings would be prorated based on the district's method of proration (e.g. daily, monthly, pay period, etc.).