



19-07

EMPLOYER BULLETIN

2018-19 TIER 2 ANNUAL SALARY RATE & CREDITABLE EARNINGS LIMITATION

Nov. 2018

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 1 members. Those who first contributed to one of these retirement systems after December 31, 2010 are classified as Tier 2 members. Reportable compensation differs based upon whether an individual is a Tier 1 or a Tier 2 member.

The Tier 2 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 2018-19 is \$114,951.83.

If a Tier 2 member works a partial year, reportable creditable earnings are prorated based upon the annual salary rate limitation.

For example, a Tier 2 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 \$114,951.83 and his creditable earnings as \$57,475.92 ($\$114,951.83 / 12 \times 6$). Please note that the reportable earnings would be prorated based on the district's method of proration (e.g. daily, monthly, pay period, etc.).

**TEACHERS' RETIREMENT SYSTEM
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