



EMPLOYER BULLETIN

TIER SALARY LIMITS & 2020-21 FEDERALLY-FUNDED SALARY RATE

Nov. 2019

Reportable Compensation Differs for Tier 1 and Tier 2

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.

Tier 1 Salary Limitation

The limit for Tier 1 members who first established TRS membership after June 30, 1996 is **\$285,000** in 2020-21. It is currently \$280,000.

Tier 2 Salary Limitation

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 2019-20 (retro to July 1, 2019) is **\$115,928.92**.

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 \$115,928.92 and his creditable earnings as \$57,964.46 ($\$115,928.92 / 12 \times 6$). Please note that the reportable earnings would be prorated based on the district's method of proration (e.g. daily, monthly, pay period, etc.).

Federally-funded Salaries Contribution Rate Will Decrease

The TRS employer contribution on federally-funded salaries will decrease under current law from 10.66 percent to **10.41 percent** on July 1, 2020. This 10.41 percent is also the new rate for salaries higher than the governor's salary as stipulated in PA 100-0023.

The new rate applies to salaries earned beginning July 1, 2020. For administrators and summer school teachers whose July checks are payment for work performed in July, the new rate should be implemented. For teachers whose summer checks are for work completed during the 2019-20 school term, do not implement the new rate until the first paycheck for the 2020-21 contract is issued.

THIS Fund Rate Not Finalized

The Teachers Health Insurance Security (THIS) Fund rates are not yet confirmed for July 1, 2020. We will contact employers with the rates when they become finalized.