



EMPLOYER BULLETIN

TIER SALARY LIMITS

January 2022

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 \$290,000 in 2021-22 and \$305,000.00 in 2022-23.

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 2021-22 is \$116,740.42. The annual salary limitation for 2022-23 is \$119,892.41.

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 133 out of 260 days at a rate of \$200,000. He earns \$102,307.69 ($\$200,000/260 \times 133$). His annual salary rate would be reported as \$116,740.42 and his creditable earnings as \$59,717.21 ($\$116,740.42/260 \times 133$). Please note that the reportable earnings would be prorated based on the district's method of proration (e.g. daily, monthly, pay period, etc.).