



EZ Guide to Tier 1 and Tier 2 Retirement under Public Act 96-0889

Tier 1 (Before Jan. 1, 2011)	Tier 2 (On or after Jan. 1, 2011)
Membership Defined by First Contribution Date	
A Tier 1 member <i>first contributed</i> to TRS prior to Jan. 1, 2011 or had previous service credit with TRS or a reciprocal pension system prior to 2011, even if he/she left TRS or a reciprocal pension system at any time and then returned to a TRS-covered position.	A Tier 2 member <i>first contributed</i> to TRS on or after Jan. 1, 2011 and does not have any previous service credit with a pension system that has reciprocal rights with TRS.
Retirement Eligibility	
A Tier 1 member can retire: <ul style="list-style-type: none"> at age 55 with full benefits if he/she has 35 years of service credit accumulated and the member has elected to have his/her pension determined by the 2.2 percent formula and paid the required fee. at age 55 with at least 20 years of service credit and receive a benefit that is reduced by 6 percent for every year the member is under age 60. at age 60 with 10 years of service and receive benefits that the member has earned. For example, 10 years of service multiplied by 2.2 percent equals 22 percent of the final average salary. at age 62 with five years of service and receive full earned benefits. 	Tier II requires teachers and administrators to be 67 years old and have accumulated at least 10 years of service credit in order to qualify for unreduced benefits that a member has earned. Tier II members may retire at age 62 with at least 10 years of service, but will receive retirement benefits reduced 6 percent for every year the member is under age 67. Ten years of service is equal to 22 percent of the member's average salary before any age reductions.
Benefit formulas	
Retirement benefits are capped once. The maximum benefit a member can receive is 75 percent of his/her final average salary. The benefit for most members is based on a 2.2 formula: 2.2 percent multiplied by the member's final average salary multiplied by years of creditable service. A small percentage of TRS members employed before July 1, 1998 have their benefits determined by an older, graduated formula. The final average salary is the member's highest average salary earned during four consecutive years out of the last 10 years of service.	Retirement benefits will be capped in two ways. <ol style="list-style-type: none"> The maximum benefit a member can receive is 75 percent of his/her final average salary. In determining a final average salary, no member's salary will exceed a limit that is tied to the Consumer Price Index. Benefits will still be determined by the formula of 2.2 percent multiplied by final average salary multiplied by years of creditable service. Tier 2 benefits will be based on the member's highest average salary earned during eight consecutive years out of the last 10 years of service.
Annual Cost-of-living Adjustments	
The annual cost-of-living increase is 3 percent, compounded annually.	Annual cost-of-living increases for members will be calculated using either 3 percent or one-half of the Consumer Price Index as of the preceding September, whichever is less, of the originally granted retirement annuity. If the increase in the Consumer Price Index for the preceding September is zero or there is a decrease, then the annuity will not be increased. When there is an increase, it will not be compounded.
Survivor Benefits	
No less than 50 percent of the retired member's benefit for dependent beneficiaries.	Sixty-six and $\frac{2}{3}$ percent of the retired member's benefit for dependent beneficiaries.
Post-retirement Employment Limitations	
Retired members may be employed in another position covered by TRS and retain their benefits, but service is limited to 120 days or 600 hours per year. The 120 days/600 hours limit is in effect through June 30, 2026. Members can be employed in a position covered by a pension system that has reciprocal rights with TRS, but the annual length of employment allowed may be capped by that pension system.	Retired members may be employed in another position covered by TRS and retain their benefits, but service is limited to 120 days or 600 hours per year. The 120 days/600 hours limit is in effect through June 30, 2026. The law suspends a Tier 2 member's retirement benefits if the member accepts full-time employment in a position covered by another pension system that has reciprocal rights with TRS.

