

Illinois Department of Insurance

The Siren



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Bulletin

B u l l e t i n B u l l e t i n

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TO : Retirement Systems & Pension Funds established under the Illinois Pension Code

FROM : Illinois Department of Insurance Public Pension Division

DATE : November 5, 2014

RE : Annual Salary Maximum for Pension and Annuity Purposes, and Annual Cost of Living Allowance (COLA)

In accordance with Public Act 96-0889, Public Act 96-1490, Public Act 96-1495, Public Act 98-0622 and Public Act 98-641, the Department of Insurance (Department) is to annually determine certain annuity limitations for use in benefit determinations by the Retirement Systems and Pension Funds operating under the Illinois Pension Code. The calculations include:

- The annual salary maximum applicable to individuals who first became participants on or after January 1, 2011, known as Tier II employees; and
- The retirement Cost of Living Adjustment (COLA) applicable to certain participants. The applicability of the COLA calculation varies depending on the specific statutory requirements governing the individual Retirement System or Pension Fund.

State statute requires that the Department provide many of these calculations to impacted Retirement Systems and Pension Funds by November 1 of each year.

The annual increase to be used in determining the annual salary maximum for Tier II employees and the COLA for Tier II and certain Tier I employees is derived from the change in the Consumer Price Index-Urban (CPI-U) for the 12 months ending with the September preceding each November 1.

CPI-U, September 2014, unadjusted change in the CPI-U over the prior 12 months: **1.7%**
Source: US Bureau of Labor Statistics.

For the General Assembly Retirement System (Article 2) and the Judges Retirement System (Article 18), the annuity COLA and the increase in the annual salary maximum equals the lesser of 3% or the full CPI-U. For these systems, the 2014 COLA to be applied to the Tier II annuity benefits will be 1.7% and the 2014 annual salary maximum for Tier II annuity purposes will be \$115,480.89 as shown in Table 1 on the following page:

Table 1:

<u>Calendar Year</u>	<u>Prior Year CPI-U</u>	<u>Tier II COLA or Annuity Increase</u>	<u>Tier II Annual Earnings, Salary or Wages Maximum</u>
2011		3.00%	\$106,800.00
2012	3.90%	3.00%	\$110,004.00
2013	2.00%	2.00%	\$112,204.08
2014	1.20%	1.20%	\$113,550.53
2015	1.70%	1.70%*	\$115,480.89

* Public Act 98-0599, effective 6/1/2014, would impact the COLA calculation for General Assembly Retirement System (GARS) members. Implementation of Public Act 98-0599 was stayed as a result of a temporary restraining order. The Department will issue supplementary guidance should the new law be upheld.

For the Retirement Systems and Pension Funds established under the Illinois Pension Code that are listed below in Table 2, the annuitant COLA and the increase in the annual salary maximum equals the lesser of 3% or ½ the CPI-U. The 2015 COLA applied to Tier II annuitant benefits will be 0.85% and the 2015 annual salary maximum for Tier II pension and annuity purposes will be \$111,571.63 as shown in Table 2 below:

Table 2:

<u>Calendar Year</u>	<u>Prior Year CPI-U</u>	<u>½ CPI-U</u>	<u>Tier II COLA or Annuity Increase</u>	<u>Tier II Annual Earnings, Salary or Wages Maximum</u>
2011			3.00%	\$106,800.00
2012	3.90%	1.95%	1.95%	\$108,882.60
2013	2.00%	1.00%	1.00%	\$109,971.43
2014	1.20%	0.60%	0.60%	\$110,631.26
2015	1.70%	0.85%	0.85%	\$111,571.63

The following is a list of the Retirement Systems and Pension Funds for which the limits provided in Table 2 apply:

State Employees Retirement System	Metropolitan Water Reclamation District
State Universities Retirement System	Forest Preserve of Cook County
Illinois Teachers Retirement System	Chicago Fire Retirement Fund
Illinois Municipal Retirement Fund	Chicago Police Retirement Fund
Suburban & Downstate Police	Chicago Teachers Retirement Fund
Suburban & Downstate Fire	Chicago Transit Authority Retirement Fund
Employees and Officers of Cook County	

For the Chicago Park Employees Retirement Fund (Article 12), calculations for 2011 through 2014 are provided for Tier II participants as required by PA 96-0889 and are consistent with those provided in Table II. For 2015, the Tier II Salary Maximum is provided in accordance with Public Act 96-0889 and the COLA increase for all retirees (Tier I and Tier II) is provided in accordance with Public Act 98-0622. The calculations are shown in Table 3 on the following page:

Table 3:

<u>Calendar Year</u>	<u>Prior Year CPI-U</u>	<u>½ CPI-U</u>	<u>Tier II COLA or Annuity Increase</u>	<u>Tier II Annual Earnings, Salary or Wages Maximum</u>
2011			3.00%	\$106,800.00
2012	3.90%	1.95%	1.95%	\$108,882.60
2013	2.00%	1.00%	1.00%	\$109,971.43
2014	1.20%	0.60%	0.60%	\$110,631.26

<u>Calendar Year</u>	<u>Prior Year CPI-U</u>	<u>½ CPI-U</u>	<u>Tier I & II COLA or Annuity Increase</u>	<u>Tier II Annual Earnings, Salary or Wages Maximum</u>
2015	1.70%	0.85%	0%*	\$111,571.63

* 40 ILCS 5/12-133.1(b-2), Annual increase in basic retirement annuity, states in part that "...no automatic annual increase in retirement annuity payable under this Section shall be granted to any person by the Fund in 2015, 2017, and 2019 under this Article or under Section 1-160 of this Code as it applies to this Article."

For the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago (Article 8), and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Article 11), calculations for 2011 through 2014 are provided for Tier II participants as required by PA 96-0889 and are consistent with Table II. For 2015, the Tier II Salary Maximum is provided in accordance with Public Act 96-0889 and the COLA increase for all retirees (Tier I and Tier II) is provided in accordance with Public Act 98-0641. The calculations are shown in Table 4 below:

Table 4:

<u>Calendar Year</u>	<u>Prior Year CPI-U</u>	<u>½ CPI-U</u>	<u>Tier II COLA or Annuity Increase</u>	<u>Tier II Annual Earnings, Salary or Wages Maximum</u>
2011			3.00%	\$106,800.00
2012	3.90%	1.95%	1.95%	\$108,882.60
2013	2.00%	1.00%	1.00%	\$109,971.43
2014	1.20%	0.60%	0.60%	\$110,631.26

<u>Calendar Year</u>	<u>Prior Year CPI-U</u>	<u>½ CPI-U</u>	<u>Tier I & II COLA or Annuity Increase</u>	<u>Tier II Annual Earnings, Salary or Wages Maximum</u>
2015	1.70%	0.85%	0.85%	\$111,571.63

If you have any questions regarding this bulletin, please contact the Public Pension Division of the Department of Insurance at (800) 207-6958.