



Illinois Department of Insurance

Public Pension Division

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TO: All Retirement Systems and Pension Funds established under the Illinois Pension Code

From: Illinois Department of Insurance, Public Pension Division

Date: November 1, 2019 (Revised November 6, 2019)

RE: Annual Salary Limitation and Annual Increase to the Monthly Pension for New Hires on or after January 1, 2011

In accordance with state law, 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 calculation limitation includes: The annual salary maximum and the annuity Cost of Living Adjustment ("COLA") applicable to Tier II participants. The Department interprets the Illinois Pension Code to provide for a COLA or an increase to the annual salary maximum when there has been a positive Consumer Price Index (CPI). If the CPI is zero or negative, then the Department interprets the Illinois Pension Code to provide for no COLA or no increase to the annual salary maximum. For 2020, the CPIs given below are positive, therefore there will be a COLA and an increase to the annual salary maximum.

The annual calendar year increase to be used in determining the COLA for Tier II is derived from the Consumer Price Index-Urban ("CPI-U") or the Consumer Price Index-Wage Earners ("CPI-W") for the 12 months ending September of the preceding year for the applicable funds. The Illinois Pension Code requires that the Department provide the calculation components impacting the applicable Retirement Systems and Pension Funds by November 1 of each year.

(CPI-U, September 2019, unadjusted change in the CPI-U over the last 12 months: 1.7% Source: US Bureau of Labor Statistics.)

For the Article 2 General Assembly Retirement System and the Article 18 Judges Retirement System, the calendar year 2020 annual salary maximum and participants' annuity COLA is based on the lesser of 3% or the annual CPI_U (40 ILCS 5/2-108.1(a) and 119.1(b-5); 40 ILCS 5/18-125(b-5) and 125.1). The annual salary maximum and annuity COLA equal:

<u>CALENDAR YEAR</u>	<u>CPI U BASIS</u>	<u>SALARY MAXIMUM</u>	<u>ANNUITY COLA</u>
2020	Lesser of 3% or 1.7%	\$124,630.30	1.7%

For the other Retirement Systems and Pension Funds established under the Illinois Pension Code that have not selected the optional benefit calculation using the CPI_W increase, the annual salary maximum and annuity COLA is multiplied by the lesser of 3% or 1/2 of the annual CPI_U. (40 ILCS 5/1-160(b-5) and 160(e) and related Articles). The annual salary maximum and annuity COLA equal:

<u>CALENDAR YEAR</u>	<u>CPI U BASIS</u>	<u>SALARY MAXIMUM</u>
2020	1.7% /2=.85%	\$115,928.92

<u>CALENDAR YEAR</u>	<u>CPI U BASIS</u>	<u>ANNUITY COLA</u>
2020	.85%<3.0%	.85%

For the applicable Tier 2 participants under Article 14 State Employees' Retirement System, Article 15 State Universities Retirement System, Teachers' Retirement System or Article 16 Teachers Retirement System with participants selecting the optional benefits under 40 ILCS 5/1-161, the annuity COLA is 1/2 of the annual CPI_W percentage (40 ILCS 5/1-161). The annuity COLA equals:

<u>CALENDAR YEAR</u>	<u>CPI W BASIS</u>	<u>ANNUITY COLA</u>
2020	1.5%/2	.75%

For the applicable Tier 2 participants under Article 8 Municipal Employees' Retirement System, Article 9 County Employees Retirement System, Article 10 Forest Preserves District Retirement System, Article 11 Laborers' and Retirement System, Article 12 Park Employees Retirement System or Article 17 Public Schools (Chicago) Retirement system with participants selecting the optional benefits for Tier 2 participants and with an adopted resolution or ordinance, the annuity COLA is 1/2 of the annual CPI_W percentage (40 ILCS 5/1-162). The annuity COLA equals:

<u>CALENDAR YEAR</u>	<u>CPI W BASIS</u>	<u>ANNUITY COLA</u>
2020	1.5%/2	.75%

(CPI-W, September 2019, unadjusted change in the CPI-U over the last 12 months: 1.5% Source: US Bureau of Labor Statistics.)

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