

Pension Legislation Enacted

Public Act 96-0889, which was signed into law in the spring of 2010, adds a new section to the Pension Code that applies different benefits to anyone who first contributes to TRS on or after January 1, 2011 and does not have any previous service credit with a pension system that has reciprocal rights with TRS. These members are referred to as "Tier II" members. Changes from the "Tier I" pension law include raising the minimum eligibility to draw a retirement benefit to age 67 with 10 years of service, initiating a cap on the salaries used to calculate retirement benefits, and limiting cost-of-living annuity adjustments to the lesser of 3 percent or 1/2 of the annual increase in the Consumer Price Index, not compounded. The retirement formula is unchanged.

The new pension law **does not apply to anyone who has TRS service prior to January 1, 2011**. These members remain participants of Tier I, not Tier II.

EZ Guide to Retirement Plan Tier I and Retirement Plan Tier II under Public Act 96-0889

Tier I Members First Contributed Prior to January 1, 2011	Tier II Members First Contributed After January 1, 2011
Who does this new law affect?	
<p>The new law does not affect teachers and administrators who first contributed to TRS prior to January 1, 2011 or teachers and administrators who had any previous service credit with TRS or a reciprocal pension system prior to 2011, even if they left TRS or a reciprocal pension system at any time and then returned to a TRS-covered position.</p>	<p>The new law affects teachers and administrators who first contribute to TRS on or after January 1, 2011 and do not have any previous service credit with a pension system that has reciprocal rights with TRS. To clarify, a member first contributes to TRS on his or her first day of paid service.</p>
What are the changes in retirement eligibility?	
<p>Retirement eligibility for Tier I teachers and administrators is set according to a sliding scale:</p> <ul style="list-style-type: none"> • Members can retire at age 55 with full benefits if they have 35 years of service credit accumulated; if the member has elected to have his/her pension determined by the 2.2% formula and paid the required fee. • Members also can retire 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. • Members can retire at age 60 with 10 years of service and receive benefits that the member has earned. For example, ten years of service multiplied by 2.2% equals 22% of the final average salary. • Members can retire at age 62 with five years of service and receive full earned benefits. 	<p>The new law requires Tier II teachers and administrators to be 67 years old and have accumulated 10 years of service credits in order to qualify for full benefits that a member has earned. Tier II members may retire at age 62 with 10 years of service, but will receive retirement benefits reduced 6 percent for every year the member is under age 67.</p>

What are the changes in the benefit formula?

Retirement benefits are capped once: The maximum benefit a member can receive is 75 percent of his or her final average salary. The benefit for most members is based on a 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. *One:* The maximum benefit a member can receive is 75 percent of his or her final average salary. *Two:* Under the new law, in determining a final average salary, no member's salary will exceed a limit that is tied to the Consumer Price Index. The current limit is \$106,800. Benefits will still be determined by the formula of 2.2 percent multiplied by final average salary multiplied by years of creditable service. Benefits for Tier II will be based on the member's highest average salary earned during eight consecutive years out of the last 10 years of service.

What are the changes to the annual cost-of-living adjustment?

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, whichever is less. The increase will not be compounded.

What are the changes to survivor benefits?

Survivor benefits for Tier I members' dependent beneficiaries are no less than 50 percent of the retired member's benefit.

Survivor benefits for Tier II members' dependent beneficiaries will be 66.66 percent of the retired member's benefit.

What are the new rules on post-retirement employment?

Currently, retired members may be employed in another position covered by TRS and retain their benefits, but their service is limited to 120 days or 600 hours per year. On July 1, 2011, this cap for Tier I members will be reduced to 100 days or 500 hours per year. 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.

The law suspends a Tier II 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.