



3% Annual Pension Increase; Supplemental Benefit Payment

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The 3 percent annual pension increase

This letter explains how IMRF calculates your 3 percent pension increase each year and how the increase is calculated your first year of retirement. It also explains the origin of the supplemental benefit payment (“13th payment”).

How your 3 percent annual increase is calculated

IMRF annual pension calculations are defined by law in the Illinois Pension Code. Your increase is not “compounded.” Instead, every annual increase is always based on your *original* pension amount and **not** recalculated based on each year’s increased amount.

The 3 percent annual pension increase is effective every January 1st. If you were retired for less than one year *the first time* your pension increases, the increase will be less than 3%. In other words, if your pension start date was not January 1st, the first year’s increase will be pro-rated for the number of months you received benefits.

Example if retired less than a year: *assume you retired effective October 1.*

The first annual increase is calculated as follows:

Original monthly pension amount		\$1,000.00
Multiplied by 3% (.03 x \$1,000.00)	=	\$30.00
Divide by total months in year (÷ 12)	=	\$2.50
Multiplied by the number of months retired (x 3)	=	\$7.50
(Months retired are October, November, December)		

\$7.50 = the first year’s (pro-rated for months retired) monthly increase.

All future annual increases are calculated as follows:

Original monthly pension		\$1,000.00
Times 3% (x .03)	=	\$30.00 monthly increase

How the above calculations increase your monthly amounts:

Year 1 (year pension starts)	\$1,000.00 per month
Year 2 (with first increase of \$7.50)	\$1,007.50 per month
Year 3 (with monthly increase of \$30.00)	\$1,037.50 per month
Year 4 (with increase of \$30.00)	\$1,067.50 per month

NOTE: **All** future years have an increase of **\$30.00**, since the increase is calculated from your **original** pension amount.

Origin of the supplemental benefit payment (13th payment)

Legislation was passed in 1993 to provide a Supplemental Benefit (also known as the “13th payment”). The Supplemental Benefit is an additional payment made each July to retirees who received pension payments for each of the preceding 12 months (July of the previous year through June of the current year).

The amount of the Supplemental Benefit payment is based on the amount taken in each year from a special assessment paid by all IMRF employers. The assessment is a percentage of the employer’s total payroll for all active IMRF participants. The money is pooled from all employers and then paid each July to all retirees in proportion of the amount of their pension to the total of all IMRF pensions paid the previous month. As a result, the amount of the 13th payment varies from year to year.

Please note:

The amount of the “13th payment” is 100% taxable for federal income tax purposes. These amounts, like your IMRF pension amount, are exempt from Illinois tax.