Annual pension increase

This letter explains how IMRF calculates your pension increase.

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 on each year's increased amount.

Tier 1 *(member first participated before January 1, 2011)*
The pension for Tier 1 retirees is increased every January 1st after their retirement. If you were retired for less than one year the first time your pension increases, the increase will be less than 3 percent. 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. Each year after that, your pension is increased by 3% of the original pension amount.

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
Divided by total months in year (÷ 12)........................... 2.50
Multiplied by number of months retired (x 3).................**$7.50 monthly increase**
(Months retired: 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 amount........................... $1,000.00
Multiplied by 3% (.03 x $1,000.00)............................**$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.

Tier 2 *(member first participated on or after January 1, 2011)*
The pension for Tier 2 retirees is reviewed for increase every January 1st after their retirement. Annual increases begin whichever January first below is later:

- The January following the member's 67th birthday (for Tier 2 SLEP, 60th birthday)
- The January after the member has received one year of benefit payments

Increase amount
The amount of an annual increase is determined by the change in the Consumer Price Index - All Urban Consumers (CPI-U) for the 12-month period ending September prior to the January 1 increment date. The applicable increase percentage is the lesser of:

- ½ of the change in CPI-U, or
- 3% (percent)

NOTE: If the CPI-U decreases, your pension does not decrease. However, no increase will be granted until the CPI-U goes above the previous high that was used to calculate an increase.

Examples:

1) **A Member is age 65 (born January 1, xxxx) at retirement and has a monthly pension of $1,000.00.**

	Increment %	Increment Amount	Monthly Pension	Age
Year 1 *(year pension starts)*			$1,000.00	65
Year 2	1.8%	$ 0.00	1,000.00	66
Year 3	1.6%	16.00	1,016.00	67
Year 4	0.9%	9.00	1,025.00	68

In this example, the Member does not receive an increase in the second year because the Member was under age 67. In the third year, the increase in the CPI-U was 3.2% so the increase to the pension was 1.6% (½ the change in the CPI-U).

2) **A Member is age 67 and retires in July, and has a monthly pension of $1,000.00.** Although the age is different, the increase amounts are the same as the example above. The Member does not receive an increase for the second year because the Member did not receive a pension for each of the 12 months prior to the review. The Member only received a retirement pension for the six months (July to December) prior to the review.