Illinois Department of Insurance
Public Pension Division
The Siren

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JB Pritzker
Governor

Ann Gillespie
Director

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

From: Illinois Department of Insurance, Public Pension Division

Date: October 30, 2026

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 calculate the maximum annual salary for annuity purposes and the Cost of Living Adjustment to annuity (COLA) applicable to Tier II participants and Tier II annuitants in the retirement systems and pension funds established under the Illinois Pension Code, and to make the results of those calculations available to the boards of trustees of those systems and funds by no later than November 1 of each year.

The Department interprets the Illinois Pension Code to provide for a COLA for Tier II annuitants and an increase to the maximum annual salary for annuity purposes of Tier II participants when there has been an annual unadjusted percentage increase in the Consumer Price Index (CPI) for the 12 months ending with the September preceding November 1 of a given year. If the annual unadjusted percentage change in the CPI during that period is zero or is negative, however, then the Department interprets the Illinois Pension Code to require that, in the next calendar year, neither an increase in the maximum annual salary for annuity purposes of Tier II participants nor a COLA for Tier II annuitants shall be provided. For the year ending in September of 2026, the annual unadjusted percentage increases in CPIs are positive; therefore, there will be a COLA for Tier II annuitants and an increase in the maximum annual salary for annuity purposes of Tier II participants.

Generally, the figures used to determine the COLA and maximum annual salary for annuity purposes of Tier II participants and Tier II annuitants are derived from the Consumer Price Index-All Urban Consumers (CPI-U) for the 12 months ending with the September preceding each November 1, except that, for purposes of Sections 1-161 and 1-162 of the Illinois Pension Code (40 ILCS 5/1-161 and 40 ILCS 5/1-162), the Consumer Price Index-Urban Wage Earners and Clerical Workers (CPI-W) is used in place of the CPI-U. For purposes of this memorandum, the annual unadjusted percentage increase in the CPI-U for the 12 months ending with September 2026 is 3.7%, and the annual unadjusted percentage increase in the CPI-W for the 12 months

ending with September 2026 is 3.9%.

For the General Assembly Retirement System (GARS) **and the Judges Retirement System of Illinois (JRS)**, the increase in the maximum annual salary for annuity purposes for Tier II participants and the COLA for Tier II annuitants is based on the lesser of 3% or the annual unadjusted percentage increase in the CPI-U for the 12 months ending with the September preceding November 1. 40 ILCS 5/2-108.1(a), 2-119.1(b-5), 18-125(b-5), and 18-125.1. Consequently, in calendar year 2027, the maximum annual salary for annuity purposes, including all previous increases, for Tier II participants and the COLA for Tier II annuitants in GARS and JRS will equal:

CALENDAR YEAR	CPI-U BASIS	SALARY MAXIMUM	ANNUITY COLA
2027	3.0%	$150,019.47	3.0%

For Downstate Police and Firefighter Pension Funds the established under Articles 3 and 4 of the Illinois Pension Code, respectively, the increase in the maximum annual salary for annuity purposes is equal to the lesser of 3% or the annual unadjusted CPI-U for the 12 months ending with the September preceding each November 1, including all prior increases. 40 ILCS 5/3-111(d) and 4-109(c). For these same pension funds, the COLA, however, is based on the lesser of 3% or 1/2 of the annual unadjusted percentage change in the CPI-U for the 12 months ending with the September preceding each November 1. 40 ILCS5/3-111.1(g), 3-112(a), and 4-109.1(g). Consequently, in calendar year 2027, the maximum annual salary for annuity purposes, including all previous increases, for these Tier II participants and the COLA for these Tier II annuitants will equal:

CALENDAR YEAR	CPI-U BASIS	SALARY MAXIMUM	ANNUITY COLA
2027	3.0%	$150,019.47	1.85%

For Tier II participants in the other Retirement Systems and Pension Funds established under the Illinois Pension Code who have not elected or are not subject to the benefit programs established under Section 1-161 or 1-162 of the Illinois Pension Code, the maximum annual salary for annuity purposes for Tier II participants and the COLA are calculated based on the lesser of 3% or 1/2 of the annual CPI-U for the 12 months ending with the September preceding each November 1. 40 ILCS 5/1-160(b-5) and 1-160(e) and related Articles of the Illinois Pension Code. Consequently, in calendar year 2027, the maximum annual salary for annuity purposes, including all previous increases, for these Tier II participants and the COLA for these Tier II participants will equal:

CALENDAR YEAR	CPI-U BASIS	SALARY MAXIMUM	ANNUITY COLA
2027	1.85%	$131,582.32	1.85%

For Tier II participants in the Policemen's Annuity & Benefit Fund of Chicago and the Firemen's Annuity & Benefit Fund of Chicago established under Articles 5 and 6 of the Illinois Pension Code, respectively, the maximum annual salary, after the salary base set at $141,407.74 as of July 1, 2025, for annuity purposes for Tier II participants is calculated based on the lesser of 3% or the annual CPI-U for the 12 months ending with the September preceding each November 1. 40 ILCS 5/5-238(b) and 6-229(b). For these same pension funds, the COLA remains the lesser of 3% or 1/2 of the annual unadjusted percentage change in the CPI-U for the 12 months ending with the September preceding each November 1. 40 ILCS 5/5-167.1(d) and 6-164(d). Consequently, in calendar year 2027, the maximum annual salary for annuity purposes, for these Tier II

participants and the COLA for these Tier II participants will equal:

CALENDAR YEAR	CPI-U BASIS	SALARY MAXIMUM	ANNUITY COLA
2027 Through June 30th	3.0%	$145,649.97	1.85%
2027 From July 1st	3.0%	$150,019.47	1.85%

For Tier II participants in the State Employees' Retirement System, the State Universities Retirement System, or the Teachers' Retirement System who have elected the program of benefits described in Section 1-161 of the Illinois Pension Code, the COLA is calculated based on 1/2 of the annual unadjusted percentage increase in the CPI-W for the 12 months ending with the September preceding each November 1. 40 ILCS 5/1-161(h). Consequently, in calendar year 2027, the COLA for these Tier II annuitants will equal:

CALENDAR YEAR	CPI-W BASIS	ANNUITY COLA
2027	3.9%	1.95%

Finally, for the Tier II participants in the Municipal Employees', Officers', and Officials' Annuity and Benefit Fund, the County Employees' and Officers' Annuity and Benefit Fund, the Forest Preserves District Employees' Annuity and Benefit Fund, the Laborers' and Retirement Board Employees' Annuity and Benefit Fund, the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund, or the Public School Teachers' Pension and Retirement Fund who are subject to the program of benefits described in Section 1-162 of the Illinois Pension Code, the COLA is calculated based on 1/2 of the annual unadjusted percentage increase in the CPI-W for the 12 months ending with the September preceding each November 1. 40 ILCS 5/1-162(h). Consequently, in calendar year 2027, the COLA for these Tier II annuitants will equal:

CALENDAR YEAR	CPI-W BASIS	ANNUITY COLA
2027	3.9%	1.95%

If you have any questions, please contact the Public Pension Division of the Department of Insurance at: doi.pension@illinois.gov.