Selected examples of statewide retirement system caps on pension benefits or pensionable compensation

In addition to the examples identified below, the IRS establishes limits on the maximum amount of benefits a pension plan participant can receive in any given calendar year. The IRS also sets a limit on the maximum compensation amount that can be used for calculating pension benefits. For 2020 the maximum annual benefit is $230,000, and the annual compensation limit is $285,000. These limits apply commonly to all qualified pension plans.

Retirement Systems of Alabama: For new hires on or after 1/1/13, benefits are capped at 80% of final average salary.

Arizona Public Safety Personnel Retirement System: Those hired on or after 7/1/17 are subject to a pensionable compensation cap of $110,000 (as of 7/1/17), adjusted every three years. Additionally, benefits for these members are capped at 80% of average monthly pensionable compensation.

California Public Employees’ Retirement System: Those hired on or after 1/1/13 are subject to an annual pensionable compensation limit of $121,388 for those who participate in Social Security, and $145,666 for those who do not participate in Social Security. These pensionable compensation limits are effective for 2018 and adjust annually for inflation.

California State Teachers’ Retirement System: Those hired on or after 1/1/13 are subject to an annual pensionable compensation limit of $143,082 in FY 2018. This amount is adjusted annually based on inflation.

Colorado Public Employees’ Retirement Association: The maximum formula retirement annuity is 100 percent of the member’s highest average salary (HAS).

Georgia Teachers’ Retirement System: Georgia law limits the amount of salary increases that can be used to calculate retirement benefits for TRS members whose current date of membership is on or after 7/1/84. The salary limitation is determined annually and is based on the appropriations granted for salary increases by the Georgia General Assembly, plus 2.5%.

Public Employee Retirement System of Idaho: The maximum retirement benefit may not be higher than the member’s highest 36-month average salary.

Illinois statewide retirement systems: Those hired on or after 1/1/11 are subject to a pensionable earnings limit that adjusts annually at the lessor of ½ the rate of inflation or 3.0%. In 2019, the limit is $113,665. Tier 3, which is not yet in effect, would limit pensionable earnings to the Social Security Wage Base. The maximum benefit is generally 75% of final average salary for statewide systems.

Illinois Municipal Retirement Fund: Those hired on or after 1/1/11 are subject to a pensionable earnings limit that adjusts annually based on the rate of inflation ($113,644.91 in 2018). Maximum pension benefits differ depending upon plan type: 75% of final salary under the Regular Plan, 80% under the Sheriff’s Law Enforcement Plan, and 80% under the Elected County Officials Plan.
Indiana Public Retirement System: The maximum retirement benefit for general employees and teachers is limited to 100% of average annual compensation. For police officers and firefighters, the maximum retirement benefit is 74% of the monthly salary of a first class patrolman or firefighter in the year the member ended the member's active service.

Iowa Public Employees’ Retirement System: The maximum benefit is 65% of final average salary, which is attained with 35 years of service. For public safety classes, the maximum benefit is 72% of final average salary, which is attained with 30 years of service.

Kansas Public Employees’ Retirement System: For the Kansas Police & Fire (KP&F) System, the maximum benefit is limited to 90% of final average salary (3 highest of the last 5 years of compensation). The benefit cap is reached at 36 years of service. For the Judges’ Retirement System, the maximum benefit is limited to 70% of final average salary (3 highest years of compensation). The benefit cap is reached at 20 years of service.

Louisiana School Employees’ Retirement System: The maximum retirement benefit is limited to 100% of average compensation.

Louisiana State Employees’ and Teachers’ Retirement Systems: The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending on the member’s age at retirement.

Massachusetts State Employees’ and Teachers’ Retirement Systems: For those hired before 4/2/12, benefit may not exceed 80% of three-year final average salary. For those hired on or after 4/2/12, benefit may not exceed 80% of five-year final average salary. For those hired on or after 1/1/11, pensionable compensation limited to 64% of IRC 401(a)(17) limit.

Nevada Public Employees’ Retirement System: For new hires on or after 7/1/15, the limit to the amount of pensionable compensation is $200,000 (as of 7/1/15), which will increase each year at the rate of inflation. For those hired on or after 7/1/85, the maximum benefit is equal to 75% of average compensation.

New York State and Local Retirement System & State Teachers’ Retirement System: For those hired on or after 4/1/12, pensionable compensation may not exceed the salary of the Governor of New York, which is currently $179,000.

New Hampshire Retirement System: For those hired on or after 7/1/09, or are not vested as of 7/1/12, the maximum benefit shall not exceed the lesser of 85 percent of the member’s average final compensation (AFC) or $120,000.

New Jersey Public Employees’ Retirement System and Teacher Pension Annuity Fund: For those hired on or after 7/1/07, pensionable salary is limited to the Social Security maximum wage ($128,400) for 2018.

New Mexico Public Employees’ Retirement Association: Maximum benefit is equal to 90 percent of final average salary.
New York State & Local and Teachers’ Retirement Systems: For those hired on or after 4/1/12, pensionable salary may not exceed the salary of the Governor of New York, which is set by law and is currently $179,000. If the Governor’s salary changes, the pensionable salary limit would change accordingly.

Pennsylvania Public School Employees’ and State Employees’ Retirement Systems: Retirement benefits for public school employees hired on or after 7/1/11, and state employees hired on or after 1/1/11, are capped at 100% of final average salary.

Tennessee Consolidated Retirement System: For those hired on or after 7/1/14, the maximum annual benefit is limited to $80,000, subject to adjustment for inflation. The current limit is $87,815. For all participants, benefits are generally limited to no more than 90% of average compensation.

Wisconsin Retirement System: The maximum formula annuity is 70% of final average earnings for all employment categories except the protective categories; 65% of FAE for protective occupation participants covered by Social Security, 85% for protectives not covered by Social Security.

Wyoming Retirement System: Maximum benefits are limited to 75% of final average salary for participants in the Law Enforcement and Game Warden & Patrol plans, and 70% of final average salary for participants in the Paid Firefighter Plan B.