



EMPLOYER BULLETIN

Suggested Format to Comply with Pension and Other Postemployment Benefit Disclosure Requirements of GASB Statement Numbers 24, 27, 45 and 50

July 2014

Please forward a copy of this bulletin to the auditors of your financial statements and to your district superintendent.

Overview

The following information covers your reporting requirements under four statements issued by the Governmental Accounting Standards Board (GASB).

- Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, provides reporting requirements for state contributions made on behalf of your TRS-covered employees.
- Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, provides reporting requirements for employer contributions for pensions.
- Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, provides reporting requirements for postemployment benefits other than pensions such as health insurance.
- Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and 27*, amends the note disclosure and required supplementary information standards of Statement No. 27.

This bulletin provides a suggested format for disclosure of employer contributions to TRS on pages 3 through 4; it provides a separate format for disclosure of employer contributions to the Teacher Health Insurance Security Fund on page 5. When using the suggested format, please substitute your amounts where “\$xx,xxx” occurs. The suggested format also provides for disclosure of the applicable contributions in the two previous fiscal years.

New disclosure standards that supercede Statement No. 27 will be effective for employers for the year ending June 30, 2015. This publication will be revised to help employers comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Questions about TRS or THIS Fund contributions

If you have questions, please contact the Accounting Department by calling (888) 877-0890, option 2 or via email at employers@trs.illinois.gov. Additional copies of this bulletin may be obtained from the TRS website at <http://trs.illinois.gov>.

Employers may generate fiscal year contribution totals by printing the Fiscal Year GASB Report from the secure Employer Access area of the TRS Web site. The report is available to employers from July 15 through Dec. 1. This information should be provided to the employers’ auditors.

No changes due to Public Act 98-0599

In December 2013, Public Act 98-0599 was enacted that contains significant changes to TRS funding and benefits. Some changes were effective June 1, 2014 and others effective later. In May 2014, an injunction was issued that prevents TRS from implementing provisions of the law until its constitutionality is determined. Consequently, this publication does not refer to any of the provisions of Public Act 98-0599. The law does not affect the Teacher Health Insurance Security Fund.

A. Overview: Employer Contributions to TRS for Pension Benefits

“On behalf” employer contributions to TRS from the state

For the year ended June 30, 2014, the estimated state contribution made on behalf of your TRS-covered employees can be determined by multiplying TRS-covered salaries not paid from federal funds by the statutory contribution rate of 35.41 percent. For the years ended June 30, 2013 and June 30, 2012, the state on behalf contribution rates were 28.05 percent and 24.91 percent, respectively. Please note that the state of Illinois sent the “on behalf” employer contributions directly to us. Because you do not remit these contributions, we cannot verify the “on behalf” contributions for individual employers.

The rates we use in this bulletin are state contribution rates certified according to state statute. Actual state contributions are based on these rates and member payrolls estimated by the actuaries. Actual member payroll may vary from estimated payroll.

Note: If you are preparing your budget for the fiscal year ending June 30, 2015, the state on behalf contribution rate to TRS for pension benefits is 33.00 percent of covered payroll not paid from federal funds. This will also be the employer contribution rate for employees who are paid from federal funds. The TRS

Board of Trustees had certified a lower federal contribution rate for fiscal year 2015, but Public Act 98-0674 requires that the state and federal contribution rates be the same beginning July 1, 2014.

Other employer contributions to TRS

We have suggested additional language for payments made to TRS for other types of employer contributions.

- employer contributions for the 2.2 formula change,
- employer contributions for members paid from federal and special trust funds,
- employer contributions for the Early Retirement Option (ERO),
- employer contributions for salary increases over 6 percent used in final average salary calculations, and
- employer contributions for sick leave days granted in excess of the normal annual allotment if those days are used as TRS service credit.

B. Overview: Employer Contributions to the THIS Fund

“On behalf” contributions to the THIS Fund from the state

For the year ended June 30, 2014, the estimated state contribution made on behalf of your TRS-covered employees to the Teacher Health Insurance Security (THIS) Fund for retiree health insurance can be determined by multiplying total TRS covered salaries by 0.97 percent. This 0.97 percent is the same rate paid during the year by active employees for retiree health insurance. State contributions to the THIS Fund are intended to match active member contributions to the THIS Fund. For the years ended June 30, 2013 and 2012, the state on behalf contribution rates for retiree health insurance were 0.92 and 0.88 percent, respectively.

Note: If you are preparing your budget for the fiscal year ending June 30, 2015, the certified state on behalf contribution rate to the THIS Fund for retiree health

insurance is 1.02 percent of pay. The 1.02 percent rate has been certified by the TRS Board of Trustees, based on information provided by the Illinois Department of Central Management Services.

Other employer contributions to the THIS Fund

Employers have remitted contributions for the Teachers’ Retirement Insurance Program since January 1, 2002. Contributions based on active member payroll are remitted to TRS, which serves as collection agent for the retiree insurance program, and those contributions are forwarded to the THIS Fund. For the year ended June 30, 2014, the employer contribution rate for the THIS Fund was 0.72 percent of total active member payroll. For the year ended June 30, 2013 and 2012, the employer contribution rates to the THIS Fund were 0.69 and 0.66 percent, respectively.

A. Suggested Format for Disclosure of Employer Contributions to TRS

The following suggested format text on pages 3-5 was sent via email in a text-only file for your use. If you misplaced or did not receive the email, you may download this text online in the Employer Bulletin area of the TRS website.

The employer participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The state of Illinois maintains the primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The active member contribution rate for the year ended June 30, 2014, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after Jan. 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2013 and 2012.

The state of Illinois makes contributions directly to TRS on behalf of the employer's TRS-covered employees.

- **On behalf contributions to TRS**

The state of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2014, state of Illinois contributions were based on 35.41 percent of creditable earnings not paid from federal funds, and the employer recognized revenue and expenditures of \$xx,xxx in pension contributions that the state of Illinois paid directly to TRS. For the

years ended June 30, 2013 and June 30, 2012, the contribution rates were 28.05 percent (\$xx,xxx) and 24.91 percent (\$xx,xxx), respectively.

The employer makes other types of employer contributions directly to TRS:

- **2.2 formula contributions**

Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2014 were \$xx,xxx. Contributions for the years ending June 30, 2013 and June 30, 2012, were \$xx,xxx and \$xx,xxx, respectively.

- **Federal and special trust fund contributions**

When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2014, the employer pension contribution was 35.41 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2013 and 2012, the employer contribution was 28.05 and 24.91 percent, respectively. For the year ended June 30, 2014, salaries totaling \$xx,xxx were paid from federal and special trust funds that required employer contributions of \$xx,xxx. For the years ended June 30, 2013 and June 30, 2012, required employer contributions were \$xx,xxx and \$xx,xxx, respectively.

- **Early Retirement Option (ERO)**

The employer is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option

(ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2014, the employer paid \$xx,xxx to TRS for employer contributions under the ERO program. For the years ended June 30, 2013 and June 30, 2012, the employer paid \$xx,xxx and \$xx,xxx, respectively.

- **Salary increases over 6 percent and excess sick leave**

- If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the year ended June 30, 2014, the employer paid \$xx,xxx to TRS for employer contributions due on salary increases in excess of 6 percent. For the year ended June 30, 2013 and June 30, 2012, the employer paid \$xx,xxx and \$xx,xxx, respectively.

- If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit,

the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.29 percent of salary during the year ended June 30, 2014).

For the year ended June 30, 2014, the employer paid \$xx,xxx to TRS for sick leave days granted in excess of the normal annual allotment. For the year ended June 30, 2013 and June 30, 2012, the employer paid \$xx,xxx and \$xx,xxx, respectively.

Further information on TRS

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2013. The report for the year ended June 30, 2014, is expected to be available in late 2014.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, IL 62794-9253. The most current report is also available on the TRS website at <http://trs.illinois.gov>.



B. Suggested Format for Disclosure of THIS Fund Employer Contributions

The employer participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Beginning February 1, 2014, annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

- **On behalf contributions to the THIS Fund**
The state of Illinois makes employer retiree health insurance contributions on behalf of

the employer. State contributions are intended to match contributions to the THIS Fund from active members which were 0.97 percent of pay during the year ended June 30, 2014. State of Illinois contributions were \$xx,xxx, and the employer recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2013 and June 30, 2012 were 0.92 and 0.88 percent of pay, respectively. State contributions on behalf of employees were \$xx,xxx and \$xx,xxx, respectively.

- **Employer contributions to the THIS Fund**
The employer also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.72 percent during the year ended June 30, 2014 and 0.69 and 0.66 percent during the years ended June 30, 2013 and June 30, 2012, respectively. For the year ended June 30, 2014, the employer paid \$xx,xxx to the THIS Fund. For the years ended June 30, 2013 and June 30, 2012, the employer paid \$xx,xxx and \$xx,xxx, respectively, which was 100 percent of the required contribution.

Further information on the THIS Fund

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."