Chapter 3: Creditable Earnings

Creditable earnings defined

In general, "creditable earnings" are forms of compensation that are recognized by TRS as salary for reporting and retirement purposes. TRS accepts many, but not all, types of compensation. The Illinois Administrative Code defines "salary" for TRS reporting purposes; the definition is reproduced at the end of this chapter.

Creditable earnings are the basis upon which member contributions, employer contributions, and benefits are calculated.

Types of creditable compensation

Reportable creditable earnings include (but are not limited to) the following compensation items for active TRS members:

- salary for regular contractual teaching duties
- wages for substitute teaching
- wages for homebound teaching
- earnings for extra duties performed during the school year (See pg. 4, "Payment for extra duties," for specifics for reporting 2024-25 and future years and also about reporting in 2023-24 and prior years.
- earnings for summer school (See "Summer earnings")
- bonuses (excluding nonpersonal services income, e.g. sign-on bonuses)
- honorariums paid to union officers
- longevity stipends
- wages while using vacation, sick leave, and personal days
- lump-sum payments becoming due and payable to a member prior to or with the final regular paycheck or last day of work, whichever occurs last (See "Lump-sum payments")
- contributions to qualified plans eligible for tax-deferral under the Internal Revenue Code, Sections 401(a), 403(b), 457(b), and 529
- contributions to flexible benefit plans (See "TRS flexible benefit plans")
- any portion of the 9.0 percent member retirement contributions paid by the employer as a benefit (See "Employer-paid 9.0 percent retirement contributions")
- member 2.2 upgrade costs paid by the employer as a benefit (See "Lump-sum payments")
- member optional service costs paid by the employer as a benefit (See "Lump-sum payments")
- salary or back wage payments resulting from contract buy-outs, labor litigation, and settlement agreements (See "Settlement agreements and judgements")
- county stipends paid to regional and assistant regional superintendents

- stipends paid to administrators for serving as a board officer or clerk
- gift cards given in lieu of payments that qualify as salary. Gift cards given for work performed must be reported on an accrual basis. Follow lump-sum guidelines for reporting gift cards given as a bonus (*e.g.* perfect attendance).
- payment from the Illinois State Board of Education to national board certified teachers for mentoring and/or professional development (reportable on an accrual basis).

Noncreditable compensation

The following compensation items do not qualify as creditable earnings and must not be reported to TRS:

- at termination, lump-sum payments becoming due and payable to a member after receipt of the final regular paycheck or last day of work, whichever occurs last (See "Lump-sum payments")
- lump-sum payments made after a member's death (See "Lump-sum payments")
- worker's compensation payments
- jury duty payments
- member THIS Fund contributions paid by the employer as a benefit
- employer TRS and THIS Fund contributions
- Medicare tax paid by the employer as a benefit
- contributions to or distributions from nonqualified deferred compensation plans (*e*.g., Rabbi trusts)
- employer-paid fringe benefits (unless they are included in a reportable flexible benefit plan) including:
  - health insurance
  - life insurance
  - dental insurance
  - disability insurance
- expense reimbursements and allowances (regardless of whether they are paid to the member or to the provider of the service or product) including:
  - housing allowance
  - moving expenses
  - cellular phone reimbursement
  - travel reimbursements and allowances
  - automobiles provided by the employer
  - membership dues
  - publication subscriptions
  - dependent care reimbursements
  - medical care reimbursements
  - tuition reimbursements
  - legal fee reimbursements
  - contributions to medical savings accounts
- options to receive salary in lieu of expense allowances or reimbursements
- employer contributions to and distributions from medical spending accounts (FSA, HSA)
- compensation that would violate qualified pension plan requirements including:
  - tax-deferred payments to nonqualified deferred compensation plans (*e.g.,* Rabbi trusts)

- discriminatory flexible benefit plans for school years 1992-93 through 1998-99 (See “TRS flexible benefit plans”)
- nonpersonal services income (*e.g.,* sign-on bonuses)
- earnings and contributions on earnings that exceed the established limit for qualified pension plans. The earnings limitations are required only for Tier 1 members establishing TRS membership after June 30, 1996. These limitations are:

Effective Dates	Tier 1 Limitation
1996-97	$150,000
1997-98, 1998-99 & 1999-00	$160,000
2000-01 & 2001-02	$170,000
2002-03 & 2003-04	$200,000
2004-05	$205,000
2005-06	$210,000
2006-07	$220,000
2007-08	$225,000
2008-09	$230,000
2009-10, 2010-11 & 2011-12	$245,000
2012-13	$250,000
2013-14	$255,000
2014-15	$260,000
2015-16 & 2016-17	$265,000
2017-18	$270,000
2018-19	$275,000
2019-20	$280,000
2020-21	$285,000
2021-22	$290,000
2022-23	$305,000
2023-24	$330,000
2024-25	$345,000
2025-26	$350,000

TRS will inform employers when the compensation limit changes.

- Earnings and contributions that exceed the established limit for Tier 2 members. The earnings limitations are applicable only to members establishing membership with TRS or a reciprocal system after December 31, 2010.

These limitations are:

Effective Dates	Tier 2 Limitation
2010-11	$106,800.00
2011-12	$108,882.60
2012-13	$109,971.43
2013-14	$110,631.26
2014-15 & 2015-16	$111,571.63
2016-17	$112,408.32
2017-18	$113,644.91
2018-19	$114,951.83
2019-20	$115,928.92
2020-21 & 2021-22	$116,740.42
2022-23	$119,892.41
2023-24	$123,489.18
2024-25	$125,773.73
2025-26	$127,283.01

TRS will inform employers when the compensation limit changes. For years prior to 2024-25, if a Tier 2 member works a partial year, reportable creditable earnings are calculated based upon the Tier 2 limit and number of days the member worked. For example, a Tier 2 member works 133 out of 260 days at a rate of $200,000. He earns $102,307.69 ($200,000/260 x 133). His annual salary rate would be reported as $116,740.42 and his creditable earnings as $59,717.21 ($116,740.42/260 x 133). Please note that the reportable earnings would be prorated based on the district's method of proration (*e.g.,* daily, monthly, pay period, etc.).

For 2024-25 and future years, if a Tier 2 members works a partial year, earnings will be reportable equal to the amount paid up to the Tier 2 limit.

- Any amount paid in lieu of discontinued or decreased nonreportable benefits, or reported in lieu of previously nonreported compensation, where the conversion occurs in the member's final seven years of service for the purpose of increasing the member's final average salary. TRS presumes any decrease in noncreditable compensation in the last seven creditable school years is for the purpose of increasing final average salary.

Payment for extra duties

Extra-duty reporting for 2024-25 and future years

F–Full-time, P–part-time contractual, S–Substitute and H–part-time noncontractual

Extra duties that involve teaching or supervising students and other assignments related to the academic program are reportable as creditable earnings for full-time, part-time contractual, substitute and part-time noncontractual members, provided the member is employed during the school year with a TRS-covered employer in a position requiring licensure. Earnings reported to TRS are not limited to the primary employer.

E–Extra duty

Earnings for a member who is not employed as a regular teacher but who performs extra duties that do not require teacher licensure are reportable only if the member is employed as a full-time, part-time contractual, substitute or part-time noncontractual member by another TRS-covered employer.

Extra-duty reporting for 2023-24 and prior years

F–Full-time and P–part-time contractual

Extra duties that involve teaching or supervising students and other assignments related to the academic program are reportable as creditable earnings for full-time and part-time contractual members.

S–Substitute and H–part-time noncontractual

Extra duties performed by substitutes or part-time noncontractual members are not reportable unless the extra duty requires teacher licensure by law. Extra duties that require licensure are reportable regardless of employment status (e.g., band director).

E–Extra duty

Earnings for a member who is not employed as a regular teacher but who performs extra duties that do not require teacher licensure are reportable only if the member is employed as a full-time or part-time contractual member by another TRS-covered employer.

The Illinois State Board of Education, not the individual employer or TRS, determines whether a position or extra duty requires licensure. Extra duties that do not involve teaching or supervising students and that are not related to the academic program are not reportable. Earnings for positions that are not reportable to TRS (e.g., bus driver or teacher's aide) are subject to Social Security and may be reportable to the Illinois Municipal Retirement Fund (IMRF). Consult the IMRF Authorized Agents Manual for specific guidelines.

Extra duties requiring licensure

Stipends or wages paid for these extra duty positions are reportable to TRS for all active licensed teachers. Additionally, report days paid for the performance of these duties. (See Chapter 2, Membership, for additional information regarding positions that qualify for TRS membership.) Examples of reportable extra duties requiring licensure include, but are not limited to:

- Acting Principal
- Assistant Athletic Director*
- Assistant Band Director
- Athletic Director*
- Band Director
- Building Trades Instructor
- Computer Lab Instructor (if during the school day)
- Co-op or Work Study Coordinator
- Department Chairperson
- Driver's Education Instructor
- Homebound Teaching
- Internal Substitution
- New Teacher Orientation (if paid day)
- Night Class Teacher (K-12)
- Vocational Director

* *Based on guidance from ISBE, these positions may or may not require teacher licensure depending on the job duties involved.*

Extra duties not requiring licensure but related to the academic program and/or requiring the supervision of students

For school years prior to 2024-25, stipends or wages paid for these positions and duties are reportable to TRS for only full-time and part-time contractual teachers. These wages are not reportable for substitutes and part-time noncontractual (hourly) teachers. For 2024-2025 and future years, report these duties for all employment types. Do not report any additional days worked for performing extra duties not requiring licensure. Examples of reportable extra duties that do not require licensure include, but are not limited to:

- Art Club Sponsor
- Audio Visual and Video Club Sponsor
- Band Assistant
- Bell Choir Sponsor
- Bleacher Bums Sponsor
- Bowling Club Sponsor
- Boys Club Sponsor
- Bus Loading Supervisor
- Bus Monitor
- Business Club Sponsor
- Chaperone for events such as dances and bus trips
- Cheerleading Sponsor
- Chess Club Sponsor
- Chorus Sponsor
- Class Sponsor
- Coach (Athletic or Team Sports)
- Concession Manager
- Curriculum Development
- Debate Sponsor
- Detention/Discipline Monitor
- Drama Club Sponsor
- FFA Sponsor
- FHA Sponsor
- Fitness Program Supervisor
- Flag Squad Sponsor
- Food Service Program Manager
- Forensics Sponsor
- Game Announcer*
- Girls Club Sponsor
- Golf Club Sponsor
- Hallway Supervisor
- In-school Suspension Supervisor
- Instructor at Teacher Institute
- Intramural Sports Supervisor
- Job Shadowing
- Journalism Club Sponsor
- Lifesaving Instructor
- Literary Club Sponsor
- Lunchroom Supervisor
- Math Honor Society Sponsor
- Math Team Sponsor
- Mentor
- Music Production Director
- Music Production Technical Director
- National Honor Society Sponsor
- Newspaper Sponsor
- Pep Club/Booster Club Sponsor
- Physical Activities School Director
- Playground Supervisor
- Pom Pom Squad Sponsor
- Professional Development (see Chapter 2, page 3)
- Prom Sponsor
- Registration Worker if related to academic program. Not reportable if duties are clerical.
- Safety Patrol
- Scholastic Bowl Sponsor
- Science Club Sponsor
- Scorekeeper*
- Special Olympics
- Speech Club Sponsor
- Speech Judge
- Stipend for setting up classroom
- Student Council Advisor
- Student Teacher Supervisor
- Study Hall Supervisor
- Supervisor of Students at School Events
- Swim/Aquatics Club Sponsor
- Teaching after school under 21st Century Grant**
- TV News Service Director
- Technical Director of Musical Productions
- Theater Business Manager
- Ticket Taker*
- Timekeeper*
- Translator/Interpreter*
- Twirler Club Sponsor
- Tutoring**
- Usher
- Website Coordinator/ Maintenance
- World Languages Sponsor
- Writers Club Sponsor
- Yearbook Business Advisor
- Yearbook Editor

* *Reportable as creditable earnings provided that the member is responsible for supervising students while performing these duties.*

** *Based on guidance from the Illinois State Board of Education, the duties may or may not require teacher licensure depending on the duties involved. Refer to Tutoring section.*

Nonreportable positions and duties

Stipends and wages paid for these duties are not reportable to TRS. (See Chapter 2, Membership, for additional information regarding positions that do not qualify for TRS membership.) Examples of nonreportable positions and duties include, but are not limited to:

- Hazardous waste removal
- Bus driving
- Cafeteria work
- Clerical assignments in business office
- Computer hardware and software maintenance
- Construction manager
- Custodial or maintenance work
- Noncertified administrative positions (ex. some HR positions)
- Scorekeeping, announcing games, time-keeping, ticket taking and security at school events if the duties do not involve supervision of students
- Paraprofessional/ Teacher's Aide
- Stipend for moving classrooms (custodial)

Tutoring

Licensure for tutors would be required if the tutor:

1. had direct supervision of students,
2. was left alone with students, and
3. the tutoring was during the school day.

If all three are met, licensure is required. If all three are not met, send the job description to ISBE for review at **trscompliance@isbe.net** along with a completed **ISBE form 83-13**.

Summer earnings

Summer school and summer extra duties requiring teacher licensure

Wages for performing summer duties that require teacher licensure are reportable for all active TRS members. Summer earnings that require teacher licensure are reportable to TRS regardless of the member's employment type or contract status. Examples of reportable summer duties that require licensure include: summer school teaching, summer substitute teaching, and summer homebound teaching.

Summer extra duties not requiring teacher licensure for reporting in 2024-25 and future years

Payments for summer extra duties that involve teaching or supervising students and other assignments related to the academic program are reportable as creditable earnings if an individual member is full-time, part-time contractual, substitute and part-time noncontractual teacher during the school term. Summer duties that do not require teacher licensure include but is not limited to: summer curriculum writing, summer coaching and summer workshop participation.

If a member is employed as a contractual (F or P) or noncontractual (S or H) teacher with one employer during the regular school term and also works for a second employer during the summer months performing reportable summer extra duties, the member's extra duty wages from the second employer are reportable to TRS using employment type (E).

Summer extra duties not requiring teacher licensure for reporting in 2023-24 and prior years

Like the regular school term, TRS guidelines for reporting summer extra duty wages that do not require teacher licensure vary depending upon the member's employment type.

- **For full-time (F) or part-time contractual teachers (P) during the school term**

  Payments for summer extra duties that involve teaching or supervising students and other assignments related to the academic program are reportable as creditable earnings.

- **For substitute (S) or part-time noncontractual/hourly (H) teachers during the school term**

  Payments for summer extra duties that do not require teacher licensure are not reportable as creditable earnings. Summer duties that do not require teacher licensure include: summer curriculum writing, summer coaching, and summer workshop participation.

For members who are full-time or part-time contractual teachers during the school term, these types of summer extra duties are reportable to TRS. For members who are substitute or hourly teachers during the school term, these types of summer extra duties are **not** reportable to TRS. The same guidelines now apply to both summer extra duties and extra duties during the school term. Chapter 5 provides information regarding employment types.

If a member is employed as a contractual (F or P) teacher with one employer during the regular school term and also works for a second employer during the summer months performing reportable summer extra duties, the member's extra duty wages from the second employer are reportable to TRS using employment type (E).

Service credit

TRS recognizes service credit for performing duties that require teacher licensure under the School Code. Service credit is granted for days worked Monday through Friday. When a member performs summer work for which teacher licensure is required, the employer must report the additional days worked as Days Paid.

Accrual reporting requirements

TRS requires earnings be reported on an accrual basis. Accrual reporting requires earnings to be reported in the period in which services are performed, which may not coincide with the period in which earnings are paid. Creditable earnings for services performed from July 1 through June 30 should be reported each year. When a summer assignment begins in June and continues into July, the related earnings must be reported in the fiscal year in which the service was performed, regardless of when payment is actually issued to the member (see "End-of-career salary increases").

Example:

A teacher is employed to teach a 20-day summer school session for which she receives $1,000 on August 1. Summer school begins the last week of June and ends the third week of July. The $250 accrued earnings for five days worked in June must be reported as days paid and as creditable earnings for the school year ended June 30. The remaining $750 earned in July must be reported as days paid and as creditable earnings in the school year beginning July 1. See Chapter 5, "Summer school" and "Accrual accounting" for additional examples.

Noncovered employment

Earnings are not reportable to TRS for members employed only during the summer months to perform duties that do not involve teaching or supervising students or are not related to the academic program (for example, maintenance or custodial duties). The member would contribute to Social Security on these earnings. The member may also be required to contribute to the Illinois Municipal Retirement Fund (IMRF) on these earnings. Contact IMRF for more information.

Lump-sum payments

Severance and lump-sum payments becoming due and payable prior to or concurrent with the receipt of the member's final paycheck for regular earnings or prior to the member's last day of work are reportable as creditable earnings. Severance payments becoming due and payable to a terminated/retired member after receipt of the final regular paycheck and last day of work are not reportable. Typically lump-sum payments may include compensation for accumulated sick leave or vacation days, employer payment of a member's 2.2 upgrade cost or optional service balance, retirement incentives, and contract buy-outs.

Lump-sum payments made to a member in years prior to the member's final year of employment are reportable in the school year that the payments are due and payable to the member.

Examples:

- On June 15, a teacher paid over 12 months retires. His last paycheck for regular earnings is received August 25. He receives retirement incentive payments on July 15 and August 30. Pursuant to an agreement, one retirement incentive payment is due and payable with the final paycheck. The 2nd payment is due and payable after the final paycheck. The July 15 payment is reported to TRS; the August 30 payment is not reported since it was due and payable after the last paycheck.

- An administrator terminated service March 1. On March 15, she received her final regular paycheck and a lump-sum payment for accumulated vacation days. On May 1, she received a contract buy-out payment. The March 15 amount is reportable; the May 1 amount is not reportable because it was payable after her final paycheck was issued.

- A teacher paid over 12 months received his last regular paycheck on August 25. On August 28, he resigned and received severance pay on September 4. The severance pay is not reportable to TRS.

- A nine-month teacher retired and received her last regular paycheck on June 15. On July 15, her former employer approved and issued a bonus payment. The bonus is not reportable to TRS.

- A teacher paid over 12 months resigned and retired August 21. He received his last regular paycheck on August 22. A retirement incentive is payable upon resignation. Due to payroll processing time requirements, the payment was not actually made until August 30. The retirement incentive is reportable since it was due and payable prior to the date he received his last regular paycheck.

- An administrator paid over 12 months submitted his resignation on July 1 to be effective the following April 30. His retirement incentive of $10,500 was paid with his monthly paychecks from July through April. The $10,500 is reportable to TRS.

- A nine-month teacher retired effective May 30, the last day of school. He received his final regular paycheck on May 25 and a retirement incentive on May 30. The retirement incentive is reportable since it was due and payable on the teacher's last day of work.
- A teacher submitted his resignation on April 15, 2025, to be effective the last day of the following school term (June 4, 2026). Retirement incentives were paid May 1, 2025; July 15, 2025; and May 3, 2026. The first May payment and the July payment were due and payable in the 2024-25 school year and reportable as 2024-25 creditable earnings. The May 3, 2026 payment is due and payable in 2025-26 and therefore, reportable as 2025-26 creditable earnings.

Payments issued after a member's death

Accrued salary issued to a member's estate is recognized as creditable earnings. However, lump-sum payments issued after a member's death are not recognized as creditable earnings.

Example:

A teacher died on March 3. On March 15 his employer issued a check for $4,520. This check included $20 for extra duties completed in February, $3,000 accrued teaching salary for days of service through March 3, $500 for unused personal leave days, and a $1,000 bonus. The $3,000 accrued salary and $20 extra duty payment are reportable as creditable earnings. The payments for unused personal leave days and bonus are not reportable to TRS as creditable earnings.

Employer payment of optional service and 2.2 upgrade costs

When an employer pays a TRS optional service accounts receivable or the 2.2 upgrade cost for a member as additional compensation, the payment may be reportable as creditable earnings. Please follow reporting guidelines established for lump-sum payments when determining the reportability of employer payments for a member's accounts receivable balance. The check's issue date to TRS for a member's optional service or 2.2 upgrade payment is considered the date paid when applying the lump-sum rules. An Employer Payment Coupon should be completed and returned with the employer payment. (See Chapter 7, Optional Service Credit and Payment Options.)

If an employer paid a member's 2.2 upgrade cost and the member later reimburses the employer for any amounts that are refunded to the member due to the recalculation of the upgrade cost, the employer must complete an Employer's Report of Adjustments to Earnings form to reduce the annual salary rate and creditable earnings in the year the upgrade cost was originally reported as creditable earnings.

If an employer pays an amount due for the member's THIS Fund contributions due on optional service credit, the amount paid for health insurance is not reportable as creditable earnings.

See Chapter 7, Optional Service Credit and Payment Options, for more information on the payment of optional service credit.

Bonus payments subject to forfeiture

Any lump-sum payments that are subject to forfeiture or conditioned upon the occurrence of a future event (*e.g.,* retirement) are creditable earnings in the school year that they are paid to the member. However, if the condition upon which the payment is based does not occur and the payment is repaid to the employer, the employer must notify TRS. TRS will process an adjustment to remove the forfeited payment from previously reported creditable earnings.

Payment for future services

Payments at termination for future services are not reportable as creditable earnings.

Example:

A teacher retired June 15 and received a $6,000 bonus. In return, she agreed to teach the next school year for 100 days without pay. The normal substitute rate is $60 per day. The bonus is not reportable as creditable earnings.

In addition, a member who prearranges post-retirement employment may not be eligible to retire. (See Chapter 11, Post-retirement Matters.)

Salary conversions

TRS must make informed actuarial predictions of its future liabilities. It cannot act as a prudent, informed plan and at the same time allow members to withhold contributions on substantial earnings amounts until the last few years before retirement. Therefore, the definition of salary reportable to TRS as creditable earnings excludes converted benefits. Any amount paid in lieu of discontinued or decreased nonreportable benefits (or reported in lieu of previously nonreported compensation) will be excluded from creditable earnings if the change in compensation structure occurs during the member's final seven years of service.

If a non-reportable benefit item is discontinued or decreased within the member's last seven creditable school years of employment, TRS presumes the benefit was converted to salary for the purpose of increasing the member's final average salary. To overcome this presumption, the member or employer must submit evidence to TRS that clearly and convincingly proves that the change in compensation structure was due to

- a change in a collectively bargained agreement applicable to all individuals covered by the agreement,
- a change in employer policies affecting a group of similarly situated members, some of whom are not within seven years of retirement eligibility, or
- a change in family status.

The documentation must clearly establish that the change in compensation structure was not for the purpose of increasing the member's final average salary.

Example:

Administrator A received a $2,500 travel allowance annually. Three years before retirement, Administrator A's travel allowance was discontinued and his salary was increased. For each of the final three years of service, TRS will exclude $2,500 of Administrator A's salary from creditable earnings.

Example:

Administrator B received board-paid health insurance. Five years before retirement, Administrator B's employer converted the board-provided insurance benefit into a flexible benefit plan and began offering him the option to receive $10,000 cash in lieu of health insurance. The flexible benefit plan was not offered to any other employees. For each of the final five years of service, TRS will exclude the $10,000 flexible benefit plan compensation from Administrator B's creditable earnings.

End-of-career salary increases

When a member retires, the employer is required to pay TRS a contribution equal to the actuarial value of pension benefits that result from any salary increase over 6 percent that is used in the final average salary calculation. Additional exemptions from employer contributions for salary increases over 6 percent apply only in specified circumstances. See Chapter 8, Excess Costs, for more information on employer contributions and exemptions. Salary increases up to 20 percent per year with the same employer will still be used in the calculation of the member's final average salary (See Chapter 10, Retirement Benefits). **TRS will continue to recognize the full salary as creditable earnings.**

As discussed on page 7, TRS requires earnings to be reported on an accrual basis. Accrual reporting requires earnings to be reported in the fiscal year the work was performed, which may not coincide with the period in which earnings are paid. Salary for work performed cannot be deferred and reported in a later fiscal year or never reported.

Employers may provide members with retirement incentives. Retirement incentives identified or paid as salary increases in the member's final year(s) of employment must be reported to TRS on an accrual basis. If a member receives an increase in his/her salary, the entire salary is reportable as creditable earnings for the period worked, even if the increase exceeds 6 percent. It is not permissible for the employer to exclude any portion of the member's earned salary from creditable earnings, even if payment of the salary increase (or a portion of the salary increase) is delayed until after the member's retirement. The total accrued salary is reportable as creditable earnings, regardless of when it is paid.

In addition, if a member performs reportable extra duties such as coaching, lunchroom supervision, class sponsorship, internal substitution, etc., and receives creditable compensation, the earnings must be reported to TRS as creditable earnings regardless of whether the member's earnings increase by more than 6 percent.

TRS does not recognize renegotiations of prior year base salaries. Once the salary has been set and the services have been rendered in full, TRS will not recognize a retroactive change to a member's base salary for a prior fiscal year when the change is agreed upon after the June 30 ending date of the affected school year. Therefore, if an employer requires a member to repay salary increases received due to a change in the member's retirement plans, TRS will not process an adjustment to reduce the prior year's creditable earnings. Instead, TRS will recognize the repayment as a reduction of creditable earnings for the year in which repayment occurs or the final year of service if repayment occurs after retirement.

If a member receives a retirement incentive that is not identified or paid as a salary increase, but is identified as a bonus or lump sum and is paid in one or two lump-sum payments, the lump sum reporting guidelines are applicable. Any lump sums becoming due and payable prior to or concurrent with receipt of the member's final paycheck for regular earnings or the last day of employment are reportable as creditable earnings. Lump-sum payments becoming due and payable until after the terminated/retired member's final regular paycheck and after the last day of employment, are not reportable as creditable earnings.

For lump-sum payments made to a member in years prior to the final year, refer to the reporting guidelines and examples on pages eight and nine. If a member is required to repay lump-sum retirement incentives as a result of changes in his/her retirement plans, please refer to "Bonus payments subject to forfeiture" on page 10.

Examples:

Teacher A received a 20 percent increase in salary over the prior year's salary ($50,000) as a retirement incentive ($50,000 x 1.20 = $60,000). The total salary of $60,000 is reportable as creditable earnings because the retirement incentive is an increase in salary. Even if a portion of the $60,000 was paid after Teacher A's last day and after her final paycheck, $60,000 is reportable because accrual reporting requires the earnings to be reported in the fiscal year the work was performed regardless of when the earnings were paid.

Teacher B received a base salary of $51,000 for his final year of teaching. Teacher B also received a $10,000 lump-sum retirement incentive equal to 20 percent of the prior year's base salary of $50,000. $2,000 of the retirement incentive was paid with his last paycheck for regular earnings on August 21 and $8,000 was paid in September after his last day of work and after his last regular paycheck. In accordance with the lump-sum reporting guidelines, $2,000 of the retirement incentive is reportable as creditable earnings and $8,000 of the retirement incentive is not reportable as creditable earnings. Therefore, his reportable salary is $53,000 ($51,000 current salary plus $2,000 reportable lump sum).

Teacher C received the same salary and retirement incentive as Teacher B; however, he also earned $7,500 for coaching. Teacher C's reportable salary is $60,500.00 ($53,000 + $7,500).

Settlement agreements and judgements

When a TRS-covered employer and member enter into a settlement agreement or contract buy-out to resolve a disputed action or other employment issue, the member's creditable earnings and service credit may be impacted by the terms of the agreement. TRS must review each settlement agreement to determine the amount of creditable earnings and service credit that can be recognized. The Illinois Pension Code, Section 16-158.1, authorizes the audit of school district records.

Retroactive settlement agreements

To ensure the reportability of service and earnings credit in settlement agreements covering a retroactive time period while a member was away from his or her teaching position, the settlement agreement must contain:

- the time period for which the member would have received salary or service credit,
- a statement that the settlement is an award of back salary, and
- the salary amount the member would have been paid during the period covered by the settlement agreement had the employment issue not arisen.

Contributions on retroactive settlement agreements are based upon the salary the member would have otherwise earned if not for the employment issue. All required contributions must be paid within one year after the date of the settlement agreement; otherwise interest is charged at the applicable statutory rate from the date of the agreement.

Prospective settlement agreements

To ensure the reportability of service and earnings credit in settlement agreements covering a prospective time period, the settlement agreement must contain:

- the time period for which the member is to receive service credit (not to exceed one year),
- a statement declaring that the member is to be employed in a position requiring licensure, and
- a statement confirming that the member will continue to receive the same salary on regular pay dates and fringe benefits to which he or she would be entitled.

If the agreement contains a resignation date, the date must not be prior to the end of the time period covered by the settlement agreement.

Court judgements

To ensure the reportability of service and earnings credit awarded pursuant to a judgement of a court of law, the judgement order must contain:

- the time period for which the court determines the member should have received salary or service credit,
- a statement that the judgement is an award of salary, and
- the amount of salary the member would have received during the period covered by the judgement.

Contributions on judgements are based upon the salary a member would have otherwise earned if not for the issue being litigated. The following items are excluded from creditable earnings:

- any court costs for which the member is reimbursed,
- any attorney's fees a court may award, and
- any damages ordered paid by a court which do not reflect salary or wages but may be assessed on the employer as nonpecuniary damages (*i.e.,* pain and suffering) or a penalty to prevent future abuse (*i.e.,* punitive damages).

TRS flexible benefit plans

A flexible benefit plan offers a choice between insurance and options that qualify as creditable earnings (e.g., cash, a tax-sheltered annuity under the Internal Revenue Code [IRC], Section 403[b], or a qualified tax-deferred compensation plan under IRC, Section 457[b]).

Amount to report

The amount reportable is equal to the amount of the salary option (*e.g.,* the amount of the cash, 403[b] tax-sheltered annuity, or 457 [b] tax-deferred compensation plan option). This value is reportable for all members covered by the plan, including those who select the insurance benefit option.

Benefit plans without a salary option are not reportable as creditable earnings. For example, a plan that offers a choice between life, health, and disability insurance is not reportable.

Salary options in lieu of expense allowances or reimbursements are not reportable as creditable earnings. For example, a plan that offers a choice between salary or mileage reimbursement is not reportable.

Reporting flexible benefit plans

All flexible benefit plans offering a choice between insurance and options that would qualify as salary (*e.g.*, cash, a 403[b] tax-sheltered annuity, or a 457[b] tax-deferred compensation plan) are reportable as creditable earnings.

Examples:

- An employer offers a salary add-on plan as part of the negotiated agreement. All teachers may receive $500 cash in lieu of health insurance. The cash option is paid each pay period over 24 pays ($20.83). Regardless of the option chosen, $20.83 is reported as Payment Reason of FB (Flexible Benefit Plan) for all teachers, regardless of the option selected.
- A negotiated agreement provides for a flexible benefit plan that allows teachers $1,200 to be applied toward the purchase of health and/or life insurance, or a 403(b) tax-sheltered annuity. The 403[b] tax sheltered annuity is paid once per year in May. In May, $1,200 is reported as Payment Reason FB for all teachers, regardless of the option chosen.

Salary reduction plans

Under a salary reduction plan, the member may choose **either**:

- nontaxable benefits, the cost of which is deducted from the member's salary. As a result, the member's taxable income is reduced by the same amount.
- none of the benefits, effectively receiving cash.

Salary reduction plans are considered to have a cash option for TRS reporting purposes. The creditable earnings reported to TRS must include the amount of gross wages before any benefit deductions.

Example:

Teacher A and Teacher B both have $60,000 salaries paid over 24 pays. Teacher A chooses to have $1,500 ($62.50 per pay) deducted from her salary to pay for family insurance coverage. Teacher B selects none of the possible benefits.

	Teacher A	Teacher B
Base salary (BS)	$2,500.00	$2,500.00
Tax-sheltered insurance	- 62.50	- 0
IRS taxable income	$2,437.50	$2,500.00
TRS creditable earnings	**$2,500.00**	**$2,500.00**

Pick up of employee contributions

Illinois law requires employers to pick up on a before-tax basis the entire 9.0 percent TRS member contribution. As a result, the 9.0 percent contributions are treated as employer contributions under the Internal Revenue Code and are **excluded** from the member's taxable income, regardless of who actually pays the 9.0 percent contribution.

However, these contributions are considered salary and are to be included in the member's full annual rate and earnings when reported to TRS. The employer decides which method (reduction or add-on) to use for the 9.0 percent contributions in the adopted salary schedule. Regardless of the salary schedule adopted by the employer, creditable earnings include TRS contributions. Taxable earnings exclude TRS contributions.

Member-paid 9.0 percent retirement contributions

A member's payment of his or her retirement contributions is referred to as the "salary schedule reduction method." Under this method, creditable earnings are equal to the salary schedule amount. Employers withhold the 9.0 percent member contributions from the member's salary and remit the contribution to TRS. Taxable earnings are the creditable earnings less the retirement contribution.

Example

($60,000 full annual rate per the salary schedule paid over 24 pays)

Base salary (BS)		$2,500.00
9.0 percent contribution	x	0.090
Contribution amount to be remitted		**$225.00**

Taxable earnings

Base salary (BS)		$2,500.00
Less 9.0 percent contribution	-	225.00
Taxable earnings		**$2,275.00**

Employer-paid 9.0 percent retirement contributions

An employer's payment of any portion of the 9.0 percent retirement contribution is referred to as the "salary schedule add-on method." Employers using this method agree to pay all or a portion of the 9.0 percent member contribution in addition to the salary schedule amount. This method results in an employer cash outlay in excess of the member's salary schedule amount.

Employer payment of any portion of the member's retirement contribution results in an increase in reportable earnings equal to the employer payment. To determine creditable earnings, add the portion of the 9.0 percent contribution that is employer paid to the salary schedule amount. Creditable earnings may be calculated by multiplying the member's salary by an add-on factor (see the Table of factors).

When the employer agrees to pay the entire 9.0 percent contribution, creditable earnings are computed by multiplying the salary schedule times 1.098901 or by dividing the gross salary by 0.91. The contribution is then equal to 9.0 percent of creditable earnings. The 9.0 percent member contribution may also be computed by multiplying the salary schedule times 0.098901.

Taxable earnings are equal to creditable earnings less the retirement contribution. If the employer is paying the full 9.0 percent contribution, taxable earnings are equal to the salary schedule amount.

Example: Salary schedule add-on method

$60,000 full annual rate paid over 24 pays

	9.0 Percent Board Paid	4.5 Percent Board Paid
Salary schedule amount paid per pay	$2,500.00	$2,500.00
Add-on factor	x 1.098901	x 1.047120
Base salary (BS)	$2,747.25	$2,617.80
9.0 percent contribution	x 0.090	x 0.090
Contribution amount to be remitted	**$247.25**	**$235.60**
Base salary (BS)	$2,747.25	$2,617.80
Salary schedule amount paid per pay	- 2,500.00	- 2,500.00
Contribution paid by the employer	**$247.25**	**$117.80**
Contribution to be remitted	$247.25	$235.60
Contribution paid by the employer	- $247.25	- 117.80
Contribution paid by the member	**$0**	**$117.80**
Base salary (BS)	$2,747.25	$2,617.80
Less 9.0 percent contribution	- $247.25	- 235.60
Taxable earnings	**$2,500**	**$2,382.20**

OR:

	9.0 Percent Board Paid	4.5 Percent Board Paid
Salary schedule amount paid per pay	$2,500.00	$2,500.00
	÷ 0.91	÷ 0.955
Base salary (BS)	$2,747.25	$2,617.80
9.0 percent contribution	x 0.090	x 0.090
Contribution amount to be remitted	**$247.25**	**$235.60**

Full Annual Rate		
Salary schedule amount	$60,000.00	$60,000.00
Add-on factor	x 1.098901	x 1.047120
Full annual rate	$65,934.06	$62,827.20

Table of factors

Select the appropriate factor from this table when computing creditable earnings and contributions to remit to TRS under the salary schedule add-on method.

Percent Paid By Employer	Salary Schedule	Factor	Creditable Earnings	Contribution Paid By Employer	Contribution Deducted From Member's Salary	Contribution To Be Remitted (9.0 percent)
0.5	$10,000	1.005025	$10,050.25	$50.25	$854.27	$904.52
1	10,000	1.010101	10,101.01	101.01	808.08	909.09
1.5	10,000	1.015228	10,152.28	152.28	761.43	913.71
2	10,000	1.020408	10,204.08	204.08	714.29	918.37
2.5	10,000	1.025641	10,256.41	256.41	666.67	923.08
3	10,000	1.030928	10,309.28	309.28	618.56	927.84
3.5	10,000	1.036269	10,362.69	362.69	569.95	932.64
4	10,000	1.041667	10,416.67	416.67	520.83	937.50
4.5	10,000	1.047120	10,471.20	471.20	471.20	942.40
5	10,000	1.052632	10,526.32	526.32	421.05	947.37
5.5	10,000	1.058201	10,582.01	582.01	370.37	952.38
6	10,000	1.063830	10,638.30	638.30	319.15	957.45
6.5	10,000	1.069519	10,695.19	695.19	267.38	962.57
7	10,000	1.075269	10,752.69	752.69	215.05	967.74
7.5	10,000	1.081081	10,810.81	810.81	162.16	972.97
8	10,000	1.086957	10,869.57	869.57	108.69	978.26
8.5	10,000	1.092896	10,928.96	928.96	54.65	983.61
9	10,000	1.098901	10,989.01	989.01	0.00	989.01

Questions

For questions regarding the computation of creditable earnings or the amount of contributions due on reportable salary, please contact the Employer Services Department at (888) 678-3675, option 1 or by email at **employers@trsil.org**.

80 Illinois Administrative Code, Ch III, Section 1650.450, Subtitle D
Compensation Recognized as Salary

a) "Salary" means any form of creditable compensation received by a member in consideration of services rendered as a teacher, subject to all applicable limits and restrictions imposed on qualified plans under the Internal Revenue Code. "Salary" directly related to specific work performed during a school year is recognized on an accrual basis. Other creditable compensation is recognized on a cash basis. The System reserves the right to determine the year of salary recognition. The following common examples are for illustration only and do not limit the System's right to evaluate and determine other forms of creditable and non-creditable compensation.

b) Examples of creditable compensation recognized as "salary":

1) The gross amount of compensation earned or accruing to the member during the school year in a function requiring certification as a teacher.

2) Additional compensation earned during the school year for the performance of extra duties, not requiring teacher licensure, but which involve the supervision of students or are related to the academic program, provided the member is employed during the school year at a TRS-covered employer in a position requiring licensure. For purposes of this subsection (b)(2), a "TRS-covered employer" is any employer that employs TRS members (i.e., individuals that meet the definition of "teacher" in 40 ILCS 5/16-106).

3) The amount of back salary awarded to a member as a result of a settlement or judgment obtained due to a disputed dismissal, suspension or demotion. Court costs, attorney's fees, other compensatory damages and punitive damages shall not be reportable as salary. The back salary amount reported to the System under this Section shall be equal to the amount the member would have earned had the dispute not occurred, regardless of the actual amount paid.

4) Lump-sum payments (e.g., retirement incentives, bonuses, payments for unused vacation and sick days) becoming due and payable to the member prior to or concurrent with receipt of final paycheck for regular earnings or last paid day of work, whichever occurs last.

5) Contributions made by or on behalf of the member to qualified deferred compensation plans in accordance with sections 401(a) and 457(b) of the Internal Revenue Code, salary reduction plans or tax sheltered annuities under section 403(b) of the Internal Revenue Code, and savings plans under section 529 of the Internal Revenue Code.

6) Amounts that would otherwise qualify as salary under subsections (b)(1) through (b)(5) but are not received directly by the member because they are used to finance benefit options in a flexible benefit plan; provided, however, that to be reportable, a flexible benefit plan cannot include non-qualifying deferred compensation. For the System's purposes, a flexible benefit plan is an option offered by an employer to its employees covered under the System to receive an alternative form of creditable compensation in lieu of employer-provided insurance.

c) Examples of non-creditable compensation not recognized as "salary":

1) At termination, lump-sum payments (e.g., retirement incentives, bonuses, payments for unused vacation and sick days) becoming due and payable to the member subsequent to receipt of final paycheck for regular earnings or last paid day of work, whichever occurs last.

2) Any lump sum payment made after the death of the member.

3) Expense reimbursements, expense allowances, or fringe benefits unless included in a reportable flexible benefit plan.

4) Any monies received by the member under the Workers' Compensation Act [820 ILCS 305] or the Workers' Occupational Diseases Act [820 ILCS 310].

5) Any amount paid in lieu of discontinued or decreased non-reportable benefits, or reported in lieu of

previously non-reported compensation, where the conversion occurs in the member's final seven years of service. If any form of non-creditable or non-reported compensation in any of the member's last seven creditable school years of employment exceeds that of any other subsequent year, the System will presume the difference to have been converted into salary in the subsequent year. To overcome the presumption, the member must submit documentary evidence to the System that clearly and convincingly proves that the change in compensation structure was due to a change in a collectively bargained agreement applicable to all individuals covered by the agreement, a change in employer policies affecting a group of similarly situated members some of whom are not within seven years of retirement eligibility, or a change in family status, and not to increase final average salary.

6) Any amount paid by an employer as the employer's one time contribution (or on behalf of the employee as the employee's one-time contribution) required by the System as part of the statutory early retirement option in Section 16-133.2 of the Act.

7) Options to take salary in lieu of employment-related expense allowances or reimbursements.

8) Employer payment of the member's Teachers Health Insurance Security Fund contribution.

9) Commissions (i.e., payments to a member based upon a percentage formula).

10) Contributions to and distributions from nonqualified deferred compensation arrangements.

11) Employer contributions to and distributions from medical spending accounts.

(Source: Amended at 49 Ill. Reg. 3382, effective March 3, 2025)