Chapter Eight: Excess Costs

Excess sick leave and excess salary increase costs
Public Act 94-0004, which was signed into law on June 1, 2005, established new employer contributions. Employer contributions will be required for retiring members who, in their last four years prior to retirement, receive sick leave days in excess of the normal annual allotment that are used for service credit. The employer is also required to pay TRS contributions equal to the actuarial value of a pension benefit that results from any salary increase over 6 percent that is used in a retiring member’s final average salary calculation.

Employer contribution responsibility
The required employer contributions must be paid by the employer and cannot be bargained or negotiated as a member contribution. These payments cannot be passed on to or be paid by a TRS member.

Employer contribution for excess sick leave
Members may receive up to two additional years of service credit at retirement for unused, uncompensated sick leave. If an employer grants sick leave days in excess of the teachers’ normal annual sick leave allotment during a member’s last four school years prior to retirement and the granted days increase the member’s service credit, the employer may be subject to an employer contribution.

Definition of normal annual sick leave allotment
Any sick leave granted in accordance with an employer’s retirement incentive program cannot be considered as part of the normal annual sick leave allotment. Normal annual allotment is defined as follows:

For teachers: the amount of annual sick leave granted to members employed under the collective bargaining agreement (CBA) or employment policies including personal days that can be used as sick days.

For administrators: the amount of annual sick leave granted to members under the CBA or employment policies including personal days that can be used as sick days. For employer contribution purposes, the normal annual allotment for administrators will be the same amount that is granted to teachers.

Example: If administrators receive 20 days for normal annual sick leave allotment and the CBA grants 15 days to teachers, the administrators’ normal annual allotment will also be 15 days for employer contribution purposes. Therefore, in an administrator’s last four school years prior to retirement, five days per year will be considered granted days in excess of the normal annual allotment and an employer contribution may be due.

Employer contribution is determined when a member retires
When an active member initiates the retirement process, TRS emails a Supplementary Report and a Sick Leave Certification form to the employer for completion. On the Supplementary Report, the employer reports the number of unused, uncompensated sick leave days the member had available for use at termination. This information is used to determine sick leave service credit. On the Sick Leave Certification form, the employer reports the normal annual allotment
and the number of days added to the member’s sick leave record during specified school years. The Sick Leave Certification form is used to determine whether excess sick leave days were granted during the member’s last four years prior to retirement. To be reportable for service credit, granted days must be added to the member’s record far enough in advance of retirement to be available for use in accordance with the 3-step formula. (See Chapter 6, Service Credit.)

Calculating the employer contribution
To calculate the employer contribution for excess sick leave, the member’s highest salary rate reported by the granting employer during the sick leave review period is multiplied by the total normal cost rate in the member’s last year of service. The total normal cost rate is subject to change annually. The total normal cost rates follow:

- 17.6 percent in fiscal years 2005-06 and 2006-07,
- 17.62 percent in 2007-08,
- 18.67 percent in 2008-09,
- 18.55 percent in 2009-10,
- 18.03 percent in 2010-11,
- 17.83 percent in 2011-12,
- 17.63 percent in 2012-13,
- 17.29 percent in 2013-14,
- 17.42 percent in 2014-15,
- 19.19 percent in 2015-16,
- 17.68 percent in 2016-17, and
- 19.10 percent in 2017-18.

The result is then multiplied by the portion of sick leave service credit the member received for sick days granted in excess of the normal annual sick leave allotment.

Example: At the beginning of the 2016-17 school year, a member was granted 85 days of sick leave in excess of the normal annual allotment. The 85 days were granted sufficiently in advance of the member’s retirement to be available for use with the 3-step formula. The granted days were reported to TRS for service credit when the member retired at the end of the 2017-18 school year.

\[
\begin{align*}
\$50,000 \times 0.1910 &= \text{Highest salary rate reported during the sick leave review period} \\
\$9,550 \times 0.5 &= \text{Service credit from granted days (85/170)} \\
\$4,775.00 &= \text{Employer contribution due}
\end{align*}
\]

An Excess Sick Leave Calculator is available under the Employer Services area of the TRS website. Employers may use the calculator to estimate excess sick leave contribution costs.
Other sick leave considerations
Employer contributions for excess sick leave will not be required if:

- the member does not receive service credit for granted days,
- sick leave days were granted prior to the member’s last four years, or
- the member was inactive for four or more school years preceding retirement.

If more than one employer grants sick leave in excess of the normal annual allotment during the member’s last four years prior to retirement, service credit will be recognized in granting date order, beginning with the earliest and ending with the latest. Any granted days that earn service credit may be subject to employer contributions. Granted sick leave in excess of 340 days will not earn service credit and therefore will not be subject to employer contributions.

Employer contribution for salary increases in excess of 6 percent
When a member retires, the employer may be required to pay TRS a contribution for any salary increase over 6 percent that is used in the final average salary calculation. For Tier I members, the average salary is the average of the four highest consecutive annual salary rates within the last 10 years of creditable service. Typically, the member’s last four years are used to calculate final average salary. For Tier II members, the average salary is the average of the eight highest consecutive annual salary rates within the last 10 years of creditable service.

Calculating the employer contribution
To calculate the employer contribution for excess salary increases, TRS first calculates the member’s actual retirement benefit under current law and rules based upon the member’s age at retirement, service credit, and average salary. If any of the salaries used to calculate the member’s final average salary increased by more than 6 percent, TRS also calculates what the annuity would have been if salaries had been capped at 6 percent increases. The difference between the two benefit amounts is then multiplied by an actuarial factor. The result is the required employer contribution.

An Excess Salary Increase Calculator is available under the Employer Services area of the TRS website. Employers may use the calculator to estimate contribution costs for salary increases greater than 6 percent.

Actuarial factors represent the present value of future benefits the member will receive as a result of salary increases greater than 6 percent. Actuarial factors are based upon actuarial assumptions for life expectancy and TRS’s investment return (currently 7.0 percent). The actuarial factor used in each employer cost calculation is determined by the member’s exact age at retirement.

The employer contribution is calculated using year over year salaries paid by the same employer (if used in the final average salary). The reported annual salary rate amount is used in the calculation of the employer contribution for excess salary increases as long as the member worked at least 170 days during that school year, even if the member incurred docks and earned less than the full rate. Please refer to pages 10-13 for examples of the calculation of the employer contribution for salary increases in excess of 6 percent.
When there is more than one employer in the member’s final average salary period, each employer’s contribution is based on salary increases in excess of 6 percent granted by that individual employer. An employer would not be subject to contributions on salary increases provided by another employer or extra-duty earnings paid by another employer.

**When a contribution is not required**

Only salaries that are used in the member’s final average salary calculation are subject to the employer contribution. Salary increases in earlier years will not result in an employer contribution. If the member receives an actuarial benefit rather than a formula benefit, the employer is not subject to contributions for excess salary increases. Any salary increases provided under the terms of an exempt contract or CBA will be exempt from the contribution.

**Contribution exemptions due to Public Act 94-1057**

Public Act 94-1057, which was signed into law on July 31, 2006, provides employer contribution exemptions for salary increases over 6 percent. Some of the exemptions are permanent while others are available for a limited-time period. The exemptions provided in PA 94-1057 apply only in specified circumstances. The permanent exemptions apply to members retiring on or after June 1, 2005. The temporary exemptions apply to members retiring on or after July 31, 2006.

**Permanent exemptions for retirements that occur on or after June 1, 2005**

**Consolidations/annexations**

PA 94-0004 requires employer contributions for a member’s excess salary increases that were received from the same employer. If a member changes employers, PA 94-0004 does not require employer contributions for a salary increase over 6 percent that was earned during the first year with the new employer. PA 94-1057 clarifies that a consolidation or annexation constitutes a change in employer for the purpose of calculating employer contributions for excess salary increases. Salary increases greater than 6 percent that were awarded by the new employer during the year of consolidation or annexation are excluded from the calculation of employer contributions for excess salary increases. This exemption applies only for members whose employer number has changed. When an annexation has occurred, the exemption does not apply to those teachers who continue to be reported under the same employer number.

**Example of consolidation:** Beginning with the 2014-15 school year, District 10, District 20 and District 30 consolidate to form a new school district, District 100. District 100 is exempt from employer contributions for 2014-15 excess salary increases for members who were employed by District 10, District 20 and District 30 during the 2014-15 school year.

**Example of annexation:** Beginning with the 2014-15 school year, District 50 is eliminated through annexation to an existing school district, District 200. Under PA 94-1057, District 200 is exempt from employer contributions for 2014-15 excess salary increases for members who were employed by District 50 during the 2013-14 school year. However, District 200 is not exempt for 2014-15 salary increases for members who were employed by District 200 during the 2013-14 school year.

**Full-time equivalency**

For part-time and substitute teachers, TRS will use full-time equivalent rates to determine if salary increases exceeded 6 percent during the final average salary years. Employers should
continue to follow the current guidelines for reporting each member’s annual salary rate and creditable earnings to TRS. At the time the retirement benefit is calculated, TRS will contact the employer if additional salary information is needed to determine a full-time equivalent rate. An employer contribution for excess salary increases will only be required if the comparison of full-time equivalent rates reflects an increase over 6 percent.

**Example:** Teacher A works part-time (3 days per week) during the 2014-15 school year and earns $36,000. Teacher A works full-time during the 2015-16 school year and earns $62,000. To determine if an employer contribution is required, TRS compares a full-time equivalent salary of $60,000 for the 2014-15 school year to the actual 2015-16 full-time salary of $62,000. In this example, the increase from the full-time equivalent salary of $60,000 to $62,000 is less than 6 percent. Therefore, no employer contribution is required even though Teacher A’s reportable annual salary rate and creditable earnings increased from $36,000 to $62,000.

TRS will make every effort to identify applicable permanent exemptions during the benefit calculation process and apply them automatically. Therefore, in most cases it will not be necessary for the employer to request the exemptions for consolidations/annexations or full-time equivalency. However, if an employer receives notice that employer contributions for excess salary increases are due and believes these exemptions were not properly applied, the employer should send TRS a written request for review. The correspondence should cite any pertinent facts and should include employer contact information.

**Temporary salary exemptions that occur on or after July 31, 2006**

For a limited time, Public Act 94-1057 allows employers to request exemption from employer contributions for excess salary increases on certain types of compensation. These exemptions apply to members retiring on or after July 31, 2006. An employer may be exempt from employer contributions on only the portion of a member’s salary increase that is due to one of the reasons listed below. The following exemptions apply to salary increases earned for the period of June 1, 2005 through June 30, 2011. If a contract or CBA is entered into between June 1, 2005 and June 30, 2011, and expires on or after July 1, 2011, salary increases due to the reasons listed below may be eligible for an extended exemption through the earlier of either the contract/CBA ending date or June 30, 2014.

- **Overload work performed by a full-load (100 percent time) teacher.** Overload work (class overload) is defined as classroom instruction in excess of the standard number of teaching class periods per day required by the employer of full-load teachers. Qualifying overload work will typically be performed by a classroom teacher for a complete semester or school term.

  To be eligible for exemption from employer contributions, the salary increase for overload work must be proportional to the teacher’s base annual salary rate. Only overload earnings that are equal to or less than a prorated portion of the teacher’s base annual salary rate for classroom instruction will be eligible for the exemption.

  **Example:** Full-load teachers at District 300 are required to teach six class periods per day and have one daily preparation period. Due to an increase in students, an additional class is added. Teacher B gives up his preparation period and teaches seven classes per day. He receives an additional 1/6 of his base annual salary rate for teaching the additional class for the entire school term.
If the resulting salary increase is used in Teacher B’s final average salary calculation, PA 94-1057 allows District 300 to request that TRS recalculate the employer contribution for excess salary increases, excluding the portion of Teacher B’s salary increase attributable to the class overload.

The overload exemption does not apply to payments for:

- intermittent periods of substitution/class coverage;
- tutoring;
- homebound teaching;
- hourly work;
- extra-duty assignments such as coaching, sponsorship, or curriculum development;
- increased work hours for full-time administrators;
- increase/excess number of students in the classroom; or
- extending the length of the school day or school term.

- **Summer school teaching performed by a full-load (100 percent time) teacher.** To qualify for this exemption,
  - the member must be a full-load teacher during the regular school term,
  - the salary increase must be earned for summer classroom instruction, and
  - the summer rate of pay cannot exceed the member’s base rate of pay for classroom instruction during the regular school term.

The exemption does not apply to

- summer duties that do not require teacher certification, such as attendance at workshops or curriculum writing;
- tutoring or substitute teaching during the summer school session;
- summer school administration;
- members who work less than 100 percent time during the regular school term; or
- members who only teach summer school.

- **Salary increases resulting from a promotion for which the member is required to hold a certificate or supervisory endorsement that is different than the certificate or supervisory endorsement required for the member’s previous position.** To be eligible for this exemption, the member must be required by the Illinois School Code to hold a different teaching certificate or supervisory endorsement in the new position than was required for the member’s previous position.

The Illinois State Board of Education, not TRS or the employer, determines the teaching certificate or supervisory endorsement required for a particular position. Typically, a promotion from one administrative position to another administrative position will not qualify for exemption because the same certification type is required.
To be eligible for the exemption,

- the promotion must be to a pre-existing position that has been filled by a teacher for at least one school year; and

- the salary must be no greater than the lesser of either
  - the average salary paid for similar positions at the district requiring the same certification, or
  - the amount stipulated in the CBA for a similar position requiring the same certification.

The employer is exempt from the employer contributions due to salary increases as a result of promotion only in the first school year the member holds the new position.

**Example:** Teacher C was a full-time teacher at District 400 through the 2008-09 school year. District 400 has an open principal position due to a recent retirement. Teacher C is promoted to the principal position at the beginning of the 2009-10 school year. The Illinois School Code requires Teacher C to hold a Type 75 administrative certificate in the principal position. Teacher C’s previous teaching position required a Type 03 elementary certificate. As principal, Teacher C will earn a 2009-10 base salary of $65,000 which is comparable to salaries of other principals at District 400. As a teacher, Teacher C earned a 2008-09 base salary of $55,000 and would have earned a 2009-10 base salary of $58,000 had she remained in her teaching position.

Teacher C works three years in the principal position and retires after the 2011-12 school year. The 2009-10 school year is used in Teacher C’s final average salary calculation and District 400 is notified of an employer contribution for the 2009-10 increase and a 2011-12 increase. PA 94-1057 would allow District 400 to request TRS to exclude the $7,000 ($65,000 - $58,000) portion of the 2009-10 salary increase in a recalculation of the employer contribution only for the 2009-10 school year.

- **Payments made to the member from the State of Illinois or the Illinois State Board of Education over which the employer does not have discretion.** Examples of payments over which the employer does not have discretion include the stipend for becoming a National Board Certified teacher (also referred to as Master Teacher Stipend) and payments for workshops presented or attended at the Regional Office of Education (ROE) for which the ROE requires the school district to be the common paymaster. Other payments that qualify for exemption include stipends paid to principals for serving as mentors in the Illinois New Principal Mentoring Program, stipends paid to mentoring teachers for participating in the Illinois Teacher Excellence Program, and stipends paid in accordance with the Illinois Teaching Excellence Program and the Salary Incentive Program for hard-to-staff schools.

Some TRS-covered employers agree to pay additional stipends (over and above the amount provided by ISBE) from district funds to teachers for attaining a Master Certificate. Such discretionary stipends are not eligible under PA 94-1057 for exemption from TRS employer contributions for salary increases in excess of 6 percent.

- **Salary increases over 6 percent paid to members who are 10 or more years from retirement eligibility.** This exemption will be automatically applied when TRS processes the member’s claim.
**Billing process**

During the processing of a member’s retirement benefit, TRS will provide employers a separate notification for each member with an employer contribution due for salary increases in excess of 6 percent or excess sick leave days. After the initial employer contribution notification, the amounts due will be reflected on the monthly Employer Bill (available to employers around the 25th of each month on the Employer Access area of the TRS website). The initial notification may include a Salary Exemption Affidavit form for PA 94-1057.

The employer should review the nature of the member’s salary increases to determine eligibility for an exemption under PA 94-1057. To claim an exemption under PA 94-1057, the employer must

- complete and sign the Salary Exemption Affidavit, and
- **return it to TRS no later than 30 days after receipt of the monthly Employer Bill.**

TRS assumes the Employer Bill is received by the employer on the first of the month following the date it was billed.

Salary Exemption Affidavits must be returned on time. If the Salary Exemption Affidavit is not received within 30 days of receipt of the Employer Bill, the employer contributions for salary increases in excess of 6 percent cannot be recalculated. Contributions owed may be paid as a lump sum within 90 days of receipt of the Employer Bill. Contributions not paid within 90 days will accrue interest at 8.5 percent until June 30, 2013, 8.0 percent effective July 1, 2013, 7.5 percent effective July 1, 2015 and 7 percent effective July 1, 2017 until paid. The bill must be paid within three years of receipt.

Please note that the salary increase for which an exemption is claimed by the employer on the Salary Exemption Affidavit must be new to the member or have increased by at least 6 percent in the year(s) the employer is seeking exemption. Only then will the recalculated employer contribution be lower than the amount provided in the original employer notification. When excess salary increases are due partially to circumstances that qualify for exemption and partially to circumstances that do not qualify for exemption, the employer may be eligible for a partial waiver of the employer contribution.

Public Act 94-1057 requires the employer contributions for sick leave days granted in excess of the normal annual allotment be paid within 30 days of receipt of the Employer Bill.

**Example 1: Calculation of Employer Contribution for Salary Increases in Excess of 6 Percent for a Partial-Year Teacher**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Days in the Employment Agreement</th>
<th>Number of Days Paid</th>
<th>Annual Salary Rate</th>
<th>Creditable Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>180</td>
<td>180</td>
<td>$50,000.00</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>2013-14</td>
<td>180</td>
<td>180</td>
<td>$53,000.00</td>
<td>$53,000.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>180</td>
<td>180</td>
<td>$54,000.00</td>
<td>$54,000.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>180</td>
<td>180</td>
<td>$57,000.00</td>
<td>$57,000.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>180</td>
<td>60</td>
<td>$63,000.00</td>
<td>$21,000.00</td>
</tr>
</tbody>
</table>
**Step 1:** Calculate the member’s retirement benefit under current law and rules based upon the member’s exact age at retirement, service credit, and salaries.

When any of the years used in the final average salary calculation is a partial year, actual earnings and earnings credit are used in the final average salary calculation. Earnings credit is calculated by dividing the number of days paid by the number of days in the employment agreement.

<table>
<thead>
<tr>
<th>Service Credit</th>
<th>Earnings Credit</th>
<th>Annual Salary Rate</th>
<th>Creditable Earnings</th>
<th>Salary Used in Calculation of Final Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>1.000</td>
<td>$50,000.00</td>
<td>$50,000.00</td>
<td>$33,350.00*</td>
</tr>
<tr>
<td>2013-14</td>
<td>1.000</td>
<td>$53,000.00</td>
<td>$53,000.00</td>
<td>$53,000.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>1.000</td>
<td>$54,000.00</td>
<td>$54,000.00</td>
<td>$54,000.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>1.000</td>
<td>$57,000.00</td>
<td>$57,000.00</td>
<td>$57,000.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>0.353</td>
<td>0.333</td>
<td>$63,000.00</td>
<td>+ $21,000.00</td>
</tr>
</tbody>
</table>

\[
\text{Final average salary} = \frac{\text{Salary used in calculation of final average salary}}{4} \\
\]

\[
\frac{\$18,350.00}{4} = \frac{\$54,587.50}{4}
\]

Multiply the average salary times the years of service factor. Assume a 75 percent service factor for this example.

**Salary Used in the Calculation of the Annuity Under Current Law and Rules**

<table>
<thead>
<tr>
<th>Final average salary</th>
<th>$54,587.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service credit factor</td>
<td>x 0.75</td>
</tr>
<tr>
<td>Annual benefit</td>
<td>$40,940.63</td>
</tr>
</tbody>
</table>

**Step 2:** Calculate the member’s retirement benefit based upon the member’s exact age at retirement and service credit, but with the member’s salaries, with the same employer, subject to the 6 percent earnings increase limitation.

<table>
<thead>
<tr>
<th>Service Credit</th>
<th>Earnings Credit</th>
<th>Annual Salary Rate</th>
<th>Creditable Earnings</th>
<th>Salary Subject to 6% earnings increase limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>1.000</td>
<td>$50,000.00</td>
<td>$50,000.00</td>
<td>$33,350.00*</td>
</tr>
<tr>
<td>2013-14</td>
<td>1.000</td>
<td>$53,000.00</td>
<td>$53,000.00</td>
<td>$53,000.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>1.000</td>
<td>$54,000.00</td>
<td>$54,000.00</td>
<td>$54,000.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>1.000</td>
<td>$57,000.00</td>
<td>$57,000.00</td>
<td>$57,000.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>0.353</td>
<td>0.333</td>
<td>$63,000.00</td>
<td>+ $20,119.86**</td>
</tr>
</tbody>
</table>

\[
\text{Final average salary} = \frac{\$217,469.86}{4} \\
\]

\[
\frac{\$217,469.86}{4} = \frac{\$54,367.47}{4}
\]

**Salary subject to 6 percent: $57,000.00 \times 1.06 = $60,420.00 \times 0.333 = $20,119.86**
Multiply the average salary times the years of service factor. Assume a 75 percent service factor for this example.

<table>
<thead>
<tr>
<th>Annual Benefit Amount if Salary Increases Had Not Exceeded 6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final average salary</td>
</tr>
<tr>
<td>Service credit factor</td>
</tr>
<tr>
<td>Annual benefit</td>
</tr>
</tbody>
</table>

\[
\text{Final average salary} = 54,367.47 \\
\times 0.75 = 40,775.60 \\
\]

**Step 3:** Calculate the employer contribution by multiplying the difference between the member’s retirement benefit and the retirement benefit subject to the 6 percent earnings increase limitation by an actuarial factor based upon the member’s age at retirement.

For this example assume an actuarial factor of 13.459.

<table>
<thead>
<tr>
<th>Benefit difference</th>
<th>$165.03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial factor</td>
<td>13.459</td>
</tr>
<tr>
<td><strong>Employer contribution</strong></td>
<td>$2,221.14</td>
</tr>
</tbody>
</table>

* $40,940.63 actual benefit less $40,775.60 benefit subject to the 6 percent earnings increase limitation

**Example 2: Calculation of Employer Contribution for Salary Increases in Excess of 6 Percent for a Teacher Who Worked 170 or More Days**

<table>
<thead>
<tr>
<th>Number of Days in the Employment Agreement</th>
<th>Number of Days Paid</th>
<th>Annual Salary Rate</th>
<th>Creditable Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>180</td>
<td>$50,000.00</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>2013-14</td>
<td>180</td>
<td>$53,000.00</td>
<td>$53,000.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>170</td>
<td>$54,000.00</td>
<td>$51,000.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>180</td>
<td>$57,000.00</td>
<td>$57,000.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>172</td>
<td>$63,000.00</td>
<td>$60,200.00</td>
</tr>
</tbody>
</table>

**Step 1:** Calculate the member’s retirement benefit under current law and rules based upon the member’s exact age at retirement, service credit, and salaries. If a member receives 1.000 service credit for a year, annual salary rate is used in the average salary calculation, not creditable earnings.
## Final Average Salary

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$53,000.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>$54,000.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>$57,000.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>$63,000.00</td>
</tr>
</tbody>
</table>

= $227,000.00

$227,000.00 ÷ 4 = $56,750.00

### Service Credit Factor

*Assume a 75 percent service factor for this example.*

### Annual Benefit

$42,562.50

---

**Step 2:** Calculate the member's retirement benefit based upon the member's exact age at retirement and service credit, but with the member's salaries, with the same employer, subject to the 6 percent earnings increase limitation.

### Annual Benefit Amount if Salary Increases Had Not Exceeded 6% |

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$53,000.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>$54,000.00</td>
</tr>
<tr>
<td>2015-16</td>
<td>$57,000.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>$60,420.00</td>
</tr>
</tbody>
</table>

= $224,420.00

$224,420.00 ÷ 4 = $56,105.00

### Service credit factor

$x \times 0.75$

### Annual benefit

$42,078.75

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**Step 3:** Calculate the employer contribution by multiplying the difference between the member's retirement benefit and the retirement benefit subject to the 6 percent earnings increase limitation by an actuarial factor based upon the member's age at retirement.

For this example assume an actuarial factor of 13.459.

<table>
<thead>
<tr>
<th>Benefit difference</th>
<th>*$483.75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial factor</td>
<td>$\times$ 13.459</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>$6,510.79</td>
</tr>
</tbody>
</table>

* $42,562.50 actual benefit less $42,078.75 benefit subject to the 6 percent earnings increase limitation.