

# Chapter Eight: Excess Costs

## 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.

## Types of employer excess costs

### Employer contributions due for sick leave days granted in addition to the normal annual allotment

Public Act 94-0004, signed into law on June 1, 2005, requires employer contributions for retiring members who in their final four years prior to retirement, receive sick leave days in excess of the normal annual allotment that are used for service credit.

Refer to the following pages:

- Cost explanation – pg. 2
- Examples – pgs. 2-3
- Completing the Sick Leave Questionnaire – pg. 5
- Sick Leave Questionnaire Exhibit – pg. 19
- Billing – pg. 17

### Employer contributions due for salary increases

Public Act 94-0004, signed into law on June 1, 2005, requires employer contributions for salary increases in excess of 6 percent. When a member retires, the employer is 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.

Refer to the following pages:

- Cost explanation – pg. 7
- Permanent and temporary exemptions – pgs. 8-9
- Examples – pgs. 12-15
- Billing – pg. 17

Public Act 100-0587 lowers the 6 percent threshold to 3 percent after July 1, 2018. The threshold will remain at 6 percent for salary increases awarded under contracts or collective bargaining agreements (CBAs) entered into, amended or renewed prior to June 4, 2018.

Refer to the following pages:

- Cost explanation – pg. 15
- Billing – pg. 18



## **Employer contributions for salary in excess of the governor’s statutory salary**

Effective July 1, 2017, Public Act 100-0023 requires employers to pay a contribution on any portion of a member’s salary, determined on a full-time equivalent basis, that is greater than the governor’s statutory salary.

Refer to the following pages:

Cost explanation– pg. 15

Examples – pgs. 16-17

Billing – pg. 18

## **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. Separate definitions for teachers and administrators follow.

#### **Definition 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.

Some districts offer a tiered or graduated system of sick leave allotments based on the teacher’s years of experience and/or accumulated sick leave balances or based on the length of employment. TRS recognizes whatever tier the teacher qualifies for under the terms of the CBA as that person’s normal annual allotment. As long as the tiers are not based on the member’s age, retirement eligibility or retirement notification, tiered normal annual allotments are not viewed as “granting.”

#### **Tiered sick leave days examples**

##### **Example 1**

Teachers with:

- 0 – 10 years of experience receive 10 sick leave days,
- 11 – 20 years of experience receive 15 sick leave days,
- 21 – 30 years of experience receive 20 sick leave days, and
- over 30 years of experience receive 25 sick leave days.



### Example 2

All teachers who have not accumulated 75 days of sick leave will receive 15 days per year. After 75 days have been accumulated, they will receive 12 days per year.

### Example 3

Teachers who work:

- nine months per year receive 12 sick leave days,
- 10 months per year receive 14 sick leave days,
- 11 months per year receive 16 sick leave days, and
- 12 months per year receive 18 sick leave days.

### Example 4

Teachers are provided with a normal annual allotment of 15 sick leave days. Teachers who have been employed at the district for five to nine years receive an additional sick leave day, teachers who have been employed at the district 10 to 14 years receive two additional sick leave days and teachers who have been employed at the district for 15 or more years receive three additional sick leave days.

## Definition 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,
- 19.10 percent in 2017-18, and
- 18.85 percent in 2018-19.

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 2017-18 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 2018-19 school year.

\$50,000	Highest salary rate reported during the sick leave review period
x 0.1885	Total normal cost rate in member's last year of service, 2018-19
\$9,425	
x 0.5	Service credit from granted days (85/170)
<u>\$4,712.50</u>	Employer contribution due

An Excess Sick Leave Calculator is available under the Employer Access 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.

## Sick Leave Questionnaire

Each year in February, TRS requests that districts complete the Sick Leave Questionnaire (example at the end of the chapter). To administer Public Act 94-0004 and review Sick Leave Certifications that are submitted when members retire, TRS must receive information from employers regarding the normal annual allotments of sick leave and whether sick leave days have been granted in addition to the normal annual allotment.

The following information must be provided on the Sick Leave Questionnaire:

1. "During 20XX-20XX, how many sick leave days and personal leave days (if available to be used as sick leave) are provided as the teachers' normal annual allotment(s) in the current collective bargaining agreement (CBA)? If the teachers' CBA provides a range of normal annual allotments, provide a breakdown of the tiers."

A member may earn service credit for unused, uncompensated personal leave days if the days were available for use in the event of illness.

### Example 1

District 1 provides all teachers with a normal annual allotment of 10 sick leave and four personal leave days per year. The employer permits personal leave days to be used for illness.

List 10 for the number of sick leave days and four for the number of personal leave days.

### Example 2

At District 2 non-tenured teachers receive 12 sick leave days and two personal leave days that are available for use as sick leave. Tenured teachers receive 20 sick leave days and three personal leave days that are available for use as sick leave.

List the tiers that the teachers are offered.

Refer to page 2 for additional examples of tiered sick leave.

### Example 3

District 3 provides all teachers with a normal annual allotment of 12 sick leave and two personal leave days per year. The employer permits personal leave days to be used for illness. Sick leave can accumulate to 360 days and personal leave can convert to sick leave at year end or accumulate to four days before converting to sick leave.

List 12 for the number of sick leave days and two for the number of personal leave days.

2. "During 20XX-20XX, did any administrator receive a higher normal annual allotment of sick leave days or personal leave days (if available for use as sick leave) than teachers covered under the CBA?"

For employer contribution purposes, the normal annual allotment for administrators will be the same amount as for teachers. Therefore, if administrators get a higher annual allotment



of sick leave days than teachers, the additional days given to administrators will be regarded as granted days. For an administrator's final four years before retirement, those extra days will be subject to the employer cost for granted sick leave days.

#### **Example 4**

District 4 provides all teachers with a normal annual allotment of 13 sick leave and three personal leave days per year. The employer permits personal leave days to be used for illness. Administrators receive 18 sick leave and three personal leave days per year.

Check "yes" that administrators receive a higher normal annual allotment than teachers.

#### **Example 5**

District 5's CBA provides the following allotments for teachers.

Teachers who work:

- nine months per year get 12 sick leave days,
- 10 months per year get 14 sick leave days,
- 11 months per year get 16 sick leave days, and
- 12 months per year get 18 sick leave days.

Administrators working 10, 11 or 12 months receive the same normal annual allotment of sick leave days as 10, 11 or 12 month teachers under the CBA. Check "no" that administrators do not receive a higher normal annual allotment than teachers.

3. "During 20XX-20XX, has the employer granted or does the employer plan to grant sick leave days in addition to the teachers' normal annual allotment(s) to any members?"

Mark "yes" if any member was granted sick leave or personal leave days that are available for use as sick leave in addition to the normal annual allotment(s). Provide a list of the members who were granted sick leave and/or personal leave days.

To be reportable, granted days must meet the 3-step formula available for use requirements detailed in Chapter 6.

#### **Example 6**

District 6's CBA provides all teachers with 15 sick leave days and three personal leave days. If a teacher uses three or fewer days he/she receives three additional sick leave days the next year.

Check "yes" that the district grants sick leave or personal leave days in addition to the normal annual allotment and provide a list of the members that were granted additional days.

#### **Example 7**

District 7's CBA provides that teachers who provide their notice of intent to retire two or more years prior to retirement will be granted enough sick leave days to bring their sick leave accumulation balances to 340.

Check "yes" that the district grants sick leave or personal leave days in addition to the normal annual allotment and provide a list of the members who were granted additional days.



### **Example 8**

District 8 provides all teachers with a normal annual allotment of 10 sick leave and two personal leave days per year. The employer permits personal leave days to be used for illness. Administrators receive 15 sick leave and three personal leave days per year.

No teachers were granted sick leave or personal leave days in addition to the normal annual allotment. Administrators received higher normal annual allotments of sick and personal leave days than teachers but they were not granted any sick or personal leave days in addition to their normal annual allotments.

Check “yes” that administrators receive a higher normal annual allotment than teachers.

Check “no” that the district did not grant sick or personal leave days in addition to the normal annual allotment.

See Chapter 6 for additional information on granted days.

## **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.

Public Act 100-0587 lowers the 6 percent threshold to 3 percent after July 1, 2018. The threshold will remain at 6 percent for salary increases given under contracts or CBAs entered into, amended or renewed prior to June 4, 2018.

### **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 11-14 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.

Employer contributions will not be due in any years in which the member's creditable earnings are less than 50 percent of the preceding year's mean salary for downstate teachers as determined by the survey of school district salaries provided in Section 2-3.103 of the School Code.

### **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**

The following exemptions are still in effect regardless of Public Act 100-0587.

#### **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 2018-19 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 2018-19 excess salary increases for members who were employed by District 10, District 20 and District 30 during the 2017-18 school year.





**Example of annexation:** Beginning with the 2018-19 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 2018-19 excess salary increases for members who were employed by District 50 during the 2017-18 school year. However, District 200 is not exempt for 2018-19 salary increases for members who were employed by District 200 during the 2017-18 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 (three days per week) during the 2017-18 school year and earns \$36,000. Teacher A works full-time during the 2018-19 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 2017-18 school year to the actual 2018-19 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.

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

	Number of Days in the Employment Agreement	Number of Days Paid	Annual Salary Rate	Creditable Earnings
2014-15	180	180	\$50,000.00	\$50,000.00
2015-16	180	180	\$53,000.00	\$53,000.00
2016-17	180	180	\$54,000.00	\$54,000.00
2017-18	180	180	\$57,000.00	\$57,000.00
2018-19	180	60	\$63,000.00	\$21,000.00

**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.

	Service Credit	Earnings Credit	Annual Salary Rate	Creditable Earnings	Salary Used in Calculation of Final Average Salary
2014-15	1.000	1.000	\$50,000.00	\$50,000.00	\$33,350.00*
2015-16	1.000	1.000	\$53,000.00	\$53,000.00	\$53,000.00
2016-17	1.000	1.000	\$54,000.00	\$54,000.00	\$54,000.00
2017-18	1.000	1.000	\$57,000.00	\$57,000.00	\$57,000.00
2018-19	0.353	0.333	\$63,000.00	\$21,000.00	+ \$21,000.00
					= \$218,350.00
					÷ 4
<b>Final average salary</b>					<b>\$54,587.50</b>

\* 1 - 0.333 = 0.667, \$50,000 x 0.667 = \$33,350.00



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**

Final average salary	\$54,587.50
Service credit factor	x 0.75
<b>Annual benefit</b>	<b><u>\$40,940.63</u></b>

**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.

	Service Credit	Earnings Credit	Annual Salary Rate	Creditable Earnings	Salary Subject to 6% earnings increase limitation
2014-15	1.000	1.000	\$50,000.00	\$50,000.00	\$33,350.00*
2015-16	1.000	1.000	\$53,000.00	\$53,000.00	\$53,000.00
2016-17	1.000	1.000	\$54,000.00	\$54,000.00	\$54,000.00
2017-18	1.000	1.000	\$57,000.00	\$57,000.00	\$57,000.00
2018-19	0.353	0.333	\$63,000.00	\$21,000.00	+ \$20,119.86**
					= \$ 217,469.86
					÷ 4
<b>Final average salary</b>					<b><u>\$54,367.47</u></b>

\*\* 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.

**Annual Benefit Amount  
if Salary Increases Had  
Not Exceeded 6%**

Final average salary	\$54,367.47
Service credit factor	x 0.75
<b>Annual benefit</b>	<b><u>\$40,775.60</u></b>

**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.

Benefit difference	*\$165.03
Actuarial factor	x 13.459
<b>Employer contribution</b>	<b><u>\$2,221.14</u></b>

\*  $\$40,940.63$  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

	Number of Days in the Employment Agreement	Number of Days Paid	Annual Salary Rate	Creditable Earnings
2014-15	180	180	\$50,000.00	\$50,000.00
2015-16	180	180	\$53,000.00	\$53,000.00
2016-17	180	170	\$54,000.00	\$51,000.00
2017-18	180	180	\$57,000.00	\$57,000.00
2018-19	180	172	\$63,000.00	\$60,200.00

**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	
2015-16	\$53,000.00
2016-17	\$54,000.00
2017-18	\$57,000.00
2018-19	+ \$63,000.00

= \$227,000.00

÷ 4

Final average salary \$56,750.00

Service credit factor x 0.75 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%	
2015-16	\$53,000.00
2016-17	\$54,000.00
2017-18	\$57,000.00
2018-19	+ \$60,420.00

= \$224,420.00

÷ 4

Final average salary \$56,105.00

Service credit factor x 0.75

**Annual benefit** \$42,078.75

Salary subject to the 6 percent earnings increase limitation: \$57,000 x 1.06



**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.

Benefit difference	*\$483.75
Actuarial factor	x 13.459
<b>Employer contribution</b>	<u><u>\$6,510.79</u></u>

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

## Employer contribution for salary increases in excess of 3 percent

Public Act 100-0587 lowers the 6 percent threshold to 3 percent after July 1, 2018. The threshold will remain at 6 percent for salary increases awarded under contracts or CBAs entered into, amended or renewed prior to June 4, 2018.

The 3 percent threshold applies to raises and salaries paid to TRS members “under a contract or collective bargaining agreement entered into, amended or renewed on or after” June 4, 2018 for a school year that begins after July 1, 2018.

Employer contributions for salary increases in excess of 3 percent will not be required if:

- the contract or CBA was entered into, amended or renewed prior to June 4, 2018 (subject to 6 percent threshold for the length of the contract or CBA),
- the salaries are not used in the final average salary calculation,
- the member receives an actuarial benefit,
- the member changes employer (only year over year increases at the same employer are used in the calculation) or
- the salary increases greater than 3 percent resulted from a consolidation or annexation.

The website has been updated with the most current information regarding this part of the legislation, <https://www.trsil.org/Pension-Code-Action-By-GA>. We will send Employer Bulletins and will update this chapter as more detailed information becomes available.

## Employer contribution for salary in excess of governor's statutory salary

An employer contribution is due on any portion of a member's salary, determined on a full-time equivalent basis that is greater than the governor's statutory salary. The governor's statutory salary for 2017-18 is \$177,412.00. The governor's statutory salary is subject to change annually.

### Calculating the employer contribution

To calculate the employer contribution for salary in excess of the governor's statutory salary, the difference between the member's salary and the governor's statutory salary is multiplied by the employer normal cost. If a member is docked or works a partial year, the governor's salary will be prorated based on the district's method of proration of the member's salary. For members working less than a 100 percent schedule, the member's 100 percent full-time equivalent salary



will be used to determine if an employer cost is due. The normal cost for 2017-18 is 10.10 percent. The normal cost is subject to change annually.

**Example 3: Calculation of employer contribution for salary in excess of governor’s statutory salary for a member who worked all year and was not docked**

An administrator worked every day of a 260-day contract and his annual salary rate and creditable earnings are reported as \$257,000.00.

257,000.00	Creditable earnings
<u>-177,412.00</u>	Governor’s statutory salary
\$79,588.00	Difference
x 10.10%	Employer normal cost
<u>\$8,038.39</u>	Employer contribution due

**Example 4: Calculation of employer contribution for salary in excess of governor’s statutory salary for a member who works a partial year**

An administrator resigns at the end of February after working 172 days. His annual salary rate is reported as \$275,000 and his earnings as \$183,333.33 (\$275,000 / 12 x 8).

The prorated governor’s statutory salary is \$118,274.67 (\$177,412.00 / 12 x 8).

\$183,333.33	Creditable earnings
<u>-118,274.67</u>	Governor’s statutory salary
\$65,058.66	Difference
x 10.10%	Employer normal cost
<u>\$6,570.92</u>	Employer contribution due

**Example 5: Calculation of employer contribution for salary in excess of governor’s statutory salary for a member who works a partial year and has extra duty earnings.**

A teacher with a 180 day contract is docked two days during the school year. The annual salary is \$190,000 (\$182,000 base plus \$8,000 extra duties) and creditable earnings are \$187,977.78 [(\$182,000.00 / 180 x 178) + \$8,000.00]

The prorated governor’s statutory salary is \$175,440.76 (\$177,412.00 / 180 x 178).

\$187,977.78	Creditable earnings
<u>-175,440.76</u>	Governor’s statutory salary
\$12,537.24	Difference
x 10.10%	Employer normal cost
<u>\$1,266.26</u>	Employer contribution due

**Example 6: Calculation of employer contribution for salary in excess of governor’s statutory salary for a member who works less than a 100 percent schedule.**

A teacher is contracted to work an 80 percent schedule and completes the year with no dock days. His earnings for the year are \$145,000.00 (\$140,000.00 base salary plus \$5,000 coaching stipend). The teacher’s 100 percent salary would be \$180,000 (\$175,000 + \$5,000).





\$180,000.00	100% salary
-177,412.00	Governor's statutory salary
\$2,588.00	Difference
x 10.10%	Employer normal cost
<u>\$261.39</u>	Employer contribution due

## Billing process

### Employer contribution due for sick leave days granted in excess of the normal annual allotment

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 sick leave days granted in excess of the normal annual allotment. 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 in the Employer Access area of the TRS website).

Employer contributions due for sick leave days granted in excess of the normal annual allotment must be paid within 30 days after receipt of the Employer Bill. TRS assumes the Employer Bill is received by the employer on the first of the month following the date it was billed.

### Employer contributions due on salary increases in excess of 6 percent

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. 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 in the Employer Access area of the TRS website). The initial notification may include a Salary Exemption Affidavit form for Public Act 94-1057.

The employer should review the nature of the member's salary increases to determine eligibility for an exemption under Public Act 94-1057. To claim an exemption under Public Act 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 after 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 after 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.

### **Employer contribution due for salary increases in excess of 3 percent**

Contributions owed are due as a lump sum within 90 days after receipt of the bill. Contributions not paid within 90 days will accrue interest at 7 percent until paid. The bill must be paid within three years of receipt.

Employer Services will send Employer Bulletins and will update this chapter as more detailed information becomes available.

### **Employer contribution due on salaries in excess of the governor's statutory salary**

After a district's Employer's Annual Report of Earnings has been set to complete, TRS will provide the employer a separate notification for each member with an employer contribution due for salary in excess of the governor's statutory salary. 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 in the Employer Access area of the TRS website).

Contributions owed are due as a lump sum within 90 days after receipt of the bill. Contributions not paid within 90 days will accrue interest at 7 percent until paid. The bill must be paid within three years of receipt.

To dispute a billed amount, an employer must apply in writing within 30 days after receipt of the bill to receive a recalculation. TRS assumes the Employer Bill is received by the employer on the first of the month following the date it was billed. TRS will review the application request.



**TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**



2815 W Washington St | PO Box 19253  
Springfield, IL 62794-9253  
888-678-3675 | FAX: 217-753-0969  
employers@trsil.org  
http://www.trsil.org

**20XX-20XX Sick  
Leave Questionnaire**

Employer's name and address:	TRS code:
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**Complete and return to Teachers' Retirement System**

1. During 20XX-20XX, how many sick leave days and personal leave days (if available to be used as sick leave) are provided as the teachers' normal annual allotment(s) in the current collective bargaining agreement (CBA)? If the teachers' CBA provides a range of normal annual allotments, provide a breakdown of the tiers in the space provided below.

\_\_\_\_\_ Sick leave days

\_\_\_\_\_ Personal leave days available for use as sick leave

Tiers (if applicable)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. During 20XX-20XX, did any administrator receive a higher normal annual allotment of sick leave days or personal leave days (if available for use as sick leave) than teachers covered under the CBA?

\_\_\_\_\_ Yes \_\_\_\_\_ No

3. During 20XX-20XX, has the employer granted or does the employer plan to grant sick leave or personal leave days in excess of the teachers' normal annual allotment(s) to any members? For additional information on granted days please refer to Chapter 6 of the *TRS Employer Guide*. If the district has granted additional sick or personal leave days to anyone, please attach a list of the members' names.

\_\_\_\_\_ Yes \_\_\_\_\_ No

**Certification:**

I certify that the information on this form is based on official records and is true to the best of my knowledge. By signing, I certify that this information is correct. I am aware that pursuant to the Illinois Pension Code, 40 ILCS 5/1-135, any person who knowingly makes any false statement or falsifies or permits to be falsified any record in an attempt to defraud the Teachers' Retirement System is guilty of a Class 3 felony. Please be advised that if the TRS Board has a reasonable suspicion that a false record has been filed with the System, it is required to report the matter to the appropriate state's attorney for investigation.

Authorized signature of school official

Name (print or type)

Date

20003022 7/2010

