Retirement Security for Illinois Educators

13-02

EMPLOYER BULLETIN

2012 *Employer Guide* Revisions

August 2012

Overview

Included with this email is a hyperlink to the 2012 *Employer Guide*. To ensure you are referencing the latest version of the *Employer Guide*, refer to the online guide which is fully searchable using key words. Answers can be found quickly online.

If you wish, you may print the *Employer Guide* to insert in your *Employer Guide* binder. Please recycle the outdated guide to avoid consulting an outdated version.

Major Changes

The updated guide includes the following changes and clarifications of reporting requirements:

Contribution Rate Changes

Please refer to Chapter 4 of the Employer Guide.

Effective July 1, 2012 the following rate changes will take effect:

- employer TRS contributions on salaries paid from federal funds will increase from 24.91 percent to 28.05 percent;
- member THIS Fund contributions will increase from .88 percent to .92 percent; and
- employer THIS Fund contributions will increase from .66 percent to .69 percent.

Role of the Employer

Please refer to Chapter 1 of the *Employer Guide.*

If the TRS Board of Trustees has a reasonable suspicion that a false record had been filed with the System, it is required to report the matter to the appropriate State's attorney for investigation.

TRS Membership

Please refer to Chapter 2 of the *Employer Guide*.

- To become a member of TRS, any officer or employee of a statewide or national teacher organization had to be employed by the organization and file an irrevocable election prior to **January 5, 2012**.
- Audiologist was added to the list of positions not covered by TRS.

Tier II Earnings Limitation

Please refer to Chapter 3 of the *Employer Guide.*

The Tier II earnings and contribution limitations are applicable to members establishing membership with TRS or a reciprocal system after December 31, 2010. The limitation will change each year. The earnings limitation for the 2011-12 school year is $108,882.60.

If a Tier II member works a partial year, reportable earnings are prorated based upon the annual salary limitation. For example a Tier II member works 6 out of 12 months at a rate of $200,000. He earns $100,000 ($200,000 / 12 x 6). His annual salary rate would be reported as $108,882.60 and his creditable earnings as $54,441.30 ($108,882.60 / 12 x 6). Please note that the reportable earnings would be prorated based on the district's method of proration (*e.g. daily, monthly, pay period, etc.*).

Termination of Service/ Post-Retirement Limitations

Please refer to Chapter 10 of the *Employer Guide.*

- An annuitant who relinquishes his or her teaching certificate and continues in the same position must adhere to the termination of service requirements and to the post-retirement limitations.
- An annuitant whose preretirement job no longer requires teacher certification due to a change in job title or a minor change in job duties is subject to the termination of service requirements and to the post-retirement limitations.
- When counting time worked in post-retirement employment, it is not permissible for an annuitant

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to combine partial days into full day equivalents to use the 100-days limitation when the 500-hours limitation applies. For example, an annuitant who works half days (3.5 hours) per day cannot work 180 days and count 90 days against the post-retirement limitations. Time worked must be counted toward the 500-hours limitations.

Early Retirement Option (ERO)

Please refer to Chapter 11 of the *Employer Guide.*

The ERO is not an automatic election if the member is under age 60. The member must elect to use ERO. If the member does not elect ERO, no member or employer ERO cost is contributed.

Other Changes

- The Employer Bill is no longer mailed to employers. Around the 26th of each month, TRS sends an email notification that the monthly Employer Bill has been issued online (Chapter 4).
- Qualified plan salary limitations were updated. The limit for Tier I members who first established TRS membership after June 30, 1996 increases to $250,000 in 2012-13 (Chapter 3).
- Examples and forms were updated (Chapters 3, 4, 5, 6, 7, 8, 10, and 11).

Important Notes

Sick Leave Reporting

A TRS member may receive a maximum of two years service credit for sick leave days that are unused, uncompensated and available for use. Sick leave reporting is not optional. The employer must follow the sick leave rules established by the statutes set forth in the Illinois Pension Code and Illinois Administrative Code. Please refer to Chapter 6 of the *Employer Guide* for more information.

Sick leave days are considered compensated if they are used in the calculation of a payment that qualifies as TRS creditable earnings. If no payment is issued, or if the payment related to unused sick leave does not qualify as creditable earnings under the lump-sum rules, then the days are considered uncompensated. Compensated days must be excluded from the number of sick days reported to TRS for service credit. Uncompensated days must be included in the number reported to TRS for service credit. These guidelines apply to all available sick leave days, even if the member has accumulated more than 340 days.

ERO

Current state law requires the ERO program to be cost-neutral and mandates a review process every five years. The first review is in progress. The TRS actuaries are evaluating whether the current ERO contribution rates adequately cover the costs of the program. The actuaries will present results to the TRS Board of Trustees in August 2012, and the Board will forward the study to the Commission on Government Forecasting and Accountability.

By February 1, 2013, the Commission on Government Forecasting and Accountability must recommend to the General Assembly any rate changes needed to keep the ERO program cost-neutral. If the General Assembly adopts the rate changes, the program will continue. If the General Assembly does not adopt the recommended rate changes, then the last available ERO claim date will be June 30, 2013. TRS is unable to provide ERO cost estimates if the member's effective date of retirement is after June 30, 2013 since we do not know what the contribution rates will be or whether the program will still be in existence.

End-of-Career Salary Increases

TRS recently reviewed several collective bargaining agreements (CBAs) that limit teachers' salary increases to 6 percent in the final year(s) of employment but allow amounts earned in excess of 6 percent to be paid in a later year or paid after retirement. TRS requires earnings associated with the performance of duties during a specific school year to 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.

If a retiring teacher's earnings exceed the prior year earnings by more than 6 percent because he/she performed additional duties, the district cannot avoid incurring an excess salary increase penalty by delaying payment of extra duty stipends or a portion of the member's base salary. The full accrued salary must be reported to TRS as creditable earnings for the year in which the work was done, regardless of when payment occurs.

Employer Contributions Cannot be Paid by Members

TRS recently reviewed several CBAs and individual contracts that require the retiring member to pay the cost the employer incurs for sick leave days granted in excess of the normal annual allotment and/or salary increases in excess of 6 percent. These provisions are in violation of the state statutes and the Internal Revenue Code.

Any cost designated as an employer contribution **must** be paid by the employer. A TRS member **may not** pay an employer contribution directly to TRS or reimburse the employer for a required employer contribution. Costs that **must** be paid by the employer include:

- retirement contributions for sick leave days granted in excess of the normal annual allotment,
- retirement contributions for salary increases in excess of 6 percent,
- employer ERO contributions,
- employer contributions on federally-funded salaries,
- employer contributions for member benefit increases, and
- employer contributions to the Teachers' Health Insurance Security Fund.

Master Certificate Stipends (National Board Certification Stipends)

In years prior to 2011-12, the Illinois State Board of Education (ISBE) provided an annual stipend for each teacher or school counselor that held a Master Certificate and corresponding certificate issued by the National Board for Professional Teaching Standards. The Illinois legislature required ISBE to distribute these funds to the school districts. The district was responsible for distributing the required payments to each eligible teacher. In the 2011-12 school year, these stipends are not being paid to teachers. Teachers may be reimbursed for their application fees. Reimbursements for the application fees are not reportable to TRS as creditable earnings.

Questions

If you have any questions about the updated *Employer Guide*, please contact the Employer Services Department by phone at (888) 877-0890, option 1, or by email at **employers@trs.illinois.gov**.

Distributions

Please forward a copy of this bulletin to the:

- district superintendent,
- payroll department, and
- human resources department.

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