

CREDITABLE EARNINGS

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Employer Responsibility

Employers provide a vital link between members and TRS. Employers forward member and employer contributions, report member earnings and service credit information, and report information to TRS for more than 160,000 active members.

Information provided by employers determines members' current service credit, creditable earnings, and retirement contributions and, thus, their future retirement benefits. Accuracy in reporting and payment is vital because benefits from TRS are based on service credit, creditable earnings, and contributions reported by employers. TRS's effectiveness in benefit administration rests largely on the reports provided by employers.



Identifying Creditable Earnings

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

- Some but not all types of compensation are reportable as TRS creditable earnings.
- Proper identification of creditable compensation is important because TRS and Teachers' Health Insurance Security (THIS) contributions must be paid on creditable earnings.
- TRS and THIS contributions should NOT be paid on non-creditable types of compensation.
- Creditable earnings are ultimately used to calculate TRS benefits.



Accrual Basis Reporting

TRS requires earnings be reported on an accrual basis. **Accrual reporting requires earnings to be reported in the fiscal year in which services are performed**, which may not coincide with the fiscal year in which earnings are paid. The TRS fiscal year is July 1 through June 30 each year.

EXAMPLE

Teachers work 9 months but the employer pays them over 12 months. The employer's first paycheck for teachers is August 30, 2024 and the last is August 15, 2025. All paychecks are for **work performed** in the **2024-2025** school year. All paychecks are reportable in the **2024-2025 fiscal year** even though the last paychecks are paid in July and August of the next fiscal year.



2 Types of Reportable Compensation

Compensation that requires a license and service credit is earned (Days Paid reported)

EXAMPLES:

- Contractual teaching and licensed administrative salaries
- Substitute and Homebound Teaching
- Salary for sick, personal and vacation days used
- Summer School

Compensation that is reportable and no service credit earned (No Days Paid reported)

EXAMPLES:

- Most extra duty stipends
- Summer earnings
- Contributions to tax-sheltered annuities
- Flexible benefit plans
- Some lump-sum payments
- Board-paid member TRS contributions
- Gift cards given in lieu of salary



Extra Duty Earnings

Extra duty earnings are reportable to TRS if the extra duty work:

- is related to the academic program, or
- involves supervising students

Extra Duty earnings may or may not require a license. If the extra duty requires a license, service credit is earned and days paid are reported.

Extra duties are reportable whether they are a teacher at your employer or another TRS covered employer.



Extra Duty Earnings

Chapter 3 in the TRS *Employer Guide* has 3 helpful lists.

- **1st list – Duties that require licensure.** Days paid are reportable for licensed extra duties. Examples:
 - Driver's Education Instructor – Behind the wheel hours
 - Paid new teacher orientation day
- **2nd list – Duties that do not require licensure** but are related to academics or involve student supervision. No days paid are reportable. Examples:
 - Professional development
 - Coaching
 - Sponsoring a club
- **3rd list – Duties that are never reportable to TRS.** Examples:
 - Teachers Aide
 - Clerical or custodial work



Summer Earnings

Same rules apply to earnings for summer work, extra duties and regular school term work. The earnings are reportable but the work needs to be identified if it requires a license. If it requires a license, service credit is earned and days paid need reported.

Duties that require licensure. Days paid are reportable for licensed extra duties.

Examples:

- Driver's Education Instructor – Summer Behind the wheel hours
- Summer School

Duties that do not require licensure but are related to academics or involve student supervision. No days paid are reportable.

Examples:

- Curriculum projects
- Professional development



Summer Earnings

Accrual reporting requirement applies no matter when the paycheck for summer work is issued.

Example 1

A teacher works a summer school session that starts in June 2025 and ends in July 2025. One paycheck is issued in July.

- Earnings for days worked in June go on the 2024-25 Annual Report.
- Earnings for days worked in July go on the 2025-26 Annual Report.

Example 2

A summer workshop is attended in June 2025 but is not paid until August 2025:

- Earnings for the June workshop will go on the 2024-25 Annual Report.



Non-creditable Compensation

Types of compensation that are NOT reportable to TRS as creditable earnings:

- Insurance benefits
- Travel and expense reimbursements or allowances, including
 - Mileage reimbursements or travel allowances
 - Cell phone allowance
 - Tuition reimbursement
 - Dues to professional organizations
 - Meeting/conference fees
- Board-paid member THIS contributions
- Non-qualified deferred compensation plans (Rabbi trusts)
- Lump sums paid after their last work day and due and payable after the last regular paycheck
- Lump sums (other than accrued salary) paid after a member's death



Earnings Limitations

Reportable earnings amounts are capped for two groups of TRS members.

- Tier 1 limit (**Only** for Tier 1 members hired on or after July 1, 1996)
- Tier 2 limit (Hired on or after January 1, 2011)

TRS does NOT limit the amount the employer can pay a member but DOES limit the amount that is reportable to TRS as creditable earnings.

- TRS and THIS Fund contributions are not due on salaries paid above the cap.



Earnings Limitations

Tier 1 Limitations

- Applies to anyone who first became a member of TRS between July 1, 1996 and December 31, 2010.
- Typically the limitation increases at the start of each school year.
- There is no limitation for Tier 1 members hired prior to July 1, 1996.

Tier 2 Limitations

- Anyone who first became a TRS member on or after January 1, 2011 and did not have prior service in a reciprocal retirement system is a Tier 2 member.
- Tier 2 members are subject to a salary cap set by the Illinois legislature.
- Cap amount changes annually.
 - Based on 12-month CPI at end of September.
 - TRS does not receive the Tier 2 cap amount until November.



Flexible Benefit Plan

- When an employer offers an option to decline board-paid insurance and receive cash or a tax-sheltered annuity (TSA) in lieu of insurance, TRS considers this a reportable Flexible Benefit Plan.
- The amount reportable as creditable earnings is the cash or TSA amount offered.
- Not all employers offer a flexible benefit plan.

Flexible Benefit Plan earnings are reportable for everyone who is offered the choice, even if the member selects the insurance option.



Lump Sums and Severance Payments

Lump sums are reportable based on if the member is active or terminating, and when the payment is made.

Items that are often paid as lump sums include:

- retirement incentives
- bonuses
- tax-sheltered annuities
- payouts for unused sick or personal leave, and
- payouts for unused vacation days



Lump Sums and Severance Payments

Member is actively employed

- The lump sum is reportable as creditable earnings in the school year the payment is issued or due and payable.

Member is terminating

- If the lump sum is paid or due and payable prior to/on the last day of work or prior to/with the last paycheck for regular earnings, then the lump sum is reportable as creditable earnings for the final year of service.
- If the lump sum is not due and payable and paid after the last day of work and after the last paycheck for regular earnings has been issued, then the lump sum is not reportable to TRS.



Tax-sheltered Plans

Employer contributions to qualified plans such as 403(b) tax-sheltered annuities and 457(b) deferred compensation plans are reportable to TRS as creditable earnings.

- In addition, 529 and 401(a) employer contributions are reportable as creditable earnings.
- If paid by the employer as a benefit in addition to salary, the contributions are reportable to TRS, regardless of whether it is paid through payroll or accounts payable.
- If it is deducted from the member's pay, the gross pay amount before the deduction is reportable to TRS.
 - The annuity is sheltered from taxes but not from TRS & THIS contributions.



Employer-paid 2.2 Upgrade or Optional Service

An employer may agree to pay a member's optional service cost or 2.2 upgrade cost as an added benefit for the member.

- Lump-sum rules apply to these payments.
- Call TRS to obtain the remittance form and review reporting rules.
- Chapter 7 in the TRS *Employer Guide* explains optional service and 2.2 upgrades, and also contains guidance for proper tax-sheltering of employer payments for these costs.

Board-paid Member TRS Contributions

- When the employer pays some or all of the member's 9% TRS contribution as a benefit rather than deducting it, the board-paid TRS becomes additional creditable earnings to the member.
- There is a compounding effect since contributions are calculated on total creditable earnings including the board-paid TRS. Special factors are used to calculate creditable earnings and contributions. **Example:**
 - An employer pays the 9% as a benefit for an administrator. The 9% factor is 1.098901. If the member earns \$100,000, the reportable creditable earnings are $\$100,000 \times 1.098901 = \$109,890.10$
- See the table and examples in Chapter 3 of the TRS *Employer Guide*.



Salary Conversion Rule

- If a non-reportable benefit (e.g. travel allowance or health insurance) is eliminated or decreases during the final seven years of service, TRS presumes the benefit was converted to salary for the purpose of increasing the member's final average salary.
- When the member retires, TRS will exclude the value of the converted benefit from the member's creditable earnings.
- The conversion rule does not apply to changes made through a collective bargaining agreement.



Settlement Agreements

Settlement/resignation agreements, contract buy-outs, and judgements have become increasingly common.

TRS **must** review each agreement to determine:

- how much service credit the member is entitled to receive
- how much can be recognized as creditable earnings

Key information TRS looks for in settlements are:

- resignation date
- characterization of any payments
- payment dates

TRS respects and protects the confidentiality of settlement agreements.



Resources

Links to TRS Website Resources

[Employer Guide Chapter 3: Creditable Earnings](#)

[Bulletin FY24-09: Contribution Limits](#)

[Bulletin FY24-24: Modification to Extra Duty Reporting](#)

Contact Information

Employer Services

Employer Reporting
(888) 678-3675 Option 1
employers@trsill.org

Accounting Department

Remittances or the Employer Bill
(888) 678-3675 Option 2
accounting@trsill.org

TRS Supplemental Savings Plan (SSP)

(888) 678-3675 Option 3
SSP@trsill.org

