



# EMPLOYER BULLETIN

## Tier I Contribution Rate Decrease July 1

April 2014

Effective July 1, 2014 Public Act 98-0599 (Senate Bill 1) reduces the member TRS retirement contribution rate for Tier I members from 9.4 percent to 8.4 percent. The 8.4 percent contribution rate applies to 2014-15 creditable earnings. For Tier II members, the member TRS retirement contribution rate will remain at 9.4 percent.

### Determining Creditable Earnings for Tier I and Tier II Members

Employer payment of any portion of the member’s retirement contribution results in an increase in reportable earnings equal to the employer payment. To determine creditable earnings, add the portion of the member retirement contribution that is employer-paid to the salary on which the employer is paying the retirement contributions.

When an employer agrees to pay the entire 8.4 percent contribution for Tier I members, creditable earnings are computed by multiplying gross salary times a factor of 1.091703 or by dividing the gross salary by 0.916. When an employer agrees to pay the entire 9.4 percent contribution for Tier II members, the creditable earnings are computed by multiplying gross salary by a factor of 1.103753 or by dividing the gross salary by 0.906.

#### Examples:

The district is paying the full member retirement contribution on base salary only. Teachers pay the retirement contribution on their extra-duty earnings. Both the Tier I and the Tier II members earn the same salary.

|   | Tier I Member      | Tier II Member     |
|---|--------------------|--------------------|
| Salary schedule amount                    | \$50,000.00        | \$50,000.00        |
| <b>Add-on factor</b>                      | <b>x 1.091703</b>  | <b>x 1.103753</b>  |
| Base salary plus board-paid TRS           | \$54,585.15        | \$55,187.65        |
| Extra duty                                | \$500.00           | \$500.00           |
| <b>Reportable creditable earnings</b>     | <b>\$55,085.15</b> | <b>\$55,687.65</b> |
| Member retirement contribution rate       | x 0.084            | x 0.094            |
| <b>Contribution amount to be remitted</b> | <b>\$4,627.15</b>  | <b>\$5,234.64</b>  |

The district is paying the full member retirement contribution on all of the teachers’ reportable earnings. The district has a reportable flexible benefit plan and both the Tier I and the Tier II members earn the same salary.

|   | Tier I Member      | Tier II Member     |
|---|--------------------|--------------------|
| Salary schedule amount                    | \$50,000.00        | \$50,000.00        |
| Extra duty                                | \$500.00           | \$500.00           |
| Flexible benefit pan                      | \$1,000.00         | \$1,000.00         |
| Gross earnings                            | \$51,500.00        | \$51,500.00        |
| <b>Add-on factor</b>                      | <b>x 1.091703</b>  | <b>x 1.103753</b>  |
| <b>Reportable creditable earnings</b>     | <b>\$56,222.70</b> | <b>\$56,843.28</b> |
| Member retirement contribution rate       | x 0.084            | x 0.094            |
| <b>Contribution amount to be remitted</b> | <b>\$4,722.71</b>  | <b>\$5,343.27</b>  |

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## Retirement Security for Illinois Educators

Both the Tier I and Tier II members' retirement contributions are deducted from gross salary. The district has a reportable flexible benefit and both the Tier I and Tier II members earn the same salary.

|   | Tier I Member      | Tier II Member     |
|---|--------------------|--------------------|
| Salary schedule amount                    | \$50,000.00        | \$50,000.00        |
| Extra duty                                | \$500.00           | \$500.00           |
| Flexible benefit plan                     | \$1,000.00         | \$1,000.00         |
| <b>Reportable Creditable Earnings</b>     | <b>\$51,500.00</b> | <b>\$51,500.00</b> |
| Member retirement contribution rate       | x 0.084            | x 0.094            |
| <b>Contribution amount to be remitted</b> | <b>\$4,326.00</b>  | <b>\$4,841.00</b>  |

Beginning with the 2014-15 school year, employers must remit the correct member retirement contributions based on the members' tier. The member retirement contribution rate for Tier I members is 8.4 percent and the member retirement contribution rate for Tier II members is 9.4 percent. The following factors will be used if the employer is paying the full member retirement contribution or a third or a half of the total 8.4 percent TRS contribution for Tier I members:

|   |                 |
|---|-----------------|
| Board pays 9.4% (Tier II members)       | 1.103753        |
| <b>Board pays 8.4% (Tier I members)</b> | <b>1.091703</b> |
| Board pays 4.2% (1/2 of 8.4%)           | 1.043841        |
| Board pays 2.8% (1/3 of 8.4%)           | 1.028807        |

For additional information on the calculation of retirement contributions, please refer to pages 15-17 in Chapter 3 of the TRS *Employer Guide*. For additional information on the remittance of retirement contributions, please refer to Chapter 4 of the TRS *Employer Guide*.

No changes will be made to the steps followed to remit contributions. When remitting contributions after each payroll, employers **will not** have to separate 8.4 percent contributions from 9.4 percent contributions. Employers will continue to remit one total amount.

Some employers have collective bargaining agreements (CBAs) that state the employer will pay 10.3753 percent or that incorporate the 9.4 percent factor into the salary schedules. In these cases, it will be up to the employer and the union to determine how much each Tier I teacher is entitled to be paid once the TRS contribution amount has changed. TRS cannot tell an employer how to interpret the CBA. Regardless of what the CBA or contract says, TRS will only accept 8.4 percent of creditable earnings for Tier I members. The law does not allow teachers to contribute more or less than the statutory contribution rate.

### Court Challenge Undetermined - Retroactive TRS Payment Possible

Public Act 98-0599 is being challenged in court as a violation of the pension protection clause of the Illinois Constitution. As of this writing, the court has not delayed the implementation of the new law beyond the effective date of June 1, 2014. No timetable has been established for a final disposition of this challenge.

If the law, at some point, is overturned, the Tier I member contribution rate would revert back to 9.4 percent, retroactive to the bill's effective date. In that event, employers may be responsible for remitting the balance of the total member contribution of 9.4 percent that would have been due retroactive to the law's effective date. **Preparations for this possibility are strictly an employer decision. Because existing state law does not address this specific issue, TRS is unable to comment on how best to deal with this potential situation.**

### New Member Information Coming in Online Employer Access Area

TRS is developing a new function in the secure Employer Access area of the website that will allow employers to view specific member information, including whether the member is Tier I or Tier II. TRS will notify employers when this feature is available.

If you have any questions, please email our Employer Services Department at [employers@trs.illinois.gov](mailto:employers@trs.illinois.gov).

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