

ESSENTIALS OF PAYROLL



Illinois Association of School Business Officials

Introductions

Barbara Erickson, Partner, (Speaker)

Hodges, Loizzi, Eisenhammer, Rodick & Kohn

October 7, 2026



Illinois Association of School Business Officials

UNDER AND OVER

OverPayments and Underpayments of Employees

- Overpayments Must be paid back
 - 941x
 - W2c
 - Gross vs. Net
 - Pension
- Underpayments
 - W2c???



UNDER AND OVER

OverPayments and Underpayments of Employees

- Underpayments
 - 941x?
 - W2c?
 - Interest?
 - Pension Treatment



DON'T STUB YOUR TOES

- Illinois Wage Payment and Collection Act Changes
 - What should be on a Pay Stub?
 - 21 – day timeline requirements for records requests??
- Former employees?



RECORD RETENTION

- Record Retention Protocols in District
 - Controlled by Policy
 - Controlled by Law



STIPENDS

- **Teachers getting stipends**
 - **FLSA exempt**
- **Paraprofessionals (and any other hourly staff member) getting stipends**
 - **Not FLSA exempt**
 - **Must use blended rate formula**



BLENDING RATES

Step 1: Calculate total straight-time compensation	$(40 \text{ hours} \times \$20.00/\text{hour}) + (10 \text{ hours} \times \$35.00/\text{hour}) = \$1150.00$
Step 2: Calculate regular rate of pay	$\$1150.00 \text{ (straight-time)} \div 50 \text{ hours worked} = \$23.00$
Step 3: Calculate the overtime premium	$\$23.00 \text{ (regular rate)} \times \frac{1}{2} = \$11.50$
Step 4: Calculate the overtime compensation	$\$11.50 \text{ (overtime premium)} \times 10 \text{ (overtime hours)} = \$115.00$
Step 5: Add the straight time and overtime together to get total compensation	$\$1150.00 \text{ (straight-time)} + \$115.00 \text{ (overtime)} = \$1265.00$
Total gross compensation: \$1265.00	



Illinois Association of School Business Officials

COMPENSATORY TIME

- Controlled by Board Policy (sometimes a CBA)

- https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fdownloads.microscribepub.com%2Ffil%2Fpress%2FISSUE%2520115%2F5310_06_2024.docx&wdOrigin=BROWSELINK

- Part of the FLSA
- Only allowed for governmental entities
- Only allowed for hourly staff
- Must be agreed to BEFORE it is worked
- THIS IS NOT FLEX TIME!



Illinois Association of School Business Officials

FEDERAL/STATE TAX EXEMPTIONS

- To qualify for exempt status on the W4 an employee:
 - must have had no tax liability for the previous year and
 - must expect to have no tax liability for the current year.
- A Form W-4 claiming exemption from withholding is valid for only the calendar year it is given to the District.
 - An employee who wants to continue to be exempt from withholding has to provide a new Form W-4 claiming exempt status by February 15 of that year.
 - If the employee doesn't provide a new Form W-4 by February 15, withhold tax as if the employee is single or married filing separately with no other entries in step 2, 3, or 4.
 - If the employee provides a new Form W-4 claiming exemption from withholding on February 16 or later, apply it to future wages only – no refund for taxes withheld while the exempt status wasn't in place.



IMRF/TRS 6%

- TRS 6% - What is it?
 - Tier I
 - Tier II
 - Ideas to avoid – hard look back/soft look back
 - What can't you do?
- IMRF 6% - What is it?
 - Why is it different from TRS?
 - How to avoid it?
 - Reporting obligations



TRS/IMRF POST RETIREMENT

TRS Post-Retirement Limitations TIER I 80 IL Administrative Code 1650.511 and 1650.221

- To be eligible for a TRS retirement annuity, the Illinois Pension Code requires members to terminate active service. To satisfy the termination of service requirement, the retiring member must comply with the following guidelines:
 - The member must formally resign from his or her teaching position.
 - The member must wait at least 30 calendar days from the date of retirement before performing any duties requiring teacher licensure for the same employer.
 - The member cannot prearrange post-retirement employment that requires teacher licensure with the same employer prior to 30 days after the effective date of retirement.
- Designations such as “temporary,” “interim,” and “independent contractor” will not suffice to establish termination of active service if the continued employment is with the same employer.
- Once pension eligibility is established, annuitants must comply with post-retirement employment limitations.
- Annuitants who have established termination of service may not return to post-retirement employment in the same school year they last contributed to TRS.
- A member cannot return to post-retirement employment in a TRS-covered position until the definition of an annuitant has been met. A member becomes an annuitant upon receiving their first annuity payment.
- Post-retirement employment is limited to 120 days or 600 hours through June 30, 2029. The limits are set to return to 100 days or 500 hours on July 1, 2029.



Illinois Association of School Business Officials

TRS/IMRF POST RETIREMENT

TRS Post-Retirement Limitations TIER II 80 IL Administrative Code 1650.511 and 1650.221

- In addition to the employment limitations indicated for Tier 1 annuitants, Tier 2 annuitants have the following additional restrictions:
 - The law suspends a Tier 2 member's retirement benefits if the member accepts full-time employment in a position covered by another pension system that has reciprocal rights with TRS.
 - For those Tier 2 members who first become a member on or after Jan. 1, 2012, the law suspends the annuitant's retirement benefits if the annuitant accepts a contractual position from the same employer from which he or she retired. Failure to notify TRS as well as his or her contractual employer of his or her retirement status prior to accepting contractual employment may result in a Class A misdemeanor and a fine of \$1,000.



Illinois Association of School Business Officials

TRS EXCLUSIONS

TRS 6% Limitation Exclusions

- Section 16-158 of the Illinois Pension Code (40 ILCS 5/16-158) requires employers to pay a contribution when salary increases in excess of 6% are used in calculating a retiring member's final average salary.
- Signed into law on July 10, 2026, Public Act 104-0544 provides permanent exemptions from employer contributions for certain salary increases over 6% used in calculating a retiring member's final average salary.
- For qualifying salary increases given on or after July 10, 2026, employers may request an exemption for certain:
 - Overload work
 - Summer school work
 - Stipend work for classroom instruction



Illinois Association of School Business Officials

TRS/IMRF POST RETIREMENT

IMRF Post-Retirement Limitations

- To be eligible to start an IMRF pension, at the time of retirement a retiree:
 - cannot be working in any capacity for any IMRF employer.
 - this includes temporary or part-time work (regardless of the number of hours worked), volunteering, or working as an independent contractor or leased employee.
 - One exception exists for retirees who are elected or appointed to an elected position, as long as no part of their pension is based on service from that elected office.
- Before the pension start date and within 60 days after, no pre-arrangement (even an informal one) can be made between a retiring member and an IMRF employer that the member will return to work.
 - This includes temporary and part-time work (regardless of the number of hours worked), volunteering, or working as an independent contractor or leased employee. If a pre-arrangement is made prior to or within 60 days after the pension start date, the retiree is not eligible to receive an IMRF pension.
- A new retiree cannot work for any IMRF employer for at least 60 days. After 60 days from the pension start date, a retiree may return to work for an IMRF employer, as long as there was no pre-arranged agreement made before retirement.
- If a retiree returns to work, the usual return to work rules will apply.
- The 600 Hour Standard



Illinois Association of School Business Officials

TRS/IMRF POST RETIREMENT

IMRF Post-Retirement Limitations

- 600 Hour Standard
 - What is it?
 - Works over?
 - Works under?
- Recordkeeping?



CORRECTING PAYROLL ERRORS

- Employees are not allowed to retain overpayments
- Employers are not allowed to retain underpayments
- *Illinois Wage Payment and Collection Act* governs repayments
 - If repayment made on first payroll following
 - If after first payment
- Tax Implications of Repayments



CORRECTING PAYROLL ERRORS

Example

Mrs. Ode-Lot failed to notice the District forgot to change her full-time salary status to .5 FTE when she returned in 25-26 after having had her baby over the summer. By December when the savy CSBO finds the error, she has been overpaid \$15,000. Mrs. Ode-Lot says too bad! The money is mine, suckers!



Illinois Association of School Business Officials

CORRECTING PAYROLL ERRORS

- Example
 - Ode-Lot is wrong
 - Agreement needed (IWPCA)
 - New Tax Year
 - 941X
 - W2C



CORRECTING PAYROLL ERRORS

Example

- Verify
- Show Bill
- Other orders/garnishments?
- Do the math
- Withhold/don't withhold based on the math



CORRECTING PAYROLL ERRORS

Example

Bill Overdew is a teacher in your district. You received a wage garnishment order from an attorney representing Bill's fourth ex-wife stating he is late on child support.



Illinois Association of School Business Officials

OTHER ISSUES

- Final Pay Calculations
 - When Due?
- Wage Deductions
 - When allowed?



WAGE GARNISHMENTS

- Wage garnishment vs. wage assignment
 - (one of them is not applicable to public school districts)
- Rules of the order
 - When to file
 - When to implement
 - When to cease withholding



Questions and Answers

We thank you for your time!

*This is intended solely to provide information to the school community.
It is not legal advice or a substitute for legal counsel.
It is not a solicitation of an attorney/client relationship.*



Illinois Association of School Business Officials