



TRS

Employer Support Q & A

**Payroll Essentials:
Navigating the Complexities of Payroll**



Introductions

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New Overtime Provision



Question: How should employers treat these new requirements given they are retroactively back to January 1, 2025?

Question: What impact, if any, does this have on report files submitted to TRS?

Answer: This change has no impact on your TRS reporting. You should continue to report earnings according to TRS guidelines. The change in law only affects the taxability of overtime.



Retirement – 6% Cap



Question: What are the rules of going over the 6% cap and what is the impact on schools?

Answer: 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.



6% Cap Calculation



Annual Benefit Using Final Average Salary (FAS) = \$42,562.50
Reduced Amount Assuming 6% Was Not Exceeded = \$42,078.75

For this example assume an actuarial factor of 13.459.

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

NOTE:

TRS provides a separate notification for each member with employer contributions due on salary increases in excess of 6%.



When does the district need to consider 6% costs?

Question: District would like to implement educational incentives



- For example- Doctorate = % increase on base salary
- Cost if increase occurs during years used to calculate member's Final Average Salary (FAS).
- 5 year look back for Tier 1
- 9 year look back for Tier 2
- Calculator available online



Retirement – 6% Cap



Website Calculator:

- Go to trsil.org
- Employers Tab

A screenshot of the 'Retirement Issues' dropdown menu on the trsil.org website. The menu is open, showing several options: 'Post-Retirement Limitations', 'Sick Leave Reporting', 'Salary Increases Over 6 Percent', 'Excess Sick Leave Calculator', and 'Excess Salary Increase Calculator'. The 'Excess Salary Increase Calculator' option is highlighted with a green background and a white border.A screenshot of the 'Retirement Calculator' form on the trsil.org website. The form is titled 'The amount may vary depending upon the final calculation. To calculate the estimated employer contribution for salary increases due as a result of Public Acts 94-004 (6%), fill in the following fields:'. It includes fields for 'Member name', 'Birthdate' (with a date picker), 'Tier' (with radio buttons for Tier 1 and Tier 2), 'Anticipated retirement date' (with a date picker), and 'Total service credit at retirement, including sick leave credit'. Below these fields is a section for 'Benefits will be based on the member's average salary earned during the four highest consecutive years out of the last 10 years of service. Visit <http://trsil.org/members/retired/guide/chapter-eight-retirement-benefits> for more information about annuity calculations.' This section includes a table with the following structure:

SCHOOL YEAR *	ACTUAL OR PROJECTED SALARY *



New Exemptions for Salary Increases Over 6%

- Public Act 104-0544, signed into law on July 10, 2026
- For qualifying salary increases given on or after July 10, 2026, employers may request exemption for certain:
 - Overload work
 - Summer School work
 - Stipend work for classroom instruction
- Applies only to a full-time (100%) teacher and the portion of the salary increase attributable to classroom instruction.
- Employer Bulletin FY 27-05



Termination/Retirement Payouts

Lump Sum – Vacation, Sick Leave, Contract Buyouts

- If due and payable prior to or concurrent with receipt of the member's final paycheck or the last day of employment, the lump sum is reportable as creditable earnings.
- Lump-sum payments made to a member in years prior to the member's final year of employment, are reportable in the school year they are due and payable to the member.

Lump Sum Example

- Administrator terminated service on 3/1, received her final paycheck and lump sum for vacation accrual on 3/15. On 5/1, she received a contract buyout payment.
- 3/15 lump-sum payout for vacation is reportable.
- 5/1 lump sum for contract buyout is not reportable (received after the final paycheck).

Note on SSP

- If a terminating employee would like to contribute all or a portion of their vacation/sick payout to their SSP, they must elect to do so at Voya prior to the contribution being submitted in Gemini.

Post-retirement Employment



Return to Work Requirements:

- May not return to post-retirement teaching in the same year they last contributed to TRS.
- Members cannot discuss or pre-arrange employment
- Limitation is 120 days or 600 hours through June 30, 2029.



Do retirees have to wait to return until they receive their first check?

- Yes, they need to cash their first pension check or wait 10 days after their first EFT payment.



More on the 600-Hour Threshold



How do employers determine whether a person will surpass or stay under the 600-hour threshold?

Report all retirees working in post-retirement to TRS, whether you think they will surpass the 600 hours or not.

Extra duties that do not require licensure should not be reported.

TRS contributions are not taken from post-retirement earnings.

One day = 5 hours. Do not report more than 5 hours for one full day (i.e. a 7.5 hour day should be reported as 5).

Use the Retiree Returned to Work Threshold Monitoring Report – includes all TRS employers.

Use the TRS Post-Retirement Hours Worked form to track hours.



Separation From Service Changes



- Effective January 1, 2027
 - Applies to a TRS retirement benefit or a termination refund
 - Must fully separate from service with last employer(s) (both TRS and non-TRS covered)
 - No prearrangement of re-employment with their last employer(s) prior to their termination date, and
 - Remain separated from employment with their last employer(s) for a minimum of 30 days after their termination date
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- Employer Bulletin FY27-01



Extra Duties



Question: Are extra duties performed before their contract date considered TRS?

- Does the duty require licensure-according to the ISBE?
- **If yes** — reportable, member earns service credit.
- **If no** — depends on other service in same fiscal year. Will be reportable as long as member ends up with:
 - Full-time
 - Part-time
 - Substitute
 - Hourly
- Either at your district or another



TRS Reporting



Question: How do you treat a paraprofessional who subs for a teacher during the pay period?



Answer: The paraprofessional must be reported to TRS in Gemini as a substitute teacher, using Employment Type S-Substitute. The only duties that are reportable are those duties that require licensure.



Non-Reportable Earnings



- Full list- Chapter 2 in the TRS *Employer Guide*
- Some examples include:
 - THIS Fund contributions paid by employer as a benefit
 - Fringe benefits such as health insurance (when not part of a Flexible Benefit Plan)
 - Expense Reimbursements
 - Car and cell phone allowances
 - Sign-on bonuses
 - Earnings that exceed contributions limitations for Tier 1 and Tier 2 employees.



Leave of Absence (LOA)



Paid Leaves are reportable as active service provided:

- The member is absent from duty but without the loss of pay/benefits and without the use of accrued time until the employment resumes or the resignation date.

Unpaid Board-Approved LOA or FMLA:

- Reported as payment reason LA – Unpaid Leave of Absence in Gemini.
- Is not granted active service credit for the period of leave.
- May be able to purchase TRS credit for a period of the LOA.



How to Report a Leave of Absence



- The member is on a short-term disability through TRS and on a board approved LOA for 1-1/2 years. How do I report this?
 - Members continue to accrue service credit while receiving nonoccupational or occupational disability benefits.
 - If member confirms they are receiving benefits, not necessary to report LOA (already receiving service credit).
 - If member's status is unknown, report member with an LA (Unpaid Leave of Absence) payment reason each pay period.



How to Report a Leave of Absence



Question: 60-day FMLA, 30 days paid and 30 days unpaid. How do we report?

Answer: Days being paid leave time (sick, personal, vacation) will be reported as BS - Base Salary.

- Board approved **unpaid** LOA days will be reported with a payment reason of LA - Leave of Absence during each pay period.

Question: Should a full year Leave of Absence be reported in Gemini?

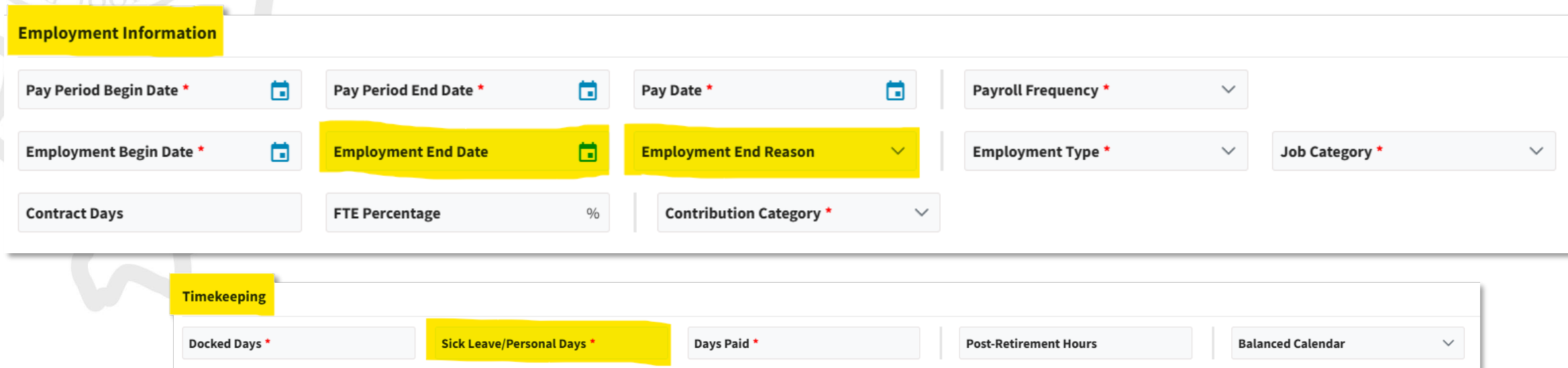
Answer: Yes, you will report them each pay period with a LA record.



How to Terminate a Member

Question: What is the process for terminating an employee who is not retiring?

Answer: Report the member's Employment End Date and End Reason on their final pay period report under Employment Information.



Employment Information

Pay Period Begin Date *	Pay Period End Date *	Pay Date *	Payroll Frequency *	
Employment Begin Date *	Employment End Date	Employment End Reason	Employment Type *	Job Category *
Contract Days	FTE Percentage %	Contribution Category *		

Timekeeping

Docked Days *	Sick Leave/Personal Days *	Days Paid *	Post-Retirement Hours	Balanced Calendar
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TRS Reporting – Salary Cap



Tier 1

IRS limitation under
section (a)(17)
\$360,000

Only applies to
those who became
members after
6/30/1996.

Tier 2

Illinois Pension Code
Limitation
\$129,192.26

Applies to those who
became members
after 12/31/2010.



TRS Reporting – Tier 2



Question: For Tier 2 members, how should employers treat TRS and other deductions like Social Security when they meet their wage cap for the year?

Answer: See the Employee coverage guide from Chapter 2 of the *Employer Guide*. Social Security and TRS contributions should not be withheld.

Employee coverage guide

Duty	TRS	Medicare	Social Security
A F.T. or P.T. teacher at a district after March 31, 1986 who teaches summer school.	X	X	
A F.T. or P.T. teacher at a district prior to April 1, 1986 who performs summer extra duties that are related to the academic program, such as curriculum writing.	X		
A F.T. or P.T. teacher who performs summer work not involving teaching or supervising students or related to the academic program.		X	X
A F.T. or P.T. teacher from a neighboring school district who teaches summer school.	X	X	
A F.T. or P.T. teacher from a neighboring school district who performs summer extra duties related to the academic program.	X	X	
A F.T. or P.T. teacher from a neighboring school district who performs summer extra duties not related to the academic program.		X	X
A substitute or hourly teacher during the school year who teaches summer school.	X	X	
Substitute or hourly teacher during the school year who performs summer extra duties that do not require licensure, but are related to the academic program.	X	X	
A substitute or hourly teacher during the school year who performs summer extra duties that do not require licensure and not related to the academic program.		X	X
A substitute or hourly teacher who performs extra duties during the school year that do not require licensure, but are related to the academic program.	X	X	
A substitute or hourly teacher who performs extra duties during the school year that do not require licensure and are not related to the academic program.		X	X
A teacher who has never taught for a TRS-covered employer and teaches only summer school.	X	X	
A retired teacher who teaches during the school term.		X	
A retired teacher who teaches summer school that requires licensure.		X	
A retired teacher who performs extra duties that do not require teacher licensure, but are related to the academic program (does not count against post-retirement employment limitations).		X	
Earnings that are in excess of 401(a)(17) limits.		X	
Earnings that are in excess of Tier 2 limits.		X	

This chart should only be used as a guide. Specific Social Security or Medicare questions related to withholding should be referred to the Social Security Administration.



Summer School - Reporting



Earnings are reported on an accrual basis.

Accrual reporting requires earnings to be reported in the period in which services are performed - may not coincide with the period in which earnings are paid.

Creditable earnings for services performed from July 1 through June 30 should be reported each year.

When a summer assignment begins in June and continues into July, the related earnings must be reported in the fiscal year in which the service was performed, regardless of when payment is actually issued to the member.



Summer School



Example:

- A teacher works a 20-day summer session
- \$1,000 total (paid on August 1, 2026)
- Summer school runs late June 2026 (1 week) – mid-July 2026 (3 weeks)

Report in FY25-26

June 25–30
\$250
School Year
Ending June 30



Report in FY26-27

July 1–15
\$750
School Year
Beginning July 1



Summer School



Question: What if the Teacher resigned in the preceding year, are they then Part-time Non-Contractual (H)?

Answer: Yes, Employment Type H.

SSP Note: This will also impact their SSP eligibility. Once reported as Part-time Non-Contractual, they will no longer be eligible for the SSP. For any questions on how to handle SSP in these cases, contact SSP@trsill.org.



Summer Payroll DB vs. SSP

DEFINED BENEFIT (DB)

Reporting for wages earned during prior FY is due by July 10th



SSP DEFERRED COMP

Reporting is due when the paycheck is paid to the employee.



Training: [Summer Payrolls - YouTube](#)

Disability



TRS offers temporary disability benefits to ill/injured **active** members prior to retirement.

Eligibility

- Must have at least 3 years of non-concurrent service credit (TRS, SURS, SERS, and IMRF).
- Two state-licensed physicians must certify the disability existed within 90 days of last day of work (only one physician is required for pregnancy).
- Must use up all sick leave days.
- Benefit is equal to **40%** of member's contract rate.
- You earn service credit while receiving the disability benefit.



Disability



Process

As member is running out of sick days and cannot return:

- Member contacts TRS to obtain disability packet.
- Member provides application and medical release forms for each physician.
- Two state-licensed physicians must complete physician's statement and provide treatment notes.

Employer:

- Supplementary Report sent upon receipt of Disability Application.
- Complete and submit to TRS when member has used their last sick day.
- Once member is on temporary disability, they do not need to be employed by district. (Check various limits in *Member & Employer Guides*.)



WEP and GPO



Social Security Fairness Act Signed into Law on January 5, 2025.

Repeals the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).

The Act does not affect TRS benefits; however, it may affect the SS benefits of some TRS members.

The SSA-1945 has been modified to reflect that the WEP & GPO reductions no longer apply.

Employers still need to provide the SSA-1945 to all TRS-covered employees. It is available at www.ssa.gov/forms/ssa-1945.pdf.

Each employee signs the form upon hiring, uses their SSN as the Employee ID, and your TRS Code for the Employer ID.

TRS Employer Bulletin FY26-01



Upcoming Changes and Enhancements



- **Separation of Service**

- Repurposing some fields within the Supplementary Report.

- **Sick Leave Initiative**

- In conjunction with Separation of Service.
- New screens and information to complete for members no longer employed by your district.

- **Member Adjustments**

- Hope to be able to make adjustment to members' records outside of a payroll report.





Questions and Answers

We thank you for your time!



Presenters:

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