

TRS

Employer Support Q & A

Payroll Essentials: Navigating the Complexities of Payroll



September 23, 2025 | **SPRINGFIELD**



Introductions

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Role: Speaker

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Role: Speaker

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Role: Speaker

- *Training & Outreach Manager, TRS*



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New Overtime Provision

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

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

A: 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.



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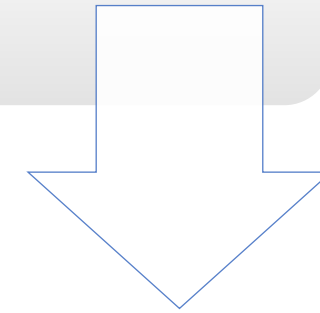


Retirement – 6% Cap



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

Answer: Calculate the difference in the Annual Benefit using the Final Average Salary vs. the Benefit Assuming Salary Increases Did Not Exceed 6%.



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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%.



Retirement – 6% Cap



Q: Is there a difference in the 6% calculation for Tier 1 & Tier 2?

A: When a member retires, the employer may be required to pay TRS a contribution for any salary increase over 6% that is used in the final average salary calculation.

Tier 1 - average of the four highest consecutive annual salary rates within the last 10 years of creditable service.*

Tier 2 - average of the eight highest consecutive annual salary rates within the last 10 years of creditable service.*

Check to see if any of the salaries used in the benefit calculation increase by more than 6%, year over year. If yes, the result is a required employer contribution.

*Public Act 102-0016 removed the requirement that the final average salary calculation use the eight "consecutive" highest salaries. This change only applies to members who are retiring after June 1, 2021 and the 2020-21 school year is used in their final average salary calculations.



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Retirement – 6% Cap



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:

Member name

Birthdate * mm/dd/yyyy



Tier

☒ Tier 1 (first contributed to TRS before Jan. 1, 2011 or have preexisting creditable service with a reciprocal pension system prior to Jan. 1, 2011)

☐ Tier 2 (first contributed to TRS on or after Jan. 1, 2011 and have no pre-existing creditable service with a reciprocal pension system prior to Jan. 1, 2011)

Anticipated retirement date * mm/dd/yyyy



Total service credit at retirement, including sick leave credit *

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://trs.il.org/members/retired/guide/chapter-eight-retirement-benefits> for more information about annuity calculations.

Enter school years in ascending order.

SCHOOL YEAR *	ACTUAL OR PROJECTED SALARY *

Website Calculator:

- Go to trs.il.org
- Employers Tab

Retirement Issues



Post-Retirement Limitations

Sick Leave Reporting

Salary Increases Over 6 Percent

Excess Sick Leave Calculator

Excess Salary Increase Calculator

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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.
- Please reach out to the SSP Deferred Compensation team at SSP@trsill.org for the applicable instruction.



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Post-retirement Employment



Return to Work Requirements:

- May not return to post-retirement teaching in the same year they last contributed to TRS.
- Limitation is 120 days or 600 hours through June 30, 2026.
- Limit is set to return to 100 days or 500 hours on July 1, 2026.



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.
- Members cannot discuss or pre-arrange employment.





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.



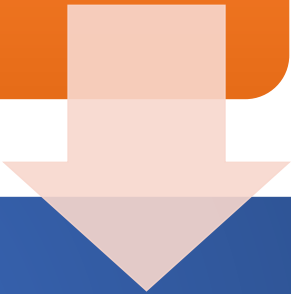
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TRS Reporting



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

A large, light blue, downward-pointing arrow with a subtle gradient, indicating the flow from the question to the answer.

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



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TRS Reporting – Salary Cap

Tier 1

IRS limitation
under section
(a)(17)
\$350,000

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

Tier 2

Illinois Pension
Code Limitation
\$127,283.01

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



TRS Reporting – Salary Cap



Topic: Earnings that exceed Salary Limitations for Tier 1 and Tier 2.

Reported in a field on the Gemini file called "Earnings that Exceed Salary Limits."

Only required when the member's creditable earnings exceed the limitations for the year.

For reporting purposes, only report the portion that exceeds for the period. See the two following examples.

Example 1: Tier 1 – Base Salary earnings are \$358,500 and exceeded in this period. You would report \$8500 in this field.

Example 2: Tier 2 – Base Salary earnings are \$132,000 and exceeded in this period. You would report \$4,716.99 in this field.



TRS Reporting – Salary Cap



Field Name	O/C/R*	Columns			Description	Format	Available Values	Rules and Additional Information
		From	To	Len				
Earnings that exceed Salary Limits	R	255	263	9	Earnings paid after the member has exceeded either the IRS 401(a)(17) or TRS Tier 2 pensionable limits for the fiscal year	N	000000.00 – 999999.99 Example A: A member whose base salary earnings that exceeded annual IRS limits for the pay period are \$6,000 and who does not have any portion of their TRS contributions paid by their employer would be reported as 006000.00 Example B: A member whose base salary earnings that exceeded annual TRS Tier 2 limits for the pay period are \$3,000 and who does not have any portion of their TRS contributions paid by their employer would be reported as 003000.00	- This field is only required if a member's total creditable earnings for the current fiscal year have exceeded either the IRS or Tier 2 limitations for that year. - The portion of a member's earnings that exceeds the limits in a Pay Period must be calculated by adding up all the creditable earnings reported to TRS in a fiscal year and comparing that total against the IRS limit for that fiscal year. - IRS 401(a)(17) limits only apply to employees who established TRS membership after June 30, 1996. Tier 2 limits apply to members with no service in TRS or another reciprocal system before January 1, 2011.



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 Employer 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.



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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.



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Summer School

Example:

- A teacher works a 20-day summer session
- \$1,000 total (paid on August 1, 2025)
- Summer school runs late June 2025 (1 week) – mid-July 2025 (3 weeks)

Report in FY24-25

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



Report in FY25-26

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



Summer School

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

Answer: Yes, Employment Type H.

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



Leave of Absence

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.



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.



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Questions and Answers

Thank you!



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Presenters:

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