Illinois State Board of Education

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State Superintendent of Education

November 1, 2011 [e-mailed to mwille@illinoispolicy.org]

Michael Wille
Illinois Policy Institute
802 S. 2nd Street
Springfield, Illinois 62704

Dear Mr. Wille:

This letter is in response to your request for information under the Illinois Freedom of Information Act. Your request was received on 10/18/11.

Request 1 – "Documentation and/or a written explanation indicating the fiscal, accounting, or tax differences to a district's school board picking up 2.5 percent of a teacher's mandatory retirement contribution versus paying a 2.5 percent raise to that teacher. What are the financial incentives to do one form of benefit increase in lieu of the other?"

Response 1 – The following is from the publication: *State, Local and Federal Financing for Illinois Public Schools 2000-2001* (last published - February 2002), **page 74**. As noted, this was the last version of the publication with no update or additional information on this specific topic being printed by the agency to date. Also note, the *Illinois Program Accounting Manual for Local Education Agencies (Title 23: Illinois Administrative Code, Part 110)* has been repealed, with Title *23: Illinois Administrative Code, Part 100 - Requirements for Accounting, Budgeting, Financial Reporting*, and *Auditing* being enacted beginning with Fiscal Year 2009. The Internal Revenue Service (IRS) and Illinois Teachers' Retirement System (TRS) should be consulted for the current provisions regarding your questions on these payments.

- Board Payment of Employee Share of Teacher Retirement ***(February 2002)***
In those instances where local boards of education have agreed to pay all or a portion of the employee contribution to the Teachers' Retirement System, the payment should be coded as an employee benefit (Object #2, *Illinois Program Accounting Manual for Local Education Agencies*). Salaries are charged to the appropriate function numbers (i.e., the function under which the employees work). Employee benefits are also charged to the appropriate function numbers. Employee and employer contributions for early retirees must be based on the highest, rather than last, full-time annual salary during the fiscal years that were considered in determining the final rate of earnings. The employer pays any employer contributions from the same fund which is used to pay earnings to employees.

Link to publication listed above: http://www.isbe.net/sfms/pdf/slf01.pdf.

You can also check *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* (pages 21-22) http://www.isbe.net/funding/pdf/fiscal_procedure_handbk.pdf

Request 2 – "Documentation and/or a written explanation indicating the financial difference to a teacher if a district's school board picks up 2.5 percent of a teacher's mandatory retirement contribution instead of paying a 2.5 percent raise to that teacher. What are the financial incentives to do one form of benefit increase in lieu of the other?"

Response 2 – The following is from the publication: *State, Local and Federal Financing for Illinois Public Schools 2000-2001* (last published - February 2002), **page 75**. As noted, this was the last version of the publication with no update or additional information on this specific topic being printed by the agency to date. The Internal Revenue Service (IRS) and the Illinois Teachers' Retirement System (TRS) should be consulted for the current provisions regarding your questions on these payments.

- Shelterability of Board-Paid Teacher Retirement ***(February 2002)***

The Internal Revenue Service has issued two general revenue rulings under which a board of education may treat its contributions to the state Teachers' Retirement System (TRS) on behalf of its employees as excludable from gross income for federal income tax purposes. Under the rulings, board contributions to TRS are treated as excludable from gross income if the district's plan meets the following two criteria:

- The board must specify that the contributions, although designated as employee contributions, are being paid by the board in lieu of contributions by the employee, and

- The employee must not be given the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the pension fund.

Link to publication listed above: http://www.isbe.net/sfms/pdf/slf01.pdf.

Request 3 – "Documentation and/or a written explanation of the phrase "board-paid retirement" in Question 13 of the Teacher Salary Study found here (http://www.isbe.net/research/pdfs/teacher_salary_10-11.pdf)

Response 3 – A response to this inquiry was previously provided to you by Gayle Johnson, Division Administrator for Data Analysis and Progress Reporting.

If you have questions, contact Mark Wancket at 217-782-4648.

Sincerely,

[redacted]

Matt Vanover
Director of Public Information