



EMPLOYER BULLETIN

Delaying Retirement May Cause Loss of Exemption

May 2009

It is not uncommon for TRS members to change their planned retirement dates for numerous reasons. If an extended exemption is involved, a change in retirement plans may cause significant problems. Delaying the retirement date can cause the employer to lose eligibility for an extended exemption from employer costs for salary increases over 6 percent or granted sick leave. The purpose of this bulletin is to ensure all employers understand the potential cost consequences of allowing a retiring member to delay the retirement date.

Background

Beginning June 1, 2005, Public Act 94-0004 established employer costs for salary increases over 6 percent given during a member's final average salary years and for extra sick leave days granted during a member's final four years of service. Employers are exempt from costs for excess salary increases and granted sick leave under certain circumstances.

Initial Exemption Period

Contracts and collective bargaining agreements (CBAs) that were entered into, amended or renewed prior to June 1, 2005 are exempt from the employer costs established in PA 94-0004. Any salary increases or sick leave days granted prior to the expiration of an exempt contract/CBA will not cause the employer to incur a cost.

Extended Exemption Period

Extended exemptions may be available for up to three years beyond the expiration date of an exempt CBA or one-year contract. For exempt contracts/CBAs that expire after June 30, 2008, extended exemptions will only be available

through June 30, 2011. To qualify for a waiver of employer costs under the extended exemption provision, all of the following conditions must be met:

- The member must submit retirement notice in writing to the employer prior to the expiration date of the exempt contract/CBA.
- The retirement notice must obligate the employer to provide salary increases or extra sick leave days in accordance with the exempt contract/CBA after it has expired.
- The member must retire on or before the date cited in his/her original retirement notification letter.
- After the member retires, the employer must submit an extended exemption affidavit form and a copy of the member's retirement notification letter to TRS.

If a member's retirement is delayed to a later date than was cited in the original retirement letter, and notification of the revised retirement date is provided to the employer after the exempt contract/CBA has expired, then the employer no longer qualifies for an extended exemption.

Example

Teachers at District 1 were covered by an exempt CBA that was entered into on July 1, 2004 and expired on June 30, 2007. The exempt CBA obligated District 1 to provide 10 percent salary increases in the final three years of service to teachers who provided notice of intent to retire at least three years in advance. This retirement incentive was only available to teachers retiring without an early retirement option cost.

More...



Teacher A submitted her retirement letter to District 1 on May 1, 2006. Her retirement letter stated she planned to retire at the end of the 2008-09 school term. Teacher A received 10 percent salary increases for the 2006-07, 2007-08 and 2008-09 school years. She reached age 55 in January 2009. District 1 expected to qualify for extended exemption from employer costs for Teacher A's salary increases.

In April 2009, Teacher A realized that she would have only 34.941 years of service credit at the end of the 2008-09 school term. She needed to work 10 days into the 2009-10 school year to avoid having an ERO cost. On April 10, 2009, Teacher A submitted a revised retirement notification letter to District 1 changing her retirement date to July 15, 2009. Teacher A planned to teach summer school from July 1 through July 15, 2009.

Because Teacher A delayed her retirement to a later year and submitted her revised retire-

ment letter to District 1 after the expiration of the exempt CBA, District 1 does not qualify for extended exemption from employer costs for salary increases over 6 percent given to Teacher A in school years 2007-08 and 2008-09.

Questions

If you have any questions regarding the employer costs established by Public Act 94-0004 or the exemption provisions, please contact the TRS Employer Services Department at (888) 877-0890.