



STATE OF TENNESSEE  
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
15<sup>th</sup> FLOOR ANDREW JACKSON BUILDING  
502 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0201

DAVID H. LILLARD, JR.  
STATE TREASURER

JILL BACHUS  
DIRECTOR

October 28, 2013

Ms. Maryann Durski  
Executive Director  
Office of Local Finance  
TN Department of Education  
710 James Robertson Parkway  
Nashville, TN 37243

Dear Ms. Durski,

Through discussion with you and other members of the Tennessee Department of Education, questions have arisen as to what portions of a teacher's pay should be includable for purposes of compensation in the Tennessee Consolidated Retirement System (TCRS). I understand the emphasis for these questions relate to the differentiated pay plans required of local education agencies.

Tennessee Code Annotated, Section 8-34-101(14) defines "Earnable Compensation" for TCRS purposes. Basically, the following guidelines apply for a bonus or incentive payment to be includable as compensation for TCRS purposes:

- It must be related to services rendered to an employer;
- It must be authorized by resolution of the chief governing body of the participating employer and the resolution must provide that (i) the payment is to be included as earnable compensation for TCRS purposes and (ii) is not made for the purpose of increasing a member's retirement benefit or inducing a member to retire. The minutes of the governing board meeting should reflect the action; and
- It must be offered to all employees generally, or to a broad class or group of employees. Those employees must be given the opportunity to qualify for the bonus or incentive payment under similar terms and conditions.

I understand the pay plans and/or bonuses could include performance incentives, recruitment or retention incentives for hard to hire positions, and pay for additional responsibilities such as coaching. These types of incentive pay should be reported to TCRS as compensation along with the associated employee and employer contributions. Any additional pay not related to services rendered to the employer, such as a relocation reimbursement, should not be reported to TCRS.

The reporting to TCRS should be included in the monthly file transmission. If the bonus is not paid to the employee evenly throughout the year, a letter should be sent to TCRS noting the reason for the spike in pay. This notification is especially important for

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bonuses paid after an employee has retired. The school system may report all affected individuals in one letter.

If you have questions concerning this matter, please contact me by email at [Jill.Bachus@tn.gov](mailto:Jill.Bachus@tn.gov) or by phone at (615) 253-3845.

Sincerely,

A handwritten signature in cursive script that reads "Jill Bachus".

Jill Bachus  
Director, TCRS