

**Sec. 14. Compensation.**

- (1) Compensation for purposes of the Defined Benefit Plan and Defined Benefit Component of the Hybrid Plan means the salary or wages paid a member for personal services rendered the member's participating municipality or court while a member of the Retirement System.
- (a) "Compensation" shall include all of the following:
- (i) Longevity pay, overtime pay, and shift differentials.
  - (ii) Pay for periods of absence from work by reason of vacation, holiday, and sickness.
  - (iii) Deferred compensation amounts under eligible deferred compensation programs and premiums for annuities and permanent life insurance policies that are transferred to the ownership of the member upon retirement.
  - (iv) Workers' compensation weekly benefits if the participating municipality or court reports the workers' compensation benefit to the Retirement System and the payments are higher than regular earnings.
  - (v) A member's pre-tax contributions to a plan established under 125 of the IRC.
  - (vi) Transcript fees paid to a court reporter, net of expenses, for performing services at the request of the participating municipality or court that employs the court reporter.
  - (vii) A car allowance to the extent taxable on the member's W-2.
  - (viii) Short term disability or long term disability benefit payments if the participating municipality or court reports the payments to the Retirement .
  - (ix) Payments available to employees for achievement of established annual (or similar period) performance goals in the form of variable compensation (over base wages), merit compensation, or similar compensation.
  - (x) Payments available to employees for attainment of educational degrees from an accredited college or university (associate, bachelor, or higher), or for attainment, maintenance or acquisition of job-related certification.

- (xi) Lump sum payments of included compensation to the extent that such payments are attributable to the member's personal service rendered during the period of years for which their final average compensation is based.
  - (xii) Member contributions described in section 40 that are picked up by the participating municipality or court and treated as employer contributions.
- (b) "Compensation" shall not include any of the following:
- (i) Remuneration or reimbursement not specifically described in this subsection or recognized by the Board, such as allowances for clothing, equipment, cleaning, and travel.
  - (ii) Reimbursement of expenses.
  - (iii) Bonus payments, except as provided under subsection (1)(a)(ix) and (x).
  - (iv) Termination pay.
  - (v) Severance pay.
  - (vi) Payments in consideration of unused sick leave.
  - (vii) The value of fringe benefits.
  - (viii) Items of remuneration that are the basis of a potential or actual benefit from another retirement program.
- (c) A participating municipality or court may exclude any of the items of compensation listed in paragraph (a) by resolution of its governing body or administrative order of its chief judge. The resolution or administrative order shall be uniformly applicable to all members employed by the participating municipality or court who are covered by the same benefit program coverage classification. A certified copy of the resolution or administrative order shall be filed with the Retirement System within 10 days after adoption or issuance. In the absence of a resolution or administrative order, compensation shall be reported in accordance with paragraphs (a) and (b).
- (2) As an alternative to defining compensation under subsection (1), a participating municipality or court may, by resolution of its governing body or administrative order of its chief judge, adopt the definition of compensation provided under

section 49 for all benefit programs. The resolution or administrative order shall be uniformly applicable to all members employed by the participating municipality or court who are covered by the same benefit program coverage classification. A certified copy of the resolution or administrative order shall be filed with the Retirement System within 10 days after adoption or issuance.