



**Bloomington
School District 13**
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To: Board of Education
Dr. Jon Bartelt, Superintendent

From: Mr. John T. Reiniche, CSBO

Re: Memorandum of Understanding – 403(b) contribution

Date: August 18, 2021

Background:

Article X Section 10.2 of the teachers' collective bargaining agreement (CBA) allows for a post severance retirement incentive for retired teachers that meet certain criteria. Currently, the CBA does not provide an avenue for the payment method to minimize the exposure of IRS taxes. More specifically, distributing the severance payment via 403(b) employer contribution, which would allow for maximizing this benefit.

Situation:

Distributing the severance payment as an employer 403(b) contribution avoids the retired staff from paying both employer and employee FICA taxes or approximately 15.30% of additional tax. However, in order to facilitate this type of payment structure, a Memorandum of Understanding or MOU needs to be place. The MOU is mostly comprised of conditions that require compliance with IRS's 403(b) regulations for this type of payment. The MOU was presented to our attorney's review to ensure completeness and legality. Attached to this memo is a copy of said MOU.

Recommendation:

That the Board of Education approve a Memorandum of Understanding between the Board of Education of Bloomington School District 13 and the Bloomington Council of Teachers as presented.

**Memorandum of Understanding
Retirement - Article X Section 10.2**

In the interest of maximizing the benefit of the Retired Teachers' Service Stipend set forth in Article X, Section 10.2 of the 2019-2022 collective bargaining agreement ("2019-2022 Agreement") between the Bloomington Council of Teachers and the Board of Education of Bloomington School District No. 13, the parties agree as follows in this Memorandum of Understanding (MOU):

- The severance payment under Article X, Section 10.2(B) of the Agreement shall be paid to each eligible retired teacher in the form of a non-elective employer contribution into the 403(b) account of each such retired teacher in the month of November following the teacher's retirement, provided that no contribution shall be made that causes a retiree's 403(b) account to exceed the applicable annual contribution limits under IRC §415(c) of the Code for any year.
- If the amount payable to a retired teacher under the paragraph above exceeds applicable contribution limits under the Internal Revenue Code, the excess amount shall be contributed into the 403(b) accounts of affected retirees in November of the next calendar year and in each succeeding calendar year until the entire amount payable is contributed into the 403(b) accounts of such retirees.
- No contributions may be made by the Board later than the end of the fifth year following the year in which the teacher severed employment with the Board. Any amounts remaining unpaid at the end of that fifth year shall be forfeited.
- Employees shall have no cash option to this non-elective employer contribution benefit.
- All contributions made hereunder shall be determined in accordance with applicable law.
- Teachers retiring under the 2019-2022 Agreement shall be paid the remainder of their final year salary on the last payroll of June of the year of the teacher's retirement.
- The terms of this MOU only apply to those teachers who retire under the 2019-2022 Agreement.
- This MOU and the terms set forth herein are not precedent setting.
- Except as set forth herein, all other provisions of the Agreement not in conflict with the MOU shall remain in full force and effect.

All other language and limitations set forth in Article X of the Agreement shall continue to apply.

Board President

Council President

Date

Date