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**TITLE 550 BOARD OF TRUSTEES OF THE  
INDIANA STATE TEACHERS' RETIREMENT  
FUND**

**Proposed Rule**  
LSA Document #03-155

**DIGEST**

Amends 550 IAC 2-2-7 regarding the definition of compensation to clarify the treatment of vacation pay. Effective 30 days after filing with the secretary of state.

**550 IAC 2-2-7**

SECTION 1. 550 IAC 2-2-7 IS AMENDED TO READ AS FOLLOWS:

**550 IAC 2-2-7 Definition of compensation**

**Authority:** IC 21-6.1-3-6

**Affected:** IC 5-10.2-4-3; IC 21-6.1-5-7

Sec. 7. (a) "Basic salary" means the monetary compensation agreed to in advance in writing that is earned by and paid to a teacher for services rendered under a uniform or supplemental contract for a school year running from July 1 through June 30 plus the amounts stated in IC 5-10.2-4-3 that are not paid directly to the member.

(b) Annual compensation does not include any of the following:

(1) Those amounts excluded under IC 5-10.2-4-3.

(2) A one (1) time payment, or lump sum payment, by the employer which is not made for services actually rendered or based upon the member's standard rate of pay.

(3) Back pay awards or settlements arising out of an employment grievance proceeding, except that back pay may be allocated among the years in which the service was rendered.

(4) Payments by the employer for accrued but unused compensatory time for overtime worked.

(5) Meals, lodging, life insurance, or other fringe benefits provided by the employer unless they fall within IC 5-10.2-4-3(c)(2).

(6) Payments by the employer for accrued but unused holiday, sick, **and** personal **and** vacation time, even when paid as part of a bargained agreement on a yearly or terminal basis.

(7) Payments for dues for professional or other organizations.

(8) Payments made as bonuses or awards for attendance, incentives, or performance unless such payments are available to all covered members employed by the employing unit.

(9) Payments in lieu of insurance coverage to members who do not participate in employer provided health insurance plans or other fringe benefits provided by the employer.

(10) Reimbursements for expenditures made by the member.

**(11) Payments by the employer for accrued but unused vacation time, even when paid as part of a bargained agreement on a yearly or terminal basis, except for annual amounts paid to a member:**

**(A) employed in a state institution with an instructional calendar of less than one hundred ninety-five (195) days;**

**(B) pursuant to the state department of personnel's teacher salary policy; and**

**(C) who retired after May 1, 2001.**

These items do not constitute an exhaustive list.

(c) A member's basic salary and annual compensation must be certified by an official of the employing unit who has knowledge of and access to the records. A member may not certify his or her basic salary and annual compensation. (*Board of Trustees of the Indiana State Teachers' Retirement Fund; 550 IAC 2-2-7; filed Oct 5, 1992, 5:00 p.m.: 16 IR 705; filed Jul 26, 2000, 2:48 p.m.: 23 IR 3089; readopted and extended filed Dec 3, 2001, 11:02 a.m.: 25 IR 1731*)

***Notice of Public Hearing***

*Under IC 4-22-2-24, notice is hereby given that on September 26, 2003 at 1:00 p.m., at the Board of Trustees of the Indiana State Teachers' Retirement Fund, 150 West Market Street, Suite 300, Indianapolis, Indiana the Board of Trustees of the Indiana State Teachers' Retirement Fund will hold a public hearing on proposed amendments regarding counting vacation time payments as compensation. Send written comments to Thomas N. Davidson, General Counsel, Indiana State Teachers' Retirement Fund, 150 West Market Street, Suite 300, Indianapolis, Indiana 46204. Copies of these rules are now on file at the Indiana State Teachers' Retirement Fund, 150 West Market Street, Suite 300 and Legislative Services Agency, One North Capitol, Suite 325, Indianapolis, Indiana and are open for public inspection.*

Dr. William E. Christopher  
Executive Director  
Board of Trustees of the Indiana State Teachers' Retirement Fund