

Total Compensation:

The definition of total compensation includes salary, stipends, cash option, bonuses, and other wages that were earned in the current period that equals 12 full months of service. This figure *does not include* other amounts that were earned in years prior to the current period such as unused sick leave, vacation, or other types of severance pay that are based on past years of service.

- For fulltime employees who will work through the end of the affected calendar year, total compensation is the amount estimated you would earn through the end of that year.
- For full-time employees who work a partial year (for example, employees who will retire at some specific point during the calendar year), total compensation will include an amount from the *previous calendar year sufficient to equal a full 12-month period of service*.
- For part-time employees, count compensation from multiple calendar years to equal the equivalent of a full 12-month period of service. For example, a half-time employee doing calculations for the year 2005 will include the full one-half time compensation from the years 2004 and 2005.

Includible Compensation:

This is "Total Compensation" minus any Mandatory Employee Pre-Tax Reductions. Usually these reductions are the employee's picked up contributions (which come from your paycheck on a pre-tax basis to the state pension retirement system). To determine Total Compensation; mandatory Employee Pre-Tax Reductions may also include your pre-tax contributions to an Alternative Retirement Plan such as 403(b), 457(b), or 401(a), but only if those contributions are *mandatory*. *Do not* subtract voluntary employee salary reductions to a TSA/403(b) Plan, a DCP/457(b) Plan, or to a Section 125 Cafeteria Plan. *Employer contributions* to any type of retirement plan are *never* a part of includible compensation.

Other Deductions:

You are not permitted to reduce your salary to the Plan by an amount that does not permit other voluntary or mandatory salary deductions to be taken from your paycheck. This will include such items as your union dues, credit union payments or savings, health insurance premiums, etc. See your most recent paycheck for details.

OTHER DEFINITIONS

The following definitions are of general interest in some of the terms used for the Plan and other related plans:

TSA/403(b) Plan: A tax-sheltered plan that permits you to defer taxes on salary reductions that you elect to voluntarily contribute. Investment options for public education employees are limited to 403(b)(1) annuities (either fixed or variable annuities), or 403(b)(7) custodial mutual fund accounts. *You may not direct contributions to individual stocks or bonds.*

DCP/457(b) Plan: A pre-tax plan that permits you to defer taxes on salary reductions that you elect to voluntarily contribute. For years after 2001, the contribution limits for DCP/457(b) plans will be identical to the salary reduction contribution limits for TSA/403(b) plans. Salary reductions to a DCP/457(b) Plan no longer are required to be coordinated with the salary reductions to the TSA/403(b) Plan.

SAR-SEP: If you have a SAR-SEP Plan with another employer, it is an elective deferral that offsets the salary reductions you are making to your TSA/403(b) Plan. This represents salary reduction contributions to a SEP Plan. New SAR-SEP plans are no longer permitted, however SAR-SEPs established in earlier years are grandfathered and can be retained.

SIMPLE IRA or SIMPLE 401(k) Plan: If you have a SIMPLE IRA or SIMPLE 401(k) with another employer, any salary reduction contributions you are making to the plan will offset the salary reductions you are permitted to make to your Employer's TSA/403(b) Plan.