

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 1948**

March 6, 2019

SPONSOR (S): Tracy

SYSTEM(S): State Universities Retirement System (SURS) and Teachers' Retirement System (TRS)

FISCAL IMPACT: The fiscal impact of SB 1948 is not known as the number of exemptions to the 3% final average salary (FAS) cap cannot be predicted. TRS, the largest of the five State-funded systems, notes that the last time similar exemptions to the FAS cap were in force between the years 2006 and 2014, a total of 770 waivers to the previous FAS cap of 6% were granted. To the extent that employers pay a lower penalty than they otherwise would under current law due to the exemptions enumerated below, state contributions would be increased at a commensurate rate.

SUBJECT MATTER: SB 1948 amends the State Universities Retirement System (SURS) and Teachers' Retirement System (TRS) Articles of the Illinois Pension Code. This proposed legislation provides exemptions to the final average salary (FAS) cap "penalty" payment that a local school district is required to pay when a teacher is awarded a salary increase exceeding the salary increase cap of 3%. Details on the proposed legislation are summarized below.

COMMENT: Pursuant to P.A. 100-0587, effective June 4, 2018, an employer under SURS or TRS is required to make an additional "penalty" contribution to the applicable system when a member's salary, used to determine the FAS, increases more than 3%. The amount of the additional payment should be equal to the present value of the increase in benefits resulting from the excess salary increase. Before P.A. 100-0587 lowered the salary increase cap to 3%, the previous cap for end-of-career salary increases pursuant to P.A. 94-0004 was 6%.

In the calculation of a school district's additional contribution due to a teacher's salary increase exceeding the 3% cap, SB 1948 allows salary increases arising from the following cases to be excluded from the calculation:

- Under SURS

1. Necessary overload work, including summer teaching, approved by SURS, that is for the sole purpose of academic instruction for a full-time employee, with the earnings increases being equal to or less than the rate of pay for academic instruction; and
 2. The following promotions:
 - a. A move to a higher classification under the State Universities Civil Service System;
 - b. Promotion to a tenured or tenure-track faculty position; or
 - c. A recommendation made by the Illinois Community College Board.
- Under TRS
 1. Overload work, including summer school, approved by TRS, that is for the sole purpose of classroom instruction for a full-time teacher, with a teacher's salary increases being equal to or less than the rate of pay for classroom instruction;
 2. A promotion that requires a license or supervisory endorsement that was not required by a teacher's previous position.
 3. Duties as a coach or advisor for an extracurricular activity; and
 4. An individual holding a professional educator license for any area of career and technical education.

Similar waivers were first established under TRS and SURS in FY 2006 and last granted in FY 2014. Since the end of FY 2014, the waivers have expired. According to SURS, there were a total of 32 exemptions granted during calendar year 2018. According to TRS, there were more than 770 cases in total where waivers were granted from FY 2006 throughout FY 2014.

JB:bj

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