

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 1952**

March 6, 2019

SPONSOR (S): Manar

SYSTEM(S): TRS, SURS

FISCAL IMPACT: According to TRS, under the prior 6% final average salary (FAS) cap pursuant to P.A. 94-0004, the system collected \$50.6 million in penalty payments from school districts over the period from FY 2007 through FY 2018. SURS reported collecting \$15.9 million from universities from FY 2008 through FY 2017. The current 3% FAS cap has not been in place long enough for the systems to collect meaningful data, so any change in local school district and university behavior regarding the granting of end-of-career salary increases under P.A. 100-0587 is not known. Therefore, a comparison cannot yet be made. Presumably, rolling back the FAS cap to its previous level would increase State contributions to TRS and SURS, assuming no change in employer behavior regarding end-of-career compensation.

SUBJECT MATTER: SB 1952 amends the Downstate Teachers and State Universities Articles of the Illinois Pension Code. The proposed legislation provides that if a participant's earnings exceed the amount of their earnings from the previous academic year by more than 6% (formerly 3%) in any year utilized to determine final average salary for pension annuity calculation purposes, then the employer must make additional employer contributions.

COMMENT: P.A. 94-0004 provided that for academic years beginning on or after June 1, 2005, if the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, by more than 6%, the participant's employer shall pay to the System, in addition to all other required payments, the present value of the increase in benefits resulting from the increase in earnings that is in excess of 6%. P.A. 100-0587 removed the 6% maximum and replaced it with 3% beginning July 1, 2018.

SB 1952 would restore the previous 6% end-of-career final average salary cap that was in force prior to the enactment of P.A. 100-0587.

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