

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **SB 1221**

February 20, 2015

SPONSOR(S): Murphy

SYSTEM(S): Downstate Teachers

FISCAL IMPACT: Over the period of 2004 to 2014, the median CPI-U based off of the 12 months preceding each September has been 2.03% (mean and geometric mean CPI-U increases are similar, see appendix), a number which is significantly lower than the 6% in current law.

By effectively reducing the end-of-career salary-raise cap, SB 1221 will reduce State contributions to an indiscernible degree. This reduction in State contributions will either result from greater school district payments if end-of-career raises are not curtailed, or it will be the result of lower teacher salaries by virtue of employers staying under the lower end-of-career raise cap, thus leading to lower pensionable salaries. Inasmuch as this bill will lead to future school district behavior that is unpredictable, a precise fiscal impact cannot be provided at this time.

SUBJECT MATTER: SB 1221 amends the Downstate Teachers Article of the Illinois Pension Code to change the annual increase in teacher salary threshold from 6% to an amount based on the consumer price index.

COMMENT: As of current law, teachers participating in TRS have a salary increase cap of 6%. Any school district offering a teacher a raise in excess of 6% of that teacher's previous year's salary will be billed the pension costs derived from the amount of the raise that is in excess of 6%.

SB 1221 proposes the salary increase cap be tied to the Consumer Price Index. Instead of 6%, the cap amount will change on July 1st of every year and be equal to the 12 month percent change ending in the preceding September.

Specifically, the salary-raise cap for the period July 1, 2016 through June 30, 2017 will be equal to the percent change in the CPI-U for the period of September 2014 through September 2015.

This bill will not affect any teachers currently under a collective-bargaining contract, until that contract expires, is amended, or is renewed.

Appendix:

Year	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
Sep 20XX	189.9	198.8	202.9	208.490	218.783	215.969	218.439	226.889	231.407	234.149
Oct 20XX	190.9	199.2	201.8	208.936	216.573	216.177	218.711	226.421	231.317	233.546
Nov 20XX	191.0	197.6	201.5	210.177	212.425	216.330	218.803	226.230	230.221	233.069
Dec 20XX	190.3	196.8	201.8	210.036	210.228	215.949	219.179	225.672	229.601	233.049
Jan 20XX+1	190.7	198.3	202.416	211.080	211.143	216.687	220.223	226.665	230.280	233.916
Feb 20XX+1	191.8	198.7	203.499	211.693	212.193	216.741	221.309	227.663	232.166	234.781
Mar 20XX+1	193.3	199.8	205.352	213.528	212.709	217.631	223.467	229.392	232.773	236.293
Apr 20XX+1	194.6	201.5	206.686	214.823	213.240	218.009	224.906	230.085	232.531	237.072
May 20XX+1	194.4	202.5	207.949	216.632	213.856	218.178	225.964	229.815	232.945	237.900
Jun 20XX+1	194.5	202.9	208.352	218.815	215.693	217.965	225.722	229.478	233.504	238.343
Jul 20XX+1	195.4	203.5	208.299	219.964	215.351	218.011	225.922	229.104	233.596	238.250
Aug 20XX+1	196.4	203.9	207.917	219.086	215.834	218.312	226.545	230.379	233.877	237.852
Annual	3.42%	2.57%	2.47%	5.08%	-1.35%	1.08%	3.71%	1.54%	1.07%	1.58%
Median	2.03%									
Mean	2.12%									
Geomean	2.10%									

MD:dkb

LRB099 06186 RPS 26245 b