COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **HB 5138**

April 9, 2018

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

FISCAL IMPACT: Under current law, for FY 2018 TRS estimates there would be approximately 700 employees whose salaries on a full-time equivalent basis would exceed the Governor's salary.

<u>SUBJECT MATTER</u>: HB 5138 amends the SURS and TRS Articles of the Illinois Pension Code. The bill removes a provision of the SURS and TRS Articles that specifies that a "full-time salary" shall be used to calculate the Governor's salary cap penalty payments paid by an employer if an employee's salary on a "full-time salary equivalent basis" exceeds the Governor's salary.

COMMENT:

Governor's Salary Cap Payments under SURS and TRS

Pursuant to P.A. 100-0023, starting July 1, 2017, if an employee's salary on a "fulltime equivalent basis" exceeds the amount of the Governor's salary, an employer under SURS and TRS shall pay to the applicable System penalty payments equal to the employer normal cost, expressed as a total percentage of payroll, multiplied by the excess amount of the Governor's salary. In FY 2017, the Governor's salary was \$177,412.

HB 5138 removes a provision that specifies a "full-time equivalent basis" shall be used to calculate the Governor's salary cap payments. Removal of the phrase "full-time equivalent basis" will allow an employer not to make such penalty payments for an employee whose salary would have been greater than the Governor's salary when converting to the full-time salary. In other words, under this legislation, employers would be making less Governor's salary cap payments than under current law.

Accumulated Contributions under TRS

"Accumulated contributions" under TRS is the sum of all contributions to TRS made by or on behalf of a member in regards to the member's service and credited to the member's account, with regular interest. Currently, when calculating a refund, only contributions made by or on behalf of a member are considered, without any interest.

HB 5138 excludes from "accumulated contributions" any contributions greater than contributions that TRS receives from an employer for purposes of calculating a refund.

According to TRS, HB 5138 simply states TRS' current practice in language.

Fraud under TRS

In regards to fraud, current law specifies that any person, member, trustee, or employee of the Board of TRS who knowingly attempts to defraud TRS would be guilty of a Class A misdemeanor.

HB 5138 re-specifies a provision regarding fraud uch that any person who knowingly attempts to defraud TRS, any other retirement system or pension fund under the Illinois Pension Code, or the Illinois State Board of Investment (ISBI) would be guilty of a Class 3 felony.

JB:bj LRB100 20027 RPS 35309 b