COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101st GENERAL ASSEMBLY

BILL NO: **HB 2858** February 25, 2019

SPONSOR (S): Bourne – Hammond, et al.

SYSTEM(S): Teachers' Retirement System (TRS)

FISCAL IMPACT: The fiscal impact of HB 2858 is not known as the number of exemptions to the 3% final average salary (FAS) cap cannot be predicted. TRS notes that the last time such exemptions were in force between the years 2006 and 2014, a total of 770 waivers to the previous FAS cap of 6% were granted.

SUBJECT MATTER: HB 2858 amends the Teachers' Retirement System Article (TRS) of the Illinois Pension Code. This proposed legislation waives the final average salary cap "penalty" payment that a local school district is required to pay to TRS when a teacher is awarded a salary increase higher than 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, a school district is required to make an additional "penalty" contribution to TRS when a teacher's salary, used to determine final average salary, increases more than 3%. An 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 a calculation of a school district's additional contribution due to a teacher's salary increase exceeding the cap of 3%, HB 2858 allows salary increases arising from the following 5 cases to be excluded from the calculation:

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. Duties as a coach or advisor for an extracurricular activity;
3. A teacher earning additional higher education credits or degrees;
4. Substitute teaching; and
5. A promotion meeting certain requirements.

Similar waivers were first established in FY 2006 and last granted in FY 2014. Since the end of FY 2014, the waivers have expired. 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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