COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 1952, as amended by HA 1 (Willis)** May 16, 2019

SPONSOR (S): Manar – Bertino-Tarrant, et al., (Scherer – Bryant, et al.)

SYSTEM(S): TRS and 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 engrossed bill would have re-instated the original 6% cap. House Amendment 1 would maintain the 3% final average salary under current law.

SUBJECT MATTER: SB 1952, as amended by HA 1, would remove the increase in the final average salary cap from 3% to 6% as contained in the engrossed bill and maintain the current 3% cap as enacted under P.A. 100-0587.

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, as engrossed, would have restored the previous 6% end-of-career final average salary cap that was in force prior to the enactment of P.A. 100-0587. House Amendment 1 deletes the aforementioned change made by the engrossed bill, and makes no attempt to change the current 3% maximum cap. In other words, current law with respect to the final average salary cap would be untouched should the amended bill become law.

LV
LRB101 10858 AXK 59979 a