

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

102<sup>nd</sup> GENERAL ASSEMBLY

BILL NO: **HB 4320**

January 4, 2022

SPONSOR (S): Halpin

SYSTEM(S): State Universities Articles

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**FISCAL IMPACT:** The fiscal impact of HB 4320 is not known as the number of exemptions that will be granted to the 6% Final Average Salary Cap (“FAS Cap”) in SURS as a result of an emergency declaration is not known. P.A. 102-0016 was designed to address situations in which university professors who would otherwise have taught extra classes were not able to engage in overload work due to class cancellations because of COVID-19. To the extent that members entering their “final average salary” periods of employment avail themselves of this exemption, the State will have to make contributions to SURS that would otherwise be required of the employing university.

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**SUBJECT MATTER:** HB 4320 amends the State Universities article of the Illinois Pension Code. The bill makes a technical correction to the Fiscal Year 2021 Budget Implementation Bill (Public Act 102-0016), which created a permanent exemption to the 6% Final Average Salary Cap (“FAS Cap) for certain employees impacted by emergency declarations, as described below.

**COMMENT:** Currently, Illinois law requires that SURS employers pay pension costs associated with salary increases greater than 6% during the employee’s final average salary period (the “FAS Cap”). Public Act 102-0016 created an exemption to the 6% FAS Cap; the Act applies to academic years immediately following emergency declarations. Public Act 102-16 became effective on June 17, 2021. However, academic year 2021 ended on June 30, 2021. SURS notes that the exemption created by Public Act 102-0016 only applies to payments made to employees on/after June 17, 2021 and does not cover the entire 2021 academic year. HB 4320 clarifies that the 6% FAS Cap exemption created by Public Act 102-0016 applies to payments made in academic years beginning on/after July 1, 2020, ensuring that the entire 2021 academic year is covered by the emergency declaration FAS Cap exemption.

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