

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 1646, as amended by HA 1** May 5, 2021
SPONSOR (S): McClure – Fowler, et al. (Marron – Severin, et al)
SYSTEM(S): TRS

FISCAL IMPACT: SB 1646, as amended by HA 1, would reopen a window for teachers to apply for optional service credit for work done in approved private schools as teachers and administrators. The Teachers' Retirement System reports having 3,463 members who have applied for this private school credit in previous window openings, as described below. TRS estimates that the fiscal impact of this bill would be low, as the member must pay both the member and employer contributions, plus the actuarially assumed rate of interest to take advantage of this credit.

The fiscal impact to TRS as a result of exempting summer school teaching from the 6% Final Average Salary Cap is unknown, as it is not known how many teachers would accrue pensionable salary in excess of 6% from the previous school year with the same employer via summer school teaching rendered between May 1, 2021 and September 15, 2022.

SUBJECT MATTER: SB 1646, as amended by HA 1, amends the Downstate Teachers Article of the Pension Code. This bill reopens the process by which teachers can establish optional service credit for years worked as a teacher or administrator in a private institution. The bill, as amended, also creates an exemption to the 6% Final Average Salary Cap ("FAS Cap") for school districts in which summer school service is rendered between May 1, 2021 and September 15, 2022.

COMMENT:

TRS Credit for Private School Teaching

On January 3rd, 2003, Public Act 92-067 went into effect. The act amended the TRS article of the Pension Code to allow for teachers to establish optional credit for up to two years of service as a teacher or administrator employed by a private institution recognized by the Illinois State Board of Education, subject to certain requirements. These requirements include being certified by the law governing teacher certification at the time

the service was rendered, providing evidence of employment, and completing 10 years of service under TRS.

The required contribution for establishing the optional credit is equal to what the employer and employee contributions would have been for those years of private school service, calculated upon the member's first year of full time employment in TRS in the school year following the private school service. Additionally, the member must pay interest on the foregoing items at the actuarially assumed rate from the date of service to the date of payment.

SB 1646, as amended by HA 1, would re-open the window for applying for the aforementioned optional service. To apply for the optional service credit, the member must apply in writing on or before June 30, 2023.

Exemption to the 6% End of Career Pay Increase Cap

Under current law, if a teacher's salary for any school year used to determine final average salary for pension purposes exceeds the member's full-time salary with the same employer in the previous school year by more than 6%, then that school district shall be obligated to pay to TRS the present value of the portion of the salary increase that is in excess of 6%. This provision is commonly known as the "Final Average Salary Cap," or "FAS Cap." HA 1 to SB 1646 creates an exemption to this cap for summer school teaching that occurs on or after May 1, 2021 and before September 15, 2022. Hence, any salary increases above 6% used to calculate pensionable salaries that result from the aforementioned summer school teaching would not create a financial obligation for the pertinent school district.

DH:bs

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