



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 300, as amended by HA 002

May 11, 2023

SPONSOR (S): Stuart

SYSTEM: Downstate Teachers' Retirement System (TRS) Article

FISCAL IMPACT

According to TRS, the new minimum teacher salary of \$40,000 for the 2023-2024 school year would constitute an actuarial loss. The extent of the actuarial loss has not been calculated, however, as the retirement system says that it must consult with the system's actuary to ascertain if this legislation would warrant a change in salary assumptions going forward. TRS says that approximately 16,600 retirees draw pensions based on a final average salary (FAS) of less than \$40,000. Almost 7,000 of these retirees have a FAS of \$30,000 or greater. The 16,600 retirees represent about 12.8% of the TRS annuitant population.

SUBJECT MATTER: HB 300, as amended by HA 002, amends the Downstate Teachers' Retirement System article of the Illinois Pension Code. The bill adds an exemption for salary increases over 6% in a teacher's final average salary (FAS) period attributable to minimum teacher salaries set forth under P.A. 101-0443.

COMMENT: Under current law, if a teacher's salary for any school year used to calculate that teacher's pensionable salary exceeds the member's salary with the same employer for the previous school year by more than 6%, the teacher's employer shall pay to the system the present value amount of the increase in benefits proportional to the increase in salary that is excess 6% (this provision is known as the "FAS Cap"). Employers (school districts, in most cases) are exempted from paying FAS Cap penalties for various salary increases, such as overload or stipend work, or payments that a teacher may receive from the State Board of Education over which the employing school district has no discretion, among other exemptions. HB 300, as amended by HA 002, adds an additional exemption for pensionable salary increases resulting

from an employer coming into compliance with Public Act 101-443 or this amendatory Act of the 103rd General Assembly.

Public Act 101-0443, which took effect on June 1, 2020, amended the School Code to define the minimum salary rates for full-time teachers statewide. Additionally, HB 300, as amended by HA 002, provides more specific guidelines for calculating minimum salary rates for teachers. P.A. 101-0443 set the minimum teacher salary for the 2023-2024 school year at \$40,000. Under this bill, the minimum salary rate for each school year thereafter shall equal the minimum salary rate for the previous school year increased by a percentage equal to the annualized percentage increase in the CPI-U, if any, for the 12-month period ending on June 30 of the school year that ended 12 months prior to the school year in which the adjusted salary is to be in effect.

Under HA 2 to HB 300, the Commission on Government Forecasting and Accountability must certify the minimum salary rate for the 2024-2025 school year no later than September 30, 2023, and by no later than each July 20th, 2024 and annually on or before each July 20th thereafter, CGFA must certify the minimum teacher salary rate for each school year after the 2024-2025 school year.

GR:bs

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