



## Commission on Government Forecasting and Accountability

### **PENSION IMPACT NOTE** *103<sup>RD</sup> General Assembly*

**BILL NO:** HB 2147, as amended by SA 002 & SA 003 May 19, 2023

**SPONSOR (S):** Yang Rohr – Mason, et al (Villivalam – Ellman, et al)

**SYSTEM:** Downstate Teachers’ Retirement System (TRS) Article, Chicago  
Municipal Article

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#### FISCAL IMPACT

The fiscal impact to TRS resulting from HB 2147, as amended by SA 002 & SA 003 is not known, as the number of retired teachers who return to service without impairment of their annuities is not known. Employees and employers are not required to report the hours worked to TRS unless they exceeded their post-retirement limits. To the extent that a retirement pension is paid out by TRS that would otherwise be prohibited under current law due to the extension of the current daily and hourly limits on annuitant return-to-service, there would be an indeterminate fiscal impact on the pension fund.

HB 2147, as amended, allows for the establishment of an unlimited amount of optional service credit for student teaching in TRS, provided the member pay to the system the employee contributions that would have been required plus regular interest (6%), compounded annually, from the date of service to the date of payment. The bill does not require payment of the employer’s normal cost for establishment of credit for student teaching. Thus, there would be a fiscal impact to the system for the establishment of such credit.

The number of employees of the Chicago Municipal Pension Fund who would purchase optional service for periods of part-time service with the Chicago Board of Education prior to becoming members of the Chicago Municipal Pension Fund is not known. The bill requires payment of employee contributions, employer’s normal cost, plus interest at the statutory “effective rate” (3.00%) from the date of service to the date of payment for the establishment of the optional credit.

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SUBJECT MATTER: HB 2147, as amended by SA 002 & SA 003, amends the Downstate Teacher article of the Illinois Pension Code. The bill allows TRS annuitants to be re-employed as a teacher without impairing their retirement pensions, subject to daily and hourly limitations as enumerated below. The bill also allows for the purchase of optional service credit for student teaching in TRS. Additionally, the bill allows members of the Chicago Municipal Pension Fund to purchase up to 2 years of optional service credit for periods of part-time employment with the Chicago Board of Education prior to becoming a member of the Chicago Municipal Fund.

COMMENTS:

*Extension of Current Limits for Retired Teacher Return-to-Service Program*

Under current law, TRS allows annuitants receiving an annuity other than a disability retirement annuity to return to work as a teacher without impairment of retirement status, provided that employment is not within the school year during which service was terminated and does not exceed 120 paid days or 600 paid hours in each school year, but not more than 100 paid days in the same classroom. This provision will sunset on June 30, 2023, at which time the limits shall be set at 100 paid days or 500 paid hours in each school year. HB 2147, as amended by SA 002 & SA 003, amends the TRS Article of the Pension Code to extend the current limits (120 paid days or 600 paid hours) until June 30, 2026, and delays until July 1, 2026 the new limits that would otherwise take effect on July 1, 2023 (100 paid days or 500 paid hours).

*Optional Service Credit in TRS for Periods of Student Teaching*

HB 2147, as amended by SA 002 & SA 003, allows TRS members to establish optional service credit for periods of service as a student teacher, provided eligible members pay to the system the amounts that would have been contributed had the service been rendered in TRS, plus regular interest for the establishment of service credit (6%) from the date of service to the date of payment, compounded annually. The bill does not require payment of the employer's normal cost to establish such service credit.

*Optional Service Credit in the Chicago Municipal Fund for Certain Chicago Board of Education Employees*

HB 2147, as amended by SA 002 & SA 003, allows members of the Chicago Municipal Pension Fund to establish up to 2 years of optional service credit for periods of service as a part-time employee of the Chicago Board of Education prior to becoming an employee in a position covered by the Chicago Municipal Fund. To establish such optional service credit, eligible members must pay to the system the amounts that would have been contributed had the service been rendered as a member of the Chicago Municipal Fund, plus the employer's normal cost, plus interest at the statutory "effective rate" (3.00%) from the date of service to the date of payment. Employees must apply for the optional service credit and pay the aforementioned amounts no later than 6 months after the effective date of this amendatory Act.

*Impact of SA 002 and SA 003*

The engrossed version of HB 2147 contained a provision permitting a person to apply less than one year of service credit under the Retirement Systems Reciprocal Act in cases where the credit was attained as a substitute teacher under the Downstate Teachers Article of the Pension Code, with the additional stipulation that the person must have reached retirement eligibility under

IMRF. (The Reciprocal Act generally prohibits allowing application of service credit for periods of less than one year). This provision was removed by SA 002.

SA 003 added the above-mentioned item for optional service in the Chicago Municipal Fund for prior service as a PT employee of the Chicago Board of Education.

GR:bs

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