



## Commission on Government Forecasting and Accountability

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

BILL NO: **HB 4652, as amended by HA 002**

May 8, 2024

SPONSOR: Hernandez, B. – Faver Dias, et al.

SYSTEM: TRS

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#### FISCAL IMPACT

The fiscal impact of HA 2 to HB 4652 cannot be determined as the number of members who may wish to establish optional service credit under this stipend program is not known. To the extent that the employee contributions required to establish this service credit in TRS (employee contributions plus “regular” interest of 6%, compounded annually from the date of service to the date of payment) are equal to the actuarial liability created by the establishment of this optional service, there should be no fiscal impact to TRS.

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IMPACT OF HA 002: HA 002 is a gut-and-replace amendment that allows TRS members to count as pensionable salary any stipend received for assisting student teachers, and to purchase optional service credit for past student teaching.

SUBJECT MATTER: HB 4652, as amended by HA 002, amends the Board of Higher Education Act to establish a student teaching stipend program to alleviate financial burdens associated with student teaching. The bill provides stipends of up to \$10,000 per semester for eligible student teachers and up to \$2,000 per semester for eligible cooperating teachers (those teachers who advise student teachers). The amendment allows former student teachers under this stipend program who become members of TRS to purchase optional service credit equal to the amount of time spent as a student teacher; the amendment also allows cooperating teachers’ stipends to be counted as pensionable salary.

COMMENT: HB 4652, as amended by HA 002, amends the Board of Higher Education Act to establish a student teaching stipend program to alleviate financial burdens associated with student teaching. The bill provides stipends of up to \$10,000 per semester for eligible students and up

to \$2,000 per semester for eligible cooperating teachers (“cooperating teachers” are licensed teachers who assist and advise student teachers). Grants payable to student teachers and cooperating teachers are only payable for two consecutive semesters.

*TRS Service Credit for Cooperating Teachers*

Under HB 4652, as amended by HA 002, the stipend for cooperating teachers is deemed as pensionable salary under TRS. Additionally, TRS members are also permitted to establish optional service credit for time spent as student teachers. To establish the optional credit, the teacher must pay to TRS the amount that would have been required to be paid had the service credit been earned under TRS plus interest at the rate of 6% calculated from the date that the contributions would have been due to the date the optional service credit payment is made.

*Exemption to ‘FAS Cap Penalty’ for Cooperating Teachers*

Public Act 94-0004, which became effective on June 1, 2005, requires school districts to pay the present value of an increase in pension benefits resulting from salary increases over 6% in a teacher’s pensionable salary period. This is known as the “FAS Cap Penalty.” HA 2 to HB 4652 amends the TRS Article such that any raises over 6% in a teacher’s pensionable salary period that are attributable to serving as a “cooperating teacher” in a student teaching setting shall not be assessed against the applicable school district as a FAS Cap penalty.

Additionally, the pension benefits from this amendment are not considered to be a “new benefit increase” under Public Act 94-0004, meaning that CGFA will not be obligated to conduct a review of the sufficiency of the revenue source necessary to pay for any increase in liabilities to TRS associated with the foregoing changes.

MH:bs

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