



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: SB 2627

January 2, 2024

SPONSOR (S): Ventura

SYSTEM: Teachers Retirement System

FISCAL IMPACT

SB 2627 exempts school districts from paying FAS Cap Penalties associated with any pay raises resulting from the new minimum teacher salary set forth in this bill (\$50,000 for the 2024-25 school year, \$55,000 for the 2025-26 school year, and \$60,000 for the 2026-27 school year. For the 2027-28 school year and each year thereafter, CGFA would be required to publish the minimum salary rate in compliance with current statutory calculations).

The increase in actuarial liability associated with any such pay raises is not known, as the number of teachers who would receive end-of-career salary increases in excess of 6% due to the new minimum teacher salary has not yet been established. From 2008 to 2022, school districts have paid \$69.6 million in statewide FAS Cap Penalties to TRS. (Please see Appendix A for more information on historical school district FAS Cap penalty payments to TRS)

SUBJECT MATTER: SB 2627 amends the TRS Article of the Pension Code and the Illinois School Code. The bill increases the minimum salary for a full-time teacher for the 2024-2025, 2025-2026, and 2026-2027 school years, and keeps intact the current statutory methodology for CGFA to calculate the minimum salary in the 2027-28 school year and each year thereafter. The bill exempts school districts from paying the Final Average Salary (FAS Cap) Penalty for any pension liabilities that result from salary increases under this bill due to the new minimum salary.

COMMENT: P.A. 94-004, which became effective on June 1, 2005, implemented a system of local school district payments to the Teachers' Retirement System (TRS) known as the "Final Average Salary Cap," or "FAS Cap." Under the FAS Cap, school districts may award salary increases to teachers in their final average salary period of up to 6%, and the liability for these

increases is borne by the State of Illinois. For any salary increases over 6%, school districts must pay to TRS the present value of the increase in the pension liability associated with that pay raise. This payment is known as the "FAS Cap Penalty." Appendix A below shows a 15-year history of FAS Cap penalty payments made to TRS since the implementation of the FAS Cap law.

P.A. 103-0515, which became effective on August 11th, 2023, established a mechanism for determining the minimum statewide teacher salary. Under the Act, CGFA must determine the minimum salary for the 2024-2025 school year, and for each year thereafter. (On Sept. 29th, 2023, CGFA certified a minimum salary of \$41,188 for the 2024-2025 school year). P.A. 103-0515 exempted school districts from paying the FAS Cap Penalty for any salary increase over 6% that is necessary to bring impacted school districts into compliance with the aforementioned minimum salary requirements.

SB 2627 would implement a minimum salary for a full-time teacher of \$50,000 for the 2024-25 school year, \$55,000 for the 2025-26 school year, and \$60,000 for the 2026-27 school year. For the 2027-28 school year and each year thereafter, CGFA would be required to publish the minimum salary rate in compliance with current statutory calculations (i.e., the minimum salary then payable would be increased each subsequent year by the annual percentage increase in the CPI-U). This bill would also create an exception to the FAS Cap penalty for any salary increases above 6% in accordance with this legislation, similar to the exception created by P.A. 103-0515.

MH:bs

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Appendix A:

