



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104TH General Assembly*

BILL NO: **HB 1375**

January 28, 2025

SPONSOR (S): B. Hernandez

SYSTEM: Teachers' Retirement System (TRS)

FISCAL IMPACT

The fiscal impact of HB 1375 is not known as the number of eligible TRS members who may wish to purchase the optional service credit under the student teaching stipend program is not known at this time. To the extent that the amounts that TRS members would pay to establish this optional service covers any corresponding increases in actuarial liability, there would be no fiscal impact upon TRS. There would be a minor fiscal impact due to creating a new 6% FAS Cap exemption for salary increases granted to teachers who mentor student teachers, if these raises occur in the teacher's pensionable salary period. The increase in State contributions due to this new FAS Cap exemption would be commensurate with the number of teachers who receive such raises.

SUBJECT MATTER: HB 1375 amends the Downstate Teacher (TRS) Article of the Pension Code. This legislation allows TRS members to use teaching periods as a student teacher under the student teaching stipend program to purchase optional service credit. Also, any stipends paid to an eligible cooperating teacher who supervises a student teacher shall be excluded from calculation of the 6% employer penalty payments on a teacher's excessive salary used in determining Final Average Salary (FAS). In addition to the Pension Code, HB 1375 also amends the Board of Higher Education Act to create the student teaching stipend program.

COMMENT:**Creation of the Student Teaching Stipend Program by The Board of Higher Education Act**

HB 1375 amends the Board of Higher Education Act to create a student teaching stipend program that aims to alleviate the financial burden of student teaching and encourage students to pursue a teaching career. The stated goal of these changes is to help with the teacher shortage in the State of Illinois. The student teaching stipend program would provide a stipend of up to \$10,000 per semester to each eligible student and up to \$2,000 per semester to each eligible cooperating teacher who supervises a student teacher.

Establishing Optional Service Credit from Teaching Periods as a Student Teacher

Currently, TRS members can purchase optional credit for “out-of-system” public school teaching service earned in the Chicago public schools or other states, territories, or dependencies of the U.S. by making the employee contributions that would have been required had the service been earned under TRS, plus interest (generally at 6%). HB 1375 allows the teaching service as a student teacher under the student teaching stipend program to qualify as optional service credit.

Exceptions to the 6% Employer Penalty payments for Excessive Salary Increases in Determining the Final Average Salary (FAS)

Under current law, if a teacher’s salary with the same employer increases by more than 6% in that teacher’s pensionable salary period, the employing school district is required to pay an additional payment to TRS for the portion of the increase that exceeds the cap. The amount of the payment is the present value of the increase in pension benefits due to the salary increase exceeding the 6% cap.

Under HB 1375, any stipends paid to an eligible cooperating teacher under the student teaching stipend program shall be excluded from calculation of the 6% employer penalty payments. In other words, the increase in the teacher’s salary resulting from such stipends shall not be taken into account when calculating the employer 6% penalty payment.

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