



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: **HB 2564**, as engrossed

May 7, 2025

SPONSOR: Vella (Halpin)

SYSTEM: Teacher's Retirement System (TRS)

FISCAL IMPACT

HB 2564, as engrossed exempts school districts from having to compensate TRS for salary increases over 6% that compose a teachers' final average salary (FAS), contingent upon it being the result of "overload work" on or after July 1, 2025. Overload work is defined as summer school or educational work in excess of the standard number of classes assigned to a teacher. The fiscal impact of **HB 2564**, as engrossed, is commensurate with the number of teachers engaged in overload work in any given school year. To the extent that exemptions to the FAS Cap would be granted that would otherwise not be allowed under current law, there would be a slight negative impact upon TRS. As of its June 2024 valuation, TRS has an unfunded liability of \$82.9 billion, and a funding ratio of 46.3%.

SUBJECT MATTER: **HB 2564**, as engrossed, amends the Teacher's Retirement System Article, exempting school districts from having to compensate TRS for their employees' final average salary if the salary increases over 6% resulted from overload work following July 1, 2025. "Overload work" is defined as summer school teaching and work in excess of the standard number of classes assigned to a teacher, that is solely for educational purposes. Overload work must be certified and approved by TRS before any exemptions to the FAS Cap can be granted.

COMMENT: Under current law, if a teacher's salary for a school year is increased by more than 6% in the teacher's pensionable salary period, the school district must compensate TRS for the resulting increase in the present value of the teacher's pension as a result of such increases over 6%. The only exemption still in effect comes from P.A. 103-0525, effective Aug. 11,

2023, which exempts salary increases resulting from keeping school districts in compliance with the minimum teacher salary rate established by P.A. 101-443, effective on June 1, 2020.

Throughout the years various exemptions to the FAS Cap have been enacted and allowed to lapse. Those exemptions are detailed in the chart below.

Public Act	Date lapsed	Exemption
94-0004 (eff. June 1, 2005)	June 1, 2005*	Salary increases from a collective bargaining agreement
94-1057 (eff. July 31, 2006)	July 1, 2014	Salary increases made ten years before retirement
		Salary increases from overload work (Summer school, or overtime classroom instruction)
		Salary increases from promotions required by the State Teacher Certification Board
		Salary increases where the employer has no discretion
102-0016 (eff. June 17, 2021)	Provisions sunset after the 2019-2020 school year	Salary increases from overload work caused by an emergency declaration that did not allow for their employer to offer overload work
		Salary increases from increased instructional time during the 2019-2020 school year
102-0525 (eff. August 20, 2021)	September 15, 2022	Salary increases from teaching summer school after May 1 st 2021, but before September 15 th 2022
103-0515** (eff. August 11, 2023)	Still in effect	Salary increases from bringing all TRS participants into compliance with the new minimum salary rate

*Extended to July 1, 2014 by P.A. 94-1057 (eff. 7/31/2006)

**Tied to P.A. 101-443 (eff. 6/1/2020) which set a minimum salary rate for teachers that is calculated yearly based on the Consumer Price Index-U.

HB 2564, as engrossed, exempts school districts from having to compensate TRS for salary increases over 6% that impact a teachers’ final average salary (FAS) if the salary increase is the result of overload work on or after July 1, 2025. “Overload work” includes summer school, and any work purely for classroom instruction in excess of the standard number of classes assigned to a teacher. Such work must also be certified and approved by TRS. Salary increases must be equivalent to or less than the rate of pay for regular classroom instruction.

HB 2564, as engrossed, is essentially identical to a provision in P.A. 94-1057, effective July 31, 2006, regarding overload work that was allowed to lapse on July 1, 2014. If enacted, this exemption to the 6% FAS Cap would operate in perpetuity, without a sunset date.

RF:bs

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