

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **SB 2187**

March 3, 2011

SPONSOR (S): Clayborne

SYSTEM(S): TRS

FISCAL IMPACT: The table below shows the impact of the 6% salary exemptions and extended grandfathering of labor contracts contained in P.A. 94-1057 for Fiscal Years 2007 - 2009. This information was provided to CGFA by TRS staff on May 21st, 2010. To the extent that SB 2187 continues the exemptions and contract grandfathering contained in P.A. 94-1057, these amounts that would otherwise have been collected through contributions from school districts will be made up by increased State contributions.

Contributions That Would have Been Received from TRS Employers without P.A. 94-1057			
	FY 2007	FY 2008	FY 2009
Salary Exemptions	\$150,157	\$98,038	\$313,786
Extended Grandfathering	\$26,807,237	\$18,095,686	\$24,933,259
Total	\$26,957,394	\$18,193,724	\$25,247,045

SUBJECT MATTER: SB 2187 amends the TRS and SURS articles of the Pension Code to extend the “grandfathering” period during which certain salary increases above 6% during an employee’s final average salary period do not require payments from the employer (the school district or university) to the applicable retirement system. The 6% final average salary cap was implemented by P.A. 94-0004, and P.A. 94-1057 created exemptions to the cap which sunset in 2011. Those exemptions are extended by this bill.

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COMMENT: P.A. 94-0004 became effective on June 1, 2005. The Act contained a cap on end-of-career salary increases for members of SURS and TRS under which universities and school districts would be responsible for compensating the applicable retirement system for end-of-career salary increases in excess of 6%. Specifically, the Act required the employer to pay to the retirement system the present value of the increase in pension benefits resulting from any increase over 6%. P.A. 94-1057, which went into effect on July 31, 2006, created a number of exemptions to the 6% end-of-career cap implemented by P.A. 94-0004. SB 2187 extends the salary exemption period to July 1, 2016.

In addition, SB 2187 also extends the “contract grandfathering” period from July 1, 2016 to July 1 2019. Under this provision, TRS and SURS shall not require payment from the employer for salary increases over 6% in the final average salary period pursuant to a contract or collective bargaining agreement entered into, amended, or renewed on or after June 1, 2005 but before July 1, 2016.

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