

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 0821, as amended by SA #1**

April 16, 2007

SPONSOR (S): Raul – Jones E., et al.

SYSTEM(S): Teachers' Retirement System

FISCAL IMPACT: The fiscal impact of SB 0821, as amended, cannot be determined because the number of employees affected is not known. However, in 2006, the Commission's actuary determined that if exemptions to the 6% final average salary cap amount to 1% of the total TRS payroll, additional state contributions of \$984 million would be required from FY 2007 – FY 2045.

SUBJECT MATTER: SB 0821, as amended by SA #1, amends the Downstate Teacher Article of the Illinois Pension Code to provide that, when assessing payment for any amount due for salary increases in excess of 6%, the System shall exclude salary increases as a result of a negotiated salary schedule that provides for a salary increase for a teacher who obtains a master's degree.

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COMMENT: Currently, the Pension Code requires the employer of a Downstate teacher to pay to TRS the present value of the increase in pension benefits resulting from the portion of any salary increase (during the period used to determine final average salary) that is in excess of 6%. P.A. 94-1057, which became effective on July 31, 2006, created specific exemptions to the 6% final average salary cap. For example, the Act exempted salary increases over 6% associated with overload work, certain promotions, and pay increases over which school districts do not exercise control. SB 0821, as amended by SA #1, provides that when assessing payment for any amount due for salary increases in excess of 6%, the System shall also exclude salary increases granted as a result of a negotiated salary schedule that provides for a salary increase for a teacher who obtains a master's degree.