

Repeal of the 3% Salary Cap/Limit

SB 3622 (Fowler-R) and HB 5937 (Phelps-Finnie-D)

SB 3622 and HB 5937 would REPEAL the 3 percent salary cap/limit for members who participate in the Teachers' Retirement System (TRS) and the State Universities' Retirement System (SURS). The legislation would revert the salary cap/limit back to the previous 6% amount.

Background:

- In the final budget deal, the legislature enacted a law that will expose local property taxpayers and college students to funding more pension payments in TRS and SURS. This new law decreases the state's responsibility to pay for increases in pensionable earnings that exceed 3% instead of the previous cap/limit of 6%. This new provision took effect on June 4th, 2018 and will apply to all contracts entered into or renewed after this date. The 3% cap/limit is being sold as a means to end perceived salary spiking for career educators. Instead this new law is having a chilling effect on educator professional development and further inhibiting the ability of school districts to attract new teachers into the profession during a teacher shortage.

What does this mean?

Reducing the state's responsibility to fully fund these systems results in a shift in costs to property taxpayers and college students who are struggling to pay for tuition. Instead of those resources being used locally and in institutions of higher education, they will be shipped off to Springfield to pay for pension costs that were previously covered by the state.

The 3 percent salary cap/limit will be applied to active IEA TRS and SURS members regardless of how close they are to retirement. Many school districts and institutions of higher education are taking the position that all increases in compensation, for any reason, should not exceed 3 percent because they do not want to pay the pension payment. This understandable reluctance is impacting

the ability of these institutions to keep the best and the brightest in Illinois while also having to compete with wealthier Illinois districts and out-of-state entities that can offer more attractive financial packages to attract new educators.

What type of compensation is impacted?

All type of pay is impacted, even compensation received as a result of pursuing a master's degree or obtaining additional academic credentials. The 3 percent cap/limit also applies to cost of living increases, stipends paid for extracurricular duties, coaching stipends, seniority payments, promotions (teacher to principal), overtime compensation, National Board Certified Teacher (NBCT) stipends and other duties that directly enhance the education of the students. In short, any pensionable compensation is applied to the 3 percent cap/limit.

An example: A teacher is hired July 1, 2018 and is 23 years old. They could teach for 10 years straight and have received an increase in their compensation of 3% year over year, but in year 10 they could have received an increase of 4% because they became a Nationally Certified Teacher. The teacher leaves after their 10 years in 2028. They are not eligible to receive an unreduced pension until 44 years (age 67) after they began their 10 years of service as an educator. So, in this scenario a school district will receive a pension payment bill 44 years after they hired this teacher, thus exhibiting why it is a disincentive for school districts to offer any increase in compensation above 3% regardless of what the educator does throughout their career.

Why repeal?

The 3 percent cap/limit is extremely detrimental to a profession that is already facing a teacher shortage and to a state university system that has been underfunded for years. It is very short-sighted for Governor Rauner and members of the General Assembly to enact this measure at a time when the legislature is both trying to solve a teacher shortage and trying to find a way to save higher education in this state. This law acts as a deterrent for college students to join the ranks of educators in Illinois and will certainly negatively impact educator retention. Ask your state senator to cosponsor SB 3622 and your state representative to cosponsor HB 5937.



Illinois Education Association-NEA

FACT SHEET

— From the Department of Government Relations —
