Illinois Education Association-NEA
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FACT SHEET

— From the Department of Government Relations —

Repeal of the 3% Salary Limit
SB 1952 (Manar-D) and HB 350 (Willis-D)

SB 1952 and HB 350 would REPEAL the 3 percent salary limit for members who participate in the Teachers' Retirement System (TRS) and the State Universities' Retirement System (SURS). The legislation would revert the salary limit back to the previous 6% amount.

Fiscal Impact: This legislation would have ZERO impact on the state's current budget and ZERO impact for the upcoming budget year. TRS and SURS have already officially submitted to the General Assembly the final pension contribution amounts that they require for this year and for the upcoming fiscal year. Those numbers will not change unless the General Assembly enacts legislation that would force the retirement systems to change their required pension contribution. Additionally, TRS has never provided a fiscal analysis that substantiates any claims that the 3% limitation resulted in any savings for the state during the current budget year.

Background: In the final FY19 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 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% 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 limit is currently being 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 reluctance is impacting the ability of these public schools and institutions to attract and retain the best and brightest while also having to compete against the private sector and out-of-state entities that can offer more attractive financial packages.

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 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. It is the truth to say that the 3 percent limitation is a disincentive for school districts to offer any increase in compensation above 3 percent regardless of whether the educator goes the extra mile to be the best in their field.

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 for the betterment of their students throughout their career.

Why repeal?

The 3 percent limit is extremely detrimental to a profession that is already facing a teacher shortage crisis and to a state university system that has been underfunded for years. The Illinois State Board of Education reported that as of October 1, 2018, there were 2,894 full-time teaching positions unfilled in Illinois. 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 1952 and your state representative to cosponsor HB 350.