

Sent: Tuesday, June 03, 2014 3:30 PM
To: Employers
Subject: General Assembly Raises Federal Rate in 14-15

Dear Employer:

The contribution rate TRS employers pay on salaries paid from federal funds will not decrease to 7.44 percent during the 2014-15 school year, as previously announced by TRS.

At the end of the spring legislative session, the General Assembly approved Senate Bill 220, which reverses a 2013 decision of the TRS Board of Trustees and dictates that **the 2014-15 employer contribution rate for salaries paid from federal funds and special trust funds will be 33.00 percent.**

Gov. Pat Quinn has not yet acted on Senate Bill 220, but his approval is expected before July 1 because SB 220 is the bill that implements the state budget for the coming year. The Governor's Office of Management and Budget supported the provision in SB 220 raising the federal funds contribution rate.

Under current state law, the annual responsibility for setting the federal funds contribution rate was left to the TRS Board of Trustees. For school years 2005-06 through 2013-14, the TRS Board set the federal funds contribution rate to equal the total contribution rate paid to TRS by the State of Illinois. Each year, the state contribution rate not only includes the current year's pension cost (often referred to as the "normal cost") but additional funds necessary to help pay off the TRS unfunded liability. Annually, more than two-thirds of the state's total contribution rate was dedicated to paying off the unfunded liability.

In August of 2013, the TRS trustees voted to change the contribution rate for federally-funded salaries paid by school districts so that the rate reflected only the current year's pension cost and excluded any contribution to pay off the unfunded liability. The Board decided that it was unfair to force school districts to pay for an unfunded liability they did not create. This change would have reduced the federal funds contribution rate for school districts from 35.41 percent in 2013-14 to 7.44 percent in 2014-15. The General Assembly would have assumed the entire cost of paying off the TRS unfunded liability.

Senate Bill 220, however, reverses the TRS action and requires that the employer contribution rate on federally-funded salaries will equal "the total minimum contribution of the System to be made by the State for that fiscal year, including both normal cost and unfunded liability components, expressed as a percentage of payroll..."

Therefore, once SB 220 becomes law, TRS must revisit the 2014-15 federal funds contribution rate so it is in compliance with the new law and raise the rate to 33.00 percent. Employers will be required to remit the following TRS and THIS contributions for the 2014-15 school year:

Member TRS

9.4%

Employer TRS

.58%

Employer TRS on Federal Funds

33.00%

Member THIS

1.02%

Employer THIS

.76%

If you have questions regarding TRS contribution rates, please contact TRS Employer Services at (888) 877-0890, option 1 or employers@trs.illinois.gov.

Employer Services Department
Teachers' Retirement System of the State of Illinois