Teachers' Retirement System of the State of Illinois

Bill Analysis

House Bill 3584
TRS Administrative Changes

Sponsor: Hannig, Gary

Summary: The legislation contains changes that have little or no increase in the unfunded liability of the system. The following technical changes are needed to update the TRS statute with necessary language that will result in increased efficiency in the administration of the system.

1. Provide a 2.2% formula option for single-sum annuity recipients.
   Rationale: Currently the single-sum annuity is based upon 1.67% of a member's final average salary for each year of creditable service. The TRS formula is a flat 2.2% for each year of creditable service. This legislation will make this provision in law consistent with the current formula.

2. Eliminate the TRS 100-day membership waiting period for CTPF annuitants.
   Rationale: Providing membership in TRS for CTPF annuitants from day one of employment will result in consistent treatment of annuitant teachers throughout the state.

3. Permit TRS members who have interrupted service under Chicago Teachers' Pension Fund (CTPF) to purchase optional pregnancy/adoption credit.
   Rationale: Allowing for the purchase of this service credit will create equity for all teachers in Illinois.

4. Allow TRS employees who have changed positions within the System to make an irrevocable election to participate in TRS.
   Rationale: Currently all newly hired employees participate in TRS, however individuals hired prior to August 17, 2001 were not allowed to participate. This legislation allows individuals to "opt in", provided they become employed in a different position with TRS.

5. Clarify what positions at the Illinois State Board of Education are eligible for participation in TRS.
   Rationale: Currently the statute provides that an "executive" within the Illinois State Board of Education is eligible to participate in TRS. The language clarifies statute as to what positions are eligible for participation at ISBE. The legislation will not increase or decrease the number of positions at ISBE that are eligible for participation in TRS.

6. Stipulate that interest is not credited to contributions that are used for the annual increase in an annuity.
   Rationale: The legislation makes this section of the TRS article of the pension code consistent with the section concerning survivor benefits.

7. Specify that a conviction of a job related felony terminates participation in TRS.
   Rationale: The legislation eliminates any ambiguity with regard to the status of teachers who have been convicted of a job related felony.

8. Clarify that a member is not eligible for the 25% refund of 2.2 contributions until a 75% maximum annuity is attained.
   Rationale: An individual who has more than 34 years of service and has not attained a maximum annuity of 75% is not entitled to a refund of 2.2 contributions. This language clarifies the treatment of this rare occurrence.

9. For the calculation of optional service cost TRS uses the legal school term not the employment agreement.
   Rationale: The legal school term is used as the document that defines the date upon which calculation for optional service credit is determined.

10. Specify that only actual teaching service can be used to determine eligibility for survivor benefits.
    Rationale: The language clarifies the practice of only allowing actual teaching service to determine eligibility for survivor benefits.

11. Delete obsolete sections of the statute that are no longer in use.
    Rationale: These sections apply to service purchase windows that are obsolete.