

Clarifying District 39

Teacher Pension Obligations

TRS Pension History in Illinois

- Funded similar to Social Security, in that employees and employers share costs
- Illinois assumes the “employer” share, leaving most instructional costs on local districts
- Historically Illinois has balanced its budget by not making required payments
- As a result, the system is underfunded (unlike IMRF)
- Recently Illinois has been taking steps to cover this liability

Illinois has been addressing the pension obligation

- Eliminated the Early Retirement Option – teachers draw salaries longer and receive pensions later
- Districts now contribute toward retired Teachers Health Insurance (THIS) - .88%
- Districts are required to make a contribution to TRS – currently .58%
- Beginning in 2006 TRS charges school districts Excess Salary Payments when pension calculations include salary increases over 6%.

What are excess salary payments?

- Law passed in 2005
- Schools charged a fee when paying a retiring teacher raises over 6%
- The fee is neither a penalty nor a fine
- The intent was to reduce Illinois pension obligations
 - *Pensions calculations use the highest 4 consecutive years of the past 10.*

D39 Minimizes Excess Salary Payments

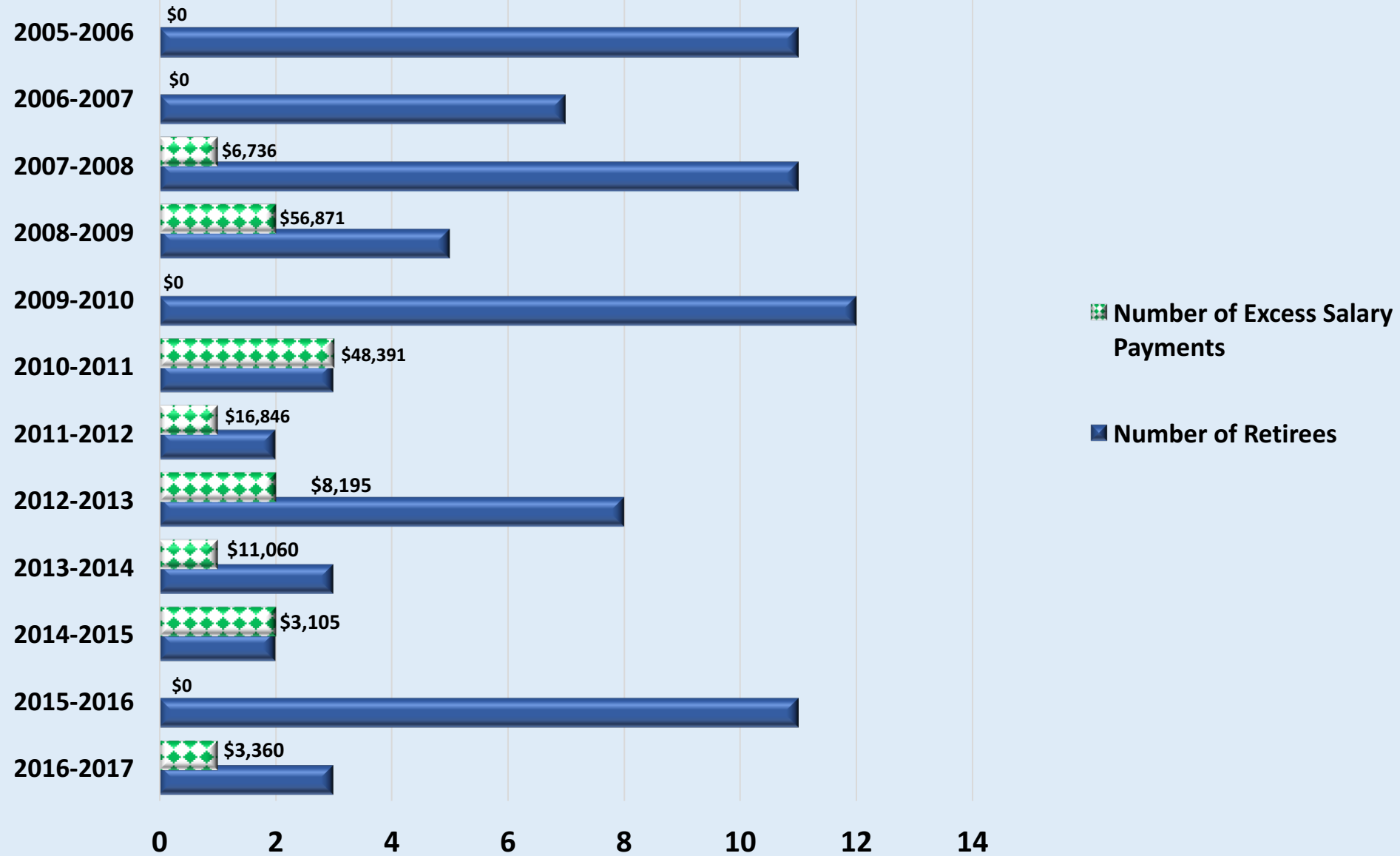
Teacher contract has a 5% limit on salary increases prior to retirement

- ❖ 1% more than non-retiring teachers earn
- ❖ Leaves 1% cushion before reaching the 6% TRS limit
- ❖ Encourages teachers to seek approval for retirement 5 years in advance

How could an Excess TRS Salary Payment happen?

1. A teacher earns more than 6% in a year, then decides to retire with less than 4 years notice.
2. A teacher has a 5 year retirement plan, but retires unexpectedly. The new pension calculations could include earnings before the retirement plan began.
3. A teacher resigns and doesn't take another teaching position. They retire years later, but the former D39 salary increases are considered.

D39 TRS Total Retirees and Excess Salary Payments



Why are excess salary payments uncommon?

1. Since 2013 teacher contracts have 5% incentive for a 5 year retirement plan
2. Teachers with retirement plans can still earn an extra 1% without triggering an Excess Salary Payment
3. Educational advancements primarily occur early in a career