

FACT SHEET

Implication of TRS Excess Salary Payments

September 7, 2018, School District U-46

The one-year extension to the 2017-18 Agreement expired on August 10, 2018.

The tentative agreement reached by ETA and the Board in May was rejected by membership on May 24, 2018. In summary that TA provided:

- 3-year agreement
- Almost \$23 million in additional compensation over the 3-year agreement
- Average salary increase of 4.0%
- Starting salary increased to \$50,000 for first-year teachers
- Salary increases for advanced education hours
- Salary increases for longevity

The Board of Education has decided to withhold step increases pending negotiations on a successor agreement. Lane changes (credit for advancing degrees) will be honored.

The Board's decision to withhold step does not mean teachers will not receive a pay increase. The Board is working to minimize potential "excess salary payments" to the Teachers Retirement System while we work to return to the bargaining table with the ETA.

Any salary increases agreed to by the Board and the ETA in a successor agreement will be honored this school year.

IMPLICATION OF 3 PERCENT TRS CAP

On June 3rd, Governor Rauner signed into law the budget for FY2019. Contained in the implementation bill was a cap of 3% on Teacher Retirement System pensions.

Despite current contracts that seek to minimize "excess salary payments" to TRS when the cap was 6%, U-46 continues to incur some payments that the public usually refer to as "penalties."

<https://www.dailyherald.com/news/20180613/suburban-school-districts-pay-penalties-for-giving-raises-over-6-percent->

If step were awarded, 549 teacher FTEs would receive an increase over 3% as follows:

Percent Increase	Number of Teachers
3.01%	82.3
3.10%	65
3.20%	56
3.31%	52
3.42%	46
3.54%	55
3.67%	50
3.82%	35.6
3.96%	1
3.97%	33
4.01%	0.2
4.13%	32
4.31%	39
4.50%	2
	549.1

The step increases do not include other increases in earnings a teacher may receive for lane changes (awarded based on additional college credit), coaching, supervising students, and other work for which a teacher would receive a stipend.

Based on actuarial data, we estimate the District would owe Teachers Retirement System \$14 for every \$1 that exceeds the 3% cap if that salary year was used in the calculation for a teacher's retirement.

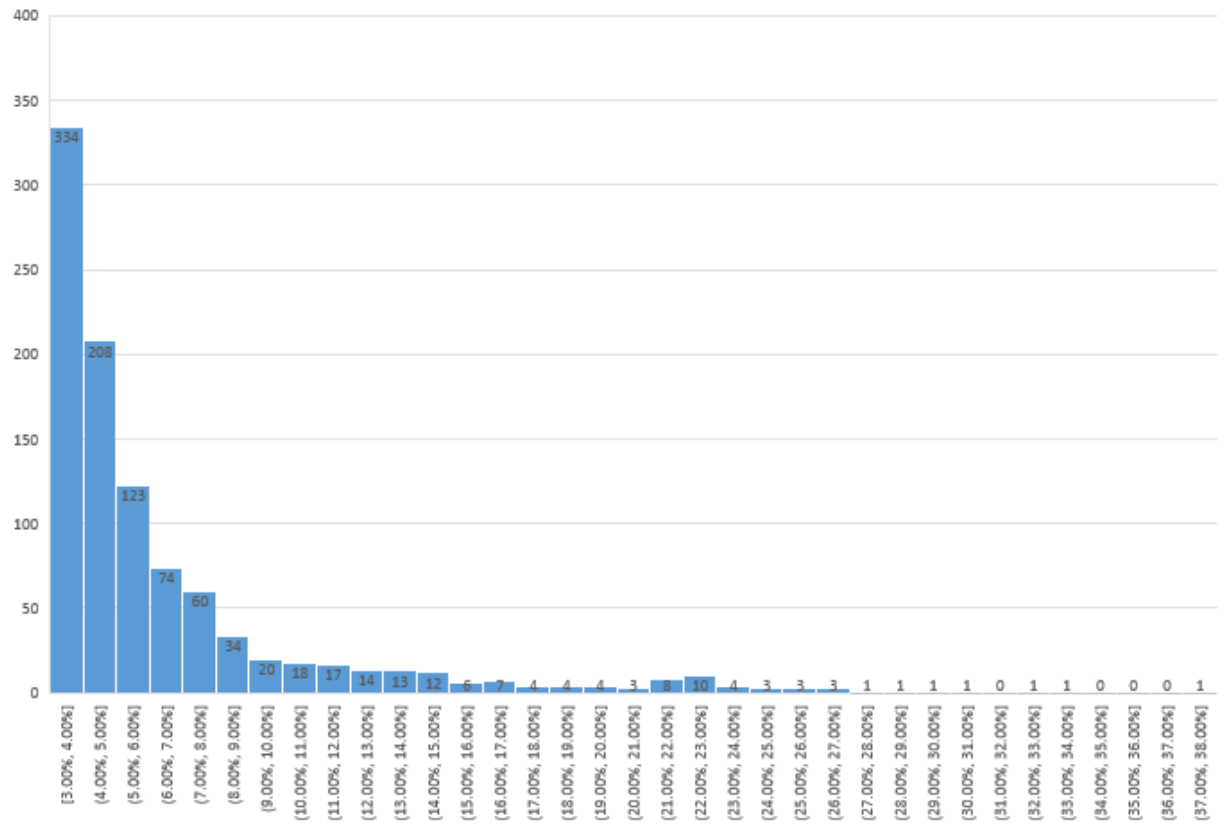
Just the 549 FTE with a step increase over 3%, the minimum excess salary payment to TRS would total over \$1.8 million in excess salary payments for step alone.

Based on past experience, the district would need to set aside between \$7 million and \$10 million annually in future years to cover excess salary payments under our current salary structure.

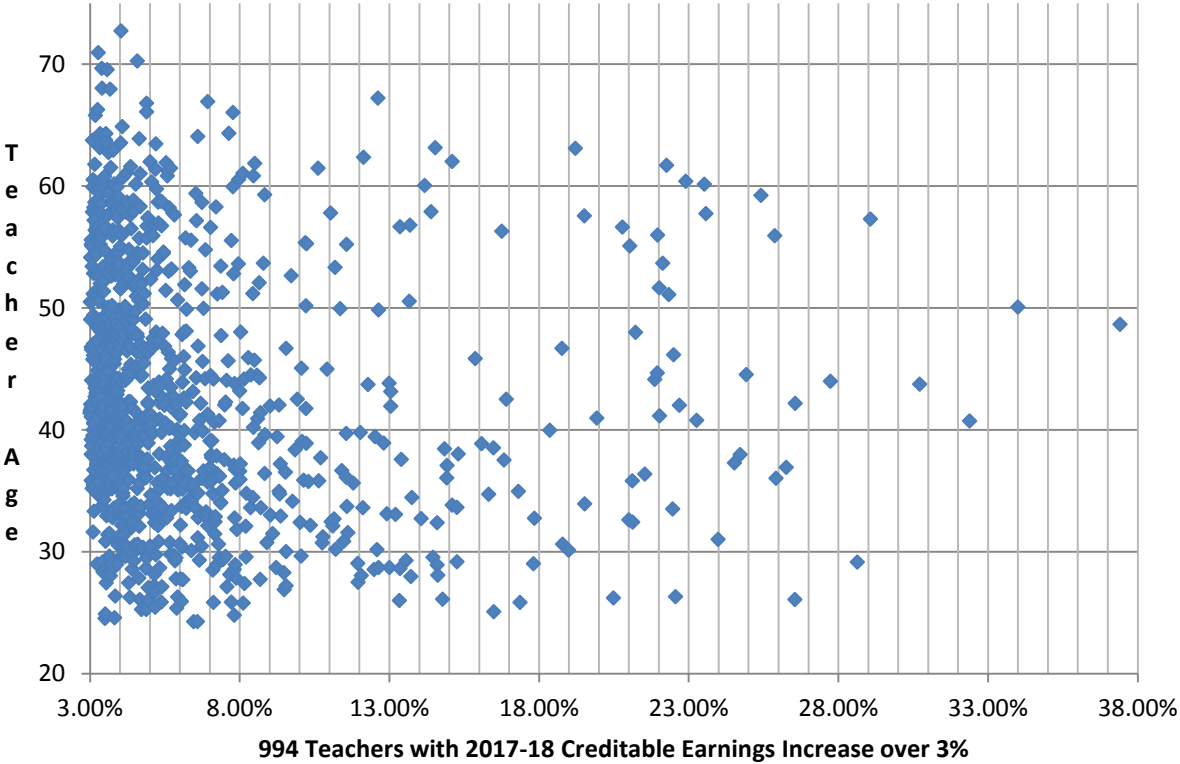
Teachers can choose to "retire" at any time so long as they are vested in the pension system. In other words, excess salary payments can be incurred regardless of a teacher's age. A 35-year old teacher may choose to leave the State of Illinois to teach, then retire at 55 from TRS with penalties incurred for pay increases used in the retirement calculations from when they were 35.

994 of our nearly 2,500 U-46 teachers had creditable earnings increases that exceeded 3% and went as high as 37% last school year when you include step, lane, stipends and extra work (including "overloads" for teaching an additional class). The exposure for just last year considering the 3% cap would be \$10.2 million in potential excess salary payments.

FY18 Teacher Increases Over 3%



Teachers with Increases Over 3% in FY18



2018 Salary Schedule

2018 Salary Schedule										
0.00%	Base Increase from Active ETA Worksheet									
42,805	1	2	3	4	5	6	7	8	9	10
Step	BA	BA +8	BA +16	BA +24	MA	MA +8	MA +16	MA +24	MA +32	MA +40
1	42,805	44,731	46,657	48,584	50,510	52,436	54,362	56,289	58,215	60,141
2	44,731	46,657	48,584	50,510	52,436	54,362	56,289	58,215	60,141	62,067
3	46,657	48,584	50,510	52,436	54,362	56,289	58,215	60,141	62,067	63,993
4	48,584	50,510	52,436	54,362	56,289	58,215	60,141	62,067	63,993	65,920
5	50,510	52,436	54,362	56,289	58,215	60,141	62,067	63,993	65,920	67,846
6	52,436	54,362	56,289	58,215	60,141	62,067	63,993	65,920	67,846	69,772
7	54,362	56,289	58,215	60,141	62,067	63,993	65,920	67,846	69,772	71,698
8	56,289	58,215	60,141	62,067	63,993	65,920	67,846	69,772	71,698	73,625
9	58,215	60,141	62,067	63,993	65,920	67,846	69,772	71,698	73,625	75,551
10	60,141	62,067	63,993	65,920	67,846	69,772	71,698	73,625	75,551	77,477
11	62,067	63,993	65,920	67,846	69,772	71,698	73,625	75,551	77,477	79,403
12	63,993	65,920	67,846	69,772	71,698	73,625	75,551	77,477	79,403	81,329
13	65,920	67,846	69,772	71,698	73,625	75,551	77,477	79,403	81,329	83,256
14	65,920	69,772	71,698	73,625	75,551	77,477	79,403	81,329	83,256	85,182
15	65,920	69,772	71,698	75,551	77,477	79,403	81,329	83,256	85,182	87,108
16	65,920	69,772	71,698	75,551	79,403	81,329	83,256	85,182	87,108	89,034
17	65,920	69,772	71,698	75,551	79,403	83,256	85,182	87,108	89,034	90,961
18	66,579	70,470	72,415	76,307	80,197	84,088	86,034	87,979	89,925	91,870
19	67,245	71,174	73,140	77,070	80,999	84,929	86,894	88,859	90,824	92,789
20	67,917	71,886	73,871	77,841	81,809	85,778	87,763	89,747	91,732	93,717
21	68,596	72,605	74,610	78,619	82,627	86,636	88,641	90,645	92,649	94,654
22	69,282	73,331	75,356	79,405	83,453	87,502	89,527	91,551	93,576	95,601
23	69,975	74,064	76,109	80,199	84,287	88,377	90,423	92,467	94,512	96,557
24	70,675	74,805	76,870	81,001	85,130	89,261	91,327	93,391	95,457	97,522
25	71,382	75,553	77,639	81,811	85,982	90,154	92,240	94,325	96,411	98,497
26	72,095	76,308	78,415	82,629	86,842	91,055	93,162	95,269	97,375	99,482
27	72,816	77,072	79,200	83,456	87,710	91,966	94,094	96,221	98,349	100,477
28	73,545	77,842	79,992	84,290	88,587	92,886	95,035	97,183	99,333	101,482
29	74,280	78,621	80,792	85,133	89,473	93,814	95,985	98,155	100,326	102,497
30	75,023	79,407	81,599	85,984	90,368	94,753	96,945	99,137	101,329	103,522
31	75,773	80,201	82,415	86,844	91,271	95,700	97,915	100,128	102,343	104,557